

Date of Hearing: April 25, 2017

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT, AND THE ECONOMY

Sharon Quirk-Silva, Chair

AB 767 (Quirk-Silva) – As Introduced February 15, 2017

SUBJECT: Master Business License Act

SUMMARY: Establishes the Master Small Business License Center (Center), within the Governor's Office of Business and Economic Development (GO-Biz), for the purpose of developing and administering an Internet-based platform that allows businesses to electronically submit a master application, including required fees. Specifically, **this bill:**

- 1) Enacts the Master Small Business License Act, which establishes the Center for the purpose of developing and administering an Internet-based platform that allows businesses to electronically submit a master application, required permit and license fees, and a fee to cover the cost of the master application system, as specified.
- 2) Requires GO-Biz, in consultation with other regulatory agencies, to establish a uniform business identification number for each business. The uniform business identification number is to be used by all affected state agencies for the purpose of facilitating information sharing between state agencies and to improve customer service to businesses.
- 3) Specifies that the Center is to be administered through GO-Biz and authorizes GO-Biz to adopt regulations necessary to operate the Center pursuant to the rules and conditions specified in this bill.
- 4) Requires each state agency to cooperate and provide reasonable assistance to GO-Biz to implement this bill.
- 5) Authorizes any person that applies for two or more business licenses that have been incorporated into the master business license system to submit a master application requesting the issuance of the licenses.
- 6) Specifies that the authority for approving the issuance and renewal of a license remains with the licensing agency.
- 7) Requires the master business license system to be capable of immediately notifying the business that the application and fees have been submitted.
- 8) Requires GO-Biz to establish a fee for each master application that does exceed the reasonable costs of administering the program and provides authority for its collection.
- 9) Establishes the Master License Fund within the State Treasury for the purpose of receiving all moneys paid into the master business license system, including those fees that will be transferred to the regulatory agency and those that are to be used to pay for the operation of the system. Moneys in the fund are subject to appropriation by the Legislature.
- 10) Defines the following terms:

- a) "Business license center" means the business registration and licensing center established by this part and located in and under the administrative control of the office.
- b) "License information packet" means a collection of information about licensing requirements and application procedures custom assembled for each request.
- c) "License" means the whole or part of any state agency permit, license, certificate, approval, registration, charter, or any form or permission required by law, including agency regulation, to engage in any activity.
- d) "Master application" means a document incorporating pertinent data from existing applications for licenses covered under this part.
- e) "Master business license system" or "system" means the mechanism by which licenses are issued, license and regulatory information is disseminated, and account data is exchanged by state agencies.
- f) "Person" means any individual, sole proprietorship, partnership, association, cooperative, corporation, nonprofit organization, state or local government agency, and any other organization required to register with the state to do business in the state and to obtain one or more licenses from the state or any of its agencies.
- g) "Regulatory" means all licensing and other governmental or statutory requirements pertaining to business activities.
- h) "Regulatory agency" means any state agency, board, commission, or division that regulates one or more industries, businesses, or activities.

EXISTING LAW:

- 1) Establishes GO-Biz to serve the Governor as the lead entity for economic strategy and the marketing of California on issues relating to business development, private sector investment, and economic growth. Among other duties, GO-Biz is authorized to make recommendations to the Governor and the Legislature on new state policies, programs, and actions, or amendments to existing programs in order to advance statewide economic goals, respond to emerging economic problems, and to ensure that all state policies and programs conform to the state economic and business development goals.
- 2) Finds and declares that there has been an unprecedented growth in the number of administrative regulations in recent years and that correcting the problems requires the direct involvement of the Legislature, as well as that of the executive branch of the state government. Further, the statute finds and declares that the complexity and lack of clarity in many regulations put small businesses, which do not have the resources to hire experts to assist them, at a distinct disadvantage.
- 3) Authorizes GO-Biz to provide, including, but not limited to, all of the following:
 - a) Economic and demographic data;
 - b) Financial information to help link businesses with state and local public and private programs;
 - c) Workforce information, including, but not limited to, labor availability, training, and education programs;
 - d) Transportation and infrastructure information;
 - e) Assistance in obtaining state and local permits;

- f) Information on tax credits and other incentives; and
- g) Permitting, siting, and other regulatory information pertinent to business operations in the state.

