

**EXECUTIVE DEPARTMENT
STATE OF CALIFORNIA**

EXECUTIVE ORDER W-185-98

WHEREAS, California's entrepreneurs, well-established companies, universities and other world class institutions are designing, building and using the Internet to lead the transformation of the global economy; and

WHEREAS, electronic commerce is clearly proving to be a strong force for long-term economic growth in California, not only in the technology and related sectors, but also small businesses, companies located in rural or otherwise remote locations, companies producing goods and services for export, and traditional California industries, from agriculture to tourism; and

WHEREAS, the U.S. Congress has enacted into law the Internet Tax Freedom Act, establishing a three-year moratorium on state and local taxes on Internet access charges and commercial transactions over the Internet, and establishes a temporary federal commission to study the taxation of Internet commerce; and

WHEREAS, California has enacted the California Internet Tax Freedom Act, which establishes a three-year moratorium on targeted Internet taxes within the State; and

WHEREAS, California has led the nation by enacting legislation that protects consumers against unwanted electronic mail; and

WHEREAS, California has led the nation by adopting standards for the use of digital signatures, thereby enabling State agencies to accept forms and execute other transactions electronically; and

WHEREAS, California has led the nation in the protection of individuals' privacy, most recently by enacting legislation that reiterates the application of long-standing state privacy laws to personal data irrespective of whether it was collected via the Internet or it is stored electronically, and by enacting legislation requiring state websites that collect personal data to post clear privacy notices; and

WHEREAS, in order to protect consumers, California has enacted legislation protecting against false and misleading advertising on the Internet, as well as requiring goods purchased on the Internet to be delivered promptly; and

WHEREAS, California has embarked upon an unprecedented investment in educational technology, principally under a \$1 billion, four-year Digital High School program; and

WHEREAS, the Internet provides a veritable invitation for marketplace and societal changes locally, regionally and worldwide, and as a consequence poses complex public policy questions, California can and should set an example for other states and the federal government to follow in developing and implementing public policies which encourage the growth of electronic commerce; and

WHEREAS, additional efforts to foster and encourage consumer confidence in Internet privacy and security call for accelerating the adoption of electronic commerce; and

WHEREAS, leading Internet and electronic commerce businesses, private trade organizations and government agencies are voluntarily and effectively cooperating to educate consumers about on-line privacy, to develop and implement appropriate information privacy and security practices, and to enable consumers to easily report on-line illegal activity; and

WHEREAS, the Electronic Commerce Advisory Council (Council) was created by executive order identify and assess how local, state, and national governments should act to further engender the growth of electronic commerce,

NOW, THEREFORE I, PETE WILSON, Governor of the State of California, by virtue of the power and authority vested in me by the Constitution and statutes of the State of California, do hereby issue this order, to become effective immediately:

1. The State and Consumer Services Agency, working with the Franchise Tax Board and the Board of Equalization, shall
 - Work with the federal Advisory Commission on Electronic Commerce that has been created by the Internet Tax Freedom Act (Division C, Title XI, of Public Law 105-277) so that full consideration of the tax recommendations of the report of the Council is given by the US Commission on Federal Internet Policy, and further work with the Congress to seek legislation necessary to implement tax recommendations; and
 - Work with cognizant agencies in other states to achieve appropriate harmonization and rationalization of tax rules in order to reduce (i) government and private sector compliance costs, (ii) the likelihood that economic activities will be taxed more than once.
2. All state agencies and departments operating websites that collect personally identifiable information participate in private sector initiatives designed to promote the control individuals have over such information, including "National Internet Privacy Day" as proposed by the Council. The Department of Consumer Affairs shall serve as the lead California agency in all discussions to promote privacy standards.
3. Appropriate state agencies commence an industry-specific review of existing regulations to ensure that they do not arbitrarily discriminate against the delivery of service via the Internet, in order to determine which regulations, or which parts of certain regulations, are harmful or no longer meaningful when applied to the online conduct of the business affected. Each agency and department shall conclude the review and make appropriate regulatory change proposals by September 1, 1999.
4. State agencies and departments inventory their business processes and submit to the Department of Information Technology by September 1, 1999 a plan for implementing all applications adaptable to the Internet.
5. State operated websites be rated for content under existing and developing rating standards so that children, whose Internet use is being protected by filtering software, will have appropriate access to government resources. This effort shall be coordinated by the Department of Information Technology.
6. State agencies and departments engaged in the regulation of industries which, by their nature, lend themselves to the provision of services to Californians by businesses located outside of California, consider if a combination of interstate agreements and home-state licensing and discipline of these businesses could strengthen consumer protection and perhaps, effectively replace the current model in which each state requires licensing and performs its own enforcement.
7. The Trade & Commerce Agency will collaborate with local and regional governmental entities, as well as economic development organizations to ensure that electronic commerce ventures are viewed as integral components of local and regional economic development
8. The Trade & Commerce Agency through its small business development centers will provide technical assistance, information sharing opportunities, and strategic guidance to small businesses seeking opportunities in the electronic commerce marketplace.
9. The Department of Finance, in coordination with the Trade & Commerce Agency, will complete by September 1, 1999 a study outlining the economic importance of the electronic commerce industry to California.

IN WITNESS WHEREOF I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 14th day of December 1998.

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Governor of California

ATTEST:

Secretary of State