GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

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HOUSE BILL 191* Committee Substitute Favorable 3/8/95

Short Title: Require Fiscal Note/Subj. Mtr. Notice.	(Public)
Sponsors:	_
Referred to:	_
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February 15, 1995

A BILL TO BE ENTITLED 1

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AN ACT TO REQUIRE A FISCAL NOTE FOR ALL PROPOSED RULES THAT HAVE A SUBSTANTIAL ECONOMIC IMPACT AND TO APPROPRIATE FUNDS TO IMPLEMENT THIS REQUIREMENT AND TO REQUIRE AGENCIES TO BEGIN THE PROCESS OF ADOPTING A PERMANENT RULE BY PUBLISHING A NOTICE OF RULE-MAKING PROCEEDING RATHER THAN BY PUBLISHING THE PROPOSED TEXT OF A RULE CHANGE.

The General Assembly of North Carolina enacts:

Section 1. G.S. 150B-21.4 is amended by adding a new subsection to read:

"(b1) Substantial Economic Impact. - Before an agency publishes in the North Carolina Register the proposed text of a permanent rule change that would have a substantial economic impact and is not identical to a federal regulation the agency is required to adopt, the agency must obtain from the Office of State Budget and Management a fiscal note for the proposed rule change. <u>If an agency is not sure whether</u> a proposed rule change would have a substantial economic impact, the agency may ask the Office of State Budget and Management to determine whether the proposed rule change has a substantial economic impact. The Office of State Budget and Management must prepare a fiscal note for a proposed rule change within 90 days after receiving a

written request for the note. If the Office of State Budget and Management fails to

prepare a fiscal note within 90 days as required by this subsection, the agency proposing a permanent rule change may prepare a fiscal note that comports with the requirements of this subsection and proceed to publication of the proposed rule change in the North Carolina Register.

A fiscal note for a proposed rule change must contain the following:

- (1) A description of the persons who would be affected by the proposed rule change.
- (2) A description of the types of expenditures that persons affected by the proposed rule change would have to make to comply with the rule and an estimate of these expenditures.
- (3) A description of the purpose and benefits of the proposed rule change.
- (4) An explanation of how the estimate of expenditures was computed.

As used in this subsection, the term 'substantial economic impact' means an aggregate financial impact on all persons affected of at least five million dollars (\$5,000,000) in a 12-month period."

Sec. 2. G.S. 150B-21.9(a) reads as rewritten:

- "(a) Standards. The Commission must determine whether a rule meets all of the following criteria:
 - (1) It is within the authority delegated to the agency by the General Assembly.
 - (2) It is clear and unambiguous.
 - (3) It is reasonably necessary to fulfill a duty delegated to the agency by the General Assembly.—Assembly, when considered in light of the cumulative effect of all rules adopted by the agency related to the specific purpose for which the rule is proposed and the legislative intent of the General Assembly in delegating the duty.

The Commission may determine if a rule submitted to it was adopted in accordance with Part 2 of this Article. The Commission may ask the Office of State Budget and Management to determine if a rule has a substantial economic impact and is therefore required to have a fiscal note. The Commission must ask that Office to make this determination if a fiscal note was not prepared for a rule and the Commission receives a written request for a determination of whether the rule has a substantial economic impact.

The Commission must notify the agency that adopted the rule if it determines that a rule was not adopted in accordance with Part 2 of this Article and must return the rule to the agency. Entry of a rule in the North Carolina Administrative Code after review by the Commission is conclusive evidence that the rule was adopted in accordance with Part 2 of this Article."

Sec. 3. [Utilities Commission] G.S. 62-31 reads as rewritten:

"§ 62-31. Power to make and enforce rules and regulations for public utilities.

The Commission shall have and exercise full power and authority to administer and enforce the provisions of this Chapter, and to make and enforce reasonable and necessary rules and regulations to that end. The Commission shall request the Office of State Budget and Management to prepare a fiscal note for a proposed new or amended rule or

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regulation that has a substantial economic impact, as defined in G.S. 150B-21.4(b1). The Commission shall not take final action on a proposed rule change that has a substantial economic impact until at least 60 days after the fiscal note has been prepared."

