Session of 2021

HOUSE BILL No. 2087

By Committee on Federal and State Affairs

1-21

AN ACT concerning administrative rules and regulations; relating to
 review by the director of the budget; amending K.S.A. 77-416, 77-420,
 77-420a, 77-421 and 77-422 and repealing the existing sections.

4 5

Be it enacted by the Legislature of the State of Kansas:

6 Section 1. K.S.A. 77-416 is hereby amended to read as follows: 77-7 416. (a) Every state agency shall file with the secretary of state every rule 8 and regulation adopted by it and every amendment and revocation thereof 9 in the manner prescribed by the secretary of state. Each rule and regulation 10 shall include a citation to the statutory section or sections being 11 implemented or interpreted and a citation of the authority pursuant to 12 which it, or any part thereof, was adopted. Every rule and regulation filed 13 in the office of the secretary of state shall be accompanied by a copy of the economic impact statement required by subsection (b) and a copy of the 14 environmental benefit statement if required by subsection (d). A copy of 15 16 any document adopted by reference in a rule and regulation shall be available from the state agency that adopted the rule and regulation upon 17 request by any person interested therein. The state agency, under the 18 19 direction of the secretary of state, shall number each section with a 20 distinguishing number and, in making a compilation of the rules and 21 regulations, the sections shall be arranged in numerical order. A decimal 22 system of numbering shall be prohibited.

(b) (1) At the time of drafting a proposed rule and regulation or amendment to an existing rule and regulation, the state agency shall consider the economic impact of the proposed rule and regulation. The state agency shall prepare an economic impact statement that shall include:

(A) An analysis, brief description, and cost and benefit quantification
of the proposed rules and regulations and what is intended to be
accomplished by their adoption. If the approach chosen by the Kansas
agency to address the policy issue is different from that utilized by
agencies of contiguous states or of the federal government, the economic
impact statement shall include an explanation of why the Kansas agency's
rule and regulation differs;

(B) whether the proposed rule and regulation is mandated by federal
law as a requirement for participating in or implementing a federally
subsidized or assisted program and whether the proposed rules and

1 regulations exceed the requirements of applicable federal law;

2

(C) an analysis specifically addressing the following factors:

3 (i) The extent to which the rule and regulation will enhance or restrict4 business activities and growth;

5 (ii) the economic effect, including a detailed quantification of 6 implementation and compliance costs, on the specific businesses, business 7 sectors, public utility ratepayers, individuals and local governmental units 8 that will be affected by the proposed rule and regulation and on the state 9 economy as a whole;

10 (iii) the businesses that would be directly affected by the proposed 11 rule and regulation;

12 (iv) the benefits of the proposed rule and regulation compared to the 13 cost;

(v) measures taken by the agency to minimize the cost and impact of
the proposed rule and regulation on business and economic development
within the state of Kansas, local government and individuals; *and*

17 (vi) an estimate, expressed as a single dollar figure, of the total annual 18 implementation and compliance costs that are reasonably expected to be 19 incurred by or passed along to businesses, local governmental units or 20 members of the public and a determination of whether those costs will 21 exceed \$3,000,000 over any two-year period; and

(vii) an estimate of the total implementation and compliance costs that are reasonably expected to be incurred by or passed along tobusinesses, local governmental units and individuals as a result of the proposed rule, expressed as a single dollar figure.

(2) The state agency shall consult with the league of Kansas 26 27 municipalities, Kansas association of counties and the Kansas association 28 of school boards, as appropriate, when preparing the economic impact 29 statement of a proposed rule and regulation which increases or decreases 30 revenues of cities, counties or school districts or imposes functions or 31 responsibilities on cities, counties or school districts that will increase their expenditures or fiscal liability. The agency shall consult and solicit 32 33 information from businesses, business associations, local governmental 34 units, state agencies or institutions and members of the public that may be 35 affected by the proposed rule and regulation or that may provide relevant 36 information.

