



Bill Analysis

Author: Sharp-Collins, et al.

Sponsor:

Bill Number: AB 766

Related Bills: See Legislative
History

Introduced February 18, 2025,
and Amended May 23, July 9,
August 29, and September 5,
2025

SUBJECT

State Agencies and Departments Strategic Plans: Diversity, Equity, and Inclusion

SUMMARY

This bill would, under the Government Code (GOV), require all state agencies and departments subject to the Governor's authority for applicable strategic plans, if feasible, to develop or update the plan to reflect the use of data analysis and inclusive practices to advance racial equity and to respond to identified disparities.

This analysis only addresses the impact to the Franchise Tax Board (FTB).

RECOMMENDATION

No position—The three-member Franchise Tax Board has not formally voted or taken a position on this bill.

SUMMARY OF AMENDMENTS

The May 23, 2025, amendments removed the provision that would have required a racial equity analysis be completed prior to the implementation of an agency or department's budget or before any regulations take effect.

The July 9, 2025, amendments added language to clarify that every agency, department, office, or commissions under subject to the Governor's authority is subject to the provisions under this bill, specified an operative date and made other technical changes.

The August 29, 2025, amendments made technical amendments clarifying the requirements would apply upon development or updating, as applicable, of a strategic plan.

The September 5, 2025, amendments modified the bill to only require agencies, departments, offices, or commissions under the Governor's authority to develop or update their strategic plans as specified, if feasible. The amendments also removed the requirement that state agencies engage and gather input from California communities that have been historically disadvantaged and underserved within the scope of policies or programs administered or implemented by the agency.

REASON FOR THE BILL

The reason for the bill is to more effectively advance racial equity in strategic plan development.

ANALYSIS

This bill would require every agency, department, office, or commission subject to the Governor's authority, for any strategic plans applicable and if feasible, to develop or update the strategic plan, as applicable, to reflect the use of data analysis and inclusive practices to more effectively advance racial equity and to respond to identified disparities with changes made to an organization's mission, vision, goals, data tools, policies, programs, operations, community engagement, tribal consultation policies and practices, and any other actions as necessary to serve all Californians.

For those entities listed above, this bill also clarifies they would be required to develop a strategic plan and report to the Governor and to the Joint Legislative Budget Committee by April 1, 2026, and by each subsequent April 1, on the steps being taken to develop and adopt a strategic plan. The bill also makes technical changes to the code section governing the requirement that these entities develop a strategic plan.

Effective/Operative Date

This bill would be effective and operative on January 1, 2026.

Federal/State Law

Federal Law

The Government Performance and Results Act of 1993 was enacted to hold government agencies accountable for achieving program results, improving internal management and congressional decision making, among other goals. This law requires the Director of the Office Management and Budget to coordinate with the federal agencies to develop the Federal Government performance plan and publish the required information on their website and update the information periodically.

The Government Performance and Results Modernization Act of 2010 was amended to require agencies to publish their strategic plans no later than the first Monday in February of any year following the year a President's term commences.

State Law

Current state law requires each agency, department, office, or commission, for which the strategic planning efforts are recommended, to develop a strategic plan and report to the Governor and the Joint Legislative Budget Committee annually, by April 1. In developing the strategic plan, each agency, department, office, or commission is required to consult with, at least, employee organizations, the Legislature, client groups served, suppliers, and contractors.

The report needs to include a description of the elements to be included in the strategic plan, the process for developing and adopting the strategic plan, and a timetable for the plan's completion. The report also needs to identify the steps being taken to develop performance measures that could be used for a performance budgeting system or a performance review.

Implementation Considerations

None noted.

Technical Considerations

None noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

AB 733 (Tangipa, 2025/2026) would require each state agency to submit a list of any required reports that have not been provided to the Legislature by April 1 of each year beginning after January 1, 2026. AB 733 did not pass out of the Assembly Governmental Organization Committee by the deadline.

AB 1511 (Santiago, Chapter 352, Statutes of 2024) required state agencies that expend funds on marketing, advertising, or outreach to develop a plan for increasing expenditures directed to ethnic media outlets and community media outlets, as specified.

AB 316 (Cooper, Chapter 312, Statutes of 2022) required the CalHR to prepare and submit a report to appropriate committees of the Legislature, as provided, on gender and ethnicity pay equity in each classification under the Personnel Classification Plan where there is an underrepresentation of women and minorities, among other provisions.

AB 2448 (Ting, Chapter 315, Statutes of 2022) directed the Department of Fair Employment and Housing to establish a pilot program that recognizes businesses for creating safe and welcoming environments free from discrimination and harassment of customers, and to establish criteria that a business must meet in order to qualify for recognition under the program.

SB 1203 (Becker, et al., Chapter 368, Statutes of 2022) required all state agencies to incorporate actions and investments identified by the Department of General Service (DGS) and establish a reporting requirement to achieve net zero emissions of greenhouses gasses.

AB 437 (Jackson, 2023/2024) would have required each state agency to consider the use of more inclusive practices to advance equity in the agency's mission, policies and programs. AB 437 did not pass out of the Senate by the constitutional deadline.

AB 3162 (Oberholte, 2019/2020), under the GOV, would have required all state agencies, including the FTB, to post on their internet website, any report they submitted to a committee of the Legislature. AB 3162 did not pass out of the Assembly by the constitutional deadline.

PROGRAM BACKGROUND

The State Government Strategic Planning and Performance Review Act, enacted in 1994, was enacted to assist the state government in developing strategic plan reporting and performance reviews to establish performance measures to eliminate the waste and inefficiencies and improve the state government's ability to address vital public needs. The FTB's current Strategic Plan for 2021-2025 is available on FTB's website. FTB is currently developing its 2026-2030 Strategic Plan and is working to have the new plan in place by January 2026.

On September 9, 2021, the 3-member FTB Board adopted a Diversity, Equity and Inclusion Resolution recognizing the FTB's commitment to promoting a workplace environment and culture in which employees from a variety of backgrounds, cultures, and personal experiences are welcomed and can thrive in support of FTB's mission, values, and goals. The Diversity, Equity, Inclusion and Accessibility (DEIA) Team updated FTB's mission and values to incorporate diversity, equity, inclusion and accessibility.

OTHER STATES' INFORMATION

None noted.

FISCAL IMPACT

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

ECONOMIC IMPACT*Revenue Estimate*

This bill as amended on September 5, 2025, would not impact state income or franchise tax revenue.

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill or for the net final payment method of accrual.

LEGAL IMPACT

None noted.

EQUITY IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

Assembly Floor Analysis dated September 11, 2025.

Support

None on file.

Opposition

None on file.

ARGUMENTS

Assembly Floor Analysis dated September 11, 2025.

Proponents

The bill is supported by the San Diego Unified School District, noting in part:

Many communities have been harmed historically and presently by hate and discrimination based on race, ethnicity, color, gender identity, sexual orientation, religious beliefs and customs, immigration status, ability status, and many other personal characteristics. This bill builds on California's existing efforts to increase equity and expand opportunity for all by addressing disparities in historically

underserved and marginalized communities. Addressing unequal circumstances helps drive equal outcomes so that all Californians have the chance to reach their full potential and lead healthy and rewarding lives.

Opponents

None on file.

LEGISLATIVE CONTACT

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