Sec. 4. [Employment Security Commission] G.S. 96-4(b) reads as rewritten:

"(b) Regulations and General and Special Rules. – General and special rules may be adopted, amended, or rescinded by the Commission only after public hearing or opportunity to be heard thereon, of which proper notice has been given by mail to the last known address in cases of special rules, or by publication as herein provided, and by one publication as herein provided as to general rules. The Commission may not take final action on a general or special rule that has a substantial economic impact, as defined in G.S. 150B-21.4(b1), until 60 days after the fiscal note has been prepared. General rules shall become effective 10 days after filing with the Secretary of State and publication in one or more newspapers of general circulation in this State. Special rules shall become effective 10 days after notification to or mailing to the last known address of the individuals or concerns affected thereby. Before the adoption, amendment, or repeal of any permanent regulation, the Commission shall publish notice of the public hearing and offer any person an opportunity to present data, opinions, and arguments. The notice shall be published in one or more newspapers of general circulation in this State at least 10 days before the public hearing and at least 20 days prior to the proposed effective date of the proposed permanent regulation. The published notice of public hearing shall include the time and place of the public hearing; a statement of the manner in which data, opinions, and arguments may be submitted to or before the Commission; a statement of the terms or substance of the proposed regulation; a statement of whether a fiscal note has been or will be prepared for the proposed regulation and the proposed effective date of the regulation. Any permanent regulation adopted after following the above procedure shall become effective on its effective date and after it is published in the manner provided for in subsection (c) as well as such additional publication as the Commission deems appropriate. Additionally, the Commission shall provide notice of adoption by mail to the last known addresses of all persons who submitted data, opinions, or arguments to the Commission with respect to the regulation. Temporary regulations may be adopted, amended, or rescinded by the Commission and shall become effective in the manner and at the time prescribed by the Commission but shall remain in force for no longer than 120 days."

Sec. 5. [Industrial Commission] G.S. 97-80(a) reads as rewritten:

"(a) The Commission may make rules, not inconsistent with this Article, for carrying out the provisions of this Article. The Commission shall request the Office of State Budget and Management to prepare a fiscal note for a proposed new or amended rule that has a substantial economic impact, as defined in G.S. 150B-21.4(b1). The Commission shall not take final action on a proposed rule change that has a substantial economic impact until at least 60 days after the fiscal note has been prepared.

Processes, procedure, and discovery under this Article shall be as summary and simple as reasonably may be."

Sec. 6. [Department of Revenue] G.S. 105-262 reads as rewritten:

"§ 105-262. Rules.

The Secretary of Revenue may adopt rules needed to administer a tax collected by the Secretary or to fulfill another duty delegated to the Secretary. The Tax Review Board shall review a new rule or a change to a rule before it is filed in the North Carolina Administrative Code.

The Secretary must ask the Office of State Budget and Management to prepare a fiscal note for a proposed new rule or a proposed change to a rule that has a substantial economic impact, as defined in G.S. 150B-21.4(b1). The Secretary may not take final action on a proposed rule change that has a substantial economic impact until at least 60 days after the fiscal note has been prepared."

Sec. 6.1. G.S.143-214.7(c) reads as rewritten:

- "(c) The Commission shall hold public hearings in accordance with Article 2 of Chapter 150B. Prior to implementation of the rules, the Administrative Rules Review Commission shall review the rule pursuant to G.S. 143B-30.2 to determine whether the rule:
 - (1) Is within the authority delegated to the agency by the General Assembly;
 - (2) Is clear and unambiguous;
 - (3) Is reasonably necessary to enable the administrative agency to perform a function assigned to it by statute or to enable or facilitate the implementation of a program or policy in aid of which the rule was adopted. Chapter 150B of the General Statutes governs adoption of rules by the Commission."

