

Date of Hearing: April 21, 2026

ASSEMBLY COMMITTEE ON JUDICIARY

Ash Kalra, Chair

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

SUBJECT: ADMINISTRATIVE PROCEDURE ACT: PROPOSED REGULATIONS:
COST-OF-LIVING IMPACT ON RESIDENTS OF THE STATE

KEY ISSUE: SHOULD THE IMPACT TO THE COST-OF-LIVING IN THE STATE ASSOCIATED WITH PROPOSED REGULATIONS BE STUDIED BY THE AGENCY PROMULGATING THE REGULATIONS?

SYNOPSIS

California law authorizes the agencies and departments of the executive branch to adopt regulations any time additional legal requirements are necessary to implement, interpret, or make specific the law enforced or administered by the agency or department. The California Administrative Procedure Act governs the adoption and revision of regulations. The Administrative Procedure Act, generally, requires agencies to post regulations, receive public comment, and respond to the comments. Additionally, the Administrative Procedure Act requires agencies to conduct economic analysis of regulations to determine the impact to the state's economy.

Arguing that the existing processes for examining the economic impact of regulations is insufficient and results in increased costs to Californians, this bill would require agencies adopting regulations to account for the regulations impact to the "cost-of-living" as a part of the standardized regulatory impact analysis or economic impact assessment. The bill would task the Legislative Analyst's Office with the development of a methodology for assessing a regulation's cost-of-living impact to the state and reviewing proposed studies of those impacts. This bill would also task the Office of Administrative Law with conducting a final review of the cost-of-living impact of a regulation and hold public hearings before approving major regulations.

This bill is supported by a coalition of business advocates including the California Business Roundtable. The supporters bemoan the existing regulatory process and contend that agencies and departments do not do enough to reduce the cost burdens of regulations. They believe that the extra levels of review proposed by the bill would improve the regulatory process. This bill is opposed by CFT- A Union of Educators and Classified Professionals. They argue that simply focusing on one aspect of a regulation, costs, may result in other factors contributing to a regulatory program being overlooked. This bill was previously heard and approved by the Committee on Economic Development, Growth, and Household Impact by a vote of seven to zero.

SUMMARY: Requires state agencies promulgating regulations in accordance with the Administrative Procedure Act to conduct an assessment on the regulation's impact on the cost-of-living. Specifically, **this bill:**

- 1) Requires a state agency, before submitting a proposal to adopt, amend, or repeal a regulation to the Office of Administrative Law, to consider the proposal's cost-of-living impacts on residents of the state.

- 2) Requires, when a state agency determines that it needs to contract for outside services in order to perform the analyses in this bill, the agency to notify the Office of Administrative Law who must then select the contractor and oversee its work.
- 3) Requires the Legislative Analyst's Office to adopt a standardized cost-of-living methodology for use by all agencies.
- 4) Requires each state agency proposing to adopt, amend, or repeal a major regulation and that has prepared a standardized regulatory impact analysis to submit that analysis to the Legislative Analyst's Office upon completion.
- 5) Requires, upon receipt of the analysis specified in 4), the Legislative Analyst's Office to conduct an independent analysis of the adequacy of an agency's economic analyses as well as to conduct its own analysis of the cost-of-living impacts on residents of the state of a proposed regulation.
- 6) Requires, if the Legislative Analyst's Office finds that the cost-of-living impacts of a proposed regulation are significant, the Office to identify means by which the cost of the proposed regulation could be reduced.
- 7) 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, as specified.
- 8) Requires, for major regulations, the Office of Administrative Law to hold a public hearing on the submitted regulation within 30 working days after the regulation has been submitted to the office for review.
- 9) Requires, if the Office of Administrative Law disapproves of a regulation based on the regulation's impact to cost-of-living, the Office must require the agency to pursue a less costly alternative or explain in detail why a less costly alternative is infeasible.
- 10) Defines "cost-of-living impacts on residents of the state" to mean the cost of essentials and consumer staples, including, but not limited to, housing, transportation, food, taxes, and health care and the increase or decrease in these costs as a result of a proposed regulation in California both at the time of consideration and the foreseeable future.

