

FINAL STATEMENT OF REASONS FOR THE ADOPTION OF REGULATION SECTIONS
25106.5-0, 25106.5, 25106.5-2, 25106.5-3, 25106.4, 25106.9 AND 25106.5-10

The proposed regulations do not impose any mandate on local agencies or school districts.

Update of Initial Statement of Reasons

The public notice required by Section 11346.4 of the Government Code was mailed and published on September 11, 1998. The hearing was held, as scheduled, on October 30, 1998. Eight people gave oral testimony (Transcript of Hearing, Exhibit 12). Four written comments were received during the comment period (Exhibit 11). A summary of and response to both the oral and written comments was prepared (Exhibit 13).

As a result of the first hearing, comments and department staff review, nonsubstantial and sufficiently related changes were made to the proposed regulations, and another public notice was mailed on November 20, 1998. Two comments were received during the comment period which ended December 10, 1998 (Exhibit 17). A summary, response and recommendation to these comments was prepared and presented to the three-member Franchise Tax Board at its December 16, 1998 meeting.

After substantial public input at that meeting, Board directed staff to issue another 15-day change to Regulation Sections 25106.5-0, 25106.5-2, 25106.5-3, 25106.5-4 and 25106.5-9 amending the proposed regulations to allowing them to operate independently (Exhibit 20). One written comment was received after the close of the December 10, 1998 comment period (Exhibit 19), but prior to the December 16, 1998 Board meeting. An additional written comment was received by E-mail after that date. These comments, and comments made at the December 16, 1998 Board hearing are summarized and responded to (Exhibit 21).

A draft second notice of nonsubstantial and sufficiently related changes was presented to the members of the Franchise Tax Board at its March 23, 1999 meeting. The amendments in that notice reflected the direction of the members of the Franchise Tax Board at the December 16, 1998 meeting, and other amendments responsive to comments received both within and outside of the two previous comment periods. There being no objection to the regulation as proposed to be amended, the members of the Franchise Tax Board directed the proposed second notice be mailed to the public (Exhibit 25). The second notice (Exhibit 22) of nonsubstantial and sufficiently related changes was mailed to the public on March 31, 1999. No comments were received during the comment period for the second notice, which ended April 26, 1999.

Alternatives Determined

Franchise Tax Board has determined that no alternative would be more effective in carrying out the purpose for which the regulation is proposed or would be as effective and less burdensome to affected private persons than the proposed regulation.