Sec. 7. G.S. 150B-1(d) reads as rewritten:

- "(d) Exemptions from Rule Making. Article 2A of this Chapter does not apply to the following:
 - (1) The Commission.
 - (2) The North Carolina Low-Level Radioactive Waste Management Authority in administering the provisions of G.S. 104G-10 and G.S. 104G-11.
 - (3) The North Carolina Hazardous Waste Management Commission in administering the provisions of G.S. 130B-13 and G.S. 130B-14.
 - (4) The Department of Revenue, except that Parts 3 and 4 of Article 2A apply to the Department. with respect to the notice and hearing requirements contained in Part 2 of Article 2A.
 - (5) The North Carolina Global TransPark Authority with respect to the acquisition, construction, operation, or use, including fees or charges, of any portion of a cargo airport complex."
 - Sec. 8. [Building Code Council] G.S. 143-138(a) reads as rewritten:
- "(a) Preparation and Adoption. The Building Code Council is hereby empowered to prepare and adopt, in accordance with the provisions of this Article, a North Carolina State Building Code. Prior to the adoption of this Code, or any part thereof, the Council shall hold at least one public hearing. A notice of such public hearing shall be given once

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a week for two successive calendar weeks in a newspaper published in Raleigh, said notice to be published the first time not less than 15 days prior to the date fixed for said hearing. The Council may hold such other public hearings and give such other notice as it may deem necessary.

The Council shall request the Office of State Budget and Management to prepare a fiscal note for a proposed Code change that has a substantial economic impact, as defined in G.S. 150B-21.4(b1). The Commission shall not take final action on a proposed Code change that has a substantial economic impact until at least 60 days after the fiscal note has been prepared."

Sec. 9. G.S. 150B-21.1 reads as rewritten:

"§ 150B-21.1. Procedure for adopting a temporary rule.

- Adoption. An agency may adopt a temporary rule without prior notice or hearing or upon any abbreviated notice or hearing the agency finds practical when it finds that adherence to the notice and hearing requirements of this Part would be contrary to the public interest and that the immediate adoption of the rule is required by one or more of the following:
 - (1) A serious and unforeseen threat to the public health, safety, or welfare.
 - (2) The effective date of a recent act of the General Assembly or the United States Congress.
 - A recent change in federal or State budgetary policy. (3)
 - (4) A federal regulation.
 - A court order. (5)
 - The need for the rule to become effective the same date as the State (6) Medical Facilities Plan approved by the Governor, if the rule addresses a matter included in the State Medical Facilities Plan.

An agency must prepare a written statement of its findings of need for a temporary rule. The statement must be signed by the head of the agency adopting the rule.

An agency must begin rule-making proceedings for a permanent rule by the day it adopts a temporary rule. An agency begins rule-making proceedings for a permanent rule by submitting to the Codifier of Rules written notice of its intent to adopt a permanent rule.

Review. – When an agency adopts a temporary rule it must submit the rule, rule and the agency's written statement of its findings of need for the rule, and the notice of intent to adopt a permanent-rule to the Codifier of Rules. Within one business day after an agency submits a temporary rule, the Codifier of Rules must review the agency's written statement of findings of need for the rule to determine whether the statement of need meets the criteria listed in subsection (a). In reviewing the statement, the Codifier of Rules may consider any information submitted by the agency or another person. If the Codifier of Rules finds that the statement meets the criteria, the Codifier of Rules must notify the head of the agency and enter the rule in the North Carolina Administrative Code.

If the Codifier of Rules finds that the statement does not meet the criteria, the Codifier of Rules must immediately notify the head of the agency. The agency may supplement its

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42 43 statement of need with additional findings or submit a new statement. If the agency provides additional findings or submits a new statement, the Codifier of Rules must review the additional findings or new statement within one business day after the agency submits the additional findings or new statement. If the Codifier of Rules again finds that the statement does not meet the criteria listed in subsection (a), the Codifier of Rules must immediately notify the head of the agency.