EXISTING LAW:

- 1) Establishes the Office of Administrative Law and tasks the Office with reviewing all regulations proposed by state agencies. (Government Code Section 11340.2.)
- 2) Prohibits a state agency from issuing, utilizing, enforcing, or attempting to enforce any guideline, criterion, bulletin, manual, instruction, order, standard of general application, or other rule, which is a regulation, as defined, unless the guideline, criterion, bulletin, manual, instruction, order, standard of general application, or other rule has been adopted as a regulation and filed with the Secretary of State. (Government Code Section 11340.5.)
- 3) Requires every state agency to do the following:

- a) Transmit to the office for filing with the Secretary of State a certified copy of every regulation adopted or amended by it except one that is a building standard;
 - b) Transmit to the office for filing with the Secretary of State a certified copy of every order of repeal of a regulation;
 - c) Within 15 days of the office filing a state agency's regulation with the Secretary of State, post the regulation on its internet website for at least 60 days after filing the regulation in an easily marked and identifiable location;
 - d) Deliver to the Office of Administrative Law, at the time of transmittal for filing a regulation or order of repeal, a citation of the authority pursuant to which it or any part thereof was adopted;
 - e) Deliver to the Office of Administrative Law a copy of the notice of proposed action; and
 - f) Transmit to the California Building Standards Commission for approval a certified copy of every regulation, or order of repeal of a regulation, that is a building standard, as specified. (Government Code Section 11343.)
- 4) 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, avoiding the imposition of unnecessary or unreasonable regulations or reporting, recordkeeping, or compliance requirements by conducting a Standardized Regulatory Impact Assessment. (Government Code Section 11346.3.)
 - 5) Requires if an interested person or their duly authorized representative submits in writing to the state agency, no later than 15 days prior to the close of the written comment period, a request to hold a public hearing an agency to hold a hearing on proposed regulations. (Government Code Section 11346.8.)
 - 6) Defines "regulation" as every rule, regulation, order, or standard of general application or the amendment, supplement, or revision of any rule, regulation, order, or standard adopted by any state agency to implement, interpret, or make specific the law enforced or administered by it, or to govern its procedure. (Government Code Section 11342.600.)
 - 7) Defines "major regulation" as any proposed adoption, amendment, or repeal of a regulation subject to review by the Office of Administrative Law that will have an economic impact on California business enterprises and individuals in an amount exceeding fifty million dollars (\$50,000,000), as estimated by the agency. (Government Code Section 11342.548.)

FISCAL EFFECT: As currently in print this bill is keyed fiscal.

COMMENTS: As California consumers grapple with the inflationary pressures of the post-pandemic economy, now being exacerbated by the on-again, off-again tariff policy of the present federal administration and wars in the Middle East, this bill seeks to expand the consideration of the cost-of-living impacts of proposed regulations. Although state agencies are already required to conduct an economic impact analysis of all regulations, and for major regulations, agencies must conduct comprehensive regulatory impact assessments, the author and proponents of this bill contend these existing requirements do not sufficiently study the impact of regulations on

everyday Californians. This bill would require agencies developing, modifying, or repealing regulations to study the impact of such an action on the cost of living in this state. In support of the bill the author states:

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.

Although largely driven by pandemic-era economic disruptions and questionable economic decisions by the federal government, rising costs are a major concern for everyday Californians. According to Cal Matters, since the onset of the COVID-19 pandemic consumer prices in California have increased more than 20 percent. (Levi Sumagaysay, *Californians face higher costs for goods and services than before the pandemic despite inflation slowing*, Cal Matters (Mar. 6, 2024) available at: <https://calmatters.org/economy/2024/03/california-inflation/>.) Even more problematic, Bureau of Labor Statistics' data suggests that wages have not been able to keep up with rising prices, as Californians' wages have only increased by 15 percent since 2020. (*Ibid.*) Although most pronounced, food prices are not the only aspect of life that costs more in the post-pandemic era. According to Bankrate.com, car insurance costs have risen by 17 percent and housing costs are 38 percent higher in California when compared with the rest of the nation. (*Ibid.*)

It would be an understatement to note that the factors driving post-pandemic prices are complex and some inflation can be traced to the pandemic-era fiscal policies enacted by government. However, the Brookings Institute notes that most price increases were driven by "sharp increases in global commodity prices and sectoral price spikes driven by a combination of pandemic-induced kinks in supply chains and a huge shift in demand during the pandemic to goods from services." (Ben Bernanke & Olivier Blanchard, *What caused the U.S. pandemic-era inflation?*, The Brookings Institute (June 13, 2023) available at: <https://www.brookings.edu/articles/what-caused-the-u-s-pandemic-era-inflation/>.) While governmental policies can play a role in keeping prices stable, the current cost-of-living issues plaguing California appear to be largely driven by free market forces, and not governmental overreach into the economy at the state level.