FISCAL EFFECT: Unknown

POLICY FRAMEWORK:

Starting and maintaining a business in California often requires an entrepreneur to apply for and annually renew a range of permits and licenses. Identifying which applications need to be completed, where to file, and what fees are necessary can be a significant challenge.

The Internet offers a useful tool for assisting businesses in navigating the required federal, state, and local permit requirements. This bill leverages an existing GO-Biz web-based platform to become a single access point for applying to and meeting existing requirements. The analysis includes background on the small business economy, GO-Biz and its existing permit assistance activities, and costs of regulatory compliance. Amendments are summarized in Comment 6.

COMMENTS:

- 1) **The Role of Small Businesses within the California Economy:** California's dominance in many economic areas is based, in part, on the significant role small businesses play in the state's \$2.4 trillion economy. Two separate studies, one by the U.S. Census Bureau and another by the Kaufman Foundation, found that net job growth was strongest among businesses with less than 20 employees. Among other advantages, small businesses are crucial in the state's international competitiveness and are an important means for dispersing the positive economic impacts of trade within the California economy.

Sole proprietorships comprise the single largest component of businesses in California, 3.1 million out of an estimated 4 million firms in 2014, representing over \$162 billion in revenues with the highest number of businesses (over 539,000) in the professional, scientific, and technical services industry sector.

Excluding sole proprietorships, businesses with less than 20 employees comprise over 87% of all businesses and employ approximately 18% of all workers. Businesses with less than 100 employees represent 97% of all businesses and employ 31% of the workforce. These non-employer and small employer firms create jobs, generate taxes, support important industry sectors, and revitalize communities. Since the recession, these businesses have become increasingly important because of their ability to be more flexible and adaptive to both foreign and domestic market needs.

Reflective of their important role within the economy, the JEDE Committee Members regularly hear about the challenges small businesses face meeting the implementation requirements of state, local, and federal regulations. While opponents of regulatory reform accuse small businesses of trying to avert their responsibilities, businesses that have testified before the Committee have repeatedly stated that their goal is to achieve a regulatory environment that encourages small business development, while still maintaining public health and safety standards.

AB 767 does not authorize the lowering of any regulatory standard. The bill provides an opportunity for the state to use technology to enhance customer service to the state's job creators and revenue generators.

- 2) **The Governor's Office of Business and Economic Development:** In April 2010, the Governor's Office of Economic Development was established to provide a one-stop-shop for serving the needs of businesses and economic developers. While initially established through Executive Order S-01-10, the office was later codified and renamed as GO-Biz. [AB 29 (John A. Pérez), Chapter 475, Statutes of 2010] GO-Biz carries out its mission through the activities of six GO-Biz service units: California Business Investment Services, Permit Assistance, the Office of the Small Business Advocate, International Affairs and Business Development, the California Competes Tax Credit Program, and the Innovation and Entrepreneurship Program.

Among other programs, GO-Biz provides permit and other business assistance for new and expanding businesses, as well as administering the California Innovation Hub Program and the state international trade investment program. GO-Biz also oversees the Office of the Small Business Advocate, who advocates for and provides key information to small businesses.

- 3) **Permit Assistance Unit at GO-Biz:** The Permit Assistance Unit within GO-Biz provides businesses with comprehensive permit, regulatory, and compliance assistance. Among other services, the unit schedules pre-application meetings between businesses and the appropriate regulatory agencies to help streamline the permitting process. In some instances, GO-Biz can assign a project manager to personally guide an applicant through the entire permit process. Services are confidential and provided without cost. The goal of the unit is to help businesses solve permitting and regulatory challenges.

