

FROM PLAN TO PRACTICE:
IMPLEMENTING SB 617, CALIFORNIA'S REGULATORY REVIEW REFORM

A Thesis

Presented to the faculty of the Department of Public Policy and Administration
California State University, Sacramento

Submitted in partial satisfaction of
the requirements for the degree of

MASTER OF PUBLIC POLICY AND ADMINISTRATION

by

Angela K. Marin

SPRING
2013

© 2013

Angela K. Marin

ALL RIGHTS RESERVED

FROM PLAN TO PRACTICE:
IMPLEMENTING SB 617, CALIFORNIA'S REGULATORY REVIEW REFORM

A Thesis

by

Angela K. Marin

Approved by:

_____, Committee Chair
Edward L. Lascher, Jr., Ph.D.

_____, Second Reader
Peter M. Detwiler, M.A.

Date

Student: Angela K. Marin

I certify that this student has met the requirements for format contained in the University format manual, and that this thesis is suitable for shelving in the Library and credit is to be awarded for the thesis.

_____, Department Chair _____
Robert W. Wassmer, Ph.D. Date

Department of Public Policy and Administration

Abstract
of
FROM PLAN TO PRACTICE:
IMPLEMENTING SB 617, CALIFORNIA’S REGULATORY REVIEW REFORM
by
Angela K. Marin

SB 617 (Calderon & Pavley, 2011) is an ambitious experiment to improve state regulations and increase government transparency. The statute reforms California’s regulatory review process by making the executive review of regulations more robust and adding requirements to the Administrative Procedures Act (APA). The policy directive mandates many new activities on state institutions and it is uncertain how SB 617 will develop from plan to practice.

This thesis looked inside the “black box” of the SB 617 implementation process and unraveled agencies’ early attempts to implement SB 617 by looking at the activities of 10 regulatory agencies and evaluating eight factors. My interviews with implementers were the primary source of data, and public records provided supplemental information. I developed a comprehensive analytical framework to evaluate the ability of the statute to influence the implementation process from the top, and assessed how some factors influence implementation at the ground level. I selected three statutory and five non-statutory variables to analyze the data.

I found key differences between the agencies implementing the SB 617 requirements for “non-major” and “major” regulations. State agencies with “non-major” regulations have implemented with guidance and training from the Office of Administrative Law. In contrast,

agencies continue to struggle with implementing the new law's requirements for "major" regulations, waiting for policy guidance from the Department of Finance. I also found extreme variance in the size of regulatory agencies implementing SB 617 and that most regulatory agencies share rulemaking activities among different types of bureaucrats. I observed that agency characteristics related to agency size, having dedicated units to develop regulatory packages, or the degree to which regulation is the primary function of agencies did not affect the implementation process.

To increase the probability of success for SB 617, policymakers should focus on the Department of Finance's implementation process, continue to monitor regulatory agencies' activities, and ensure that all implementing agencies have the resources and capacity to implement. Additionally, when devising other overarching policies and to increase policy design and implementation effectiveness in the state, policymakers should 1) design clear statutes that separate implementation activities, 2) listen to the "street-level" perspective, and 3) combine macro and micro approaches to policymaking.

_____, Committee Chair
Edward L. Lascher, Jr., Ph.D.

Date

ACKNOWLEDGEMENTS

I would like to thank my mother for her love, encouragement, and support through graduate school and my other life endeavors. Thank you to my brother, whose love for California encouraged me to pursue a career in public service.

I would like to thank my thesis whisperers Ted Lascher and Peter Detwiler for their mentorship and wisdom through the development of my research. Their admirable commitment to their students and their work has taught me skills I will cherish and apply beyond my college career. Also, thank you Rob, Mary, and the entire PPA community for the invaluable academic, professional, and life guidance. I could not have asked for a more outstanding Master's program to further my education. Through the PPA program I found close friends and wonderful relationships that I know will last a lifetime.

Lastly, I would like to thank the many public officials, legislative staffers, and “street-level bureaucrats” that helped my study. Without their willingness to answer questions, this thesis would not have been possible.

TABLE OF CONTENTS

	Page
Acknowledgements.....	vii
List of Tables	xi
List of Figures	xii
 Chapter	
1. INTRODUCTION	1
Politics and Legislative Expectations	3
California’s Regulatory Context	5
How Does SB 617 Change the Regulatory Review Process?	7
SB 617 as a Case Study	10
Thesis Organization	11
2. LITERATURE REVIEW	13
Regulatory Review: Political Control Through Procedures	13
Do Procedures Affect Regulatory Outputs?	17
Going Beyond the Regulatory Review Literature	18
Implementation Literature	19
Contextual Background	19
The Evolution of Implementation Research	20
Top-Down, Bottom-Up Models, and Balancing Both Approaches.....	22
Variable Identification	26
Statutory Variables	26
Non-Statutory Variables	28

Concluding Thoughts.....	28
3. METHODS	34
Rationale for Interview Approach	35
General Information on the Interviews	35
Supplemental Data	36
Research Sample Frame.....	37
Interviews as a Measurement Tool	38
Variable Construction	40
Data Analysis Method	43
Possible Limitations to Methodology	44
Chapter Summary	45
4. DATA & VARIABLE ANALYSIS RESULTS	46
Findings about the Interviews.....	46
Analyzing the Variables.....	47
Statutory Variables	48
Non-Statutory Variables	50
Chapter Summary	57
5. MAJOR FINDINGS GROUNDED IN THEORY	59
Revisiting the Research Question.....	59
A “Multi-Layer Problem” Results in Implementation Uncertainty.....	61
SB 617 as a Mechanism of Political Control.....	63
Chapter Summary	67

6. CONCLUSION.....	68
Considerations for Policymakers	68
Increasing the Probability of Success for SB 617.....	68
Design Clear Statutes that Positively Influence Implementation Outcomes..	70
Listen to the “Street-Level”	71
Combine Macro and Micro Perspectives.....	72
Possible Research Limitations	73
Opportunities for Future Research.....	74
Appendix A. Research Interview Questions	76
Appendix B. Research Consent Form.....	77
Appendix C. Agencies, Data Sources, and Descriptive Information.....	79
Appendix D. APA Related Legislation Introduced as of April 22, 2013	80
References.....	81

LIST OF TABLES

Tables	Page
Table 3.1 Summary of Interview Questions.....	39
Table 4.1 Analysis of Three SB 617 Statutory Variables.....	50

LIST OF FIGURES

Figures	Page
Figure 3.1 SB 617 Implementation Model.....	40

Chapter 1

INTRODUCTION

Amid much fanfare, on October 5, 2011, Governor Edmund G. Brown Jr. signed a regulatory reform measure Senate Bill 617 (Pavley and Calderon, Chapter 496, Statutes of 2011) into law. Two prominent Senate Democrats authored SB 617, the bill enjoyed bipartisan support from both of California's legislative bodies, and some of the most influential industry groups in California urged the Governor's signature. The media publicized the bill as a pro-business piece of legislation to lessen the problems of "overly burdensome regulations" that stifle economic growth in the state (StudioCityPatch, 2011). The legislature announced the signing of SB 617 at a press conference in conjunction with AB 29 (Perez), which established the Governor's Office of Business and Economic Development (GOBiz), as part of an encompassing effort to change the regulatory culture in state government. Legislative staff described SB 617 as an important bill that seeks to professionalize state operations, and improve the regulatory review process to provide a better foundation for future regulations (May, 2011). People involved in drafting the statute at the State Capitol say that SB 617 required a collaborative effort that resulted in a landmark piece of legislation reflecting a compromise by both parties and stakeholders (K. Cooley & B. Craven, personal communication, August 3, 2012). After the festivities of the regulatory reform triumph dissipated, one question remains: how will SB 617 work from plan to practice?

SB 617 reforms the regulatory review process in the state, directs regulatory agencies to perform a more rigorous evaluation of regulatory impacts on Californians and the economy, and mandates agencies to implement internal accounting controls similar to those required by the Federal government on corporations. From plan to practice this legislation requires regulatory agencies to implement changes in operations to comply with state law. It is not clear what

changes are required to implement the bill or how these changes will come about. The politics fueling legislation and policy development, and the outcomes of statutory changes often receive most of the attention in the political arena and academia, neglecting the implementation phase of the policymaking process. The disregard for the implementation process of legislative mandates is understandable, as this process is not as exciting and clearly defined as legislative battles for solutions to society's problems, or judging the outcomes of policy decisions. Policymakers seldom consider the "black box" that is the implementation process, leaving many opportunities for policy design, program evaluation, and institutional learning untapped. Policy put into practice is not as easy as prescribing requirements on paper, thus understanding what the implementation legislative mandates entail and the effects of policies on government institutions, provides important insights to the public policy and public administration fields.

This thesis seeks to answer the question: How are California's regulatory agencies implementing the regulatory review changes required by SB 617? By focusing on the language in SB 617 that amends the regulatory review procedure in the state, this study evaluates the SB 617 implementation process at 10 rulemaking agencies in California. Through interviews with agency employees involved in the implementation of SB 617, I analyze regulatory agencies' activities and the factors affecting the implementation process. Additionally, with this case study I attempt to determine the most common barriers that hinder and the positive factors that promote the implementation of legislative mandates such as SB 617. This study is a midpoint evaluation from the passage of SB 617 in late 2011 to the required implementation dates, which will update state legislators about implementation activities and provide information on how to adjust these activities to meet the intent of the legislation. This research will also serve to inform state policymakers on the agencies' perspective when implementing legislative mandates and the

factors decision makers should consider when devising similar overarching policy changes, to improve policy design and implementation processes in the state.

As Hjern (1982) noted, implementation processes intend to translate “societal aspirations” into the “efficient and effective realization” of policy objectives (p. 302). Therefore, studying the implementation of legislative mandates such as SB 617 provide a glimpse into the “black box” where expectations and resources transform into the administration of policies seeking to enhance the lives of Californians, and protect the state’s resources and economy.

Politics and Legislative Expectations

SB 617 sailed through the Assembly and Senate with virtually no opposition from interest groups. Public records confirm that just one week before the 2011 California legislative session ended, the authors of SB 617 significantly amended the bill, the bill made it through three policy committees with broad support, and cleared other procedural requirements (California Legislative Information, 2011a). The authors also amended the bill once more before the end of session. The last two versions of SB 617 added the regulatory review reform provisions to a bill previously only related to internal fiscal accounting controls. There is no publicly available fiscal assessment from the Department of Finance (DOF) on the costs to state government for these last two versions of SB 617 and the addition of the regulatory reform provisions. Through an abnormal legislative process, the legislature hastily approved the most significant requirements of SB 617, giving the public the perception that the regulatory reform provisions of the bill received little scrutiny, a view that may have profound consequences for California’s institutions. Nevertheless, SB 617 stakeholders report a collaborative approach to the policy development process including all interested parties. Staff from the offices of Senators Calderon (D-Montebello), Pavley (D- Agoura Hills), and Senate President pro Tempore Steinberg (D-Sacramento), worked together for months before the authors presented the most substantial

regulatory review amendments to the bill in the legislature, to increase business' and Republican support for the measure.

State legislatures have recently considered and implemented regulatory review reforms prompted by public interest on how state regulatory agencies develop policies, and the impacts of those agency decisions on the economy (Schwartz, 2010). A study by the Institute for Policy Integrity in 2010 of 52 regulatory review structures (50 states plus Washington D.C. and Puerto Rico) reported that based on 15 regulatory review principles, most state regulatory review procedures need reform. On a grading system from A to D-, only Iowa received a B+, the highest grade among the 52 systems studied, and 15 states received the most frequently awarded grade, a D+. California received a D based on the study's principles reflecting a deficient overall review structure in the state and lack of periodic review of regulations and analytical requirements in the rulemaking process (Schwartz, 2010).

Public records describe that with SB 617 the legislature intended to improve the regulatory environment in California by mandating regulatory review reforms that would result in more thoughtful and informed rulemaking (Donahue, 2011). The legislature directed procedural changes to regulatory review as a form of additional oversight of rulemaking activities, for the end goal of making regulations consistent with the legislative priorities of job creation, economic growth, and a more professional regulatory review process. The politics surrounding the perception of an overly burdensome regulatory environment in California may have provided the impetus or "policy window" for SB 617. However, the disconcerting outcomes of evaluations of California's regulatory review system by the Institute for Policy Integrity and a report by the Little Hoover Commission (LHC) indicate that the subject of regulatory review was ripe for legislative action. Thus, the expectations are high for state institutions to rise to the challenge of developing regulations that are more thorough under a more comprehensive regulatory review

system. Given its position as the ninth-largest economy of the world and the most populous state in the nation, California has a vast regulatory scope and faces unique challenges when it comes to regulatory review (Legislative Analyst Office, 2013).

California's Regulatory Context

Through the delegation of authority by the legislative branch, rulemaking agencies enact regulations to create or limit Californians' rights and responsibilities. From regulating harmful air emissions and water quality threats, to imposing rules to help restrain conflicts of interest and abusive practices, California regulatory agencies have enormous power over nearly every aspect of society. The Golden State, home to almost 39 million people, has some of the most stringent and landmark regulations in the United States, such as gun ownership restrictions, and rules that modify the structure of the market economy by mandating certain practices and prohibiting others. By regulating behavior, legislative mandates and subsequent regulatory actions impose costs on the economy. Some criticize the regulatory review process in California for favoring regulations that are out of touch with the state's needs and are overly burdensome to private citizens. Some regulated industries, state legislators, and members of the public argue that state agencies often pursue their missions in isolation from the economic realities faced by the state, and the public perceives regulatory action as wasteful bureaucratic maneuvering that hinders job creation and imposes barriers to economic development.

On the other hand, advocates and interest groups argue that California's complex society requires rigorous regulations that protect the common good by restricting individual behavior and guarding the state's diverse and sensitive environment. Regulations also fulfill larger policy goals and promote economic growth, for example through rules that provide incentives for technological innovation. Additionally, implementing a sound and coordinated regulatory review system in California is challenging given the state's large population, intricate economy, and

diversity among its regulatory agencies. Interpreting legislative expectations into practice, adhering to the many regulatory review requirements, and managing the many stakeholders, make a simple and standardized approach to rulemaking difficult.

The overall goal of regulatory review is to ensure that regulations and the regulatory process are efficient and effective. It is desirable to establish administrative procedures and assess the planned and unintended impacts of regulations through sound evaluative practices. In California the Administrative Procedure Act (APA) governs the adoption, amendment, or repeal of regulations by state agencies. The Office of Administrative Law (OAL), an organization of approximately 20 staff members, evaluates proposed regulatory packages to ensure rulemaking agencies have followed APA procedures, and that regulations are “clear, necessary, and legally valid” (OAL, n.d.). Regulatory agencies must comply with procedural requirements including 1) publishing proposed regulations with a supporting statement of reasons; 2) making public a notice of the proposed action 45 days before the mandated close of the public comment period; and 3) submitting a final statement of reasons to OAL that summarizes and responds to all public comments received during the public comment period including objections, recommendations, and alternatives to the proposed regulation (May, 2011).

During the regulatory process, the various requirements under the APA aid state agencies to fine-tune proposed rules and provide information to the public on the agencies’ regulatory development process. Among other things, the APA requires state agencies to document evidence supporting proposed regulatory actions such as information on agencies’ consideration of alternatives, and whether and to what extent the proposed regulation will affect jobs and businesses in California (May, 2011). OAL is responsible for reviewing compliance with the APA for regulations proposed by nearly 200 state agencies, approving or rejecting the proposed regulation within 30 days, and ensuring that final regulations are added to the California Code of

Regulations (OAL, n.d.). Additionally, agencies must include an Economic and Fiscal Impact Statement form (STD. 399) in regulatory packages containing a regulatory fiscal evaluation and an economic impact evaluation guided by the State Administrative Manual (SAM), except under the APA agencies must only complete the fiscal statement (LHC, 2011). A 1997 executive order requires agencies to also submit STD. 399 forms to DOF for review. OAL does not have the authority to review the policies contained in proposed regulatory packages or to evaluate the process by which agencies develop economic impact assessments; OAL only checks and approves regulations based on their adherence to APA procedures.

