As Amended by House Committee

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.

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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: 77-416. (a) Every state agency shall file with the secretary of state every rule 7 and regulation adopted by it and every amendment and revocation thereof 8 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 implemented or interpreted and a citation of the authority pursuant to 11 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 14 economic impact statement required by subsection (b) and a copy of the 15 environmental benefit statement if required by subsection (d). A copy of any document adopted by reference in a rule and regulation shall be 16 17 available from the state agency that adopted the rule and regulation upon 18 request by any person interested therein. The state agency, under the direction of the secretary of state, shall number each section with a 19 distinguishing number and, in making a compilation of the rules and 20 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;

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(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
 regulations exceed the requirements of applicable federal law;

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(C) an analysis specifically addressing the following factors:

5 (i) The extent to which the rule and regulation will enhance or restrict 6 business activities and growth;

7 (ii) the economic effect, including a detailed quantification of 8 implementation and compliance costs, on the specific businesses, business 9 sectors, public utility ratepayers, individuals and local governmental units 10 that will be affected by the proposed rule and regulation and on the state 11 economy as a whole;

(iii) the businesses that would be directly affected by the proposedrule and regulation;

14 (iv) the benefits of the proposed rule and regulation compared to the 15 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*

(vi) an estimate, expressed as a single dollar figure, of the total annual
implementation and compliance costs that are reasonably expected to be
incurred by or passed along to businesses, local governmental units or
members of the public and a determination of whether those costs will
exceed \$1,000,000 over any two-year period from the effective date of
this act through June 30, 2024, or exceed \$3,000,000 over any two-year
period on and after July 1, 2024; and

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

30 (2) The state agency shall consult with the league of Kansas municipalities, Kansas association of counties and the Kansas association 31 of school boards, as appropriate, when preparing the economic impact 32 statement of a proposed rule and regulation which increases or decreases 33 34 revenues of cities, counties or school districts or imposes functions or 35 responsibilities on cities, counties or school districts that will increase their 36 expenditures or fiscal liability. The agency shall consult and solicit 37 information from businesses, business associations, local governmental 38 units, state agencies or institutions and members of the public that may be 39 affected by the proposed rule and regulation or that may provide relevant 40 information.

41 (3) As required pursuant to the provisions of K.S.A. 77-420(d), and 42 amendments thereto, the state agency shall reevaluate and, when 43 necessary, update the economic impact statement when directed to do so by the director of the budget and, if approved by the director of the budget,
 shall submit the revised economic impact statement at the time of filing a

2 shall submit the revised economic impact statement at the time of fining a 3 rule and regulation with the secretary of state. If a public hearing was held 4 prior to the adoption of the rule and regulation, a state agency at the time 5 of filing a rule and regulation with the secretary of state shall include as a 6 part of the economic impact statement a statement specifying the time and 7 place at which the hearing was held and the attendance at the hearing. A 8 copy of the current economic impact statement shall be available from the 9 state agency upon request by any party interested therein.

(4) The implementation and compliance costs determined under 10 subsection (b)(1)(C)(vi) shall be those additional costs reasonably 11 12 expected to be incurred and shall be separately identified for the affected businesses, local governmental units and members of the public. In 13 14 determining total additional costs of such proposed rules and regulations, 15 the state agency shall not account for any actual or estimated cost savings 16 that may be realized by the implementing state agency, local government 17 or by members of the public.

18 (c) Pursuant to the provisions of K.S.A. 77-420, and amendments 19 thereto, the director of the budget shall review the economic impact 20 statement prepared by any state agency and shall prepare a supplemental 21 or revised statement and an independent analysis by the director of the 22 budget of the cost and the factors as set forth in subsection (b)(1)(A) and 23 (C) and subsection (e). If possible, the supplemental or revised statement 24 shall include a reliable estimate in dollars of the anticipated change in 25 revenues and expenditures of the state. It also shall include a statement, if determinable or reasonably foreseeable, of the immediate and long-range 26 27 economic impact of the rule and regulation upon persons subject thereto, 28 small employers and the general public. If, after careful investigation, it is 29 determined that no dollar estimate is possible, the statement shall set forth 30 the reasons why no dollar estimate can be given. Every state agency is 31 directed to cooperate with the division of the budget in the preparation of 32 any statement pursuant to this subsection when, and to the extent, 33 requested by the director of the budget. The director of the budget shall 34 follow the procedures set forth in K.S.A. 77-420, and amendments thereto, 35 in evaluating and accepting or rejecting the proposed rule and regulation. 36 No agency shall submit a rule and regulation to the secretary of state for 37 filing before receiving the approval of the director of the budget as 38 provided in this subsection and K.S.A. 77-420, and amendments thereto.