The Office of Permit Assistance works in partnership with the California Business Investment Service, and other GO-Biz units in serving employers, corporate executives, business owners, and site location consultants who are considering California for business investment and expansion.

The unit is also responsible for maintaining the California Government Online to Desktops (CalGOLD) website. At www.calgold.ca.gov businesses can obtain a list of the required federal, state, and local permits, webpage links, addresses, and other contact information.

In July 2015, GO-Biz launched the California Business Portal which expanded on the utility and availability of a searchable online application that could provide individualized information to businesses, including application forms and links to fee information.

<http://www.business.ca.gov/Programs/Permits.aspx>

GO-Biz also partners with the Government Operations Agency to offer Lean 6-SIGMA Training to state agencies. The 6-SIGMA training is designed to address process-based issues within state departments that were causing delays in services to both internal and external stakeholders. Over a 6 month period, participants receive training on complex analytical and statistical tools that identify waste and inefficiencies in processes. From January 2016 to July 2016, GO-Biz worked with six departments on 23 individual projects, including projects to reduce issuance time for 401 Water Quality Certificates from 273 days to 90 days and reduction of State Water Resources Control Board contract completion times from an average of 145 days to 45 days.

AB 767 would build on these efforts by allowing a business to complete an initial list of core information, which would populate the various permit and licensing forms. Fees would be itemized, aggregated, and could be paid in a single transfer from the business. Unique information to a particular permit would then be completed by the business. From the state agency's perspective, it would receive completed forms and the payment of fees, while retaining full authority for the approval or disapproval of the application.

- 4) **Cost of Regulations on Business:** There are two major sources of data on the cost of regulatory compliance on businesses, the federal Small Business Administration (SBA) and the Office of the Small Business Advocate (OSBA). For the last 10 years, the federal SBA has conducted a peer reviewed study that analyzes the cost of federal government regulations on different size businesses. This research shows that small businesses continue to bear a disproportionate share of the federal regulatory burden. On a per employee basis, it costs about \$2,400, or 45% more, for small firms to comply with federal regulations than their larger counterparts.

The first study on the impact of California regulations on small businesses was released by the OSBA in 2009. This first in-the-nation study found that the total cost of regulations to small businesses averaged about \$134,000 per business in 2007. Of course, no one would advocate that there should be no regulations in the state. The report, however, importantly identifies that the cost of regulations can provide a significant cost to the everyday operations of California businesses and should therefore be a consideration among the state's economic development policies.

Regulatory costs are driven by a number of factors including multiple definitions of small business in state and federal law, the lack of e-commerce solutions to address outdated paperwork requirements, procurement requirements that favor larger size bidders, and the lack of technical assistance to alleviate such obstacles that inhibit small business success.

- 5) **Different Approaches to Regulatory Reform:** In general, the Legislature's engagement on regulatory reforms has taken two basic approaches. One set of policies has addressed specific regulatory challenges on a case-by-case basis. The other approach makes systemic change to the way in which rules are adopted, often adding a supplemental more targeted review pre- or post-adoption. Recommendations for systemic change has included:
- a) ***Dynamic Fiscal Analysis in Appropriations Committee:*** These bills required an analysis of bills before the Legislature on their impact on business and the economy. Currently, the Legislature's fiscal committee reviews focus on the bill's direct impact on state funds, and most specifically on the General Fund. The fiscal committee's analysis is not intended to include legislations' potential economic impact on the state.
 - b) ***Substantive Administrative Review:*** These bills shifted the review of the Office of Administrative Law from a procedural review of the regulation package to a substantive review of its impact on business and the economy, including the sufficiency of the assessment of alternatives. Alternatively, legislation has suggested that another state entity, such as the State Auditor or Legislative Analyst's Office, could be designated to undertake an expanded review of proposed regulations.
 - c) ***Enhanced Analysis of Alternatives:*** These bills required a more meaningful consideration of alternative implementation models, which could lower costs or reduce the implementation burden on small businesses.