In report from October 2011, the Little Hoover Commission (LHC) observed that the current approach to rulemaking in the state is “uneven, lacks coordination, and...the kind of thorough oversight that ensures efficiency and accountability” (LHC, 2011, p. i). The report concluded that the guidelines and procedures for regulatory economic impact assessments are deficient, DOF only evaluates STD. 399 forms regarding state budget impacts and not economic impacts, and DOF rarely contests the forms (LHC, 2011). The LHC report recommended implementing regulatory improvements including an encompassing cost-benefit assessment of proposed regulations, better guidelines and a more rigorous economic analysis standard for agencies proposing “major” regulations, and creating a separate oversight body that would review economic impact assessments of proposed regulations. The legislature was debating and developing SB 617 when the LHC released the report. The statute embodies four of five recommendations by the LHC, but it is uncertain if the report served as an impetus or a basis for the bill that made it to the Governor’s desk.

How Does SB 617 Change the Regulatory Review Process?

SB 617 attempts to improve California’s regulatory review process by reforming the APA and imposing several new requirements on regulatory agencies when adopting, amending,

or repealing a regulation. The bill contains other “good government” provisions consisting of directives related to internal fiscal accounting controls for public agencies similar to the Federal government’s requirements for corporate accounting and administrative controls enacted by the Sarbanes-Oxley Act of 2002 or the “Corporate and Auditing Accountability and Responsibility Act” (K. Cooley, personal communication, August 3, 2012).

This thesis focuses on the regulatory review provisions of SB 617 (bill sections 1-10) (Official California Legislative Information, 2011b). SB 617 requires different levels of regulatory review for two types of regulations: “major” regulations or those that will have an impact on California businesses and individuals exceeding \$50 million, as estimated by the agency, and “non-major” regulations which are all other regulations. If proposing a “non-major” regulation, agencies must have implemented some reforms by January 1, 2012, and must implement other requirements by January 1, 2014. Regulatory agencies promulgating a “major” regulation must implement the new provisions on or after November 1, 2013. SB 617 reforms the regulatory review process by:

- 1) Requiring all regulatory agencies to implement a more stringent economic impact analysis when adopting, amending, or repealing a regulation, including describing monetary and nonmonetary benefits,
- 2) Defining “major” regulation and imposing additional impact analysis requirements to agencies proposing “major” regulations,
- 3) Expanding the guidelines for all regulatory agencies to assess regulatory alternatives, and adding requirements to avoid duplication and inconsistency of rules,
- 4) Requiring DOF to adopt regulations for conducting a standardized economic impact analysis prior to November 1, 2013, for regulatory agencies to apply to “major”

regulations after that date, and monitoring and reporting agency compliance with that standard to the legislature, and,

- 5) Authorizing OAL to return regulatory packages to the proposing regulatory agency as the exclusive remedy for noncompliance with the new standards, and requesting OAL's recommendations to the legislature on how to improve agency performance.

Additionally, SB 617 provides no new appropriations to implement the bill. The legislature did not provide new funding or personnel to DOF, OAL, or regulatory agencies to implement the new requirements.

The regulatory reforms by SB 617 affect policy development and impose a more rigorous review of regulations compared to the current review process. SB 617 demands a change in current operations for regulatory agencies and requires new coordination activities between DOF, OAL, and the implementing agencies. The almost 200 implementing regulatory agencies have different levels of staffing and expertise, a diverse combination of organizational features, and very distinct missions, which may introduce great variability on the resources and level of capacity building agencies require to implement SB 617. Some regulatory bodies may see increased workloads to meet the new APA requirements and may require additional capacity to analyze economic impacts, perform technical economic forecasting, or may need more funding to make organizational and personnel changes. The degree of change required by SB 617 on agencies may vary because a higher level of regulatory review may mean slight operating changes to some agencies, while others may have to make significant upgrades to their current rulemaking practices. This thesis seeks to shed a light on how and if this distinctiveness among implementing agencies matters. SB 617 also requires a higher level of review from DOF and OAL involving additional coordinating, monitoring, and analysis tasks for these two organizations. The bill directs DOF to set a standard for economic impact analysis, and monitor

and review agencies application of that standard. SB 617 requires OAL to provide additional oversight on the regulatory review process. DOF and OAL will perform functions outside the analytical scope of this thesis, but relevant to the discussion of how these functions affect the implementation process of regulatory agencies.

At the time this thesis commenced, it was uncertain how agencies promulgating “non major” regulations since January 1, 2012, had adapted to the changes already required by SB 617, and how agencies were preparing to adjust to the additional requirements in effect on January 1, 2014. DOF must adopt regulations for a standardized regulatory economic impact analysis before November 1, 2013, for agencies proposing “major” regulations to implement. DOF will undergo a formal APA regulatory development process, an activity DOF has never undertaken before, and it is unclear if DOF will finalize its impact analysis rules by the November deadline. Although DOF made draft regulations for standard impact analyses publicly available on March 27, 2013, it is unclear how agencies are preparing to implement the more stringent “major” regulation requirements. DOF’s draft regulations may provide some guidance for agencies in the “major” regulation group to prepare, however it is uncertain if and how the rules as presented by DOF will change, thus providing little confidence to regulatory agencies. It is also uncertain if agencies promulgating “major” regulations in the coming months are engaged in consultations with DOF, or if agencies are already using the draft standard for impact analyses as proposed by DOF to develop regulatory packages.

SB 617 as a Case Study

The most practical implementation research has taken a case study approach to analyze a sequence of events and determine cause and consequences (Elmore, 1979). Case studies have also examined a “single unit with an aim to generalize across a larger set of units” (Gerring, 2004, p. 341). I choose to analyze SB 617 as an implementation case study to look into the

implementation process from the agencies' perspective and draw conclusions on the factors that influence agencies' activities. With this research, I attempt to infer conclusions that can help the implementation process of other legislative mandates in California that may exhibit a similar political context and variables as SB 617. This research also describes the process by which a policies move from its formulation stage towards implementation, thus informing the "policy loop" and contributing to institutional learning. Implementation research is difficult to place in a neat analytical model and generalize to other cases due to the variation of the context and type of policy or legislative directive. However, at minimum, this research helps to inform the actors who have a stake in the implementation of SB 617 about the activities of regulatory agencies in the application of this particular legislative mandate.

Thesis Organization

I organize this thesis as follows: This chapter described why my research is important, the SB 617 requirements on implementing agencies, and the regulatory context in the state. In chapter two I present a limited overview of the regulatory review literature and a more extensive review of the policy implementation literature, to inform this thesis' framework of analysis. In chapter three I outline the methodology for collecting and analyzing my data. I gathered data from interviews with implementers and public records to study 10 of California's rulemaking agencies and analyzed the implementation process by evaluating eight variables. I present the results of my data collection efforts and my variable analysis in chapter four. In chapter five I revisit my research questions, discuss my major findings, and construct generalizations to inform how theory applies to the SB 617 case study. Finally, I conclude this thesis in chapter six where I provide considerations for policymakers to help implementing agencies achieve the legislative objectives in SB 617, and suggest factors to consider to increase policy design and

implementation effectiveness in the state. In this final chapter I also address the possible limitations of this study and present suggestions for future research.

Chapter 2

LITERATURE REVIEW

In this chapter I present a brief overview of the regulatory review literature to understand how procedural controls affect the regulatory process and explore the nature of the relationship between political leaders and bureaucracies. I also offer a more extensive review of the implementation literature to review the theoretical foundations and frameworks for analysis, and identify the variables that may influence the implementation of SB 617. I was unable to find research on the specific subject of implementation of regulatory procedures, therefore to bring a comprehensive theoretical foundation to this thesis, I present the regulatory review and policy implementation literature separately.

Regulatory Review: Political Control Through Procedures

The literature defines regulatory review as legislative and executive branches' controls on the rulemaking discretion delegated to administrative agencies (Schwartz, 2010). These controls include requirements for regulatory impact analyses, administrative procedures, and formal executive and legislative review of rulemaking (Shapiro & Borie-Holtz, 2011). Impact analyses can vary from guidelines for agencies to evaluate policy costs, to prescriptive directives to quantify "all the direct and indirect costs and benefits" of regulations (Schwartz, 2010, p. 12). Executive and legislative oversight ranges from requirements for rulemaking notification to mandatory approval. Subgroups such as executive bureaus or legislative committees often enforce these practices (Schwartz, 2010).

The literature on regulatory review procedures has mainly studied the federal rulemaking process to explain how elected officials (Congress and the president) influence unelected bureaucrats' decisions, with a few recent studies focusing on state procedures. The federal government uses economic analysis and executive review by the Office of Management and

Budget (OMB) to oversee policy implementation (Little Hoover Commission (LHC), 2011).

Some of the theories developed at the federal level apply to state processes and help explain the role of political controls in defining the relationships between elected officials and regulatory agencies and how controls affect policy outcomes.

The study of procedural controls and the relationship between central policymakers and regulatory agencies focuses on the general uncertainty surrounding agencies' authority to implement policy mandates. Cited by Lupia and McCubbins (1994), Max Weber argued that legislatures, by delegating authority to bureaucracies, abdicate their policy making power to bureaus which tend to keep their intentions and knowledge secret (p. 2). The role of procedural controls is thus to "manage" agencies by building transparency and compliance into agency decision-making. Seminal authors McCubbins, Noll, and Weingast (1987) (commonly known as McNollgast) explained that the association between central policymakers and bureaucracies is characterized by a principal-agent problem, where the central policymaking body is the principal "in an agency relationship with an executive bureau" (p. 247). The principal must ensure that the delegation of authority to the agent is beneficial and that the bureaucracy diligently carries out legislative objectives. Lupia (1994) noted that through institutional design, institutional learning and assigning a role to third party verifiers, legislators can increase bureaucratic accountability and mitigate the problems found in delegating authority to bureaucracies. McNollgast (1987) contended that the best solutions to guarantee agency compliance are those that alter agency incentives, usually involving a mechanism for monitoring and a system of rewards and punishments. However, the authors emphasized that reward and punishments are costly for principals, and thus limit effectiveness for monitoring. Hearings, audits, budget reviews, agency appointments, and sanctions are examples of these types of solutions to principal-agent problems.

A third strategy to induce compliance is the application of administrative controls, such as California's APA process and the reforms in SB 617. McNollgast (1987) declared that administrative procedures induce bureaucratic compliance without the "time, effort, and resources of political actors" that monitoring, and incentives and sanctions require. Huber and Shipan (2002) also contended that procedural rather than policy details are the most significant way that Congress controls bureaucratic authority. Administrative procedures influence the context in which agencies make decisions thereby bounding agencies' discretionary authority. These procedures structure the "rules for agencies, sequences their activities, and regulates information collection and dissemination" (McNollgast, 1987). Michaelman and Stewart argued that administrative procedures also represent a fair, accountable, and rational process instead of one that is unjust and arbitrary (as cited in McNollgast, 1987, p. 244). Through procedures, political actors can also ensure that expert bureaucracies provide information to officials that is costly and time-consuming to acquire. For example under SB 617, bureaucracies must perform economic impact analyses and regulatory alternatives assessments, which provide technical information to policymakers and the public. Procedures build accountability into the regulatory process to prevent "runaway bureaucracies" from using the information asymmetry between policymakers and agencies to diverge from policy objectives, or inhibit "capture" by special interests (McNollgast, 1987).

An important point by McNollgast is that because implementing monitoring and enforcement mechanisms have a cost, and any procedure will only achieve its desired effect if its requirements are enforced, it is important to consider if the effort expended to command compliance is worth it. Elected officials simply do not enforce some procedural requirements because of resource limitations and thus imperfect compliance comes as a "cost of delegation" (McNollgast, 1987, p. 247). Delegation of authority therefore occurs when the gains from agency

expertise outweighs the costs of agencies gone astray (West, 1997). McNollgast (1987) also contended that administrative procedures alter the range of interests represented in the process and enfranchises groups opposed to agency regulatory policies, thus encouraging agency accountability by altering incentive structures. Instead, through procedural controls, elected officials ensure that future agency actions reflect their preferences by “stacking the deck” in favor of their interests (McNollgast, 1987, p. 261). Additionally McNollgast (1987) suggested that procedures transfer the responsibility for decisions from elected officials to agencies, reducing the ability for the public to allocate political accountability for policy outcomes.

Diverging from the McNollgast perspective, some authors have declared that the main theoretical foundations of the principal-agent model is faulty because it assumes that bureaus are self-interested and, if allowed, will deviate from the principal’s objectives (Spillane, Reiser, & Reimer, 2002; Brehm & Gates, 1997; Meier & O’Toole, 2006). Spillane, Reiser, and Reimer (2002) challenged the principal-agent tenets by arguing that bureaucratic activities do not always follow a rational approach, as agents “sense-making” or bureaucracies interpretation of policy directives depend on particular environments and individual’s beliefs. In an extensive study of bureaucratic behavior, Brehm and Gates (1997) found that bureaucrats work hard because of the nature of the jobs agencies recruit them to perform and the influence of their coworkers and the public, not because of coercion by superiors. Dahl wrote that the primary control of administrative behavior is the “inner-check” within organizations and the values held by bureaucrats (as cited in Meier & O’Toole, 2006). Meier & O’Toole (2006) argued that although the literature demonstrates agency actions correlate with political pressures, bureaucratic values are far more influential in explaining agency outputs than political controls.

Additionally, West (1997) refuted that administrative procedures are not a perfect means of control as contextual factors play an important role. Potoski (1999) found that although

procedures reduce uncertainty about how agencies perform policy activities, certain conditions allow politicians to grant agencies more autonomy and other contexts require stricter controls for agencies to be politically responsive. Bawn (1995) also observed that legislators often balance “deck-stacking” with the delegation of authority to agencies, to allow investigative and policymaking flexibility and agencies’ adjustment to complex policymaking environments. This wide variation of the contextual factors likely to influence the relationships between politics and bureaucratic units, has prevented the regulatory review literature from producing generalizable studies.

Do Procedures Affect Regulatory Outputs?

Some studies focused on political controls and the effect on regulatory outputs, and have challenged the idea that elected officials can influence outcomes through administrative procedures. Empirical studies at the federal rulemaking level indicate that particular mechanisms of administrative procedures such as notice and comment (West, 2004), economic analysis (Shapiro & Borie-Holtz, 2011), and executive review (Croley, 2003) only have an impact in particular circumstances, and do not have a generalized effect on agency decision-making. According to Shapiro and Borie-Holtz (2011) the effect of federal procedural controls on regulatory output is unsettled. These authors noted that “legislative review does not exist in a meaningful way at the federal level” so the literature does not include research on the topic (Shapiro & Borie-Holtz, 2011, p. 2). California also lacks formal legislative review but performs executive reviews through DOF’s evaluation of fiscal statements.