To the extent that governmental policies are driving up costs, many of these decisions are the result of federal policies and not decisions made by the state. For example, the current administration's war-of-choice in Iran has caused gas prices to skyrocket. The rise in fuel prices following the bombing campaign in Iran pushed consumer prices up 0.9 percent overall since late February. (Ellsabeth Buchwald, *Beyond gas: The price increases American consumers are experiencing from the Iran war*, CNN Business (Apr. 10, 2026) available at:

<https://www.cnn.com/2026/04/07/economy/fuel-surcharge-fees-added-oil>.) Similarly, according to the Budget Lab at Yale University, the current administration's tariff policies resulted in an approximately 1.5 percent increase in consumer prices during the first year of the second Trump Administration. (<https://budgetlab.yale.edu/research/tracking-economic-effects-tariffs>.)

This bill seeks to enhance the consideration of state regulations' impact on the cost of living for everyday Californians. Recognizing that keeping everyday Californians' living expenses as low as possible requires a whole-of-government approach, this bill would task state agencies with studying the impact potential regulations would have on the cost-of-living. The bill would require agencies, as a part of the Standardized Regulatory Impact Assessment (SRIA) for major regulations, or the economic impact assessment for all other regulations, to study the regulation's cost of living impact to Californians. The bill tasks the Legislative Analyst's Office with devising a standardized methodology for agencies to use when conducting a cost-of-living assessment. The bill also requires agencies to submit proposed cost-of-living analyses to the Legislative Analyst's Office for review. Finally, the measure requires the Office of Administrative Law to hold a public hearing on all major regulations prior to approving a final regulatory package.

Keeping the cost-of-living in down California is a laudable goal, however, should this bill result in delays to the regulatory process, it may unintentionally increase costs to taxpayers. California's regulatory process can be complex and cumbersome. A regulation is "every rule, regulation, order, or standard of general application, or the amendment, supplement, revision or any rule, regulation, order or standard adopted by any state agency to implement, interpret, or make specific the law enforced or administered by it, or to govern its procedure." (Government Code Section 11342.600.) Each year, California's executive branch agencies promulgate dozens of regulations to further refine the law as enacted in statute. Although the Administrative Procedure Act specifies how the formal rulemaking process must play out, many agencies now utilize informal "pre-rulemaking" process to engage stakeholders before the formal rulemaking process ever begins. Despite many agencies seeking stakeholder engagement long before entering formal rulemaking, the proponents of this bill contend the process is inconsistent and unbalanced.

The contention by the proponents that the regulatory process moves too quickly and overlooks the concerns of ordinary Californians appears to misconstrue the actual reality of the regulatory process. In the last decade, several dozen high-profile regulatory efforts were effectively stalled by stakeholder disagreements. For example, although the Legislature enacted SB 1137 (Gonzalez) Chap. 365, Stats. 2022, to adopt safety setbacks between housing developments and oil and gas wells four years ago, the Department of Conservation only adopted the implementing regulations in late 2025. According to the Department there were at least four informal community engagement meetings before the official draft regulations were released for public comment. The Department also held a formal public hearing on the regulations and twice modified the regulations to incorporate feedback from the public. (<https://www.conservation.ca.gov/calgem/Pages/SB1137.aspx>.)

While an agency taking the time to engage with stakeholders is entirely appropriate for large regulatory packages, prolonged regulatory processes can introduce additional costs to the process, especially for the very stakeholders engaging with state agencies. Because many agencies hold public meetings about regulations in the communities that may be impacted by a proposal, these processes can introduce travel cost. When an agency is funded by user fees, as is

the case for the oil and gas regulators discussed above, the additional costs of regulations is passed directly onto industry and then eventually onto consumers. While the proponents of this bill are likely to contend the cost of complying with rushed regulations outweighs the cost of participating in the regulatory process, it should be noted that adding extra steps to the regulatory process may have the unintended consequence of placing cost pressures on the very regulated entities this bill seeks to assist.