37 (3) As required pursuant to the provisions of K.S.A. 77-420(d), and 38 amendments thereto, the state agency shall reevaluate and, when 39 necessary, update the economic impact statement when directed to do so 40 by the director of the budget and, if approved by the director of the budget, 41 shall submit the revised economic impact statement at the time of filing a 42 rule and regulation with the secretary of state. If a public hearing was held 43 prior to the adoption of the rule and regulation, a state agency at the time of filing a rule and regulation with the secretary of state shall include as a
 part of the economic impact statement a statement specifying the time and
 place at which the hearing was held and the attendance at the hearing. A
 copy of the current economic impact statement shall be available from the
 state agency upon request by any party interested therein.

6 (4) The implementation and compliance costs determined under 7 subsection (b)(1)(C)(vi) shall be those additional costs reasonably 8 expected to be incurred and shall be separately identified for the affected 9 businesses, local governmental units and members of the public. In determining total additional costs of such proposed rules and regulations, 10 the state agency shall not account for any actual or estimated cost savings 11 12 that may be realized by the implementing state agency, local government 13 or by members of the public.

14 (c) Pursuant to the provisions of K.S.A. 77-420, and amendments thereto, the director of the budget shall review the economic impact 15 16 statement prepared by any state agency and shall prepare a supplemental 17 or revised statement and an independent analysis by the director of the 18 budget of the cost and the factors as set forth in subsection (b)(1)(A) and 19 (C) and subsection (e). If possible, the supplemental or revised statement 20 shall include a reliable estimate in dollars of the anticipated change in 21 revenues and expenditures of the state. It also shall include a statement, if 22 determinable or reasonably foreseeable, of the immediate and long-range 23 economic impact of the rule and regulation upon persons subject thereto, 24 small employers and the general public. If, after careful investigation, it is 25 determined that no dollar estimate is possible, the statement shall set forth 26 the reasons why no dollar estimate can be given. Every state agency is 27 directed to cooperate with the division of the budget in the preparation of 28 any statement pursuant to this subsection when, and to the extent, 29 requested by the director of the budget. The director of the budget shall 30 follow the procedures set forth in K.S.A. 77-420, and amendments thereto, 31 in evaluating and accepting or rejecting the proposed rule and regulation. 32 No agency shall submit a rule and regulation to the secretary of state for filing before receiving the approval of the director of the budget as 33 34 provided in this subsection and K.S.A. 77-420, and amendments thereto.

35 (d) At the time of drafting a proposed environmental rule and 36 regulation or amendment to an existing environmental rule and regulation, 37 the state agency shall consider the environmental benefit of such proposed 38 rule and regulation or amendment. Prior to giving notice of a hearing on a 39 proposed rule and regulation, the state agency shall prepare an 40 environmental benefit statement that shall include a description of the need 41 for and the environmental benefits that will likely accrue as the result of 42 the proposed rule and regulation or amendment. The description shall 43 summarize, when applicable, research indicating the level of risk to the

1 public health or the environment being removed or controlled by the 2 proposed rule and regulation or amendment. When specific contaminants 3 are to be controlled by the proposed rule and regulation or amendment, the description shall indicate the level at which the contaminants are 4 5 considered harmful according to currently available research. The state 6 agency may consult with other state agencies when preparing the 7 environmental benefit statement. The state agency shall reevaluate and, 8 when necessary, update the statement at the time of filing a rule and 9 regulation with the secretary of state. A copy of the current environmental 10 benefit statement shall be available from the state agency upon request by any party interested therein. 11

(e) In addition to the requirements of subsection (b), the economicimpact statement for all environmental rules and regulations shall include:

(1) A description of the capital and annual costs of compliance with
 the proposed rules and regulations, and the persons who will bear those
 costs;

(2) a description of the initial and annual costs of implementing and
enforcing the proposed rules and regulations, including the estimated
amount of paperwork, and the state agencies, other governmental agencies
or other persons or entities who will bear the costs;

(3) a description of the costs that would likely accrue if the proposed
rules and regulations are not adopted, the persons who will bear the costs
and those who will be affected by the failure to adopt the rules and
regulations; and

(4) a detailed statement of the data and methodology used inestimating the costs used in the statement.