If an agency decides not to provide additional findings or submit a new statement when notified by the Codifier of Rules that the agency's findings of need for a rule do not meet the required criteria, the agency must notify the Codifier of Rules of its decision. The Codifier of Rules must then enter the rule in the North Carolina Administrative Code on the sixth business day after receiving notice of the agency's decision.

Standing. – A person aggrieved by a temporary rule adopted by an agency may file an action for declaratory judgment in Wake County Superior Court pursuant to Article 26 of Chapter 1 of the General Statutes. In the action, the court shall determine whether the agency's written statement of findings of need for the rule meets the criteria listed in subsection (a) and whether the rule meets the standards in G.S. 150B-21.9 that apply to review of a permanent rule. The court may not grant an ex parte temporary restraining order.

Filing a petition for rule making or a request for a declaratory ruling with the agency that adopted the rule is not a prerequisite to filing an action under this subsection. A person who files an action for declaratory judgment under this subsection must serve a copy of the complaint on the agency that adopted the rule being contested, the Codifier of Rules, and the Commission.

- Effective Date and Expiration. A temporary rule becomes effective on the date specified in G.S. 150B-21.3. A temporary rule expires on the date specified in the rule or 180-240 days from the date the rule becomes effective, whichever comes first.
- Publication. When the Codifier of Rules enters a temporary rule in the North (e) Carolina Administrative Code, the Codifier must publish the rule in the North Carolina Register. Publication of a temporary rule in the North Carolina Register serves as a notice of rule-making proceedings for a permanent rule that does not differ substantially from the published temporary rule."
 - Sec. 10. G.S. 150B-21.2 reads as rewritten:

"§ 150B-21.2. Procedure for adopting a permanent rule.

- Steps. Before an agency adopts a permanent rule, it must take the following (a) actions:
 - Publish a notice of rule-making proceedings in the North Carolina (1) Register, unless the proposed rule is substantially the same as a temporary rule published in the North Carolina Register.
 - When required by G.S. 150B-21.4, prepare or obtain a fiscal note for the <u>(2)</u> proposed rule.
 - Publish the text of the proposed rule in the North Carolina Register. (3)
 - (4) When required by subsection (e) of this section, hold a public hearing on the proposed rule after publication of the proposed text of the rule.

1	<u>(5)</u>	Accept oral or written comments on the proposed rule as required by
2		subsection (f) of this section.
3	Notice. Before	re an agency adopts a permanent rule, it must publish notice of its intent to
4	adopt a permar	nent rule in the North Carolina Register and as required by any other law.
5	The notice pub	lished in the North Carolina Register must include all of the following:
6	(1)	Either the text of the proposed rule or a statement of the subject matter
7	` '	of the proposed rule making.
8	(2)	A short explanation of the reason for the proposed action.
9	(3)	A citation to the law that gives the agency the authority to adopt the
10	· /	proposed rule, if the notice includes the text of the proposed rule, or a
11		citation to the law that gives the agency the authority to adopt a rule on
12		the subject matter of the proposed rule making, if the notice includes
13		only a statement of the subject matter of the proposed rule making.
14	(4)	The proposed effective date of the proposed rule, if the notice includes
15	()	the text of the proposed rule, or the proposed effective date of a rule
16		adopted on the subject matter of the proposed rule making, if the notice
17		includes only a statement of the subject matter of the proposed rule
18		making.
19	(5)	The date, time, and place of any public hearing scheduled on the
20		proposed rule or subject matter of the proposed rule making.
21	(6)	Instructions on how a person may demand a public hearing on a
22	(0)	proposed rule if the notice does not schedule a public hearing on the
23		proposed rule and subsection (c) requires the agency to hold a public
24		hearing on the proposed rule when requested to do so.
25	(7)	The period of time during which and the person to whom written
26	(1)	comments may be submitted on the proposed rule or subject matter of
27		the proposed rule making.
28	(8)	If a fiscal note has been prepared for the proposed rule or will be
28 29	(0)	prepared when a rule is proposed on the subject matter of the proposed
30		rule making, a statement that a copy of the fiscal note can be obtained
31		from the agency.
	(b) Noti	e ;
32		ce of Rule-Making Proceedings. – A notice of rule-making proceedings e North Carolina Register must include all of the following:
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34 35	$\frac{(1)}{(2)}$	A short explanation of the reason for the proposed action
	(<u>2</u>) (<u>3</u>)	A short explanation of the reason for the proposed action. A citation to the law that gives the agency the authority to adopt a rule
36 37	(3)	A citation to the law that gives the agency the authority to adopt a rule
	(4)	on the subject matter of the proposed rule making. The person to whom questions or written comments may be submitted
38	<u>(4)</u>	The person to whom questions or written comments may be submitted
39	Dublication	on the subject matter of the proposed rule making.
40 4.1		in the North Carolina Register of an agency's rule-making agenda satisfies
41 12		ts of this subsection if the agenda includes the information required by this
42	subsection.	