(d) At the time of drafting a proposed environmental rule and
regulation or amendment to an existing environmental rule and regulation,
the state agency shall consider the environmental benefit of such proposed
rule and regulation or amendment. Prior to giving notice of a hearing on a
proposed rule and regulation, the state agency shall prepare an

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1 environmental benefit statement that shall include a description of the need

2 for and the environmental benefits that will likely accrue as the result of 3 the proposed rule and regulation or amendment. The description shall 4 summarize, when applicable, research indicating the level of risk to the 5 public health or the environment being removed or controlled by the 6 proposed rule and regulation or amendment. When specific contaminants 7 are to be controlled by the proposed rule and regulation or amendment, the 8 description shall indicate the level at which the contaminants are 9 considered harmful according to currently available research. The state 10 agency may consult with other state agencies when preparing the environmental benefit statement. The state agency shall reevaluate and, 11 when necessary, update the statement at the time of filing a rule and 12 13 regulation with the secretary of state. A copy of the current environmental 14 benefit statement shall be available from the state agency upon request by 15 any party interested therein.

16 (e) In addition to the requirements of subsection (b), the economic 17 impact statement for all environmental rules and regulations shall include:

18 (1) A description of the capital and annual costs of compliance with 19 the proposed rules and regulations, and the persons who will bear those 20 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 instimating 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

39 (3) whether the *\$1,000,000 or* \$3,000,000 cost figure is the 40 appropriate amount of economic impact to trigger the hearing procedure 41 required by K.S.A. 77-420(a), and amendments thereto.

42 Sec. 2. K.S.A. 77-420 is hereby amended to read as follows: 77-420.

43 (a) (1) Except as further provided by this subsection, every rule and

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regulation proposed to be adopted by any state agency. before after being 1 submitted to the secretary of administration and the attorney general as 2 3 required by this section, shall be submitted with the economic impact 4 statement for the rule and regulation required by K.S.A. 77-416, and 5 amendments thereto, to the director of the budget for review of the 6 accuracy and completeness of the agency's economic impact statement. 7 The director of the budget shall make an independent determination of the 8 amount of implementation and compliance costs reasonably expected to be 9 incurred by or passed along to businesses, local government and individuals over any two-year period as a result of the proposed rule and 10 regulation and shall conduct an independent analysis of the factors set 11 12 forth in K.S.A. 77-416(b)(1)(A) and (C) and (e), and amendments thereto. Every rule and regulation-approved requiring approval by the director of 13 14 the budget shall be stamped as approved, and the date of approval shall be 15 indicated.

16 (2) If the director independently *agency* determines that a proposed 17 rule and regulation submitted or resubmitted by the agency will not result 18 in implementation or compliance costs of more than *\$1,000,000 from the* 19 *effective date of this act through June 30, 2024, or more than \$3,000,000* 20 *on and after July 1, 2024,* for businesses, local government or individuals 21 in any two-year period, the director shall:

(A) approve the rule and regulation if the director independently determines 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 (e),
 and amendments thereto, and the director concurs with the economic impact 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 \$1,000,000 from the effective date of this act through June 30,
2024, or more than \$3,000,000 on and after July 1, 2024, for businesses,
local government or individuals in any two-year period, the director of the
budget shall:

36 (A) approve the proposed rule and regulation, if the agency, prior to 37 the submission or the resubmission of a rule and regulation to the director, 38 holds a public hearing and finds that the costs of the proposed rule and 39 regulation have been accurately determined and are necessary for 40 achieving legislative intent and the director, after an independent analysis, 41 concurs with the agency's findings and analysis and approves the 42 economic impact statement; or

43 (B) disapprove the proposed rule and regulation.

1 (4) If an agency is proposing a rule and regulation because of a 2 federal mandate as described in K.S.A. 77-416(b)(1)(B), and amendments 3 thereto, the agency shall provide a copy of the economic impact statement 4 to the director, but the director shall not be required to review or approve 5 the proposed rule and regulation, regardless of the implementation and 6 compliance cost of the proposed rule and regulation.

7 (5) For the purposes of this subsection, the implementation and 8 compliance cost shall be calculated from the effective date of the rule and 9 regulation.

10 (b) The director of the budget shall submit an annual report to the legislature and to the joint committee on administrative rules and 11 12 regulations on the first day of the 2019 regular legislative session and 13 subsequent regular legislative sessions on all rules and regulations 14 approved-or-denied by the director. The report shall include the text of 15 each rule and regulation reviewed, the final economic impact statement 16 and a summary of the director's analysis supporting the decision to 17 approve-or reject the rule and regulation. The director shall immediately 18 submit a separate report to the legislature, if in session, and the joint 19 committee on administrative rules and regulations upon the approval-or 20 denial of a rule or regulation with costs determined to be greater than 21 \$1,000,000 from the effective date of this act through June 30, 2024, or 22 greater than \$3,000,000 on and after July 1, 2024, for businesses, local government or individuals over any two-year period. The report shall 23 24 include an analysis of the agency's and the director's decisions with respect 25 to the necessity of the cost of the rule and regulation to achieve legislative 26 intent.