The limited literature on legislative review at the state level has tested different interactions between legislative review and regulatory outputs, offering mixed results. Ethridge (1984) found that stronger legislative committee review of agency activities reduces regulatory stringency and that smaller agencies were somewhat more likely to encounter objection than

larger departments. Hahn found little evidence that economic analysis and legislative review had improved regulatory outcomes, and a study by the Harvard Law Review noted that legislative review influenced agency decisions, resulting on changes in regulations (as cited in Shapiro and Borie-Holtz, 2011, p. 3). Based on their study of regulatory processes in 28 states, Shapiro and Borie-Holtz (2011) reported that regulatory procedures do not affect the number of rules adopted and thereby more procedures do not translate into fewer rules. The authors found that the procedural feature having the greatest effect, and that resulted in fewer regulations, was the requirement for agencies to complete rulemaking activities in a prescribed period of time. Interestingly, the authors observed that executive review deterred rulemaking only when the governor was a Republican, and states with Democratic majority legislatures promulgated more than double the amount of rules than Republican controlled legislatures (Shapiro & Borie-Holtz, 2011). These findings suggest that procedural controls do not significantly affect the amount of rulemaking, but politics matter greatly. The authors admitted that the focus on the amount of regulations to measure procedural effects on policy can be misleading and that an examination of regulatory substance would be more valuable, but declared their method appropriate because the public and political rhetoric often equates the number of regulations with regulatory stringency. This assertion is lacking given the wide spectrum of subjects, rigor, and impacts of regulations, and thus “more” or “less” regulations are subjective terms. However, the lack of data and the complexities of measuring “stringency” may prevent the use of this regulatory output for analysis.

Going Beyond the Regulatory Review Literature

The overview of the regulatory review literature clarifies the theoretical foundations of the use of procedural controls and helps explain the relationship between elected officials and bureaucracies. The literature generally assumes that agencies are predisposed to deviate from the legislature’s objectives. This focus of the regulatory review literature on reining in bureaucracies’

authority fails to discuss the challenges for agencies in applying procedural and other monitoring requirements imposed by policymakers. The literature on regulatory review does not explain agencies' perspective of applying procedural controls and bureaus' reasons for the perceived noncompliance with policy objectives. The focus of the literature on using political controls to prevent agencies "going rogue" lacks a bureaucratic perspective that would help explain the "black box" that is the implementation of policy directives. Accordingly, a review of the implementation literature follows.

Implementation Literature

Contextual Background

Policy implementation involves the application of a decision by expert bureaucracies, typically directed through statute but sometimes through executive orders or court decisions (Sabatier and Mazmanian, 1980). Implementation is the "black box" where bureaucracies mold societal aspirations into the realization of policy objectives. The policy implementation process is ambiguous, because it is a "problem-solving activity that involves behaviors that have both administrative and political content" (Goggin, 1986, p. 330). The implementation of some directives can also extend over long periods of time, as bureaucracies transform policy decisions into practice and policymakers, interest groups, and bureaucrats influence the process. The study of the implementation of legislative mandates, such as SB 617, provides a glimpse into a fundamental part of the policymaking process. The analysis of the application of policy directives is essential to understanding the factors that affect implementation processes and determine policy outcomes.

Implementation researchers recognize the important contributions to the literature of the political science and public administration disciplines and the connections between these fields (Goggin, 1986; Hjern, 1982; Schofield, 2001). Political science approaches look into the process

of implementation as influenced by institutional and process design, political systems, and actor behavior. Under this focus, policymakers and bureaucrats interact in a political environment that influences these actors, and institutional contexts constrain their activities. Public administration perspectives on the other hand, emphasize the application and interpretation of policy directives by the bureaucracies responsible for implementation activities. These administrators or “street-level bureaucrats” carryout an integral part of the policymaking process and the conditions under which they operate to implement policy directives matter greatly (Lipsky, 1980). Administrators are responsible for realizing policy goals while performing in a constrained organizational and procedural environment. Some scholars have contended that implementation research favors the study of “policy put into practice” from a public administration perspective by merging the politics in policymaking with the administrative activities of bureaucracies (Schofield, 2001; Hjern, 1982). Marrying the political science and public administration disciplines allows the formation of a method of analysis that provides different theoretical frameworks and links policies as designed by decision makers, with the “street-level bureaucrats” who must apply policy directives. This thesis relies on the approach by both fields to study the implementation of SB 617 and analyze how agencies are carrying out this policy directive.

The Evolution of Implementation Research

The study of implementation began in the late 1960s, and gained popularity after the authors Pressman and Wildavsky (1973) published a book describing the implementation of federal social programs in Oakland, California. Since then, a group of prolific scholars have attempted to understand the process of implementation, synthesize the literature to identify theoretical consensus and research gaps, and conceptualize the variables affecting implementation.

Early implementation research focused on case studies and highlighted the complexities and dynamism of the implementation process (Pressman and Wildavsky, 1973; Bardach, 1977). This research defined policy outcomes as the effect of deficient policy design and the consequence of bureaucratic noncompliance (Sarbaugh-Thompson and Zald, 1995). The research community criticized these first-era studies for being over-pessimistic because of their focus on cases of policy failure, simplifying the implementation process as a matter of policy success or failure, and for lacking practical models to help understand the process of implementation more universally, beyond a case-to-case basis (Schofield, 2001). Later studies emphasized comparing differences in implementation between two or more case studies to develop analytical frameworks to help understand the sources of policy outcomes, and established that cause and effect connections exist and result in particular outcomes (Goggin, 1990; Schofield, 2001). Sabatier and Mazmanian (1983) refuted these studies because they misjudge the ability for policy design to define the implementation process, and overlook the importance of the political and economic contextual nuances affecting policy implementation. Early implementation lessons are hard to duplicate because of the lack of practical frameworks that explain the effects of the many variables that distinguish the types of implementation outcomes.

More recent implementation research sought to overcome what Goggin (1986) called the “many variables/small N” problem because of the literature’s overreliance on small number of implementation case studies, the overwhelming amount of independent variables, and the factors that influence policy outcomes. To increase the probability of replication, implementation research moved to involve longitudinal studies that use multiple case studies and settings, and rely on diverse methodologies such as “network analysis, social experimentation, qualitative regression techniques, and elite interviews and questionnaires” (Schofield, 2001, p. 250).

The mostly theory-based implementation literature has identified a plethora of variables that may influence the application of policy directives, leading to an “overpopulation” of explanatory factors (Meier & O’Toole, 2006). Researchers also observed that the implementation literature is “long on description and short on prescription” because of the many efforts at describing the process and the lack of models that researchers can replicate and validate (Elmore, 1979, p. 601). Elmore (1979) observed that the literature’s focus on case studies have resulted on “fragmentary advice” preventing a generalizable framework for the study of implementation and further development of the field. The implementation literature has progressed slowly though the past 50 years, demonstrating the complexity of the research, and resulting in an unsettled field of study. However, the body of research offers useful methodological approaches. The following subsections 1) emphasize two general frameworks of study that pervade the progression of the literature, and 2) summarize the variables and other factors that help the analysis of the implementation of SB 617.

Top-Down, Bottom-Up Models, and Balancing Both Approaches

Two defined approaches to the study of implementation have permeated the evolution of the field. Top-down models indicated that elected officials or the top of the system can control policy implementation, and the decisions by political leaders shape the process, and accordingly determine policy outcomes (O’Toole, 2004). Emerging in later research, a bottom-up approach to implementation focused on the implementing actors operating at the “street level” and on the variables affecting implementation outcomes (Lipsky, 1980). Top-down and bottom-up models strongly differ on the empirical and theoretical approach to implementation and on the variables each approach emphasized. More recent implementation research balanced both approaches in an effort to develop more comprehensive frameworks that account for the ambiguity and variation inherent in the field.

Top-down models assumed that the implementation of governmental objectives follow a linear path from policymakers to implementing bureaucracies, and policy decisions are the result of purposed policy design. Similar to the arguments from the procedural controls research, under this view central governments exert hierarchical controls through policy decisions and delineate the expectations of implementation actors through the legal framework. For example, Sabatier and Mazmanian (1980) offered a model for implementation analysis that focuses on variables related to statutory characteristics and their effect on the application of policy directives by bureaucracies. This top-down model emphasized the ability of statute to structure the implementation process through policy directives, and on the ability of the legal framework to designate financial resources, procedures, and authority to implementing bureaucracies (Sabatier and Mazmanian, 1980). McFarlane (1992) applied Sabatier and Mazmanian's model to a case study of the implementation of federal planning policies and found that "policy implementation is a function of how a policy is crafted" (p.293).

Some researchers have rejected top-down approaches because of the overreliance of models on a central government focus and the emphasis on enacting legislation embodying policy objectives (Schofield, 2001). Top-down models lacked attention to the political forces influencing implementation processes and disregard important context-level variables that may very well explain policy implementation outcomes. According to Schofield (2001) because the dependence on a linear approach, top-down models may "not deal very well with the messiness of policymaking, behavioral complexity, goal ambiguity, and contradiction" found in implementation activities (p. 251). Another shortcoming of this approach is its failure to include actors at the implementing level as interpreters of policy directives, instead of mere instruments that require close monitoring to achieve objectives. Hjern (1982) challenged this framework for overestimating the ability of "clear and consistent objectives in a statute" to lead to

implementation success when prescriptiveness actually may impede implementing officials from using discretionary authority to structure implementation processes (p. 305).

A different analytical perspective, a bottom-up approach, focuses on variables and context characteristics influencing policy implementation at the ground level. Hjern (1982) described that the main explanatory factors of implementation success are non-statutory influences because of the “big variation found in local implementation practices” (p. 305). The variables in bottom-up perspectives focus on implementing bureaucrats and the motives and actions of actors involved in the process (Schofield, 2001). This approach viewed policymaking as an evolutionary practice where bureaucrats continuously shape policies in the implementation stage, implying that the policy formulation stage of the policymaking cycle is less important. In a seminal bottom-up article Elmore (1982) developed a “backward mapping” methodology beginning with a precise target at the last stage of the implementation process to identify the ability and the resources required of bureaucracies to implement policies. Elmore’s (1982) model focused on the authority of bureaucrats at the “street-level” and emphasized factors that can only be “indirectly influenced by policymakers” such as the knowledge and problem solving ability of lower level administrators, incentive structures...[and] the strategic use of funds for discretionary purposes” (p. 605).

Nevertheless, the complex nature of implementation at the ground level is the main shortcoming of bottom-up research. The many and different variables involved in the application of policy directives hinder the development of practical frameworks that can be applied to other case studies to predict generalized behavior. Additionally, Sabatier (1986) claimed that bottom-up approaches ignore the importance of the legal authority of elected officials to structure the implementation process and these models do not offer a theory to analyze the context factors affecting the subjects of interest (Sabatier, 1986).

Researchers have attempted to balance the top-down and bottom-up approaches towards a more complete framework for the study of implementation. Elmore's (1982) bottom-up approach to implementation included a review of "forward mapping" starting from the "top of the system," in an effort to include features of top-down perspectives in a bottom-up framework, recognizing the importance of including a top-down approach (p. 602). Berman (1978) and McLaughlin (1987) also recommended integrating the macro world of policymakers with the micro world of implementing bureaucracies. In later work Sabatier (1986; 1991) abandoned a purely top-down perspective towards a combined approach that recognized that policy implementation operates within defined legal boundaries structured from the top, except significant variation occurs within this structure. Matland (1995) also developed a comprehensive approach in an "Ambiguity-Conflict Matrix" that classified implementation structures into four categories (Administrative, Political, Experimental, and Symbolic) based on the "theoretical significance" of uncertainty and conflict in the process (p. 2). This model, instead of combining the two approaches, explained when each is most fitting and explored the relationships between a limited set of variables in an attempt to develop a standardized theoretical framework. Sabatier and Mazmanian (1989) also recommended that researchers take a "comparative advantage" strategy or a contingency perspective, when choosing a methodological approach to studying implementation processes.

The current state of the literature suggests that choosing a top-down or bottom-up approach to implementation research, or combining both models, requires an evaluation of the policy under study and its administrative implications, as well as the associations among the variables involved. According to the level of prescription, policy design from the top can either delineate the implementation process or allow significant discretion, which hinders or encourages the creativity of "street-level bureaucrats" and agency decision-making. However, the role of

“street-level” bureaucracy will always be important in terms of effect on final policy outcomes, regardless of how prescriptive the statute. During the implementation of a statute such as SB 617, agencies may interpret policy directives from the top similarly to comply with state law, but the many variables may affect each implementing agency at the ground level differently. Thus, researchers must define and categorize particular variables to understand the factors that influence implementation activities at each case study.

Variable Identification

Implementation research is limited on analytical frameworks but rich in variable identification. However, the overabundance of variables also hinders developing frameworks that explain the extreme variance in implementation processes. Most variables in the literature also have difficult practical and operational applications. Implementation research advises scholars to focus on a number of variables researchers can handle to help the analysis of case studies, and identify the most important variables for policymakers to focus limited resources (Hill & Hupe, 2003; Matland, 1995). This section offers a summary of the variables relevant to the analysis of the SB 617 implementation, which broadly relate to the policy, organizations, and people involved in the process. I draw these variables from models in the literature that analyze the implementation of different types of policies such as regulatory mandates on limited groups and federal programs implemented by the states. Researchers use these variables in different contexts and measure different relationships to help explain the factors influencing implementation processes.

Statutory Variables

From a top-down perspective, Sabatier and Mazmanian (1983) developed a framework based on the factors embodied in the statute affecting agency achievement of policy directives. The framework also includes macro-level variables related to political and socio-economic

contexts that affect implementation. The model emphasized seven statutory variables, and the authors contended that effective implementation is a function of how well statutes meet the conditions represented by these variables. Three of the seven variables are relevant to this thesis: 1) the clarity of policy directives, 2) adequate funds for implementing agencies, and 3) the hierarchical integration within and among implementing institutions (Sabatier & Mazmanian, 1983). The clarity of policy directives influences implementation processes by guiding specific activities for bureaucracies and delineating outcomes. The authors explained that the amount of financial resources available to implementing agencies as delineated by the enabling statute is “proportional to the probability of achieving objectives.” Thus, the failure of statutes to provide adequate resources may result in program failure (Sabatier & Mazmanian, 1983, p. 12). The third statutory variable relevant to this thesis refers to the ability of the policy directive to coordinate hierarchical activities within the agency and among the other agencies involved in the process. One of the most important attributes of a statute is the extent to which it integrates the activities of implementing agencies. In his application of the Sabatier-Mazmanian framework McFarlane (1992) found that hierarchical integration is crucial in the implementation process.

Van Meter and Van Horn (1975) provided a systems model of the implementation process and identified variables affecting policy performance. Similar to the political controls literature, this model views policy directives as a means to promote agency compliance in a fragmented political system. Van Meter and Van Horn’s policy resources variable includes funds that may encourage or facilitate implementation and other incentives to induce bureaucratic compliance. The authors argued that statutes can determine implementation processes by presenting the formal goals or intentions of policymakers and allocating “demands and resources that carry stimuli” (Van Meter & Van Horn, 1975, p. 3).

Researchers have criticized variable identification from top-down approaches for overestimating the ability of “clear and consistent objectives in a statute” to lead to implementation success, when prescriptiveness actually may impede implementing officials from using discretionary authority to structure implementation processes (Hjern, 1982, pg. 305).

Non-Statutory Variables

Some studies use non-statutory variables to explain the dynamism in the implementation process from the “bottom” of the implementation system and environmental perspectives. Non-statutory variables involve micro level factors such as communication between organizations and leadership attitudes toward policy goals, and macro contexts such as the socio-economic setting in which implementation takes place.

Communication and coordination between the many players and decision points

One of the best documented findings in the implementation literature is the difficulty of obtaining coordinated action within any given agency and among the numerous semi-autonomous organizations involved in implementation efforts, irrespective of statutory clarity (McFarlane, 1992). Pressman and Wildavsky (1973) contended that the number of decision makers, stakeholders, and decisions involved in the policy implementation process is proportionally connected to the probability of achieving policy success; thus the more actors and decisions involved in the process, the less likely implementers will achieve policy objectives. The authors recommended policymakers focus on coordinating agency activities to improve policy outcomes, but recognized that effective harmonizing only occurs when organizations have similar goals and objectives (Pressman and Wildavsky, 1973).