- d) **Post Implementation Analysis:** These bills required a review of a regulation's impact five-years after its implementation. Alternatively, legislation has been suggested that all regulations have a sunset date, which would allow for full review once the actual impacts could be identified.

Until now, the first approach has been the most successful, although by its nature addressing regulatory impacts on a case by case basis has had very limited overall impact on California's regulatory business climate. Due to their potential implementation costs, a majority of the bills advancing the systemic approach to regulatory reform have failed to move from the fiscal committees - as illustrated in the comment on related legislation.

The most significant systemic change in recent years was approved in SB 617 (Calderon), Chapter 496, Statutes of 2011, which required an enhanced economic impact analysis for regulations with an anticipated impact of \$50 million or more. The SB 617 process follows the federal regulatory model, however, it should be noted that the state process is silent as to the assessment of costs based on size of business and requires no post impact review.

AB 767 supports the ongoing challenges faced by the Legislature in simplifying and adopting regulatory implementation processes which are more business-friendly, without lowering policy standards. By streamlining the process for applying for permits and licenses, the bill could reduce the actual time and complexity in applying for multiple approvals.

- 6) **Amendments:** Staff understands that the author will offer the following amendments in committee.
- a) Authorize GO-Biz to borrow funding to implement this bill and provides that the funding will be repaid through the payment of user fees.
 - b) Authorize other state agencies, with the approval of GO-Biz, to borrow funds to upgrade their application processes in order to connect to the Master License platform and provides that the funding will be repaid through the payment of user fees.
 - c) Make other technical and conforming changes.
- 7) **Related Legislation:** Below is a list of related legislation from the current and prior sessions:
- a) **SB 992 (Garamendi) Office of Permit Assistance:** This bill created the Office of Permit Assistance within the Office of Planning and Research and delegated certain responsibilities, including providing information to developers and mediating disputes. Status: Signed by the Governor, Chapter 1263, Statutes of 1983.
 - b) **AB 2351 (Assembly Ways and Means) Permit Assistance at the Commerce Agency:** This bill, among other actions, eliminated the Office of Permit Assistance at the Governor's Office of Planning and Research and established the Department of Permit Assistance at the California Trade and Commerce Agency. The new department was vested with all of the duties and purposes of the Office of Permit Assistance. Status: Signed by the Governor, Chapter 56, Statutes of 1993
 - c) **AB 2582 (Mullin) Update of CALGOLD Program:** This bill requires the CALGOLD website to be updated periodically to include permitting and regulatory compliance information relevant to emerging and evolving industries. The author was particularly interested in adding online resources for the life sciences industry. Status: Signed by the Governor, Chapter 283, Statutes of 2006.

- d) **AB 978 (V. Manuel Pérez and Logue) Streamlined State Licensing:** This bill requires the State Chief Information Officer (CIO) to collaborate with the Department of Consumer Affairs to acquire a new, integrated, enterprise-wide enforcement and licensing system, that will replace the current licensing and monitoring system being used by the Department of Consumer Affairs. Status: The content of the bill was included in the 2010-11 Budget.
- e) **AB 2012 (John A. Pérez) Trade and Internet-Based Permit Assistance:** Transfers the authority for undertaking international trade and foreign investment activities from the Business, Transportation and Housing Agency (BTH) to the Governor's Office of Business and Economic Development (GO-Biz). In addition, the bill transfers the responsibility for establishing an Internet-based permit assistance center from the Secretary of the California Environmental Protection Agency to GO-Biz. Status: Signed by the Governor, Chapter 294, Statutes of 2012.

REGISTERED SUPPORT / OPPOSITION:

Support

California Association for Health Services at Home

Opposition

None on File

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