27 (c) Every rule and regulation proposed to be adopted by any state 28 agency that has been approved by the director of the budget pursuant to the 29 provisions of subsection (a), before being submitted to the attorney general 30 and the director of the budget as required under this section, shall be 31 submitted to the secretary of administration for approval of its 32 organization, style, orthography and grammar subject to such requirements 33 as to organization, style, orthography and grammar as the secretary may 34 adopt. Every rule and regulation submitted to the secretary of 35 administration under this subsection shall be accompanied by a copy of 36 any document which is adopted by reference by the rule and regulation. 37 Every rule and regulation approved by the secretary of administration 38 under this subsection shall be stamped as approved and the date of such 39 approval shall be indicated therein.

(d) Every rule and regulation proposed by any state agency that has
been approved by the director of the budget and the secretary of
administration as provided in subsections (a) and subsection (c), before
being adopted or filed submitted to the director of the budget as required

1 *under this section,* shall be submitted to the attorney general for an opinion

2 as to the legality of the same, including whether the making of such rule 3 and regulation is within the authority conferred by law on the state agency.

The attorney general shall promptly furnish an opinion as to the legality of the proposed rule and regulation so submitted. Every rule and regulation submitted to the attorney general under this subsection shall be accompanied by a copy of any document which is adopted by reference by the rule and regulation. Every rule and regulation approved by the attorney general under this subsection shall be stamped as approved and the date of such approval shall be indicated therein.

11 (e) No rule and regulation shall be filed by the secretary of state 12 unless:

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

(2) the organization, style, orthography and grammar have beenapproved by the secretary of administration;

17 (3) the rule and regulation has been approved in writing by the 18 attorney general as to legality;

(4) the rule and regulation has been formally adopted by the state 19 agency after it has been approved by the director of the budget complied 20 21 with the provisions of subsection (a), the secretary of administration and 22 the attorney general and is accompanied by a certified or other formal 23 statement of adoption when adoption is by an executive officer of a state 24 agency, or by a certified copy of the roll call vote required for its adoption 25 by K.S.A. 77-421, and amendments thereto, when adoption is by a board, 26 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.

35 Sec. 3. K.S.A. 77-420a is hereby amended to read as follows: 77-36 420a. No rule and regulation shall be adopted prior to the effective date of 37 the statute authorizing its adoption, but prior to the effective date of such 38 statute, the proposed rule and regulation may be submitted to the director 39 of the budget, the secretary of administration-and to, the attorney general 40 and to the director of the budget for approval as required by K.S.A. 77-420, and amendments thereto, and notice of the proposed rule and 41 42 regulation may be given and a hearing held thereon in the manner 43 provided by K.S.A. 77-421, and amendments thereto.

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1 Sec. 4. K.S.A. 77-421 is hereby amended to read as follows: 77-421. 2 (a) (1) Except as provided by subsection (a)(2), subsection (a)(3) or subsection (a)(4), prior to the adoption of any permanent rule and 3 4 regulation or any temporary rule and regulation which is required to be 5 adopted as a temporary rule and regulation in order to comply with the 6 requirements of the statute authorizing the same and after any such rule 7 and regulation has been approved by the director of the budget, the 8 secretary of administration-and, the attorney general and the director of 9 the budget, the adopting state agency shall give at least 60 days' notice of 10 its intended action in the Kansas register and to the secretary of state and to the joint committee on administrative rules and regulations established 11 12 by K.S.A. 77-436, and amendments thereto. The notice shall be provided 13 to the secretary of state and to the chairperson, vice chairperson, ranking 14 minority member of the joint committee and legislative research 15 department and shall be published in the Kansas register. A complete copy 16 of all proposed rules and regulations and the complete economic impact statement required by K.S.A. 77-416, and amendments thereto, shall 17 18 accompany the notice sent to the secretary of state. The notice shall 19 contain:

20 (A) A summary of the substance of the proposed rules and 21 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;

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

31 (E) the time and place of the public hearing to be held; the manner in 32 which 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.

39 (2) Prior to adopting any rule and regulation which establishes 40 seasons and fixes bag, creel, possession, size or length limits for the taking 41 or possession of wildlife and after such rule and regulation has been 42 approved by the secretary of administration and the attorney general, the 43 secretary of wildlife, parks and tourism shall give at least 30 days' notice 1 of its intended action in the Kansas register and to the secretary of state 2 and to the joint committee on administrative rules and regulations created 3 pursuant to K.S.A. 77-436, and amendments thereto. All other provisions 4 of subsection (a)(1) shall apply to such rules and regulations, except that 5 the statement required by subsection (a)(1)(E) (a)(1)(F) shall state that the 6 period of 30 days' notice constitutes a public comment period on such 7 rules and regulations.