(f) In-2021 2023, the legislative post audit committee shall direct the
legislative division of post audit to conduct an audit to study:

(1) The accuracy of economic impact statements submitted by state
 agencies pursuant to this section for the immediately preceding seven
 years;

(2) the impact the review by the director of the budget has had on the
 accuracy of economic impact statements submitted by state agencies
 pursuant to this section; and

(3) whether the \$3,000,000 cost figure is the appropriate amount of
economic impact to trigger the hearing procedure required by K.S.A. 77420(a), and amendments thereto.

Sec. 2. K.S.A. 77-420 is hereby amended to read as follows: 77-420. (a) (1) *Except as further provided by this subsection*, every rule and regulation proposed to be adopted by any state agency, before *after* being submitted to the secretary of administration and the attorney general as required by this section, shall be submitted with the economic impact statement for the rule and regulation required by K.S.A. 77-416, and

amendments thereto, to the director of the budget for review of the 1 2 accuracy and completeness of the agency's economic impact statement. The director of the budget shall make an independent determination of the 3 4 amount of implementation and compliance costs reasonably expected to be 5 incurred by or passed along to businesses, local government and 6 individuals over any two-year period as a result of the proposed rule and 7 regulation and shall conduct an independent analysis of the factors set 8 forth in K.S.A. 77-416(b)(1)(A) and (C) and (e), and amendments thereto. 9 Every rule and regulation-approved requiring approval by the director of the budget shall be stamped as approved, and the date of approval shall be 10 11 indicated

12 (2) If the <u>director independently</u> *agency* determines that a proposed 13 rule and regulation submitted or resubmitted by the agency will not result 14 in implementation or compliance costs of more than \$3,000,000 for 15 businesses, local government or individuals in any two-year period, the 16 director shall:

(A) approve the rule and regulation if the director independentlydetermines that the economic impact statement is accurate, demonstrates a
complete analysis as required by K.S.A. 77-416(b)(1)(A) and (C) and (c),
and amendments thereto, and the director concurs with the economicimpact statement; or

(B) disapprove the rule and regulation agency shall provide a copy of
 the economic impact statement to the director, but the director shall not be
 required to review or approve the proposed rule and regulation.

(3) If the director of the budget agency determines that the proposed
rule and regulation will result in implementation and compliance costs of
more than \$3,000,000 for businesses, local government or individuals in
any two-year period, the director of the budget shall:

(A) approve the proposed rule and regulation, if the agency, prior to the submission or the resubmission of a rule and regulation to the director, holds a public hearing and finds that the costs of the proposed rule and regulation have been accurately determined and are necessary for achieving legislative intent and the director, after an independent analysis, concurs with the agency's findings and analysis and approves the economic impact statement; or

36

(B) disapprove the proposed rule and regulation.

(4) If an agency is proposing a rule and regulation because of a
federal mandate as described in K.S.A. 77-416(b)(1)(B), and amendments
thereto, the agency shall provide a copy of the economic impact statement
to the director, but the director shall not be required to review or approve
the proposed rule and regulation, regardless of the implementation and
compliance cost of the proposed rule and regulation.

43 (5) For the purposes of this subsection, the implementation and

compliance cost shall be calculated from the effective date of the rule and
 regulation.

3 (b) The director of the budget shall submit an annual report to the 4 legislature and to the joint committee on administrative rules and 5 regulations on the first day of the 2019 regular legislative session and 6 subsequent regular legislative sessions on all rules and regulations 7 approved-or-denied by the director. The report shall include the text of 8 each rule and regulation reviewed, the final economic impact statement and a summary of the director's analysis supporting the decision to 9 10 approve-or reject the rule and regulation. The director shall immediately submit a separate report to the legislature, if in session, and the joint 11 12 committee on administrative rules and regulations upon the approval-or denial of a rule or regulation with costs determined to be greater than 13 14 \$3,000,000 for businesses, local government or individuals over any twoyear period. The report shall include an analysis of the agency's and the 15 16 director's decisions with respect to the necessity of the cost of the rule and 17 regulation to achieve legislative intent.