The Nakamura and Smallwood (1980) model highlighted the importance of the nature of the relationships between actors and how power and responsibility is distributed among them. This framework for implementation analysis emphasizes the links, relationships, and delegation

of authority. Van Meter and Van Horn (1975) contended that communication “within and among organizations is a complex and difficult process” and thus the implementation process distorts messages “both intentionally and unintentionally” (p. 466). In their model, the authors identified inter-organizational communication as an important variable in achieving policy outcomes. The authors explained that effective implementation requires policymakers to communicate clear program standards and objectives to the individuals responsible for implementation.

Some scholars have argued that “segmented systems” pose challenges to implementation since the separation of responsibilities in implementation structures sends mixed and often competing messages to bureaucracies, which undermines the authority of policy directives (Pressman and Wildavsky, 1973; Reimer, 2002). On the other hand, Bardach (1977) described delays and conflict among the many implementing actors is beneficial, because during this time players discuss, bargain, and use political maneuvering, permitting attention to detail and the development better ideas for implementation. Thus, delays brought by the variability and the many actors involved in the implementation process lead to breakdowns of policy objectives while at the same time allowing instances for policymakers to scrutinize implementation details more thoroughly.

Hill and Hupe (2003) also identified a “multi-layer problem” in policy implementation research where studies fail to recognize how a variety of administrative layers shape policies (p. 14). Hill and Hupe (2003) uncovered the notion that policy implementation is perceived as taking place in one layer, where in fact the policy formation process may be ongoing. The authors claimed the lack of attention to this problem leads to the danger of judging overall policy outcomes instead of separating objectives and processes at the various implementing levels. Breaking apart implementation processes to discern the institutional context involved allows the analysis of where policy formation begins and where it ends, in order to separate which part of

the system imposes goals on another and evaluate of each layer's capacity to achieve those objectives (Hill & Hupe, 2003).

Implementers' commitment to policy objectives

Implementation scholars have recognized that commitment to policy goals and the ability of leaders to use resources influences the implementation process and policy outcomes.

Pressman and Wildavsky (1973) noted that implementing bureaucracies fail to achieve policy ideals because of a lack of commitment to policies if the policy objectives diverge from the organization's goals. The authors measured the "intensity and direction of the preferences" of implementing officials to analyze the willingness of officials to use resources to control outcomes (p. 117). The authors found that under the high intensity and positive preference combination, implementers will apply policy directives swiftly, and that negative influence results in delays in the implementation process.

Van Meter and Van Horn (1975) also observed that three elements may affect implementers' ability and willingness to apply policy directives: implementers' understanding of what the policy entails, their attitude towards the policy, and the intensity of those attitudes. Van Meter and Van Horn (1975) argued that the commitment of implementing officials to policy objectives is the variable "most directly affecting policy outputs"; this variable involves officials' preferences towards the policy, and their skill to use resources to achieve policy objectives (p. 533). Remaining true to their top-down perspective, the authors asserted that this variable is largely a function of the statute's ability to "institutionalize a bias in the implementing agencies" (p. 553). The Sabartier and Mazmanian (1983) top-down model also recognized the leadership capacity and commitment of implementing officials as an important non-statutory variable.

Agency characteristics

The implementation literature also has identified that the type of agency carrying out implementation activities matters. Important agency features may include formal organizational structures and informal attributes of the “street-level” bureaucrats responsible for implementation (Van Meter & Van Horn, 1975). Pressman and Wildavsky (1973) identified 44 factors affecting the implementation of social programs and evaluated these variables against the criteria “easy, moderate, and high” difficulty. Many of the factors evaluated by Pressman and Wildavsky relate to the ability of organizations to carry out policy directives based on the type of policy, the availability and nature of resources, and the need to share authority among agencies. The authors broke down these factors further into more detailed variables including the number and complexity of functions required by the policy, the nature and type of personnel implementing the programs, and the many actors and number of transactions involved in the process (Pressman and Wildavsky, 1973).

In his analysis of the effect of legislative committee review of administrative rulemaking on policy effects, Ethridge (1994) identified “agency type” as an important variable based on “the functions and jurisdictions of agencies with rule-making authority” (p. 166). Ethridge’s (1994) categories for agency types reflected the degree to which regulation is the primary function of the agency and determines a “regulatory,” “mixed,” and “service” trichotomy for analysis. The author also evaluated the variable “rule restrictiveness” to categorize agencies and measure the subject matter of agency regulations based on if the rule proposal involved restrictions or requirements “burdensome to private activity” (p. 166).

Van Meter and Van Horn (1975) also identified the characteristics of implementing agencies as an important variable in the study of implementation processes. The authors recognized that numerous aspects that impinge on organizational capacity to implement policies

are involved in the agency type factor. Van Meter and Van Horn suggested six agency characteristics two of which are relevant to this thesis: 1) the competence and size of an agency's staff, and 2) the vitality of an organization (relates to agencies' authority). The other agency type categories involve inter and intra agency relationships that are difficult to measure such as the degree of open communication within an organization, and three factors related to formal and informal linkages to policymaking bodies (Van Meter & Van Horn, 1975).

The degree of change from the status quo

Researchers also distinguished that the amount of behavioral and bureaucratic change required by policy directives influences the implementation process and policy outputs (Pressman and Wildavsky, 1973; Van Meter & Van Horn, 1975). Implementation outcomes are a function of the extent to which policies deviate from current practice and the amount of organizational change required by the statute. Authors suggested that incremental changes are more likely to engender a positive response by implementers than drastic ones (Pressman and Wildavsky, 1973; Van Meter & Van Horn, 1975) and effective implementation is most likely when implementing agencies are not required to undergo drastic reorganization (Kaufman, as cited in Van Meter & Van Horn, 1975, p. 458).

The role of social, economic and political environments

The impact of environmental factors on policy implementation has received little attention in the literature, however they may have profound effects on implementation process. The most prominent implementation models in the literature include variables related to social, economic, and political contexts. These macro level variables include the nature of the policy issue, and the economic and social conditions, and the political environment when the policy became law, and during the implementation process (Berman, 1978; O'Toole, 2004; Sabatier & Mazmanian, 1983; Van Meter & Van Horn, 1975). The environment in which policy

implementation occurs affects the process, given resource availability issues at the macro level, political pressures, and other competing policies within implementing jurisdictions. However, researchers have criticized implementation researchers for failing to recognize macro and micro contextual factors that may affect implementation processes and policy outcomes such as the role of political rhetoric in policy formulation (Shofield, 2001). Although the field found these factors important, operationalizing and measuring these variables and mapping out the relationships among these factors is challenging.

Concluding Thoughts

This chapter presented an overview of the regulatory review and implementation literature and identified the existing frameworks and relevant variables for the SB 617 implementation case study. Theoretical foundations in the literature help provide guidance to implementation researchers. However applying these concepts is difficult given the extreme variance in implementation cases and the abstract nature of some of the variables. The following chapter takes the more relevant ideas from the literature to conceptualize a framework for the case study analysis of the SB 617 implementation process.

Chapter 3

METHODS

This thesis seeks to uncover how regulatory agencies are implementing SB 617 and identify the factors affecting the implementation process. By looking into the implementation “black box,” this research will help explain how agencies are adapting to the regulatory review changes per SB 617 and recognize the variables that influence the activities at agencies. To identify these factors and piece together a descriptive account of the implementation process of SB 617, I conducted interviews with implementers and analyzed public record data. The interviews are the primary source of information. The purpose of the interviews was to examine the implementation of SB 617 from the perspective of the bureaucrats who interpret and apply legislative mandates on a day-to-day basis. Analyzing implementation processes from the bureaucrats’ perspective is challenging, because of the diverse implementation contexts among implementing agencies. Supplemental public record data provided additional information on agencies and processes. I also analyzed the statute itself to disaggregate the factors embodied in the policy directive that may affect the implementation process.

The implementation literature does not offer a generalizable model that fits all implementation studies. Nevertheless, existing research offers useful frameworks and identifies variables that provide valuable leads to implementation scholars. I chose to organize and analyze SB 617 through both top-down and bottom-up approaches based on the literature’s recommendations to combine frameworks. I selected the variables expected to influence the process from the literature according to their relevance to this case study. This chapter details the method I used to gather the facts to answer the research question under study.

Rationale for Interview Approach

To conduct this study, I primarily used data gathered through interviews to analyze how agencies are implementing SB 617. I performed face-to-face and phone interviews with agency staff involved in the process to get the agencies' first hand perspective. It would have been difficult to collect information about internal organizational activities through any other data collection method. At agencies' websites I found evidence that some regulatory agencies proposing "non-major" regulations have been implemented the new APA requirements under SB 617. I could have used this information as secondary data, however the scope of this thesis is not to measure agency outcomes in an implemented/not-implemented basis. Instead, this thesis focuses on the process of how those outcomes came about. Additionally, for the major regulation group, there is no information online regarding outcomes or on the current process of implementation as the November 1, 2013 implementation effective date for this group is still a few months away.

Therefore, I needed to conduct interviews to answer this thesis' main research question and also obtain other information to help understand the SB 617 implementation process. I developed eight interview questions to elicit information from implementers. The interview questions examined three factors from the implementers' perspective:

1. The nature of the activities of agencies to implement,
2. The level and nature of communication with other agencies, and
3. The potential factors influencing the implementation process

General Information on the Interviews

I developed the interview questions after reviewing the literature and consulting with my thesis advisors. Once completed, I submitted the questions for approval to the California State University, Masters in Public Policy and Administration Human Subjects Review Committee.

The Committee found the interview protocol would pose no risk to respondents, deeming it safe and appropriate to administer. In Appendix A I present the interview questions I used as a measurement tool.

I scheduled face-to-face and phone interviews with each participant, and allowed 30 to 45 minutes to discuss the research questions. The interviews took place over eight weeks, between February 11 and April 8, 2013. I presented participants a consent form to verify I have their permission to use the interview data. The consent form included information on what interviewees' participation entailed and options for participants to decide how I would use their personal identifiable information. I include the consent form in this thesis as Appendix B.

Supplemental Data

Along with data from interviews, I relied on data from various public sources. I drew information from an oversight hearing by the Assembly Committee on Accountability and Administrative Review on the implementation of SB 617. This legislative record informed the implementation process at one agency in the "major" regulation group. Also, although the activities by DOF and OAL are not the focus on this thesis, I drew information on these agencies from the hearing for a complete analysis of the SB 617 implementation. The testimony by various agencies at the hearing also provided information on the status of the responsibilities assigned to DOF. I also used publicly available data on agencies' websites to determine agencies' characteristics, investigate agencies' rulemaking documents, and find staff contact information for the interviews.

Additionally, I met and conducted informal interviews with various administrators, public officials, and legislative staffers to bring an encompassing perspective to this thesis. I used the information I gathered through informal conversations with these people as context. This information provided important background and shaped this thesis' research approach.

Research Sample Frame

Resource limitations prevented me from performing an exhaustive review of the implementation processes at the more than 200 regulatory agencies in California. Instead, I gathered information from a subset of agencies to help answer my research question. To select a representative sample of the target population of regulatory agencies, I used probability sampling to select agencies for this study. OAL reported that 2% of regulatory agencies propose regulations that would fall in the “major” regulation group, while 98% of agencies promulgate regulations that are “non-major”. I randomly selected two agencies from a list generated by OAL containing four agencies that had regulations with an economic impact of over \$50 million from 2008 to 2011. I expect these agencies will propose “major” regulations under the new SB 617 requirements. For a second sample of the “non-major” regulation group, I randomly selected 10 agencies from a list of 196 California regulatory agencies in the California Code of Regulations, last updated on September 28, 2012. I drew a systematic sample by selecting every 19 agency from the population. The sampling interval was the ratio of the number of agencies on the list, to my desired sample size of 10.

I initially contacted the 12 regulatory agencies from the samples. I also contacted six additional agencies after adjusting the sample because of agency non-responsiveness and after discovering that the APA does not apply to some agencies. I interviewed implementers at nine of the 18 agencies I contacted and found public record data for one agency, for a total of 10 regulatory agencies implementing SB 617. Appendix C contains a list of the 10 agencies citing the data sources and other descriptive agency information I found practical to quantify.

The subjects of interest of this research are implementing agencies. To understand the activities at these agencies, I used data from interviews with agency employees involved in the implementation of SB 617. I selected the participants in this study through non-probability

sampling because of practical considerations. Identifying every SB 617 implementer at each regulatory agency and drawing a random sample to select interviews is resource intensive. Since non-probability sampling was the only viable means of subject selection, I used my judgment and colleagues' help to identify individuals that could provide information for my research. I communicated with dozens of personal connections that provided leads to identify potential participants. I also researched agency websites and rulemaking documents to identify possible interviewees. I approached potential participants through email and phone communications. Finally, I selected agency employees who were cooperative and willing to participate.

Interviews as a Measurement Tool

The interviews that I administered to implementers at regulatory agencies consisted of eight questions designed to determine how regulatory agencies are implementing the regulatory review changes by SB 617. The questions were "open-ended" to allow respondents to contribute any additional information about the agencies' implementing activities. The questions served as a discussion guide that I adjusted depending on the type of agency; however, I followed the general format and topics from the eight questions to obtain comparable agency-to-agency data. Table 3.1 contains a summary of the subject of the interview questions. I designed these questions based on the factors that may influence implementation processes and reflect my hypotheses of this particular case study.

Table 3.1 Summary of Interview Questions

Question Number	Subject of Interview Question
1	Knowledge of SB 617
2	Organization's activities to implement
3	Prominence of implementation at organization
4	Type of unit implementing
5	Communication with DOF and OAL
6	Communication with other implementing agencies
7	Potential changes to implement
8	Potential challenges to implement

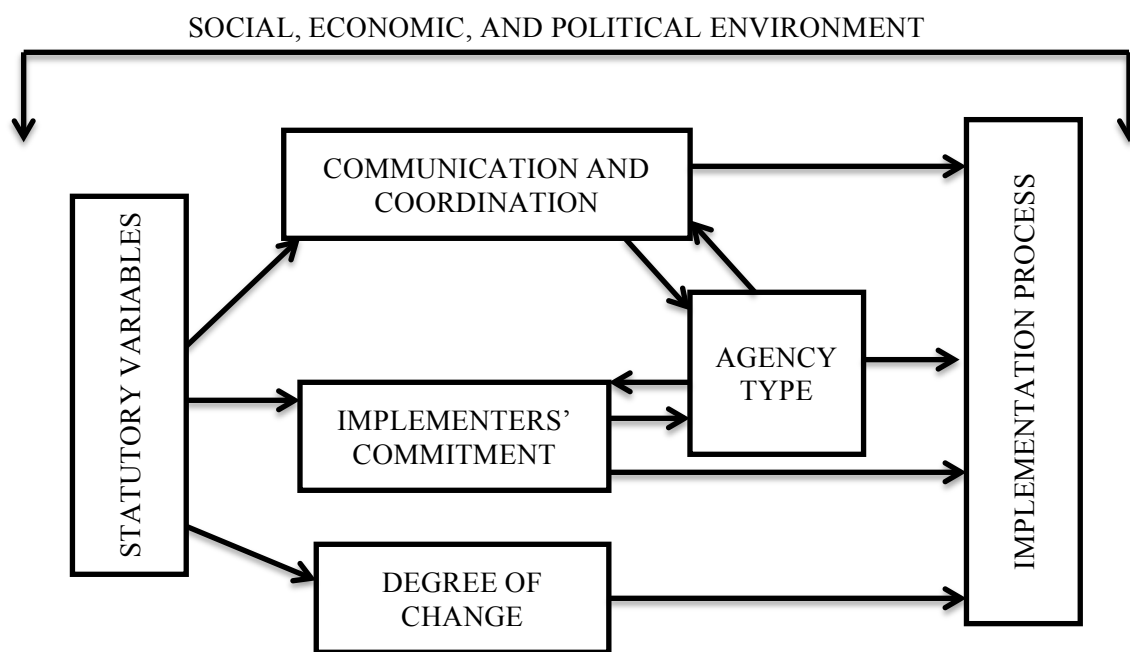
The first interview question relates to the implementers' awareness of what SB 617 requires. Questions 2, 3, and 4 pertain to the organizational activities at agencies to implement. Questions 5 and 6 relate to the level and type of communication with other agencies, and Questions 7 and 8 provide information on future changes and challenges, as perceived by implementers.

