

AMENDED IN SENATE JUNE 2, 2010  
AMENDED IN SENATE APRIL 5, 2010

**SENATE BILL**

**No. 1160**

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**Introduced by Senator Dutton**

February 18, 2010

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An act to amend Section 11346.3 of, and to add Sections 9143.5 and 13305.5 to, the Government Code, relating to state fiscal analysis.

LEGISLATIVE COUNSEL'S DIGEST

SB 1160, as amended, Dutton. State fiscal analysis.

~~(1) Existing~~

~~Existing law requires the Legislative Analyst, operating under the authority of the Joint Legislative Budget Committee, and the Department of Finance to provide the Legislature with specified fiscal analyses of matters affecting state finances, including the annual state budget.~~

This bill would require the Legislative Analyst *and the department*, to the extent that any fiscal estimate of the annual state budget involves ~~one or more proposed changes~~ *a change* in state tax law having a designated fiscal impact, to prepare the, *to estimate*, except as specified, ~~on the basis of assumptions that estimate the probable behavioral responses of taxpayers and others to the proposed changes, and to include in the fiscal estimate a statement identifying those assumptions:~~ *the statewide economic impact of the change, using a dynamic economic analysis that includes probable behavioral responses of taxpayers, businesses, and other residents of the state, and the impact of the change on state spending reductions, including reductions in education spending.*

~~(2) Existing law requires a state agency proposing to adopt, amend, or repeal any administrative regulation to assess the effect of the proposed regulation on jobs and businesses within the state.~~

~~This bill would require the assessment to be performed using a dynamic analysis technique under specified conditions.~~

~~(3) Existing law requires the Department of Finance to perform various duties pertaining to the preparation and analysis of the annual state budget, and the fiscal analysis of legislative proposals before the Legislature.~~

~~This bill would require the Department of Finance, to the extent that any fiscal impact estimate involves one or more proposed changes in state tax law having a designated fiscal impact, to prepare the estimate, except as specified, on the basis of assumptions that estimate the probable behavioral responses of taxpayers and others to the proposed changes, and to include in the fiscal estimate a statement identifying those assumptions.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     ~~SECTION 1.~~ It is the intent of the Legislature to ensure that,  
2 to the extent reasonable, dynamic estimating techniques are used  
3 in predicting the fiscal impact of proposals to enact laws and  
4 promulgate regulations.

5     ~~SEC. 2.~~

6     ~~SECTION 1.~~ Section 9143.5 is added to the Government Code,  
7 to read:

8     9143.5. To the extent that any fiscal estimate prepared by the  
9 Legislative Analyst regarding the annual state budget involves one  
10 or more proposed changes in state tax law, *including, but not*  
11 *limited to, new taxes, tax rate changes, new credits, deductions,*  
12 *exclusions, or exemptions, or changes to credits, deductions,*  
13 *exclusions, or exemptions,* the Legislative Analyst shall prepare  
14 the estimate, except where it is unreasonable to do so, on the basis  
15 of assumptions that estimate the probable behavioral responses of  
16 taxpayers, businesses, and other citizens to those proposed changes,  
17 and shall include in the fiscal estimate a statement identifying those  
18 assumptions. ~~The requirement set~~ *shall estimate the statewide*  
19 *economic impact of the change or changes, using dynamic*

1 *economic analysis that takes into account probable behavioral*  
2 *responses of taxpayers, businesses, and other residents of the state,*  
3 *except where it is unreasonable to do so. The Legislative Analyst*  
4 *shall also estimate the economic impact of the state spending*  
5 *reductions that would be necessitated by the proposed state tax*  
6 *reduction, in accordance with the constitutional requirement that*  
7 *the state enact a balanced budget each year. The Legislative*  
8 *Analyst's estimate of the economic impact of spending reductions*  
9 *shall identify the reductions in state education spending required*  
10 *by the tax reduction proposal, and the long-term effect of reduced*  
11 *education spending on the growth of the state domestic product.*  
12 *The requirement set forth in this section applies only to a proposed*  
13 *change in state tax law determined by the Legislative Analyst,*  
14 *pursuant to a static fiscal estimate, to have a fiscal impact in excess*  
15 *of ten million dollars (\$10,000,000) in any one fiscal year.*

16 SEC. 3. ~~Section 11346.3 of the Government Code is amended~~  
17 ~~to read:~~

18 ~~11346.3. (a) State agencies proposing to adopt, amend, or~~  
19 ~~repeal any administrative regulation shall assess the potential for~~  
20 ~~adverse economic impact on California business enterprises and~~  
21 ~~individuals, avoiding the imposition of unnecessary or unreasonable~~  
22 ~~regulations or reporting, recordkeeping, or compliance~~  
23 ~~requirements. For purposes of this subdivision, assessing the~~  
24 ~~potential for adverse economic impact shall require agencies, when~~  
25 ~~proposing to adopt, amend, or repeal a regulation, to adhere to the~~  
26 ~~following requirements, to the extent that these requirements do~~  
27 ~~not conflict with other state or federal laws:~~

