

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 1163 Agency Rulemaking

SPONSOR(S): Transportation & Tourism Appropriations Subcommittee, Spano and others

TIED BILLS: **IDEN./SIM. BILLS:** SB 1640

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Oversight, Transparency & Administration Subcommittee	13 Y, 0 N	Whittaker	Harrington
2) Transportation & Tourism Appropriations Subcommittee	13 Y, 0 N, As CS	Cobb	Davis
3) Government Accountability Committee			

SUMMARY ANALYSIS

A Statement of Estimated Regulatory Costs (SERC) is an agency estimate of the potential impact of a proposed rule on the public, particularly the potential costs to the public of complying with the rule, as well as the potential impact on agencies and other governmental entities to implement the rule. Agencies are encouraged to prepare a SERC before adopting, amending, or repealing any rule, however, a SERC must be prepared if the proposed rule will have a negative impact on small businesses or increase regulatory costs more than \$200,000 within one year after implementation.

The bill requires an agency to prepare a SERC before the adoption or amendment of any rule other than an emergency rule. Additionally, the bill requires an agency to prepare a SERC for a rule repeal if such repeal would impose a regulatory cost, and establishes that any challenge to a rule repeal must be considered presumptively correct by the adjudicating body.

The bill requires the Department of State (department) to include on the Florida Administrative Register website the agency website addresses where SERCs can be viewed in their entirety. An agency must include in its notice of intended action the agency website address where SERCs can be viewed in their entirety. If an agency revises a SERC, it must provide a notice that a revision has been made and include an agency website address where the revision can be viewed for publication on the Florida Administrative Register website.

The bill also removes the requirement that the agency head approve certain rulemaking notices.

The department states that the committee substitute will not result in a fiscal impact to its operations. See fiscal section for additional detail.

The bill has an effective date of July 1, 2017.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

Rulemaking

The Administrative Procedure Act¹ sets forth a uniform set of procedures that agencies must follow when exercising delegated rulemaking authority. A rule is an agency statement of general applicability that interprets, implements, or prescribes law or policy, including the procedure and practice requirements of an agency as well as certain types of forms.² Rulemaking authority is delegated by the Legislature through statute and authorizes agencies to “adopt, develop, establish, or otherwise create”³ rules. Agencies do not have discretion whether to engage in rulemaking.⁴ To adopt a rule, an agency must have a general grant of authority to implement a specific law by rulemaking.⁵ The grant of rulemaking authority itself need not be detailed. The specific statute being interpreted or implemented through rulemaking must provide specific standards and guidelines to preclude the administrative agency from exercising unbridled discretion in creating policy or applying the law.⁶

An agency begins the formal rulemaking process, upon approval of the agency head, by filing a notice of the proposed rule.⁷ The notice is published by the Department of State in the Florida Administrative Register⁸ and must provide certain information, including the text of the proposed rule, a summary of the agency’s Statement of Estimated Regulatory Costs (SERC) if one is prepared, and how a party may request a public hearing on the proposed rule.⁹ Although the notice includes a summary of the SERC, if prepared, publication of the SERC is not required.

Statement of Estimated Regulatory Costs

A SERC is an agency estimate of the potential impact of a proposed rule on the public, particularly the potential costs to the public of complying with the rule as well as to the agency and other governmental entities to implement the rule.¹⁰ Agencies are encouraged to prepare a SERC before adopting, amending, or repealing any rule.¹¹ A SERC must be prepared if the proposed rule will have a negative impact on small businesses or increase regulatory costs by more than \$200,000 within one year after implementation of the rule.¹²

A SERC must include estimates of:

- The number of people and entities effected by the proposed rule;
- The cost to the agency and other governmental entities to implement the proposed rule;
- Transactional costs likely to be incurred by people, entities, and governmental agencies for compliance; and
- An analysis of the proposed rule’s impact on small businesses, counties, and cities.¹³

¹ Chapter 120, F.S.

² Section 120.52(16), F.S.

³ Section 120.52(17), F.S.

⁴ Section 120.54(1)(a), F.S.

⁵ Sections 120.52(8) and 120.536(1), F.S.

⁶ *Sloban v. Florida Board of Pharmacy*, 982 So. 2d 26, 29-30 (Fla. 1st DCA 2008); *Board of Trustees of the Internal Improvement Trust Fund v. Day Cruise Association, Inc.*, 794 So. 2d 696, 704 (Fla. 1st DCA 2001).