The face-to-face and phone interviews allowed conversations to clarify any questions the interviewee might have about the goals and the complexities of the research. Interviews also permitted follow up questions to clarify interviewee responses and better assess the variables under study. Through a one-on-one approach, interviewees also felt comfortable with discussing ideas related to their role in the implementation of other programs, uncovering additional useful information. I chose to transcribe implementers' answers after the interview to allow a conversational approach to the meetings, and help interviewees feel more comfortable with sharing information about their agencies' activities. This data collection method was thus optimal to measure the variables relevant to this study.

Variable Construction

I analyzed the SB 617 implementation process through statutory and non-statutory variables. The statutory variables relate to the ability of SB 617, as the policy directive, to influence implementation outcomes. The non-statutory variables are factors at the implementers' level and context factors that may affect the implementation process. Figure 3.1 visually describes how I expected statutory and non-statutory variables to influence the implementation process. To analyze these variables, in this subsection I explain how I conceptualized statutory and non-statutory factors influencing the implementation process at regulatory agencies.

Figure 3.1 SB 617 Implementation Model. Adapted from Van Meter & Van Horn (1975).



Statutory Variables

Statutory variables reflect the ability of the statute to delineate implementation outcomes from the “top” of the system. The statutory factors relevant to this study involve 1) the clarity of

the policy directive, 2) the allocation of funding to perform the mandate, and 3) the ability of the statute to delineate coordination within and among implementing bodies. I evaluate these variables by analyzing the following:

- 1) The ability of the statute to prescribe requirements and outline statutory goals;
- 2) If the statute appropriates funding; and
- 3) The extent to which the statute integrates the efforts required of regulatory agencies, DOF, and OAL.

Non-Statutory Variables

“Bottom-up” approaches to implementation focus on the role of “street-level bureaucrats” and the variables affecting implementation activities. This thesis mainly takes a “bottom-up” approach to evaluate the non-statutory factors affecting the implementation of SB 617 through the implementers’ perspective. I evaluated the activities at regulatory agencies as affected by the context in which implementers at the ground level operate. SB 617 requires new activities by regulatory agencies, the subjects of interest in the scope of this thesis. However, the statute also imposes new requirements to DOF and OAL that influence regulatory agencies’ activities. I separated, but also concurrently evaluated, the requirements of regulatory agencies, DOF, and OAL to unravel the many layers involved in the process. I used the relationships between these institutional actors to uncover the institutional context in which the SB 617 implementation develops. I conceptualized non-statutory variables as follows:

Communication and coordination: I defined communication and coordination between OAL, DOF, and regulatory agencies to assess the impact of policy and implementation messaging on implementation processes. I measured these variables as the degree of communication of goals and implementation guidelines between DOF and OAL and the implementing agencies, and the level to which regulatory agencies share resources and information with each other.

Implementers' commitment to policy objectives: It is difficult to determine from interviews or the review of public data the capacity of implementing officials to use resources to achieve policy objectives, and their commitment to those objectives. To measure this variable, I defined the commitment to policy objectives by assessing implementers' understanding of what SB 617 entails, how important the goals of SB 617 are compared to other agency activities, and inferring the implementers' attitude towards the policy.

Agency characteristics: This variable involves agency features that may influence implementation activities. According to the literature, agency characteristics are nearly unlimited and range from agencies' budget size to the level of communication within the organization. I conceptualized this broad variable by focusing on a few factors. To measure this variable, I assessed 1) if agencies have dedicated units to develop regulatory packages or perform economic analysis, 2) agency staff size, and 3) the degree to which regulation is the primary function of agencies. I used agency staff size totals from California's enacted 2012-13 budget at DOF's website. This budget did not reflect position totals for some of the smaller agencies in this study. I relied on interviewees to provide staff numbers for these agencies (See Appendix D for agency size data). I assessed whether regulation was the primary function of agencies by categorizing agencies as "regulatory," "mixed," or "service," based on guidance from the literature and my own evaluations (Ethridge, 1994). "Regulatory" agencies' primary function was to impose rules on a narrow sector of society, i.e. a limited group of individuals and businesses in the state. Agencies in the "mixed" classification promulgated regulations for broader groups such as guidelines for government agencies and standards for groups of individuals, and had permitting functions. "Service" agencies also set standards but primarily performed certification and permitting activities.

Degree of change from current operations: I conceptualized the degree of behavioral and organizational change at regulatory agencies as the type of adjustments required to implement SB 617. Adjustments include factors related to agencies' activities to build capacity to meet statutory requirements and reorganizations to achieve the goals of SB 617.

The social, economic, and political environment: This variable is one of the most difficult factors influencing implementation to conceptualize. Environmental factors are the same for regulatory agencies during the implementation process, as all agencies are implementing concurrently. However, macro level factors may affect agencies in different ways. To conceptualize this variable I present a description of the current social, economic, and political context in California and make inferences on how these contexts influence agency activities, given the other influences by the variables presented in this section.

Data Analysis Method

I present the results of the data collected in a narrative form in the following chapter. This thesis does not attempt to measure outcomes on an implemented/not-implemented basis. The data I gathered only informs agencies' activities to implement. However, I construe the dependent variable for this study as the full implementation of the changes per SB 617 by the dates prescribed in the statute, depending on the type of regulation proposed by implementing agencies. For the purposes of this analysis, I assumed that all agencies in the "major" regulation group are in the process of implementing, because SB 617 requires full implementation by November 1, 2013. Agencies in the "non-major" regulation group, have already implemented the changes by SB 617 in compliance with the January 1, 2012 date if they have already finalized, or are in the process of developing, regulatory packages.

I analyzed the legal structure of SB 617 through the statutory variables outlined earlier, and my present findings by describing the ability for the statute to influence implementation

outcomes. I also reviewed and analyzed the data I collected to evaluate how each of the non-statutory variables affect the implementation process at agencies under the “major” and the “non-major” regulation groups. In the following chapter I present the findings for each variable, and offer a qualitative analysis of the variables’ influence. In chapter five I present the major findings from my data analysis and in chapter six, the implications of my research results.

Possible Limitations to Methodology

It is important to acknowledge that the research methodology outlined in this chapter has some limitations. Face-to-face and phone interviews are costly for researchers because of the amount of time this method of data collection requires. Cost limitations prevented me from drawing a larger sample and interviewing more implementers and the narrow scope of this thesis limits the interpretation of the data. A small sample makes it difficult to establish that the conclusions of this research are generalizable to the whole population of state agencies, or that the findings apply to other implementation cases. The inferences from the observations presented in this thesis may only apply to the regulatory agencies studied, but this research offers valuable insights that may help other implementation processes.

Additionally, with personal interviews as a data collection method the researcher may introduce bias into the data. The way interviewees perceive me as I contact them requesting their participation or during the interview, may predispose them to answer questions a certain way. Also, because I am not a trained interviewer, I may fail to follow the same interview parameters at every interview, making the data hard to compare. Interviews may also have the risk of biases from the respondents’ external environment. Interviewees may be hesitant to answer questions truthfully because they fear retributions, or they may not trust the researcher. Moreover, participants respond to questions from their perspective and not from the agencies’ view, or interviewees may embellish their responses, thus causing reliability concerns with the data.

Through probability sampling, I attempted to prevent researcher bias in selecting the agencies for this study. However, 45% of the regulatory agencies I contacted were non-responsive, were not interested in participating in my study, or their regulations were not subject to the APA. The agencies and implementers from the agencies that chose to participate may be a different kind of agency, perhaps more customer service oriented or more confident about their implementation activities, thus creating inherent non-response bias in the sample. Also, I chose participants from randomly selected agencies through a non-probability method, which may introduce researcher bias in the data. However, the purpose of subject selection was to gather information about agency activities through identifiable, informed, and cooperative employees.

Regardless of the limitations of the methodology, this thesis attempts to measure activities that are ambiguous and influenced by many external factors. It would be difficult to obtain information from implementers' activities through any other data collection method, or perform a more comprehensive analysis of this case study given time and resource limitations. By recognizing the limitations of this research, I define the scope and applicability of this thesis. In the following chapters, I discuss how the results and implications of this research only apply to similar case studies.

Chapter Summary

This chapter provided an overview of the methodology I employed while developing this thesis. I provided a rationale for the interview approach, gave a summary of the interview questions and supplemental data collection efforts, defined the eight variables under study, and discussed the potential limitations of this research. The following chapter presents the results of my data collection, and the final two chapters discuss the major findings and the implications of those findings.

Chapter 4

DATA & VARIABLE ANALYSIS RESULTS

To unravel the SB 617 implementation “black box”, in this chapter I present findings from my data collection efforts and my analysis of the variables I expect to affect agencies’ activities. I first present my research findings by reporting information about the interviews with implementers. Secondly, I present an analysis of how the variables I selected affect the implementation process. In the next chapter I revisit my research question and theoretical framework, and apply them to my data analysis results to explain the implications of my findings on California’s institutions. In the last chapter I offer considerations for policymakers based on my findings.

Findings about the Interviews

I interviewed employees at nine of the 10 agencies in this study. Interviewees at the nine agencies were involved in the implementation of SB 617 in various capacities. I interviewed two agency lawyers and seven employees involved in preparing regulatory packages. Of the nine agencies I contacted and did not interview, five were non-responsive and three replied that their regulatory activities did not apply to my study. Only one of the agencies declined to participate citing that the agency had no information on SB 617 for public consumption. Two of the interviewees requested that I do not attribute the information they provided to them or their organizations. Accordingly, I removed all identifiable information from the list of the agencies involved in my research in Appendix C.

I initially focused my search for potential interviewees on administrators who would have authority to make policy decisions regarding the implementation process. I received responses for two agencies through this contact method, one agency in the “major” regulation group and one in the “non-major” group. These two administrators connected me with “street-level bureaucrats” in

charge of day-to-day implementation activities. I reasoned that by contacting high-level administrators I would get an overall perspective of agencies' implementation processes. However, this contact method produced delays in my research because these administrators took several days to respond. They possibly had other priorities or had a difficult time finding someone who could answer my questions. After finally connecting with a potential participant, I had no problems with the interviews or obtaining the agencies' consent to use the data they provided.

To mitigate time delays, I adjusted my search for participants by exploring agencies' regulatory packages posted on their websites and reached out to employees listed as a point of contact and on staff directories through email. Through this contact method I received responses from seven "street-level bureaucrats" from agencies in my research sample in about a week from the initial contact, and conducted the interviews after about two weeks. At the request of these participants, I sent the research questions and consent forms ahead of time for participants to obtain permission from supervisors to contribute information to my study.

In general, it was difficult to identify participants who that were specifically involved with the implementation of SB 617 because agencies have limited staff information on their websites, and many programs and divisions. Related to the agencies I contacted but did not interview, I speculate that employees were busy, had little incentive to participate in my study, or the SB 617 issue was controversial and employees did not want to discuss implementation activities.

Analyzing the Variables

I present the findings of the data analysis by breaking down the SB 617 implementation process factor by factor to analyze each of the variables. I first identify how three statutory variables embodied in the SB 617 legal framework affect the implementation process.

Subsequently I evaluate how five non-statutory variables influence agencies implementation activities.

Statutory Variables

“Top-down” implementation scholars contended that statutory coherence improves the odds of a successful implementation process. From a legal framework perspective, I found that the statute influences implementation activities in various ways. SB 617 successfully prescribes the requirements for regulatory agencies’ compliance by specifying the components of economic impact analyses and other prerequisites for agencies to conduct APA procedures. The statute also outlines policy goals implicitly by describing the type of activities agencies must undertake to provide more information about their rulemaking process. Such activities are related to regulatory alternatives assessments and the benefits and costs of regulations. These policy goals reflect the statute’s legislative intent and guide agency procedures. However, one major problem with the clarity of the policy directive is that the legal framework directs agencies other than regulatory agencies to implement various activities, introducing uncertainty in the implementation process. SB 617 directs DOF and OLA to perform new functions that affect agencies promulgating regulations under the new requirements. The statute is not clear on how regulatory agencies promulgating “major” regulations will implement because of the agencies’ dependence on the activities by DOF, which is a separate implementing body engaged in its own implementation process.

I additionally found SB 617 to be deficient regarding allocating adequate funds for implementing organizations. The statute does not appropriate additional funding for agencies to perform a higher level of economic analysis and the additional regulatory review procedures under the APA. I found that the “non-major” regulation agencies implementing SB 617 absorbed increased workloads into their current operations but had limited access to economists or a similar

type of expert. Interviewees at these agencies generally did not believe the changes under SB 617 required additional staff. Interviewees at two “non-major” regulation agencies reported concerns about a lack of expertise and funding to perform the changes by SB 617 in the future, if the agency slid into the “major” regulation group because of statutory changes. One implementer noted that because of a general lack of expertise, smaller agencies regulating individuals and not businesses would have difficulty determining and quantifying the benefits and costs for individuals. Additionally, the two agencies in the “major” regulation group were uncertain if they needed additional funds because of DOF’s pending action on the economic impact analysis standard.

Regardless of how agencies accomplish the goals of SB 617 and manage workloads, implementing a new program or task requires additional resources, or agency priorities must shift to accommodate new responsibilities. DOF reported creating a new economic review unit and hiring three new economists to perform the tasks mandated by SB 617. OAL also reported allocating additional resources to advise agencies promulgating regulations at the beginning of the APA process, but also that it lacked adequate resources to perform follow-ups with agencies during the process. The legislature and the Governor may assign funding in the future to manage increased workloads. At the time that I developed this thesis, there was no indication of any budget changes to regulatory agencies, DOF, or OAL related to SB 617.

The third statutory variable that I analyzed is the ability of SB 617 to delineate coordination activities within and among implementing bodies. I expected that the legislature would delegate the authority to agencies to coordinate work as necessary, and SB 617 would not specify how or who within agencies would implement. I found that the statute successfully integrates the efforts required of the agencies involved in the implementation of SB 617 by delineating coordination among regulatory agencies, DOF, and OAL. The statute effectively

outlines the interactions between these agencies, in the APA process and in the development, management, and application of the new regulatory economic impact standard DOF must develop.

In summary, the SB 617 legal framework affects implementation activities at regulatory agencies by introducing ambiguity in the implementation process, not allocating adequate resources, and effectively coordinating implementing activities among agencies involved in the implementation. Table 4.1 outlines how SB 617 performed when evaluated against the three statutory variables clarity, funding, and coordination.

Table 4.1 Analysis of Three SB 617 Statutory Variables

SB 617 statutory variables		
Clarity	Funding	Coordination
✗	✗	✓

Non-Statutory Variables

This subsection provides a qualitative analysis of the findings from my evaluation of the non-statutory variables I selected. I present each variable separately to isolate the impact of each factor on the implementation process.

