

# ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Richman & Runner Analyst: Jane Tolman Bill Number: AB 873

Related Bills: See Legislative History Telephone: 845-6111 Amended Date: 04-24-2003

Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** State Agencies Adopting Or Amending Regulations Shall Solicit Comment From Individuals With Expertise In Economics When evaluating Impact On Business

## SUMMARY

This bill would make changes to the administrative regulations process.

## SUMMARY OF AMENDMENTS

The April 24, 2003, amendments restored intent language that the February 20, 2003, version of the bill deleted. The language concerned the Legislature's intent not to impose additional criteria on state agencies beyond what exists under current law for purposes of any action related to an administrative regulation.

Except for the intent language discussed above, the bill as introduced February 20, 2003, would require state agencies to solicit comments from individuals and organizations regarding proposed changes to administrative regulations. These provisions are further discussed in THIS BILL below.

This is the department's first analysis of this bill.

## PURPOSE OF THE BILL

According to the authors' staff, this bill would require the state agency adopting or amending a regulation to submit the change to an economist. The report from the economist would inform the agency of the effect the changes could have on California's current economy in comparison to other states.

## EFFECTIVE/OPERATIVE DATE

This bill would become effective and operative January 1, 2004.

## POSITION

Pending.

Board Position:

\_\_\_\_\_ S                      \_\_\_\_\_ NA                      \_\_\_\_\_ NP  
\_\_\_\_\_ SA                      \_\_\_\_\_ O                      \_\_\_\_\_ NAR  
\_\_\_\_\_ N                      \_\_\_\_\_ OUA                      \_\_\_\_\_ X PENDING

Department Director

Date

Gerald H. Goldberg

5/12/03

## **ANALYSIS**

### **FEDERAL/STATE LAW**

Current state law requires state agencies to assess the potential for adverse economic impact on California business and individuals when proposing to adopt, amend, or repeal any administrative regulation. Assessing the potential for adverse economic impact means that the proposed adoption, amendment, or repeal of a regulation does not conflict with other state or federal laws or impose an undo hardship on California business or individuals.

The statute also contains intent language that clarifies that this requirement is not intended to impose additional criteria on agencies. This is to assure that the assessment is made early in the process of initiation and development of a proposed regulatory action.

Franchise Tax Board (FTB) currently assesses any adverse economic impact on businesses and individuals when adopting, amending, or repealing regulations within existing criteria. This process includes public hearings and encouraging and responding to public comment on the specific topic.

### THIS BILL

For purposes of evaluating the business impact of adopting or amending an administrative regulation, this bill would require state agencies to solicit comments from individuals and organizations with expertise in economics regarding the policies being considered by the state agency.

### IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not significantly impact the department's programs and operations.

### **LEGISLATIVE HISTORY**

AB 625 (Johannessen, 1995-1996) would have required that any assessments of adverse economic impact be submitted to the Office of Administrative Law, in writing, with the notice of proposed action. This bill failed to pass out of the house of origin.

### **OTHER STATES' INFORMATION**

The states surveyed include *Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York*. These states were selected due to their similarities to California's economy, business entity types, and tax laws.

No information was found on the subject of soliciting comments from individuals and organizations with an expertise in economics during the regulatory process for those states.

**FISCAL IMPACT**

This bill would not significantly impact the department's costs.

**ECONOMIC IMPACT**

This bill would not impact the state's income tax revenue.

**LEGISLATIVE STAFF CONTACT**

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