Separation of powers and the role of the legislative branch in agency rulemaking. This bill tasks the Legislative Analyst's Office, the nonpartisan budget and policy advisor to the Legislature, with developing a methodology for determining a regulation's cost-of-living impact and for reviewing completed impact studies from agencies. This role for the Legislative Analyst's Office is somewhat unique as regulations are a tool of the *executive* branch to aid in the implementation of legislation and not a tool of the *legislative* branch who makes policies via the enactment of statute and adoption of the annual budget to fund programs.

As this Committee is likely aware from discussions of the Legislature's power vis-à-vis the courts, the California Supreme Court has held that the separation of powers doctrine, as applied to state government is more flexible than the federal analogue. So long as one branch of government does not interfere with the "inherent power" of another, than an action is likely to survive scrutiny. (*Case v. Lazben Financial Co.* (2002) 99 Cal.App.4th 172.) While the executive branch has broad leeway to adopt regulations, through the very enactment of the Administrative Procedure Act and the numerous authorizations to enact emergency regulations passed each year, it appears that the Legislature retains some control over the regulatory process. However, whether or not to require the executive branch to seek the approval of the legislative branch before finalizing a regulation, the drafting of which is presumed to have occurred at the behest of a legislatively authorized statute, would likely be a case of first impression. Indeed, under existing law, the Legislature retains the inherent power to review any regulation by simply passing a law to override any regulation that the Legislature deems imprudent.

Furthermore, as a matter of statewide policy and governmental efficiency, it is unclear why the Legislative Analyst's Office was chosen for this role. Indeed, the Department of Finance is the executive branch's budget advisor. In its role as the chief economic advisor to the Governor and the executive branch, the Department of Finance already reviews the existing economic study for major regulations, the Standardized Regulatory Impact Assessment or SRIA. While the proponents of the bill argue the SRIA does not adequately study cost-of-living impacts, they do not appear to suggest that the Department of Finance is incapable of adequately overseeing a review of such impact. Thus, why this bill opted to bypass the Department of Finance and insert the Legislative Analyst's Office into the role of reviewing cost-of-living studies is unclear. In order to avoid any potential separation of power concerns and ensure the regulatory process can function as efficiently as possible, *the author is strongly urged to consider amending the bill to delete reference to the Legislative Analyst's Office and instead vest all review of the economic impacts of regulations within the Department of Finance.*

This bill places significant new responsibilities on the Office of Administrative Law. As briefly noted above, all regulations proposed by state agencies must undergo an economic impact assessment. Since the Legislature adopted SB 617 (Calderon) Chap. 496, Stats. 2011, all major regulations, those estimated to cost more than \$50 million to implement, must undergo additional economic impact reviews through the SRIA process. In accordance with regulations adopted by the Department of Finance, the Department is required to review the completed SRIA submitted

by agencies and provide comments to the agency on the extent to which the assessment adequately studies the impact of the proposed regulations. If the Department of Finance's Economic Research Unit believes an agency did not sufficiently study the cost impact of proposed regulations, the Department can reject the SRIA and require the agency to conduct additional cost studies. ([https://dof.ca.gov/forecasting/economics/major-regulations/.](https://dof.ca.gov/forecasting/economics/major-regulations/))

The existing SRIA framework, as adopted in SB 617, properly recognizes the Department of Finance's role as one of California's critical economic policy advisory bodies. However, unlike SB 617, this bill tasks the Office of Administrative Law with conducting the final review of the adequacy of the cost-of-living assessment proposed by this bill. Indeed, when looking at the language of the measure, it is not entirely clear if the Office of Administrative Law can rely on the Legislative Analyst's Office review or if the Office of Administrative Law must conduct its own cost-of-living review. This seems slightly problematic in that, unlike the Legislative Analyst's Office or the Department of Finance who are experts on state budget and fiscal impacts, the Office of Administrative Law does not have economic experts on staff, but rather attorneys who ensure that regulations are legally sound and that the proper procedures were followed when the regulations were developed. *Accordingly, the author may wish to clarify the guidelines for the Office of Administrative Law's review of a cost-of-living impact and consider having the Office review cost-of-living impacts in the same manner in which it reviews the adequacy of a SRIA.*