28 ~~(1) The proposed adoption, amendment, or repeal of a regulation~~  
29 ~~shall be based on adequate information concerning the need for,~~  
30 ~~and consequences of, proposed governmental action.~~

31 ~~(2) The state agency, prior to submitting a proposal to adopt,~~  
32 ~~amend, or repeal a regulation to the office, shall consider the~~  
33 ~~proposal's impact on business, with consideration of industries~~  
34 ~~affected including the ability of California businesses to compete~~  
35 ~~with businesses in other states. For purposes of evaluating the~~  
36 ~~impact on the ability of California businesses to compete with~~  
37 ~~businesses in other states, an agency shall consider, but not be~~  
38 ~~limited to, information supplied by interested parties.~~

39 ~~It is not the intent of this section to impose additional criteria on~~  
40 ~~agencies, above that which exists in current law, in assessing~~

1 ~~adverse economic impact on California business enterprises, but~~  
2 ~~only to assure that the assessment is made early in the process of~~  
3 ~~initiation and development of a proposed adoption, amendment,~~  
4 ~~or repeal of a regulation.~~

5 ~~(b) (1) All state agencies proposing to adopt, amend, or repeal~~  
6 ~~any administrative regulations shall assess whether and to what~~  
7 ~~extent it will affect the following:~~

8 ~~(A) The creation or elimination of jobs within the State of~~  
9 ~~California.~~

10 ~~(B) The creation of new businesses or the elimination of existing~~  
11 ~~businesses within the State of California.~~

12 ~~(C) The expansion of businesses currently doing business within~~  
13 ~~the State of California.~~

14 ~~(2) If the static estimate first shows that a regulation will have~~  
15 ~~an annual cost to the private sector of one hundred million dollars~~  
16 ~~(\$100,000,000) or more when fully operational, then a state agency~~  
17 ~~shall assess the regulation in compliance with paragraph (1) by~~  
18 ~~using a dynamic analysis.~~

19 ~~(3) This subdivision does not apply to the University of~~  
20 ~~California, the Hastings College of the Law, or the Fair Political~~  
21 ~~Practices Commission.~~

22 ~~(4) Information required from state agencies for the purpose of~~  
23 ~~completing the assessment may come from existing state~~  
24 ~~publications.~~

25 ~~(e) No administrative regulation adopted on or after January 1,~~  
26 ~~1993, that requires a report shall apply to businesses, unless the~~  
27 ~~state agency adopting the regulation makes a finding that it is~~  
28 ~~necessary for the health, safety, or welfare of the people of the~~  
29 ~~state that the regulation apply to businesses.~~

30 ~~SEC. 4.~~

31 ~~SEC. 2. Section 13305.5 is added to the Government Code, to~~  
32 ~~read:~~

33 ~~13305.5. To the extent that any fiscal impact estimate prepared~~  
34 ~~by the Department of Finance regarding the annual state budget~~  
35 ~~involves one or more proposed changes in state tax law, the~~  
36 ~~department shall prepare the estimate, except where it is~~  
37 ~~unreasonable to do so, on the basis of assumptions that estimate~~  
38 ~~the probable behavioral responses of taxpayers, businesses, and~~  
39 ~~other citizens to those proposed changes, and shall include in the~~  
40 ~~fiscal impact estimate a statement identifying those assumptions.~~

1 ~~The requirement set forth in this section shall apply only to a~~  
2 ~~proposed change in state tax law determined by the Department~~  
3 ~~of Finance, pursuant to a static~~ *changes in state tax law, including,*  
4 *but not limited to, new taxes, tax rate changes, new credits,*  
5 *deductions, exclusions, or exemptions, or changes to credits,*  
6 *deductions, exclusions, or exemptions, the department shall*  
7 *estimate the statewide economic impact of the change or changes,*  
8 *using dynamic economic analysis that takes into account probable*  
9 *behavioral responses of taxpayers, businesses, and other residents*  
10 *of the state, except where it is unreasonable to do so. The*  
11 *department shall also estimate the economic impact of the state*  
12 *spending reductions that would be necessitated by the proposed*  
13 *state tax reduction, in accordance with the constitutional*  
14 *requirement that the state enact a balanced budget each year. The*  
15 *department's estimate of the economic impact of spending*  
16 *reductions shall identify the reductions in state education spending*  
17 *required by the tax reduction proposal, and the long-term effect*  
18 *of reduced education spending on the growth of the state domestic*  
19 *product. The requirement set forth in this section applies only to*  
20 *a proposed change in state tax law determined by the department,*  
21 *pursuant to a static fiscal estimate, to have a fiscal impact in excess*  
22 *of ten million dollars (\$10,000,000) in any one fiscal year.*