- (c) Text After Notice of Rule-Making Proceedings. A notice of the proposed text of a rule must include all of the following:

 (1) The text of the proposed rule.
 (2) A short explanation of the reason for the proposed rule.
 - (3) A citation to the law that gives the agency the authority to adopt the rule.
 - (4) The proposed effective date of the rule.
 - (5) The date, time, and place of any public hearing scheduled on the rule.
 - (6) Instructions on how a person may demand a public hearing on a proposed rule if the notice does not schedule a public hearing on the proposed rule and subsection (e) of this section requires the agency to hold a public hearing on the proposed rule when requested to do so.
 - (7) The period of time during which and the person to whom written comments may be submitted on the proposed rule.
 - (8) If a fiscal note has been prepared for the rule, a statement that a copy of the fiscal note can be obtained from the agency.

An agency may not publish the proposed text of a rule until at least 60 days after the date the notice of rule-making proceedings for the proposed rule was published in the North Carolina Register.

- (b) (d) Mailing List. An agency must maintain a mailing list of persons who have requested notice of rule making. When an agency publishes a rule making notice in the North Carolina Register, Register a notice of rule-making proceedings or the text of a proposed rule, it must mail a copy of the notice or text to each person on the mailing list who has requested notice of rule-making proceedings on the rule or the subject matter for rule making described in the notice. notice or the rule affected. An agency may charge an annual fee to each person on the agency's mailing list to cover copying and mailing costs.
- (e) <u>(e)</u> Hearing. An agency must hold a public hearing on a rule it proposes to adopt in two circumstances and may hold a public hearing in other circumstances. When an agency is required to hold a public hearing on a proposed rule when it is not required to do so, the agency must publish in the North Carolina Register a notice of the date, time, and place of the public hearing. The hearing date of a public hearing held after the agency publishes notice of the hearing in the North Carolina Register must be at least 15 days after the date the notice is published.

An agency must hold a public hearing on a rule it proposes to adopt in the following two circumstances:

- (1) The agency publishes a statement of the subject matter of the proposed rule making in the notice in the North Carolina Register.
- (2) The when the agency publishes the text of the proposed rule in the notice in the North Carolina Register and all the following apply:
 - a.(1) The notice does not schedule a public hearing on the proposed rule.
 - b.(2) Within 15 days after the notice is published, the agency receives a written request for a public hearing on the proposed rule.

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- The proposed rule is not part of a rule-making proceeding the agency C. initiated by publishing a statement of the subject matter of proposed rule making.
- The proposed text is not a changed version of proposed text the agency d.(3) previously published in the course of rule-making proceedings but did not adopt.

An agency may hold a public hearing on a proposed rule in other circumstances. When an agency is required to hold a public hearing on a proposed rule or decides to hold a public hearing on a proposed rule when it is not required to do so, the agency must publish in the North Carolina Register a notice of the date, time, and place of the public hearing. The hearing date of a public hearing held after the agency publishes notice of the hearing in the North Carolina Register must be at least 15 days after the date the notice is published.