This measure also requires the Office of Administrative Law to hold a public hearing for major regulations. While mandating a public hearing on regulations is a sensible reform, and the existing law presently mandates such a hearing if requested by stakeholders, requiring the Office of Administrative Law to hold the hearing may be inappropriate. As noted, the attorneys at the Office of Administrative Law are experts on administrative law, but are generalists as it pertains to the specific topic of most regulations. The existing law requires the agency *promulgating* the regulations to hold a public hearing if requested by stakeholders, not the Office of Administrative Law. The existing framework is sensible in that the promulgating agency has the subject matter expertise to absorb public comment and rescope regulations, if necessary. The Office of Administrative Law lacks this expertise. Accordingly, if the goal of the public hearing requirement is to ensure that policy makers hear public feedback and shape regulations accordingly, *the author may wish to consider mandating the agency promulgating major regulations to hold a public hearing and not the Office of Administrative Law.*

ARGUMENTS IN SUPPORT: This bill is supported by a coalition of business advocates including the California Business Roundtable. In support of the bill a coalition letter from proponents states:

California is experiencing an affordability crisis. According to recent data, it costs 46.8% more to live in California than the national average—placing an unsustainable burden on families and businesses. While current law requires agencies to evaluate how regulations may impact jobs, it does not require them to assess how those same regulations affect resident's day to-day cost of living. This is a glaring omission.

AB 2366 addresses this by requiring state agencies to evaluate how proposed regulations would affect the cost of living for Californians. The bill also directs the Legislative Analyst's Office (LAO) to develop a standardized methodology that agencies must use in conducting these assessments. Once an agency completes its analysis, the LAO will review it and, if a

regulation is found to have significant cost of living impacts, provide recommendations on how those impacts can be reduced.

Today, more than 50 regulations are under consideration across a broad spectrum of agencies. Yet, there is no consistent, independent framework to evaluate the cost of living toll these regulations are having on California's working families and employers. The problem is structural. In 2020, the LAO found that agencies routinely fail to consider less burdensome regulatory alternatives, and that economic analyses are often prepared by agency-selected consultants who underestimate costs. AB 2366 would address these shortcomings by establishing an objective and independent framework that agencies will use to assess the cost of living impacts of proposed regulations.

ARGUMENTS IN OPPOSITION: This bill is opposed by CFT- A Union of Educators and Classified Professionals. In opposition CFT states:

While it is prudent to think through the impact that California public policy has on the cost of living, it is often an exercise rooted in assumptions and with limited consideration for other externalities. For example, the often-criticized blend of fuel for internal combustion engines that is mandated by California is one of many factors as to why the cost of living in the state may be higher than in other states. Looking at this factor alone and the way in which policies set by the Air Resources Board set the fuel regulations, it would be easy to assume that the policy has raised the cost of living in California and could be seen as a net-negative policy. The impact of having cleaner-burning fuel however, has led to a dramatic decrease in the amount of "smog" in California's urban areas and likely contributed to a lowering of respiratory illnesses, decrease health care costs, and increases to other revenue from tourism of visitors to the urban areas who otherwise would not want to visit a city with toxic air quality.

Mandating a cost associated with each regulation only tells one angle of the whole story. The costs may also be wildly off base when it comes to regulations that are promulgated in new policy spaces, such as California's investments in technology, energy, and our efforts to keep wages high and keep up with inflation. These numbers can be used by detractors who wish to omit other points of truth to the benefits of certain regulatory actions and paint an inaccurate picture to the electorate. Therefore, mandating a potential cost of living impact from regulatory action only adds to the confusion of residents and allows for policy decisions to be unduly influenced by speculation.

REGISTERED SUPPORT / OPPOSITION:

Support

California Association of Realtors
California Business Roundtable
California Chamber of Commerce
California Council for Environmental & Economic Balance
California Taxpayer Association
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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