18 (c) Every rule and regulation proposed to be adopted by any state 19 agency that has been approved by the director of the budget pursuant to the 20 provisions of subsection (a), before being submitted to the attorney general 21 and the director of the budget as required under this section, shall be 22 submitted to the secretary of administration for approval of its 23 organization, style, orthography and grammar subject to such requirements as to organization, style, orthography and grammar as the secretary may 24 25 adopt. Every rule and regulation submitted to the secretary of administration under this subsection shall be accompanied by a copy of 26 27 any document which is adopted by reference by the rule and regulation. 28 Every rule and regulation approved by the secretary of administration 29 under this subsection shall be stamped as approved and the date of such 30 approval shall be indicated therein.

31 (d) Every rule and regulation proposed by any state agency that has been approved by the director of the budget and the secretary of 32 33 administration as provided in-subsections (a) and subsection (c), before 34 being adopted or filed submitted to the director of the budget as required 35 *under this section*, shall be submitted to the attorney general for an opinion 36 as to the legality of the same, including whether the making of such rule 37 and regulation is within the authority conferred by law on the state agency. 38 The attorney general shall promptly furnish an opinion as to the legality of 39 the proposed rule and regulation so submitted. Every rule and regulation 40 submitted to the attorney general under this subsection shall be 41 accompanied by a copy of any document which is adopted by reference by 42 the rule and regulation. Every rule and regulation approved by the attorney 43 general under this subsection shall be stamped as approved and the date of 1 such approval shall be indicated therein.

2 (e) No rule and regulation shall be filed by the secretary of state 3 unless:

4 (1) The rule and regulation has been approved by the director of the 5 budget complied with the provisions of subsection (a);

6 (2) the organization, style, orthography and grammar have been 7 approved by the secretary of administration;

8 (3) the rule and regulation has been approved in writing by the 9 attorney general as to legality;

10 (4) the rule and regulation has been formally adopted by the state agency after it has been approved by the director of the budget complied 11 with the provisions of subsection (a), the secretary of administration and 12 the attorney general and is accompanied by a certified or other formal 13 14 statement of adoption when adoption is by an executive officer of a state 15 agency, or by a certified copy of the roll call vote required for its adoption 16 by K.S.A. 77-421, and amendments thereto, when adoption is by a board, 17 commission, authority or other similar body;

(5) the rule and regulation to be filed is accompanied by a copy of the
economic impact statement as provided by K.S.A. 77-416, and
amendments thereto, that has been reviewed and approved by the director
of the budget as provided by complies with the provisions of subsection
(a); and

(6) the rule and regulation to be filed is accompanied by a copy of the
environmental benefit statement required by K.S.A. 77-416, and
amendments thereto, if applicable.

26 Sec. 3. K.S.A. 77-420a is hereby amended to read as follows: 77-27 420a. No rule and regulation shall be adopted prior to the effective date of 28 the statute authorizing its adoption, but prior to the effective date of such 29 statute, the proposed rule and regulation may be submitted to the director of the budget, the secretary of administration and to, the attorney general 30 31 and to the director of the budget for approval as required by K.S.A. 77-32 420, and amendments thereto, and notice of the proposed rule and 33 regulation may be given and a hearing held thereon in the manner 34 provided by K.S.A. 77-421, and amendments thereto.

35 Sec. 4. K.S.A. 77-421 is hereby amended to read as follows: 77-421. 36 (a) (1) Except as provided by subsection (a)(2), subsection (a)(3) or 37 subsection (a)(4), prior to the adoption of any permanent rule and 38 regulation or any temporary rule and regulation which is required to be 39 adopted as a temporary rule and regulation in order to comply with the 40 requirements of the statute authorizing the same and after any such rule and regulation has been approved by the director of the budget, the 41 secretary of administration-and, the attorney general and the director of 42 43 the budget, the adopting state agency shall give at least 60 days' notice of

8

1 its intended action in the Kansas register and to the secretary of state and

2 to the joint committee on administrative rules and regulations established 3 by K.S.A. 77-436, and amendments thereto. The notice shall be provided 4 to the secretary of state and to the chairperson, vice chairperson, ranking 5 minority member of the joint committee and legislative research 6 department and shall be published in the Kansas register. A complete copy 7 of all proposed rules and regulations and the complete economic impact 8 statement required by K.S.A. 77-416, and amendments thereto, shall 9 accompany the notice sent to the secretary of state. The notice shall 10 contain:

11 (A) A summary of the substance of the proposed rules and 12 regulations;

(B) a summary of the economic impact statement indicating the
 estimated economic impact on governmental agencies or units, persons
 subject to the proposed rules and regulations and the general public;

(C) a summary of the environmental benefit statement, if applicable,
 indicating the need for the proposed rules and regulations;

18 (D) the address where a complete copy of the proposed rules and 19 regulations, the complete economic impact statement, the environmental 20 benefit statement, if applicable, required by K.S.A. 77-416, and 21 amendments thereto, may be obtained;

(E) the time and place of the public hearing to be held; the manner inwhich interested parties may present their views; and

(F) a specific statement that the period of 60 days' notice constitutes a public comment period for the purpose of receiving written public comments on the proposed rules and regulations and the address where such comments may be submitted to the state agency. Publication of such notice in the Kansas register shall constitute notice to all parties affected by the rules and regulations.

30 (2) Prior to adopting any rule and regulation which establishes 31 seasons and fixes bag, creel, possession, size or length limits for the taking 32 or possession of wildlife and after such rule and regulation has been 33 approved by the secretary of administration and the attorney general, the 34 secretary of wildlife, parks and tourism shall give at least 30 days' notice 35 of its intended action in the Kansas register and to the secretary of state 36 and to the joint committee on administrative rules and regulations created 37 pursuant to K.S.A. 77-436, and amendments thereto. All other provisions 38 of subsection (a)(1) shall apply to such rules and regulations, except that 39 the statement required by subsection $\frac{(a)(1)(E)}{(a)(1)(F)}$ shall state that the 40 period of 30 days' notice constitutes a public comment period on such 41 rules and regulations.

42 (3) Prior to adopting any rule and regulation which establishes any 43 permanent prior authorization on a prescription-only drug pursuant to

9

1 K.S.A. 39-7,120, and amendments thereto, or which concerns coverage or 2 reimbursement for pharmaceuticals under the pharmacy program of the 3 state medicaid plan, and after such rule and regulation has been approved 4 by the director of the budget, the secretary of administration and the 5 attorney general, the secretary of health and environment shall give at least 6 30 days' notice of its intended action in the Kansas register and to the 7 secretary of state and to the joint committee on administrative rules and 8 regulations created pursuant to K.S.A. 77-436, and amendments thereto. 9 All other provisions of subsection (a)(1) shall apply to such rules and 10 regulations, except that the statement required by subsection $\frac{(a)(1)(E)}{(a)}$ (a) (1)(F) shall state that the period of 30 days' notice constitutes a public 11 12 comment period on such rules and regulations.

13 (4) Prior to adopting any rule and regulation pursuant to subsection 14 (c), the state agency shall give at least 60 days' notice of its intended action in the Kansas register and to the secretary of state and to the joint 15 16 committee on administrative rules and regulations created pursuant to K.S.A. 77-436, and amendments thereto. All other provisions of 17 18 subsection (a)(1) shall apply to such rules and regulations, except that the statement required by subsection -(a)(1)(E)(a)(1)(F) shall state that the 19 20 period of notice constitutes a public comment period on such rules and 21 regulations.

(b) (1) On the date of the hearing, all interested parties shall be given reasonable opportunity to present their views or arguments on adoption of the rule and regulation, either orally or in writing. At the time it adopts or amends a rule and regulation, the state agency shall prepare a concise statement of the principal reasons for adopting the rule and regulation or amendment thereto, including:

(A) The agency's reasons for not accepting substantial argumentsmade in testimony and comments; and

30 (B) the reasons for any substantial change between the text of the 31 proposed adopted or amended rule and regulation contained in the 32 published notice of the proposed adoption or amendment of the rule and 33 regulation and the text of the rule and regulation as finally adopted.

34 (2) Whenever a state agency is required by any other statute to give 35 notice and hold a hearing before adopting, amending, reviving or revoking 36 a rule and regulation, the state agency, in lieu of following the 37 requirements or statutory procedure set out in such other law, may give 38 notice and hold hearings on proposed rules and regulations in the manner 39 prescribed by this section.