Communication and coordination

Based on my data analysis, I observed a high level of communication regarding implementing guidelines between OAL and the agencies in the “non-major” regulation group. OAL offered training and personalized advice to these agencies early in the implementation process and continues to engage in communications as agencies prepare and submit regulatory packages. Seven of the eight agencies in the “non-major” regulation group reported having close relationships with OAL. I found that the level of communication between DOF and the “major” regulation agencies was also high regarding DOF’s own implementing activities. DOF engaged in

meetings and surveyed implementing agencies to assess DOF's approach to developing the standardized economic impact analysis agencies must employ to comply with SB 617. Based on my data, it does not seem that DOF communicated guidelines for the application of the new requirements or revealed information related to the status of DOF's internal activities to guide "major" regulation agencies in preparing to implement SB 617.

I also found that implementing agencies in both the "non-major" and "major" regulation groups generally did not communicate, coordinate, or share resources with other implementing agencies. Only one agency in the "non-major" regulation group reported using a template from another agency to help implement. I discovered evidence of internal coordination at two agencies in the "non-major" regulation group that exist under the administrative umbrella of another agency. These two agencies reported receiving a template from the umbrella agency with guidelines to apply the new APA requirements to regulatory packages. The communication and coordination variable thus affected the implementation process at regulatory agencies in the "non-major" regulation group by facilitating activities, but this variable did not reduce the uncertainty of the implementation of SB 617 by the "major" regulation group, and did not enhance these agencies' processes.

Implementers' commitment to policy objectives

Determining implementer's capacity to use resources to achieve policy directives was difficult given the scope of the interview questions and the limited availability of public record data. Nevertheless I found that implementers at all 10 agencies in this study were aware of the changes by SB 617, and reported that it is very important for the organization to comply with statutory requirements. I found that SB 617 did not receive as much attention within agencies compared to other agency activities, but the units directly involved with the implementation were acutely aware of the changes and the activities necessary to comply. I found that implementers at

all agencies generally had a positive attitude towards the SB 617, but half were uncertain about how the statute would apply to future regulatory activities.

Agency characteristics

My analysis of agencies' characteristics resulted in interesting findings related to the diversity of regulatory agencies in the state. Agency size within my sample varied from an agency with 16 staff members to one with 2,556 employees. This variability in agency size made it difficult to create useful ranges for categorization. As it applies to this study, I conclude that agency size did not influence the implementation process in a meaningful way. Agencies engaged in varied implementation activities and featured diverse characteristics without any indication of a trend. Agency size also did not determine whether agencies were subject to the "non-major" or "major" regulation requirements. All 10 agencies I studied fell into either category without a pattern.

I also found extreme variance in whether agencies implementing SB 617 had dedicated units to develop regulatory packages. Five agencies in the "non-major" regulation group had units dedicated to developing and coordinating rulemaking activities. One of these agencies had the smallest staff size in the sample and another was the largest. Three other agencies had at least one staff member who managed regulatory packages through the APA process but relied on other staff to develop these rules. I found that most agencies shared rulemaking activities among different units and types of experts within agencies. Developing the specific information required by the APA concerning economic impact analyses and the evaluation of alternatives required input from budget, fiscal, and legal offices within organizations. I also found that only one agency from the 10 agencies in this study had a dedicated economic analysis unit.

I further categorized agencies as "regulatory," "mixed," or "service" to classify the degree to which regulation is agencies' primary function. I found that these categories only

affected the implementation process in one respect: the primary focus of the two agencies under the “major” regulation group was “regulatory” while there was some variance among the “non-major” regulation group. I found two agencies in the “non-major” regulation group fell in the “regulatory” category while the six others had “mixed” functions. No agency fell in the “service” category. Although outside of the scope of my analysis, I speculate that the agencies that have a mission focused on regulatory activities are more likely to be subject to the “major” regulation requirements under SB 617. Agencies that have mixed functions and a service focus may tend to propose regulations with smaller impacts and thus are subject to the “non-major” regulation standards. It is possible that the regulatory economic impacts of agencies in the “major” regulation group focus on limited types of individuals or businesses, making regulatory impacts more discernible and target groups more susceptible to regulatory costs. The “non-major” regulation agencies may have a broader regulated community and less-organized interests, and thus costs are not as visible.

Degree of change from current operations

I found that the magnitude of change from current practices for agencies in both the “non-major” and “major” regulation groups was minor. The eight agencies in the “non-major” regulation sample reported that they have implemented SB 617, or are in the process of implementing, without major challenges. The deviation from current operations for the non-major group is not substantial, which according to implementation theory engenders positive responses from implementers and an effective process. SB 617 requires a more thorough calculation of the monetary and non-monetary benefits of proposed regulations. I observed that agencies were already assessing benefits in the form STD. 399, or drew information from enabling statutes and agencies’ core missions. Interviewees claimed the alternatives assessment required information

that is more detailed, but this requirement was reasonable given agencies' current practices under the APA.

Furthermore, agencies in the "major" regulation group reported that the changes by SB 617 required slight changes and not major deviations from current practices. The two agencies in this group already perform sophisticated economic analyses and expect to adjust to the new impact analyses standard when DOF finalizes its regulations. Nevertheless, the agencies in this "major" regulation group generally cited uncertainty about the degree of change required by SB 617, given DOF's pending regulations and the agencies' implementation of the standardized economic impact analysis. Additionally one of the "major" regulation agencies reported that although the agency already performed economic impact analyses on four of the six factors required by SB 617, it lacked an adequate modeling tool to produce the information required by the statute. For this agency, complying with the new requirements would entail DOF's guidance and technical support, such as DOF making a modeling tool available. The other "major" regulation agency considered the new requirements on regulatory benefits and alternatives assessments as opportunities to justify its rules, instead of a challenge and a major deviation from current operations.

The social, economic, and political environment

In the past 10 years, California has dealt with large budget shortfalls (LAO, 2013). The global economic downturn of the late 2000s and a subsequent sluggish recovery, has amplified fiscal constraints in the state. Economic challenges have impaired business development and affected Californians' economic wellbeing. Public perception that regulations are over burdensome to business in the state has challenged policies that hinder "economic growth" and "job creation" such as regulations that result in costs to the economy. Public scrutiny has also pressured state government to adopt policies towards more efficient government operations that

use public funds more effectively. Legislators have reacted to these socio-economic pressures by enacting policies that encourage economic development and a business-friendly regulatory environment.

The legislature enacted SB 617 in a political context that may have influenced the requirements in the bill. The seemingly urgent passage of the bill and the broad support for the measure reflect legislative priorities and the influence of the political environment on policymakers' preferences. The changes by SB 617 on state operations demonstrate a public desire to lessen the economic problems in the state through reforming how agencies develop regulations. The APA already required agencies to assess regulatory impacts on jobs and businesses in state. SB 617 goes further by requiring more stringent impacts assessments, such as evaluations on how regulations affect businesses' competitive advantages, the level of investment in the state, and the incentives for industrial innovation. California's historical commitment to public and environmental protection may have also influenced some of the provisions in SB 617. The statute mandates agencies proposing "non-major" and "major" regulations to include an assessment of regulatory benefits on the health and safety of California's residents and the environment. Under the new regulatory review requirement agencies can now justify regulatory actions by describing, and monetizing when possible, the benefits of proposed regulations.

The environmental factors at play when the legislature enacted SB 617 are similar to the context during the statute's implementation process. Although the economic conditions in the state have improved since 2011 when SB 617 became law, challenging socio-economic conditions in the state continue to influence the policy process. The legislative oversight hearing on SB 617 demonstrates legislative interest on how agencies are implementing the regulatory review process changes. All agencies testifying in the committee hearing reported it was very important to engage business stakeholders and well as other interest groups in rulemaking

processes and one “major” regulation agency discussed regulatory impacts on the economy was one of the main determinants of regulatory design. Legislators on the committee recommended that DOF take business’ input seriously when developing its rules and that DOF perform outreach to industries affected by regulations. DOF confirmed that it intended to consider businesses affected by regulations while developing the economic impact analysis standard for “major” regulations. DOF also reported recruiting the help of the Governor’s Office of Business and Economic Development (GOBiz), an agency dedicated to economic development and job creation, to ensure a good regulatory environment. DOF testified GOBiz could reach out to industry groups and businesses to help identify the nature of regulatory impacts and help DOF’s monitoring of agency compliance with the new impact assessments. Legislators at the committee hearing suggested the benefit assessments pursuant to SB 617 would rely on subjective factors and assumptions that agencies would have difficulty justifying when assessing regulatory impacts.

Only four months into the 2013 legislative session, legislators have introduced nine bills that would make changes the APA process towards more transparency, lowering the threshold for the “major” regulation definition, and creating a process for legislative review of regulations (See Appendix D for list of bills). The persistent attention of the legislature on the regulatory process may influence agencies’ SB 617 implementing activities by encouraging the effective application of the policy directive. This attention may also impede some regulatory agencies’ performance because of the uncertainty surrounding new requirements and the potential disincentives to promulgate regulations under a more stringent regulatory review process.

The environmental context of SB 617 may have influenced the policy design and implementation activities given the statute’s goals and its correlation with the most salient political issues in the state at the time SB 617 was enacted, and during the implementation

process. However, it is uncertain how this variable specifically influenced these processes and the relationships among social, economic, and political factors and regulatory agencies' implementation activities.

Chapter Summary

This chapter outlined the findings related to the type of “street-level bureaucrats” who participated in my study, and the process by which I obtained interviews and information from agencies. I also described my research findings variable by variable. Through my evaluation of the statutory variables, I identify problems with the clarity of SB 617 and its ability to allocate adequate resources to implementing organizations. However, I found that the statute is successful at coordinating activities among implementing agencies.

The non-statutory variables I studied have an impact on the implementation process in different ways, and I found many details about the process of implementation that are useful to inform other applications of mandates by regulatory agencies. I observed that communication and coordination is important and influenced the implementation process of agencies in the “non-major” regulation group by providing guidance. I found little evidence of intra-agency coordination and sharing of resources, and that DOF communicated guidelines to implementing agencies in the “major” regulation group. I found that there is extreme variation in the size of regulatory agencies implementing SB 617. I noted that agency characteristics related to agency size, having dedicated units to develop regulatory packages, or the degree to which regulation is the primary function of agencies did not affect the implementation process. I also observed that most regulatory agencies share rulemaking activities among different types of bureaucrats, and that “regulation” is the primary function of the two agencies in the “major” regulation group. As reported by the agencies in this study, I found that the degree of change from current operations for the “major” and “non-major” regulation agencies was minor. Nevertheless, the agencies in the

“major” regulation group reported uncertainty for what DOF’s regulations will require. Additionally, the social, economic, and political context surrounding SB 617 may have influenced the statute’s policy design and its subsequent implementation but it is difficult to identify how this variable influenced the process.

Finally, the implementing agencies in this study in the “non-major” regulation group are successfully applying the changes by SB 617. The agencies in the “major” regulation group however, are waiting for guidance from DOF on how to implement. From the data I gathered it is difficult to determine how “major” regulation agencies are preparing to implement because of the uncertainty of the standard DOF must develop and agencies must use to comply with SB 617. The next chapter I reincorporate the variables I studied and the results from my data analysis to draw conclusions on the implications of my findings. In the last chapter I offer considerations for policymakers, discuss the limitations of my study, and identify opportunities for future research.

Chapter 5

MAJOR FINDINGS GROUNDED IN THEORY

Concepts from regulatory review and implementation theory guided this research's analytical framework. In this chapter I discuss my major findings and construct generalizations to inform how theory applies to the SB 617 case study and helps explain the barriers that hinder and the positive factors that promote the implementation process. Extracting my major findings and grounding them in theory expands the understanding of the implications of my research and SB 617, on California's institutions.

Revisiting the Research Question

The data analysis in this thesis helped answer the research question of how agencies are implementing the changes in SB 617. In summary, agencies report that they have encountered few challenges and are successfully implementing the requirements for “non-major” regulations, while agencies in the “major” regulation group are awaiting DOF's direction on how to implement. This study looked at regulatory agencies at two different implementation stages. The “non-major” regulation group was already implementing SB 617 as required by the statute, while the implementing dates for agencies expected to promulgate “major” regulations is still a few months away. I evaluated how “non-major” regulation agencies adjusted to the changes, and how “major” regulation agencies were preparing to implement. It is important to note that the difference in requirements and implementation deadlines make the agencies in the “non-major” and the “major” groups different, and thus agencies' implementation experiences are unique depending on the type of regulations agencies propose and the group they fall under. I found that implementation processes within these groups are similar, as all agencies in the “non-major” group engaged in comparable activities during the implementation process, and agencies in the

“major” regulation group were uncertain on how to prepare to implement because of the ambiguousness of implementation requirements.

By looking at the implementation process at 10 different agencies, I generally found that the theoretical foundations from the literature on the relationships of the factors affecting processes apply to the SB 617 case study. I assessed eight variables from both a top-down and a bottom-up approach for a comprehensive analytical framework to analyze how agencies are implementing the regulatory review changes by SB 617. I found that the statutory factors involved in the policy design matter, but non-statutory variables and the relationships between these variables were also important. A limited set of variables proved to be the best approach for this research given the wide variation in implementing structures. As noted by top-down authors, I found that policy design as exemplified by the statute’s legal boundary matters greatly, and top-down variables affect the implementation process at some agencies. The biggest factor influencing implementation activities was the uncertainty introduced by the statute’s lack of clarity, because SB 617 includes many implementing processes in one policy directive. Conversely, coordination as embodied in the statute positively influenced the activities and facilitated interactions among some implementing agencies.

I also found that non-statutory variables from a bottom-up perspective affect the implementation process in ways that policy directives can only influence indirectly. The approach of explaining these factors from implementers’ first hand accounts is the only way to unravel the activities found at the ground level of implementation systems. Variables from a bottom-up perspective reflected the complexity and variety of interactions involved in an implementation scheme. Communication and coordination was the non-statutory variable that I discerned had the most positive impact on implementation activities because it helped facilitate and guide the process at some agencies. I found interesting evidence that implementing agencies have a wide

range of staff sizes, feature different organizational structures, and have different methods for performing regulatory work, and acquiring and disseminating information. This variation revealed that agencies tailor implementation activities according to their needs and capacity, suggesting that implementation is as evolutionary process as agencies put policy directives into practice by using their discretionary authority. However, the diversity in implementation activities did not seem to affect the process. For this case study, the degree of change from current operations also did not seem to have a significant impact on the process because according to implementers' accounts, the changes by SB 617 are not substantial. This finding is problematic because agencies promulgating "major" regulations have not prepared to implement, thus these agencies would not accurately gauge the degree of change SB 617 requires.

Although this research focused on the implementation process from the "street-level bureaucrat" perspective, I note that the statutory variables I chose were easier to study given the limited amount of factors in legal frameworks that may influence the implementation process. Non-statutory factors are multidimensional and introduce great variability in implementation case studies. Balancing both top-down and bottom-up perspectives allowed for a comprehensive framework to this case study to answer the research question and identify some of the factors that affect the SB 617 implementation process.

A "Multi-Layer Problem" Results in Implementation Uncertainty

One of the major findings in this thesis is that SB 617 suffers from what Hill and Hupe (2003) called a "multi-layer problem." The authors used this term to indicate issues in implementation studies where scholars fail to recognize the different administrative layers involved in shaping implementation activities, thus potentially misjudging implementation outcomes. I find in the case of SB 617 that the statute itself features a multitude of implementing layers that affect implementation activities. I use Hill and Hupe's term to define this

phenomenon. The statute directs regulatory agencies, DOF, and OAL to engage in different activities that are interrelated, yet belong to different implementing layers. The DOF and OAL layers impose objectives on the implementation process of regulatory agencies. The pending actions by DOF introduce uncertainty and complexity into the implementation process of agencies proposing “major” regulations. SB 617 may also be confusing to scholars, implementers, and policymakers trying to decipher what is required of whom, when, and at what stage of the implementation process. The different implementing bodies, requirements, and implementing dates in the statute makes the policy directive complicated.

