

Date of Hearing: April 14, 2026

ASSEMBLY COMMITTEE ON ECONOMIC DEVELOPMENT, GROWTH, AND
HOUSEHOLD IMPACT

José Luis Solache, Jr., Chair

AB 2366 (Ávila Farías) – As Introduced February 19, 2026

SUBJECT: Administrative Procedure Act: proposed regulations: cost-of-living impact on residents of the state

SUMMARY: AB 2366 enhances California’s regulatory review process by requiring state agencies to evaluate and report the cost-of-living impacts of proposed regulations on residents. The bill requires both major and non-major regulations to include cost-of-living considerations in their economic impact assessments, using a standardized methodology developed by the Legislative Analyst’s Office (LAO). Agencies must submit their analyses to the LAO, which will conduct an independent review of the adequacy of the economic and cost-of-living analysis.

The bill also increases oversight and transparency by requiring the Office of Administrative Law (OAL) to oversee outside contractors used for regulatory analyses and extending the review period for major regulations from 30 to 60 working days, including a required public hearing. Additionally, the Department of Finance would create and maintain an online regulatory economic burden tracker to monitor the cumulative impact of regulations by economic sector. If a regulation is found to have significant cost-of-living impacts, agencies must pursue a less costly alternative or explain why one is not feasible.

Specifically, **this bill:**

- 1) Include among those requirements for assessing the potential for adverse economic impact the consideration of the proposal’s cost-of-living impacts on residents of the state, defined as the cost of essentials such as housing, transportation, food, taxes, and health care.
- 2) Requires the assessment for non-major regulations to include to what extent it will affect the cost-of-living impacts on residents of the state and would require the standardized regulatory impact analysis for major regulations to address the cost-of-living impacts on residents of the state.
- 3) Requires an agency to notify the OAL when the agency determines it needs to contract for outside services to perform the analyses and would require the OAL to select the contractor and oversee its work.
- 4) Requires the Legislative Analyst’s Office to adopt a standardized cost-of-living methodology for use by all agencies that includes a process for determining whether those cost-of-living impacts are significant.
- 5) Requires each state agency to submit the standardized regulatory impact analysis to the Legislative Analyst’s Office, and would require the Legislative Analyst’s Office to take certain actions, including conducting an independent analysis of the adequacy of an agency’s economic analysis and an analysis of the cost-of-living impacts on residents of the state, and to provide its analysis to the state agency within 60 days.

- 6) Requires the Department of Finance to develop and maintain a regulatory economic burden tracker that will gather and analyze the cumulative economic burden of regulations by sector of the economy.
- 7) Requires the department to post the tracker on its internet website and update the tracker annually.
- 8) Would instead require the notice to include a detailed statement of the results of the economic impact assessment. The bill would require the summary of comments to include the Legislative Analyst's Office comments and agency responses, as referenced above.
- 9) Would add to those standards the cost-of-living impacts on residents of the state and require the office, in reviewing proposed regulations for cost-of-living impacts on residents of the state, to use the standardized methodology developed by the Legislative Analyst's Office.
- 10) Law requires the office to either approve a regulation or disapprove it within 30 working days after a regulation has been submitted to the office for review (60 working days for major regulations).
- 11) Law requires the office, if it disapproves a regulation, to provide the adopting agency with a written notice detailing the reasons for disapproval within seven calendar days of the notice.
- 12) For major regulations, increase the period of time for approval or disapproval to 60 working days.
- 13) Require the office, for major regulations, to hold a public hearing within 30 working days after the regulation has been submitted to the office. If one of the reasons for disapproval includes a significant cost-of-living impact, the bill would require the agency to pursue a less costly alternative or explain why a less costly alternative is infeasible.

EXISTING LAW:

- 1) The Administrative Procedure Act, governs the procedure for the adoption, amendment, or repeal of regulations by state agencies and for the review of those regulatory actions by the Office of Administrative Law. The act requires a state agency proposing to adopt, amend, or repeal any administrative regulation to assess the potential for adverse economic impact on California business enterprises and individuals and requires the state agency to adhere to specified requirements in making that assessment.
- 2) Requires a state agency proposing to adopt, amend, or repeal a regulation that is not a major regulation to prepare an economic impact assessment that includes to what extent the regulation will affect specified factors, including the creation or elimination of jobs within the state. Existing law requires a state agency proposing to adopt, amend, or repeal a major regulation to prepare a standardized regulatory impact analysis that addresses specified factors, including the creation or elimination of jobs within the state.

- 3) Requires the notice of proposed adoption, amendment, or repeal of a regulation to include, among other information, a statement of the results of the economic impact assessment and a summary of any comments submitted to the agency.
- 4) Requires the OAL to review regulations and make determinations using standards of necessity, authority, clarity, consistency, reference, and non-duplication.

FISCAL EFFECT: Unknown

COMMENTS: This bill introduces a "regulatory economic burden tracker" to be maintained by the Department of Finance to analyze cumulative impacts across sectors. It also empowers the LAO to identify means to reduce costs if impacts are deemed significant. AB 2366 addresses the significant cost-of-living challenges in California by modernizing the state's regulatory review process. The bill mandates that state agencies explicitly evaluate how proposed regulations affect the cost of daily essentials like housing, food, and energy before they are adopted or amended. By requiring the Legislative Analyst's Office to develop a standardized methodology and provide independent oversight, the legislation ensures that economic analyses are grounded in the financial realities faced by residents rather than remaining mere procedural exercises.

Furthermore, the bill introduces greater transparency through a new "regulatory economic burden tracker" managed by the Department of Finance, which will monitor cumulative costs across various industry sectors annually. This comprehensive approach forces agencies to consider less burdensome alternatives when a regulation is found to have a significant impact on affordability, ultimately aiming to protect low-income and vulnerable communities from hidden regulatory costs. AB 2366 aims to integrate cost-of-living considerations into the California Administrative Procedure Act.

Author's Statement: "Affordability is one of the top concerns for everyday Californians today and California consistently ranks among the top highest cost of living states in the nation.

While state agencies must consider economic impacts of their regulations, there is no real oversight of this process nor do those analyses require the consideration of the regulation on cost of living. AB 2366 helps achieve the state's affordability goals by requiring state agencies to specifically examine what impact their proposed regulation would have on the cost of living for Californians.

AB 2366 requires agencies to ask: what impact does this regulation have on the cost of everyday essentials, such as food, water, energy, gas, and housing? In addition, it would require the Legislative Analyst's Office to review the complete analysis and make recommendations for ways to reduce cost impacts. Through this process agencies must transparently consider the impact of their regulations on Californians and may find alternatives that reduce cost impacts.

REGISTERED SUPPORT / OPPOSITION:

Support

California Association of Realtors
California Business Roundtable

California Chamber of Commerce
California Council for Environmental & Economic Balance (CCEEB)
New California Coalition
Western Propane Gas Association
Western States Petroleum Association

Opposition

Cft – a Union of Educators & Classified Professionals, Aft, Afl-cio

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