⁷ Section 120.54(3)(a)1., F.S.

⁸ Section 120.55(1)(b), F.S.

⁹ Section 120.55(1)(b)1. and 2., F.S.

¹⁰ Section 120.541(2), F.S.

¹¹ Section 120.54(3)(b)1., F.S.

¹² Section 120.54(3)(b)1., F.S.

¹³ Section 120.541(2)(b)-(e), F.S.

The SERC must also include an economic analysis on the likelihood that the proposed rule will have an adverse impact in excess of \$1 million within the first 5 years of implementation on:

- Economic growth, private-sector job creation or employment, or private-sector investment;
- Business competitiveness, productivity, or innovation; or
- Regulatory costs, including any transactional costs.¹⁴

If the economic analysis results in an adverse impact or regulatory costs in excess of \$1 million within 5 years after implementation of the rule, then the rule must be ratified by the Legislature in order to take effect.¹⁵

At least 21 days before filing a rule for adoption, an agency that is required to revise a SERC must provide the statement to the person who submitted the lower cost regulatory alternative and to the Administrative Procedures Committee and must provide notice on the agency's website that is available to the public.¹⁶

Effect of the Bill

The bill requires an agency to prepare a SERC before the adoption or amendment of any rule other than an emergency rule. Additionally, the bill requires an agency to prepare a SERC for a rule repeal if such repeal would impose a regulatory cost, and establishes that any challenge to a rule repeal must be considered presumptively correct by the adjudicating body.

The bill requires the department to include on the Florida Administrative Register website the agency website addresses where SERCs can be viewed in their entirety. An agency must provide in its notice of intended action the agency website addresses where SERCs can be viewed in their entirety. If an agency revises a SERC, it must provide a notice that a revision has been made and include an agency website address where the revision can be viewed for publication on the Florida Administrative Register website.

Lastly, the bill removes the requirement that the agency head approve notices for rulemaking.

B. SECTION DIRECTORY:

Section 1. Amends s. 120.54, F.S., removing the requirement for agency head approval for the adoption, amendment, or repeal of any rule; requiring an agency to include in its notice of intended action an agency website address where SERCs can be viewed; requiring an agency to prepare a SERC before adopting or amending any rule other than an emergency rule; requiring an agency to prepare a SERC for a rule repeal in certain circumstances.

Section 2. Amends s. 120.541, F.S., requiring the department to include on the Florida Administrative Register website the agency website addresses where SERCs can be viewed in their entirety; requiring an agency that prepares or revises a SERC to provide the agency website address where the SERC can be read in its entirety to the department for publication on the Florida Administrative Register website; requiring an agency to provide a notice to the Department when a revision to a SERC has been made and an agency website address where the revision can be viewed for publication in the Florida Administrative Register website; conforming provisions to changes made by the act.

¹⁴ Section 120.541(2)(a), F.S.

¹⁵ Section 120.541(3), F.S.

¹⁶ Section 120.541(1)(d), F.S.

Section 3. Provides an effective date of July 1, 2017.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

The committee substitute does not require the department to maintain a website solely to publish SERCs, but rather to include the agency website addresses where the SERCs can be viewed on the Florida Administrative Register website. The department states that the committee substitute will not result in a fiscal impact to its operations.¹⁷

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable. The bill does not appear to affect county or municipal governments.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

¹⁷ Email dated April 13, 2017 on file with the Transportation & Tourism Appropriations Subcommittee
STORAGE NAME: h1163c.TTA
DATE: 4/18/2017

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On April 17, 2017, the Transportation & Tourism Appropriations Subcommittee adopted an amendment and reported the bill favorably as a committee substitute. In summary, the amendment removed the requirement for the department to maintain a website where SERCs can be viewed, and added a requirement for the department to provide on the Florida Administrative Register website agency website addresses where SERCs can be viewed as well as a requirement for agencies to provide such agency website addresses to the department. Additionally, the amendment specified that agencies do not need to prepare a SERC for a rule repeal unless such repeal would impose any regulatory cost, and that any challenge to a rule repeal must be considered presumptively correct by an adjudicating body.

This analysis is written to the committee substitute as passed out of the Transportation & Tourism Appropriations Subcommittee.