Another issue stemming from the “multi-layer problem” is that implementing a more rigorous and intertwined regulatory process standard may result in delays in the adoption of important regulations. Regulatory delays may occur as some agencies wait to prepare to implement the changes by SB 617 until DOF completes its implementation process. Regulatory delays can have significant adverse impacts to public health, and businesses operating in an uncertain environment without regulatory guidance. Although SB 617 outlines the new APA requirements in detail, DOF’s adoption of the economic impact analysis standard for “major” regulations will clarify what the statute requires of agencies in practice. In the mean time, agencies will have difficulty figuring out what SB 617 means to their current operations.

Additionally, as Pressman and Wildavsky (1973) observed, the amount of decision makers, stakeholders, and decisions involved in the implementation process is proportionally connected to the probability of achieving policy success. When applying complex statutes the many actors involved may reduce the probability of achieving the intent of the policy. The many players influencing the process, their decision-making authority, and the need for coordinated action, complicate implementers’ attainment of policy objectives. DOF’s activities are crucial in the policymaking cycle because DOF is involved in setting procedures that affect the

implementation process at regulatory agencies, therefore influencing policy outcomes. In the future it may also be hard to discern if and how regulatory agencies achieved the objectives of SB 617 because of the overlap in implementing layers making it difficult to separate outcomes for each implementation process.

SB 617 as a Mechanism of Political Control

Beyond identifying the factors that affect the SB 617 implementation process, my research also expands the understanding of how policy directives affect state government. This thesis helps explain how the regulatory review changes redefine the relationship between regulatory agencies and the legislature, and the consequences of this type of reform on California's institutions.

The legislature enacted SB 617 to improve the regulatory review process and make executive review of regulations more rigorous through additional administrative procedures. SB 617 is a form of legislative control on agencies' discretion to apply policy directives. The new requirements provide the public with additional information on rulemaking activities and hold agencies accountable for policy goals to improve the perceived lack of transparency and thorough analysis in agencies' decision-making. The regulatory review process evaluations by the Institute for Policy Integrity and the LHC report observed that California's rulemaking process lacked rigorous and standardized regulatory impact analysis. The LHC report recommended a separate oversight body focused on improving agencies' regulatory economic impact assessments. Through SB 617, the legislature sought to fix these deficiencies by making the executive review of regulations more robust and granting additional authority to DOF, a control agency which monitors the state's fiscal activities. The statute authorizes DOF to set a standard for regulatory impacts, enforce that standard by increasing the role of DOF in the APA process, and periodically report agency compliance with that standard to the legislature. SB 617 also alters agency

incentives by granting OAL authority to return regulatory packages to proposing agencies as the exclusive remedy for noncompliance with the APA process.

SB 617 further delineates the principal-agent relationship between the central policymaking body and agencies. Through procedural controls the legislature imposes restraints on the delegation of authority to regulatory agencies. This association is tenuous because under SB 617 there are many principals instead of the one-to-one relationships usually found in economic theory, thus potentially influencing agency decisions in many directions. DOF's role in the policy formation interrupts the relationship between the legislature and the agencies. The many players and decision points involved in the implementation process challenges this principal-agent relationship because it is unclear which policy signals implementers should attend to, and whom they are accountable for implementation outcomes. For a clear principal-agent relationship between the legislature and regulatory agencies, DOF must effectively communicate policy goals to implementing agencies and successfully carry out the intent of the legislature in SB 617.

Additionally, based on my research I conclude that the relationships between the legislature and agencies in the "non-major" and "major" regulation groups are different. The new administrative procedures under SB 617 and the legislature treats agencies differently depending on the types of regulation agencies propose, and on the nature of regulatory agencies' functions. SB 617 requires a much more stringent regulatory impact analysis for agencies promulgating "major" regulations. These agencies' regulatory scope seem to have more discernible impacts on individuals and the economy thus receiving more attention from the legislature. Actually, the legislative oversight hearing on the implementation of SB 617 only focused on agencies proposing "major" regulations.

Evidence from my study questions the idea that legislative bodies need political controls to induce bureaucratic compliance. All agencies in this study and conversations with other public administrators confirm that agencies consider statutes directing their operations as very important and use their expertise to accommodate work. Agencies diverging from legislative objectives may not be as intentional as principal-agency theory describes, but perhaps this deviation is the result of agencies trying to implement directives that are often complex, may challenge established agency priorities, and with limited funding. Agencies seem to have a positive attitude towards working with the legislature and sharing agency expertise to adjust policies to improve implementation success. For example at the SB 617 oversight hearing, OAL testified that it had been advising agencies perform an additional step in the APA process to help agencies comply with SB 617 requirements. OAL's administrative fix helps agencies' regulatory processes and tries to avoid OAL's use of its statutory power to return regulatory packages because of agency noncompliance. The majority of the agencies I studied also had valuable information on how the legislature could adjust the requirements by SB 617 to help implementing agencies achieve legislative expectations. OAL's actions demonstrate that allowing agency flexibility to apply their expertise and participate in the policymaking process can help make government operations more efficient. The information I collected from the agencies' perspective may reflect responder bias in my study; however, implementers' opinions may show that bureaucratic values and expertise are important and can help implementation processes. Therefore fostering agency employees' willingness to help and good relationships between agencies and the legislature can be useful to improve policymaking in the state.

Regulatory review theory explains that administrative controls are the most cost-effective strategy to induce bureaucratic compliance with policy objectives. Procedures bind agencies' discretionary authority and structure agencies' activities to provide useful information to

policymakers. However, the literature also noted that enforcing and monitoring agency compliance with procedures comes at a cost to state government, because any new process will only achieve its desired effect if it is enforced. Thus, when imposing new administrative requirements it is important for the legislature to consider if the state is willing to incur the costs of enforcing and monitoring compliance. If the state is not willing, new procedures only put more requirements on paper, opening the door for potential legal challenges to the state because of agencies' noncompliance with the law. My research reveals evidence that the monitoring and enforcement agencies in SB 617, DOF and OAL, have already expressed their operations need to grow (in the case of DOF, substantially) to enforce the regulatory review reforms in SB 617.

Moreover, measuring procedural effectiveness to control agency behavior may be difficult. Assessing if the regulatory review changes by SB 617 achieved the legislature's intent by measuring regulatory outputs requires formulating many assumptions. The literature has measured the amount of regulations agencies promulgate, regulatory stringency, or the amount of "better" regulations, all of which are concepts that depend on how researchers define these terms. SB 617 defines the expected regulatory output as more informed agency decision-making. To test the effectiveness of SB 617, qualifying the statute's intent requires policymakers define the expected output begging the question, how can policymakers ensure SB 617 meets legislative intent?

Lastly, it is noteworthy that the application of procedural controls dilutes political accountability by transferring responsibility for policy outcomes to agencies. Through statutory mandates, agencies develop regulations and implement rules that affect Californians and the economy. This idea reveals that regulatory benefits and costs trail back to the enactment of statutes by policymakers, and bureaucracies are vehicles for those impacts. Under SB 617, agencies now have the delegated authority to find and implement the most cost-effective method

to meet policy directives and some statutes may unavoidably result in undesirable impacts on California's and the economy. Thus, administrative controls requiring agencies' documentation of *regulatory impacts* may result in the distortion of public perceptions regarding who is accountable for the public policy decisions that result in those impacts. In the legislative oversight hearing on SB 617, DOF and legislators discussed the idea of assessing economic impacts of bills while going through the legislative process to identify legislation that may become costly regulations. This approach to government operations would increase transparency and accountability.

Chapter Summary

This chapter applied the findings I presented in chapter four to the theoretical concepts from the regulatory reform and implementation literature to explain the implications of my research on California's institutions. The next chapter concludes this thesis by applying the teachings from theory to real world public policy and public administration purposes.

Chapter 6

CONCLUSION

In earlier chapters I presented the contextual and theoretical foundations for the SB 617 case study, the methods by which I approached this thesis, and the findings from my data and variable analysis explained how these factors affect the implementation process. The findings grounded in theory presented in chapter five provided an overview of how my research fits conceptually. This last chapter focuses on the implications of my study by offering recommendations for policymakers to help implementing agencies achieve the legislative objectives in SB 617. By taking a more general perspective, I also suggest factors to consider when devising overarching policy changes to increase the effectiveness of policy design, and implementation in the state. Additionally, I address the possible limitations of this study and present suggestions for future research.

Considerations for Policymakers

Increasing the Probability of Success for SB 617

For the legislature to achieve the intent of SB 617 and the regulatory review reforms successfully result in regulatory process improvements, legislators should continue to assess implementation activities by regulatory agencies, but focus on the regulatory process in which DOF is currently engaged. DOF's activities to set the standard for regulatory impact analyses will influence how agencies promulgating "major" regulations implement new requirements. These agencies have received most of the attention from the legislature in the implementation process, yet they are uncertain of how to prepare to implement SB 617 because of DOF's pending regulations.

The legislature should monitor DOF's regulatory process to provide information to the public on DOF's activities. DOF has never engaged in a rulemaking process. The SB 617

experience offers an opportunity for DOF and the legislature to learn from the regulatory process at the “street-level,” and about the complexities involved in developing thorough regulations. This process will also determine how the new regulatory impact standard changes agencies’ current practices, thus offering valuable insights into what California’s regulatory reform means to state operations. The oversight hearing on the implementation of SB 617 provided an initial assessment of how DOF and the regulatory agencies were adjusting to the changes. The legislature should hold additional oversight hearings to assess DOF’s activities and the regulatory agencies’ progress after the November implementation deadlines.

Supporting and facilitating the success of the implementation of SB 617 means the legislature must ensure implementing agencies have adequate resources. DOF stated that SB 617 requires the agency build capacity to perform its new functions. OAL also reported having to shift resources to adjust to its new workload. Some agencies involved in this research and the LHC report described a general lack of expertise at state agencies to carry out the new statutory requirements. Policymakers must seriously consider the increase in workloads of OAL and DOF to guide, monitor, and enforce compliance with SB 617 requirements, to ensure these agencies can perform their new roles. It is also important to consider regulatory agencies’ requests for funding and statutory changes that may help the implementation process.

Additionally, in the SB 617 oversight hearing, the legislature and DOF demonstrated a commitment to engaging all interested parties in the development of the regulatory economic impact standard. In this process policymakers must be cautious of the political context surrounding SB 617 and over representing business interests, potentially causing agencies and thus state government, to incur additional and unintended costs to comply with rigorous standards. Policymakers must proceed with caution to accurately assess the level of capacity of implementing agencies and the potential costs to state government to increase capacity if need be,

and balance the fiscal impacts on state government by adjusting expectations or providing more resources. Introducing “street-level” wisdom would provide information to DOF and the legislature that can help shape the process for a balanced approach to the regulatory impact analysis standard. To improve the effectiveness of the regulatory review reforms and ensure a transparent process, the legislature should engage experts at regulatory agencies, encourage coordination among these agencies and between DOF, the legislature, and external stakeholders, to achieve the ambitious and important goals of SB 617.

Design Clear Statutes that Positively Influence Implementation Outcomes

This thesis reveals the many different layers involved in the implementation of SB 617, which can make achieving policy objectives challenging. The separation of processes and implementing activities allows policymakers to discern which part of the implementation process may impose goals on another and hinder some implementers’ capacity to achieve objectives. Understanding the crucial role of DOF in the implementation of SB 617 helps policymakers recognize when or where to exert the legislative oversight functions to ensure DOF carries out the intent of the statute and to help the implementation process at agencies promulgating “major” regulations. Given the huge authority delegated to regulatory agencies and the magnitude of their regulatory scope, regulatory reform is too important and too complex to allow confusion in one statute to obstruct policy success.

Focusing on incremental changes would help create institutions and process structures viable to effective governmental practices and outcomes. Disaggregating changes to separate policy objectives, implementation systems, and policy outcomes would improve the viability of other legislative attempts to overarching regulatory changes in state operations. Legislators can 1) look at how specific requirements fit overall processes, 2) assess and build capacity before mandating agencies to comply with new requirements, and 3) impose new requirements avoiding

one implementation body imposing goals on another. Carrying out these steps is virtually impossible for legislators involved in political contexts and when trying to manage information, stakeholders, and policy objectives. Comprehensive legislation is often necessary, yet the implementation of drastic changes in state operations may hinder the application of policy directives and the achievement of legislative objectives. A more feasible avenue to separate implementation layers could be to build one process by one implementing body, before requiring other implementers use that process to achieve legislative objectives. Coordinating a central policy that separates one important process from another may also come with challenges related to collaboration among legislators, building expertise on state operations, and taking a long-term perspective to design effective processes is difficult in a state with strict term limits and socio-economic and political contexts reflecting a diverse constituency, and a complex economic environment. Nonetheless, it is important for policymakers to consider the factors in statutes that may hinder or promote the successful implementation of legislative goals.

Listen to the “Street-Level”

To infuse bureaucratic expertise into policymaking, legislators should consider the inner workings of state agencies. Agencies have deep knowledge about how policies develop from plan to practice and they interpret policy directives by applying “street-level” information that only these agencies possess. Fostering good connections between legislators and agencies to make principal-agent relationships more harmonious instead of antagonistic, would bring a more collaborative approach to the policymaking process. Assessing the viability of new policy requirements on implementing agencies and understanding how policies materialize in practice would emphasize process structures, encouraging institutional learning and policy design improvements to help agencies comply with legislative directives.

Understanding what agencies require to implement through increased awareness of agency activities may also help agencies effectively achieve the goals of statutes such as SB 617. This awareness may result in more sound policy decisions that take into account the diversity in needs and expertise at the ground level and the complexities that take place in the implementation “black box”. Additional requirements from the legislature may bog down existing processes, creating inefficiencies or useless costs to state government. Thus understanding the “street-level” will also help inform policymakers on the inner workings of state government, making government more efficient by bringing an encompassing approach to state governance.

Combine Macro and Micro Perspectives

The research in this thesis helps policymakers understand the importance of a systems perspective to policymaking. It is desirable to evaluate policies from an approach that looks at the practicality of top-down directives from a street-level approach. Integrating the macro world of policymakers with the micro world of implementing bureaucracies would allow for more balanced policymaking. Incorporating macro contexts like the socio-economic setting in which implementation takes place, and micro level factors such as communication between organizations and leadership attitudes toward policy goals, would help the ability of implementers to translate policy directives and increase the probability of policy success.

Mapping out policies to understand how top-down directives unravel at the ground level would allow decision makers to project potential problems in the implementing process, for a long-term assessment of the viability of policy directives. The environment in which policy design occurs affects the implementation process, given resource availability issues at the macro level, political pressures, and other competing policies within implementing jurisdictions. More comprehensive and thoughtful policymaking would allow legislators to devote the resources where it matters for the successful application policy directives.

Possible Research Limitations

It is important to note that the results in this thesis are limited to the scope of the research questions and my findings and recommendations may only apply to case studies similar to SB 617. This thesis is also a midpoint evaluation of the SB 617 implementation; thus it is difficult to fully assess regulatory agencies' and DOF's ability to reach statutory deadlines. My findings are limited to these agencies performance at the point in the process in which I wrote this thesis, and it is unknown if the lack of clarity in the statute will effectively result in agencies promulgating "major" regulations not meeting legislative mandates by the implementation date.

