

AMENDED IN ASSEMBLY AUGUST 2, 2010

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 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.

Existing law requires the Legislative Analyst 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 a change in state tax law, to estimate, except as specified, 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.~~

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. Section 9143.5 is added to the Government Code,
- 2 to read:

1 9143.5. To the extent that any fiscal estimate prepared by the  
2 Legislative Analyst regarding the annual state budget involves one  
3 or more proposed changes in state tax law, including, but not  
4 limited to, new taxes, tax rate changes, new credits, deductions,  
5 exclusions, or exemptions, or changes to credits, deductions,  
6 exclusions, or exemptions, the Legislative Analyst shall estimate  
7 the statewide economic impact of the change or changes, using  
8 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 Legislative Analyst shall also estimate the economic impact of the  
12 state spending reductions that would be necessitated by the  
13 proposed state tax reduction, in accordance with the constitutional  
14 requirement that the state enact a balanced budget each year. ~~The~~  
15 ~~Legislative Analyst'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 Legislative  
21 Analyst, pursuant to a static fiscal estimate, to have a fiscal impact  
22 in excess of ten million dollars (\$10,000,000) in any one fiscal  
23 year, *except where the Legislative Analyst has determined and*  
24 *reported to the legislature findings to support that it is*  
25 *unreasonable to do so*.

26 SEC. 2. Section 13305.5 is added to the Government Code, to  
27 read:

28 13305.5. To the extent that any fiscal estimate prepared by the  
29 Department of Finance regarding the annual state budget involves  
30 one or more proposed changes in state tax law, including, but not  
31 limited to, new taxes, tax rate changes, new credits, deductions,  
32 exclusions, or exemptions, or changes to credits, deductions,  
33 exclusions, or exemptions, the department shall estimate the  
34 statewide economic impact of the change or changes, using  
35 dynamic economic analysis that takes into account probable  
36 behavioral responses of taxpayers, businesses, and other residents  
37 of the state, ~~except where it is unreasonable to do so~~. The  
38 department shall also estimate the economic impact of the state  
39 spending reductions that would be necessitated by the proposed  
40 state tax reduction, in accordance with the constitutional

1 requirement that the state enact a balanced budget each year. The  
2 department's estimate of the economic impact of spending  
3 reductions shall identify the reductions in state education spending  
4 required by the tax reduction proposal, and the long-term effect  
5 of reduced education spending on the growth of the state domestic  
6 product. The requirement set forth in this section applies only to  
7 a proposed change in state tax law determined by the department,  
8 pursuant to a static fiscal estimate, to have a fiscal impact in excess  
9 of ten million dollars (\$10,000,000) in any one fiscal year, *except*  
10 *where the department has determined and reported to the*  
11 *Legislature findings to support that it is unreasonable to do so.*

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