- Text After Subject-Matter Notice. When an agency publishes notice of the subject matter of proposed rule making in the North Carolina Register, it must subsequently publish in the North Carolina Register the text of the rule it proposes to adopt as a result of the public hearing and of any comments received on the subject matter. An agency may not publish the proposed text of a rule for which it published a subject-matter notice before the public hearing on the subject matter.
- (f) Comments. An agency must accept comments on a notice of proposed rule-making proceedings published in the North Carolina Register until the text of the proposed rule that results from the notice is published. An agency must accept comments on the text of a proposed rule that is published in the North Carolina Register and requires a fiscal note under G.S. 150B-21.4(b1) for at least 60 days after the text is published or until the date of any public hearing held on the proposed rule, whichever is longer. An agency must accept comments on the text of a-any other proposed rule published in the North Carolina Register for at least 30 days after the text is published or until the date of any public hearing held on the proposed rule, whichever is longer. An agency must accept comments on a statement of the subject matter of proposed rule making until the public hearing on the subject matter. An agency must consider fully all written and oral comments received.
- (g) Adoption. An agency may not adopt a rule until the time for commenting on the proposed text of the rule has elapsed and may not adopt a rule if more than 12 months have elapsed since the end of the time for commenting on the proposed text of the rule. An agency may not adopt a rule that differs substantially from the text of a proposed rule published in the North Carolina Register unless the agency publishes the text of the proposed different rule in the North Carolina Register and accepts comments on the proposed different rule for the time set in subsection (e). (f) of this section.

An adopted rule differs substantially from a proposed rule if it does one or more of the following:

(1) Affects the interests of persons who, based on either the notice published in the North Carolina Register-of rule-making proceedings or the proposed

text of the rule, rule published in the North Carolina Register, could not reasonably have determined that the rule would affect their interests.

3 4 (2) Addresses a subject matter or an issue that is not addressed in the proposed text of the rule.

5 6 (3) Produces an effect that could not reasonably have been expected based on the proposed text of the rule.

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When an agency adopts a rule, it may not take subsequent action on the rule without following the procedures in this Part.

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11 12 (g) (h) Explanation. – An agency must issue a concise written statement explaining why the agency adopted a rule if, within 30 days after the agency adopts the rule, a person asks the agency to do so. The explanation must state the principal reasons for and against adopting the rule and must discuss why the agency rejected any arguments made or considerations urged against the adoption of the rule.

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(h) (i) Record. – An agency must keep a record of a rule-making proceeding. The record must include all written comments received, a transcript or recording of any public hearing held on the rule, and any written explanation made by the agency for adopting the rule."

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Sec. 11. G.S. 150B-21.17(a) reads as rewritten:

19 20 "(a) Content. – The Codifier of Rules must publish the North Carolina Register. The North Carolina Register must be published at least two times a month and must contain the following:

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(1) Temporary rules entered in the North Carolina Administrative Code.

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(1)(1a) Notices of proposed adoptions rule-making proceedings and of the text of proposed rules.

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(2) Notices of receipt of a petition for municipal incorporation, as required by G.S. 120-165.

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(3) Executive orders of the Governor.

28 29 (4) Final decision letters from the United States Attorney General concerning changes in laws that affect voting in a jurisdiction subject to section 5 of the Voting Rights Act of 1965, as required by G.S. 120-30.9H.

Other information the Codifier determines to be helpful to the public."

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(5) Orders of the Tax Review Board issued under G.S. 105-241.2.

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Sec. 12. There is appropriated from the General Fund to the Office of State Budget and Management the sum of four hundred fifty thousand dollars (\$450,000) for fiscal year 1995-96 and the sum of nine hundred thousand dollars (\$900,000) for fiscal year 1996-97 to implement this act.

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Sec. 13. This act becomes effective October 1, 1995. It applies to rules for which a notice of rule making is published in the North Carolina Register on or after the effective date and to rule and Building Code changes that are initiated on or after that date and are not subject to the procedures in Chapter 150B of the General Statutes, the Administrative Procedure Act.

(6)