As I explained in my methods chapter, the sample for this research is small and the interviews I performed are limited to the individuals who were responsive to my requests. Because I assessed the implementation process at two different stages for two distinct groups of regulatory agencies, I was not able to generalize most of my findings to apply to all regulatory agencies in California. Also, personal interviews, the main data collection approach I used, have inherent biases problems related to the interview protocol and the interviewees perceptions. Therefore, a small sample hindered my ability to generalize my research results and potential researcher and respondent bias may have skewed by findings. Additionally I selected the eight variables and an analytical perspective based on the literature and my own experience as a researcher, but my analytical framework is original and different from existing implementation models, and thus other scholars have not tested the specific framework that I used.

However because of the complexity involved in SB 617 implementation activities and because there is no other viable data collection method to answer my research question, I believe the research design in this thesis shows my willingness to develop a sound study and a defensible framework that other researchers can replicate and validate. I consider the limitations of this research largely unavoidable. The findings from my study offer valuable insights for other

implementation processes and the application of regulatory review reforms, but specifically apply to the SB 617 implementation case study.

Opportunities for Future Research

Researchers and policymakers should continue to focus on the implementation of SB 617 and the activities of regulatory agencies to further assess what applying this statute means to state government, and continue the institutional learning on implementation processes that this thesis commenced. A bigger sample size for both the “non-major” and “major” regulation groups, an assessment of the implementation process at all agencies after implementation, and the effect of additional procedural controls on rulemaking agencies’ workloads, organizational structures, and regulatory outcomes, would provide useful information to continue my research. These studies should take a top-down and bottom up framework similar to my analytical approach for a comprehensive assessment of the potential factors influencing the implementation process. Future research may also identify other variables not included in this thesis to isolate other factors.

Additionally it would be useful to examine the implementation processes by DOF and OAL and how these agencies adjusted and organized to meet the goals of SB 617. These agencies’ implementation process would be especially useful to understand the factors policymakers should consider when making additional changes to the regulatory review process in the state. The reports required by SB 617 from DOF and OAL on agency compliance and on how to improve agency performance will contribute to the findings in this thesis. Focusing on DOF’s operations after SB 617 would also be useful to understand the extent to which DOF’s regulations met the November 1, 2013, deadline and if not how DOF, the agencies in the “major” regulation group, and the legislature responded to agencies falling short of expectations.

My research established a basic understanding of the influence of policy design on implementers’ activities and the many factors involved in implementation processes. Future

research should examine other state agencies implementing activities to uncover if the limited findings in this thesis are unique to SB 617 or if the results apply to a broader class of agencies and statutes in California. More information on the inner workings of agencies' implementation "black box" through more implementation studies can also help reinforce the idea evidenced by the SB 617 case study, that implementation is an evolutionary practice.

Some additional areas for further research include assessing California's regulatory review reform under the criteria in the Institute for Policy Integrity and the LHC reports. It would be valuable to evaluate if SB 617 solved the problems identified by these studies or if the state has additional problems to resolve. Assessing how California's more robust executive regulatory review perform against the regulatory review literature at the Federal level, and the empirical regulatory output research, and how agencies in the "major" regulation group, business, and other stakeholders influenced the DOF rule development process, would additionally contribute to institutional learning in the state.

APPENDIX A

Research Interview Questions

1. What do you know about Senate Bill (SB) 617, the new economic impact analysis standard for proposed regulations?
2. What steps if any, has your organization taken to implement SB 617?
3. How important is the implementation of SB 617 currently at your organization, compared to other programs/issues you are dealing with?
4. To your knowledge, what units, divisions, or particular administrators are responsible for implementing SB 617?
5. To your knowledge, has your organization been in contact with the Department of Finance regarding the implementation of SB 617? If so, what has been the nature of this contact?
6. Are you aware of what other agencies are doing in regard to SB 617?
7. If you were to look down the road, what if any, types of changes do you see your organization engaging in to implement SB 617?
8. What would you say are your organization's key challenges to implement SB 617?

APPENDIX B

Research Consent Form

You are being asked to participate in research conducted by Angela Marin as a thesis requirement for the Master of Public Policy and Administration program at California State University Sacramento. The study will perform a midterm review of how California's regulatory agencies are implementing Senate Bill 617, a statute that among other things mandates the application of a more stringent economic impact review for proposed regulations. The purpose of this study is to identify the organizational structure and resource characteristics of implementing agencies to determine the organizational needs if any, required by SB 617. This research will not involve the direct evaluation of your job or your organization's performance.

You will be asked questions in an unstructured interview regarding your organization's activities for the implementation of SB 617. The questions are related to the nature of the resources and organizational changes needed to implement, the level of communication with other implementing bodies, and the organizational challenges that prevent or features that enable the implementation of SB 617. The interview will take thirty to forty-five minutes. Your participation in this research will help the researcher provide recommendations for decision makers to make determinations on where to focus resources and how to adjust implementation processes for the full implementation of SB 617. The researcher will protect the information from the interview from being obtained or misused by others. Records of the interview will be maintained until the research is completed and will be destroyed after it is published. The researcher will fund this study in its entirety. You will not receive compensation for participating in this study.

This research will be published as a thesis and will be accessible in digital and print formats. You may decline to answer any questions. Your participation in the interview is entirely voluntary. For the purposes of this research you can be identified both by name and organization, only by organization, or any personally identifiable information can be removed from the final report. Please make your request known at the start of the interview and check the appropriate box below. You may change your request at any time during or after the interview. You will have the opportunity to view the final research report before it is finalized.

- ☐ "I grant permission to the researcher to identify me both by name and the organization I represent in the final research report."
- ☐ "I request that my name not be disclosed, but consent to being identified by the organization I represent."
- ☐ "I request that nothing I say be publicly attributed to me or my organization."

If you have any questions about this research, you may contact the researcher at (XXX) XXX-XXXX or at XXXXXXXX@gmail.com. You may also contact the primary academic advisor for this research in the Department of Public Policy and Administration at California State University, Sacramento, Dr. Edward (Ted) Lascher, Dean of Social Sciences and Interdisciplinary Studies, (916) 278-6504, tedl@csus.edu.

Your participation in this research is entirely voluntary and you may withdraw from participation at any time. Your signature below indicates that you have read this consent form and agree to participate in the research.

Signature of Participant

Date

Name of Participant (printed)

APPENDIX C

Agencies, Data Sources, and Descriptive Information

SB 617 Regulatory Group Type	Agency	Data source		Has the agency implemented?	Agency staff size**	Is regulation agency primary function?	Agency has dedicated regulations unit?
		Interview	Public Record				
"Non-Major" N=8	Board of Accountancy	X		Yes	80	Yes	No
	Board of State and Community Corrections	X		Yes	70	Mixed	No
	Agency X*	X		Yes	X	Mixed	Yes
	Department of Fish and Wildlife	X		Yes	2226***	Mixed	Yes
	Agency Z*	X		Yes	Z	Mixed	No
	Physical Therapy Board of California	X		Yes	16	Yes	Yes
	Department of Rehabilitation	X		Yes	1823	Mixed	Yes
	Office of Spill Prevention and Response	X		Yes	254	Mixed	Yes
"Major" N=2	Air Resources Board		X	No	1273	Yes	No
	California Energy Commission	X		No	613	Yes	No

*Interviewees from these two agencies requested I do not attribute the information they provided to them, or the organization they represented. To honor those requests, I removed all agency identifiable information from this list.

**I obtained agency staff totals from enacted budgets for fiscal year 2012-13 on DOF's website, and from interviewees.

***I calculated the Department of Fish and Wildlife size by subtracting positions for the Office of Spill Prevention and Response, which is an office within the Department also included in this thesis.

APPENDIX D

APA Related Legislation Introduced as of April 22, 2013

Bill Number	Author	Subject
ACA 1	Donnelly	Administrative regulations: legislative approval
AB 12	Cooley	State government: Administrative Procedure Act: standardized regulatory impact analyses
AB 376	Donnelly	Regulations: notice
AB 866	Linder	Regulations
AB 887	Allen	State government: regulations: economic analysis
AB 1105	Hueso	Administrative practices
AB 1219	Morrell	Administrative Procedure Act: adverse economic impact
AB 1415	Committee on Accountability and Administrative Review	Administrative procedures: regulations: determinations: judicial review
SB 176	Galgiani	Administrative procedures

REFERENCES

- Bardach, E. (1977). *The Implementation Game*. Cambridge, MA: MIT Press.
- Berman, P. (1978). The Study of Macro and Micro Implementation. *Public Policy*, 27, 157-184.
- Brehm, J., & Gates, S. (1997) *Working, Shirking, and Sabotage: Bureaucratic Response to a Democratic Public*. Ann Arbor: University Michigan Press.
- Croley, S. (2003). White House Review of Agency Rulemaking: An Empirical Investigation. *University of Chicago Law Review*, 70, 821-846.
- Donahue, P. (2011, September 12). Senate Bill 617: Senate Committee on Governmental Organization analysis. Retrieved from http://www.leginfo.ca.gov/pub/11-12/bill/sen/sb_0601-0650/sb_617_cfa_20110912_111405_sen_comm.html
- Elmore, R. (1979). Backward Mapping: Implementation Research and Policy Decisions. *Political Science Quarterly*, 94, 601-616.
- Ethridge, M. (1984). Consequences of Legislative Review of Agency Regulations in Three States. *Legislative Studies Quarterly*, 9, 161-178. Retrieved from <http://www.jstor.org/stable/439525>
- Goggin, M.L. (1986). The “Too Few Cases/Too Many Variables” problem in Implementation Research. *Western Political Quarterly*, 38, 328-347.
- Hill, M., & Hupe, P. (2003). The Multi-Level Problem in Implementation Research. *Public Management Review*, 5(4), 471-490.
- Hjern, B. (1982). Implementation Research and the Link Gone Missing. *Journal of Public Policy*, 2(3), 301-308.
- Huber, J.D., & Shipan, C. R. (2002). *Deliberate Discretion? The Institutional Foundations of Bureaucratic Autonomy*. Cambridge: Cambridge University Press.
- Legislative Analyst Office (2013). Cal Facts 2013. Retrieved from http://www.lao.ca.gov/reports/2013/calfacts/calfacts_010213.pdf
- Little Hoover Commission (2011). Better Regulation: Improving California’s Rulemaking Process. Retrieved from <http://www.lhc.ca.gov/studies/209/Full%20Report.pdf>
- Lipsky, M. (1980). *Street-level bureaucracy: Dilemmas of the individual in Public Services*. New York: Russell Sage Foundation.
- Lupia, A., & McCubbins M. D. (1994). Designing Bureaucratic Accountability. *Law and contemporary problems*, 57, 91-126.

- Matland, R.E. (1995). Synthesizing the Implementation Literature: The Ambiguity-Conflict model of Policy Implementation. *Journal of Public Administration Research and Theory*, 5(2), 145-177.
- May, R. (2011, September 12). Senate Bill 617: Assembly Floor analysis. Retrieved from http://www.leginfo.ca.gov/pub/11-12/bill/sen/sb_0601-0650/sb_617_cfa_20110912_111438_asm_floor.html
- McLaughlin, M.W. (1987) Learning from Experience: Lessons from Policy Implementation. *Educational Evaluation and Policy Analysis*, 9(2), 171-178. Retrieved from <http://www.jstor.org/stable/1163728>
- Meier, K. J., & O'Toole, L. J. (2006). Political Control versus Bureaucratic values: Reframing the Debate. *Public Administration review*, 6, 177-192. doi: 10.1111/j.1540-6210.2006.00571.x
- McCubbins, M. D., Noll, R. G., & Weingast, B. R. (1987). Administrative Procedures as Instruments of Political Control. *Journal of Law Economics and Organization*, 3, 243-277. Retrieved from <http://www.jstor.org/stable/764829>
- Nakamura, R.T., and Smallwood, F. (1980). The Politics of Policy Implementation. New York: St. Martin's Press.
- Office of Administrative Law (n.d.). Written Testimony for Little Hoover Commission. Retrieved from <http://www.lhc.ca.gov/studies/activestudies/regulatoryreform/Cornez%20testimony.pdf>
- Official California Legislative Information (2011a) Senate Bill 617: History. Retrieved from http://www.leginfo.ca.gov/pub/11-12/bill/sen/sb_0601-0650/sb_617_bill_20111006_history.html
- Official California Legislative Information (2011b) Senate Bill 617: Chapter 496, Statutes of 2011. Retrieved from http://www.leginfo.ca.gov/pub/11-12/bill/sen/sb_0601-0650/sb_617_bill_20111006_chaptered.pdf
- O'Toole, L.J. (2004). The Theory-Practice Issue in Policy Implementation Research. *Public Administration*, 82(2), 309-329.
- Potoski, M. (1999). Managing Uncertainty through Bureaucratic Design: Administrative Procedures and State Air Pollution Control Agencies. *Journal of Public Administration Research and Theory*, 9, 623-640. Retrieved from <http://jpart.oxfordjournals.org/content/9/4/623.full.pdf+html>
- Pressman, J.L., & Wildavsky, A. (1973). *Implementation*. Berkeley, CA: University of California Press.

- Sabatier, P.A. (1986). Top Down and Bottom Up Approaches to Implementation Research: A Critical Analysis and Suggested Synthesis. *Journal of Public Policy*, 6, 21-48.
- Sabatier, P.A. (1991). Two Decades of Implementation Research: from Control to Guidance and Learning. In Kaufman, F-X (ed.), *The Public Sector Challenge for Coordination and Learning*. Berlin: de Gruyter.
- Sabatier, P.A., & Mazmanian, D.A., (1980). The Implementation of Public Policy: A Framework of Analysis. *Policy Studies Journal*, 8, 538-560. doi: 10.1111/j.1541-0072.1980.tb01266.x
- Sarbaugh-Thompson, M. & Zald, M.N. (1995). Child Labor Laws: a Historical Case of Public Policy Implementation. *Administration and Society*, 27(1), 25-53.
- Schofield, J. (2001). Time for Revival? Public Policy Implementation: A Review of the Literature and an Agenda for Future Research. *International Journal of Management Reviews*, 3, 245-263.
- Schwartz, J.A. (2010). 52 Experiments with Regulatory Review. *Institute for Policy Integrity, New York University School of Law*. Retrieved from http://policyintegrity.org/files/publications/52_Experiments_with_Regulatory_Review.pdf
- Shapiro, S., & Borie-Holtz, D. (2011) Does Process Matter: Regulatory Procedure and Regulatory Output in the States. *Institute for Policy Integrity, New York University School of Law*. Retrieved from <http://policyintegrity.org/publications/detail/does-process-matter/>
- Spillane, J.P., Reiser, B.J., & Reimer, T. (2002). Policy Implementation and Cognition: Reframing and Refocusing Implementation Research. *Review of Educational Research*, 72, 387-431. Retrieved from <http://www.jstor.org/stable/3515992>
- StudioCityPatch (2011, September 11). Pavley's Regulatory Reform Measure Heads to Governor with Bipartisan Support. *StudioCityPatch*. Retrieved from <http://studiocity.patch.com/articles/pavleys-regulatory-reform-measure-heads-to-governor-with-bipartisan-support>
- Van Meter, D.S., and Van Horn, C.E. (1975). The Policy Implementation process, a Conceptual Framework. *Administration and Society*, 6(4), 445-488.
- West, W. (1997). Searching for a Theory of Bureaucratic Structure. *Journal of Public Administration Research and Theory*, 7, 591-613. Retrieved from <http://www.jstor.org/stable/1181661>
- West, W. (2004). Formal Procedures, informal Processes, Accountability, and responsiveness in Bureaucratic Policy Making: An institutional Policy Analysis. *Public administration Review*, 64, 66-80. doi: 10.1111/j.1540-6210.2004.00347.x