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FISCAL IMPACT STATEMENT

LS 6631

BILL NUMBER: HB 1280

NOTE PREPARED: Jan 23, 2012

BILL AMENDED: Jan 23, 2012

SUBJECT: Regulatory Matters.

FIRST AUTHOR: Rep. Koch

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill has the following provisions:

Regulation of Intrastate Commerce: It provides that intrastate commerce in Indiana is not subject to the authority of the United States Congress.

Administrative Rules Retrospective Review: It provides for a retrospective review of agency rules. It requires agencies to evaluate the benefits and costs of rules, seek alternatives to regulation, establish and publish a rulemaking docket, and encourage public participation in rulemaking proceedings.

Opportunity to Correct: It imposes a duty on a state agency under certain circumstances to give a person an opportunity to correct an alleged violation of law that is discovered in an inspection.

Hearing Officers and Administrative Law Judges: It requires hearing officers and administrative law judges to be attorneys licensed to practice law in Indiana.

Continuous Process Improvement: It requires state agencies and instrumentalities to implement continuous process improvement techniques.

Document Drafting: It requires that state documents provided to the public must be written in plain English.

Video Services Franchise Fees: It requires each unit of local government that receives franchise fees paid to a unit from an entity providing video services to submit to the Indiana Utility Regulatory Commission (IURC)

an annual report on the unit's receipt and use of those franchise fees during the calendar year for which the report is submitted.

Pharmacy License Category: It consolidates six categories of pharmacy licenses into three categories.

Public Lawsuit Statute: It extends the provisions of the public lawsuit statute to cover all actions against a municipal corporation in which the petitioner has public standing.

Effective Date: Upon passage; July 1, 2012.

Explanation of State Expenditures: *Administrative Rules Retrospective Review:* The bill requires state agencies to develop and carry out a scheduled review of administrative rules to determine the extent to which rules are outmoded, ineffective, insufficient, or excessively burdensome. Also, the Administrative Rules Committee (ARC) may, in writing, direct an agency to undertake a retrospective review of one or more rules. This retrospective review could increase costs for an agency similar to the initial adoption of the rule.

Adopting Administrative Rules: The bill adds to the considerations for adopting rules, including taking into account, to the extent feasible, the costs of cumulative rules of the same and other agencies, specifying performance objectives, and basing the decision to add a rule on a reasoned determination that the rule's benefits justify the rule's costs. The agency, to the extent permitted by law, is to identify and assess alternatives to adopting the rules, such as economic incentives or providing information for the public to make choices. The bill requires, to the extent feasible and consistent with law, that the rules be based on open exchange of information and that the agency afford the public an opportunity to comment on the rules through the Internet. Further, the bill requires each agency to maintain an indexed rulemaking docket on the agencies website.

Continuous Process Improvement: Costs could increase under the bill for every instrumentality, agency, authority, board, commission, officers of the executive, and body corporate and politic to establish continuous process improvement, have employees trained, and prepare reports for the Office of Management and Budget (OMB) concerning comparisons between results and goals. Additionally, the OMB may incur additional costs to provide advice and assistance to implement the improvements. These costs may be offset by cost savings that result from continuous process improvement with a goal of 25% per project undertaken.

Hearing Officers and Administrative Law Judges: The bill could potentially increase costs to pay attorneys to act as hearing officers and administrative law judges. However, most administrative law judge positions are already filled by an attorney, resulting in no cost increases.

Opportunity to Correct: This bill requires all state agencies in the executive department to notify alleged violators about possible violations discovered in inspections and provide an opportunity for the individuals to correct the violations under certain circumstances. Agencies are required to determine if the violation has been corrected within 30 days of the notification, or the agreed time for correction, whichever is earlier. If the alleged violator does not enter into an agreement with the agency or does not correct a violation within the time allowed, then the agency may take any enforcement action authorized by law.

Video Services Franchise Fees: The IURC may have a minimal one-time cost increase to adopt rules to implement the reporting requirement under the bill and ongoing costs to produce an annual report.

Pharmacy License Category: To the extent that the bill will align permits with actual business practices, the

Professional Licensing Agency (PLA) may experience some minimal cost savings. Issuing new permits in the new categories is expected to have minimal cost as the PLA already has a policy for permit holders to download and print permits once or pay for printings by the PLA.

Background - Administrative Rules Retrospective Review: On the schedule developed by the agency and submitted to the OMB, an agency is to perform a retrospective review of its rules to look for changes in the relevance, clarity, and reasonableness of the rules. The agency would have to publish its supporting data on the agency's website. If the agency is directed to retroactively review rules by the ARC, there are additional criteria for review of the rule. The agency is to report back to the ARC within one year and make a presentation at a public meeting.

(Revised) *Pharmacy License Category:* Under current law, there are six types of pharmacy permits. Under the bill, there are to be three categories, with Types I and II corresponding to Categories I and II respectively, and Types III, IV, V, and VI rolling into Category III. Existing permits move to the newly established category, but the expiration date of the permit does not change. Current Type III, IV, and V permit holders would gain the ability to open to the general public without a pharmacist on duty under certain conditions. In addition, the Pharmacy Board may approve a remote or mobile location for Category I, II, or III permits to include telepharmacy, automated dispensing, or delivery of cognitive services.

Explanation of State Revenues: *Regulation of Intrastate Commerce:* The extent to which goods and services that are grown, manufactured, or made in Indiana and are sold, maintained, and retained in Indiana may have components that come from other regional areas is not known, nor is the impact of these components on the determination that a good or service is "Indiana made". There are no data to determine (1) whether a state determination that a good or service is not subject to regulation under Congress' constitutional power to regulate commerce among the several states might be in conflict with federal regulations and (2) the nature and extent of potential federal sanctions which might be imposed.

Opportunity to Correct: This bill could reduce the amount of civil penalties imposed by state agencies. Any reduction in civil penalties would depend upon whether civil penalties would have been imposed on violators absent the bill's provision to allow opportunities to correct violations. This impact is indeterminable.

Public Lawsuit Statute: If additional civil actions occur and court fees are collected as the result of extended provisions of the public lawsuit statute, revenue to the state General Fund may increase. A civil costs fee of \$100 would be assessed when a civil case is filed, 70% of which would be deposited in the state General Fund if the case is filed in a court of record or 55% if the case is filed in a city or town court. In addition, some or all of the document storage fee (\$2), automated record keeping fee (\$5), judicial salaries fee (\$19), public defense administration fee (\$5), court administration fee (\$5), and the judicial insurance adjustment fee (\$1) are deposited into the state General Fund. Additional fees may be collected at the discretion of the judge and depending upon the particular type of case.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Video Services Franchise Fees:* The bill requires a local unit that receives a franchise fee to report to the IURC, including the amount of the fees, the account into which the fees were deposited, the purposes for which any fees were received, and any other information the IURC considers appropriate.

Public Lawsuit Statute: If additional civil actions occur, local governments would receive revenue from the following sources. The county general fund would receive 27% of the \$100 civil costs fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. Additional fees may be collected at the discretion of the judge and depending upon the particular type of case.

State Agencies Affected: State agencies, Administrative Rules Commission, PLA, IURC, OMB.

Local Agencies Affected: Trial courts, city and town courts.

Information Sources: www.in.gov/pla.

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