8 (3) Prior to adopting any rule and regulation which establishes any 9 permanent prior authorization on a prescription-only drug pursuant to 10 K.S.A. 39-7,120, and amendments thereto, or which concerns coverage or reimbursement for pharmaceuticals under the pharmacy program of the 11 state medicaid plan, and after such rule and regulation has been approved 12 13 by the director of the budget, the secretary of administration and the 14 attorney general, the secretary of health and environment shall give at least 30 days' notice of its intended action in the Kansas register and to the 15 16 secretary of state and to the joint committee on administrative rules and regulations created pursuant to K.S.A. 77-436, and amendments thereto. 17 18 All other provisions of subsection (a)(1) shall apply to such rules and 19 regulations, except that the statement required by subsection $\frac{(a)(1)(E)}{(a)}$ (a) 20 (1)(F) shall state that the period of 30 days' notice constitutes a public 21 comment period on such rules and regulations.

22 (4) Prior to adopting any rule and regulation pursuant to subsection 23 (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 24 25 committee on administrative rules and regulations created pursuant to K.S.A. 77-436, and amendments thereto. All other provisions of 26 27 subsection (a)(1) shall apply to such rules and regulations, except that the 28 statement required by subsection (a)(1)(E) (a)(1)(F) shall state that the period of notice constitutes a public comment period on such rules and 29 30 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:

37 (A) The agency's reasons for not accepting substantial arguments38 made in testimony and comments; and

39 (B) the reasons for any substantial change between the text of the 40 proposed adopted or amended rule and regulation contained in the 41 published notice of the proposed adoption or amendment of the rule and 42 regulation and the text of the rule and regulation as finally adopted.

43 (2) Whenever a state agency is required by any other statute to give

notice and hold a hearing before adopting, amending, reviving or revoking
 a rule and regulation, the state agency, in lieu of following the
 requirements or statutory procedure set out in such other law, may give
 notice and hold hearings on proposed rules and regulations in the manner
 prescribed by this section.

6 (3) Notwithstanding the other provisions of this section, the secretary 7 of corrections may give notice or an opportunity to be heard to any inmate 8 in the custody of the secretary with regard to the adoption of any rule and 9 regulation.

10 (c) (1) The agency shall initiate new rulemaking proceedings under 11 this act, if a state agency proposes to adopt a final rule and regulation that:

12 (A) Differs in subject matter or effect in any material respect from the 13 rule and regulation as originally proposed; and

(B) is not a logical outgrowth of the rule and regulation as originallyproposed.

16 (2) For the purposes of this provision, a rule and regulation is not the 17 logical outgrowth of the rule and regulation as originally proposed if a 18 person affected by the final rule and regulation was not put on notice that 19 such person's interests were affected in the rule making.

20 (d) When, pursuant to this or any other statute, a state agency holds a 21 hearing on the adoption of a proposed rule and regulation, the agency shall 22 cause written minutes or other records, including a record maintained on 23 sound recording tape or on any electronically accessed media or any 24 combination of written or electronically accessed media records of the 25 hearing to be made. If the proposed rule and regulation is adopted and 26 becomes effective, the state agency shall maintain, for not less than three 27 years after its effective date, such minutes or other records, together with 28 any recording, transcript or other record made of the hearing and a list of 29 all persons who appeared at the hearing and who they represented, any 30 written testimony presented at the hearing and any written comments 31 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.

Sec. 5. K.S.A. 77-422 is hereby amended to read as follows: 77-422. (a) A rule and regulation may be adopted by a state agency as a temporary rule and regulation if the state agency and the state rules and regulations board finds that the preservation of the public peace, health, safety or welfare necessitates or makes desirable putting such rule and regulation into effect prior to the time it could be put into effect if the agency were to 1 comply with the notice, hearing and publication requirements of this act or

2 prior to the effective date prescribed by K.S.A. 77-426, and amendments3 thereto.

4 (b) Temporary rules and regulations may be adopted without the 5 giving of notice and the holding of a hearing thereon.

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(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;

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

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(C) upon filing with the secretary of state.

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

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

21 (d) A temporary rule and regulation which amends an existing rule 22 and regulation shall have the effect of suspending the force and effect of 23 the existing rule and regulation until such time as the temporary rule and 24 regulation is no longer effective. In such case, at the time the temporary 25 rule and regulation ceases to be effective, the existing permanent rule and regulation which was amended by the temporary rule and regulation shall 26 27 be in full force and effect unless such existing rule and regulation is 28 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.

33 Sec. 6. K.S.A. 77-416, 77-420, 77-420a, 77-421 and 77-422 are 34 hereby repealed.

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