40 (3) Notwithstanding the other provisions of this section, the secretary
41 of corrections may give notice or an opportunity to be heard to any inmate
42 in the custody of the secretary with regard to the adoption of any rule and
43 regulation.

1 (c) (1) The agency shall initiate new rulemaking proceedings under 2 this act, if a state agency proposes to adopt a final rule and regulation that:

3 (A) Differs in subject matter or effect in any material respect from the 4 rule and regulation as originally proposed; and

5 (B) is not a logical outgrowth of the rule and regulation as originally 6 proposed.

7 (2) For the purposes of this provision, a rule and regulation is not the 8 logical outgrowth of the rule and regulation as originally proposed if a 9 person affected by the final rule and regulation was not put on notice that 10 such person's interests were affected in the rule making.

(d) When, pursuant to this or any other statute, a state agency holds a 11 12 hearing on the adoption of a proposed rule and regulation, the agency shall cause written minutes or other records, including a record maintained on 13 sound recording tape or on any electronically accessed media or any 14 15 combination of written or electronically accessed media records of the 16 hearing to be made. If the proposed rule and regulation is adopted and 17 becomes effective, the state agency shall maintain, for not less than three 18 years after its effective date, such minutes or other records, together with 19 any recording, transcript or other record made of the hearing and a list of 20 all persons who appeared at the hearing and who they represented, any 21 written testimony presented at the hearing and any written comments 22 submitted during the public comment period.

(e) No rule and regulation shall be adopted by a board, commission, authority or other similar body except at a meeting which is open to the public and notwithstanding any other provision of law to the contrary, no rule and regulation shall be adopted by a board, commission, authority or other similar body unless it receives approval by roll call vote of a majority of the total membership thereof.

29 Sec. 5. K.S.A. 77-422 is hereby amended to read as follows: 77-422. 30 (a) A rule and regulation may be adopted by a state agency as a temporary 31 rule and regulation if the state agency and the state rules and regulations 32 board finds that the preservation of the public peace, health, safety or 33 welfare necessitates or makes desirable putting such rule and regulation 34 into effect prior to the time it could be put into effect if the agency were to 35 comply with the notice, hearing and publication requirements of this act or 36 prior to the effective date prescribed by K.S.A. 77-426, and amendments 37 thereto.

(b) Temporary rules and regulations may be adopted without thegiving of notice and the holding of a hearing thereon.

40

(c) (1) A temporary rule and regulation shall take effect:

(A) After approval by-the director of the budget, the secretary of
administration-and, the attorney general *and the director of the budget* as
provided by K.S.A. 77-420, and amendments thereto;

1 (B) after approval by the state rules and regulations board as provided 2 by K.S.A. 77-423, and amendments thereto; and

3

(C) upon filing with the secretary of state.

4 (2) The effective date of all or specific parts of a temporary rule and 5 regulation may be delayed to a date later than its filing date if the delayed 6 effective date of such rule and regulation, or specific parts thereof, is 7 clearly expressed in the body of such rule and regulation.

8 (3) A temporary rule and regulation shall be effective for a period not 9 to exceed 120 days except that, for good cause, a state agency may request 10 that a temporary rule and regulation may be renewed one time for an 11 additional period not to exceed 120 days.

12 (d) A temporary rule and regulation which amends an existing rule and regulation shall have the effect of suspending the force and effect of 13 the existing rule and regulation until such time as the temporary rule and 14 15 regulation is no longer effective. In such case, at the time the temporary 16 rule and regulation ceases to be effective, the existing permanent rule and regulation which was amended by the temporary rule and regulation shall 17 be in full force and effect unless such existing rule and regulation is 18 19 otherwise amended, revoked or suspended as provided by law.

(e) Temporary rules and regulations shall be numbered in accordance
with the numbering arrangement approved by the secretary of state and
otherwise shall conform to the approval, adoption and filing requirements
of this act, insofar as the same can be made applicable.

24 Sec. 6. K.S.A. 77-416, 77-420, 77-420a, 77-421 and 77-422 are 25 hereby repealed.

26 Sec. 7. This act shall take effect and be in force from and after its 27 publication in the Kansas register.