

## 1 HOUSE BILL NO. 739

2 INTRODUCED BY B. MERCER

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4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING LAWS RELATED TO LEGISLATIVE OVERSIGHT OF  
5 ADMINISTRATIVE RULES; PROVIDING AN EXCEPTION FOR THE ADOPTION OF RULES IN THE LAST  
6 QUARTER OF A YEAR BEFORE A LEGISLATIVE SESSION; AMENDING SECTION 2-4-305, MCA; AND  
7 PROVIDING AN APPLICABILITY DATE."

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9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
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11 **Section 1.** Section 2-4-305, MCA, is amended to read:

12 **"2-4-305. Requisites for validity -- authority and statement of reasons.** (1) (a) The agency shall  
13 fully consider written and oral submissions respecting the proposed rule, including comments submitted by the  
14 primary sponsor of the legislation prior to the drafting of the substantive content and wording of a proposed rule  
15 that initially implements legislation.

16 (b) (i) Upon adoption of a rule, an agency shall issue a concise statement of the principal reasons  
17 for and against its adoption, incorporating in the statement the reasons for overruling the considerations urged  
18 against its adoption. If substantial differences exist between the rule as proposed and as adopted and the  
19 differences have not been described or set forth in the adopted rule as that rule is published in the register, the  
20 differences must be described in the statement of reasons for and against agency action. When written or oral  
21 submissions have not been received, an agency may omit the statement of reasons.

22 (ii) If an adopted rule that initially implements legislation does not reflect the comments submitted  
23 by the primary sponsor, the agency shall provide a statement explaining why the sponsor's comments were not  
24 incorporated into the adopted rule.

25 (2) Rules may not unnecessarily repeat statutory language. Whenever it is necessary to refer to  
26 statutory language in order to convey the meaning of a rule interpreting the language, the reference must  
27 clearly indicate the portion of the language that is statutory and the portion that is an amplification of the  
28 language.

1           (3)       Each proposed and adopted rule must include a citation to the specific grant of rulemaking  
2 authority pursuant to which the rule or any part of the rule is adopted. In addition, each proposed and adopted  
3 rule must include a citation to the specific section or sections in the Montana Code Annotated that the rule  
4 purports to implement. A substantive rule may not be proposed or adopted unless:

5           (a)       a statute granting the agency authority to adopt rules clearly and specifically lists the subject  
6 matter of the rule as a subject upon which the agency shall or may adopt rules; or

7           (b)       the rule implements and relates to a subject matter or an agency function that is clearly and  
8 specifically included in a statute to which the grant of rulemaking authority extends.

9           (4)       Each rule that is proposed and adopted by an agency and that implements a policy of a  
10 governing board or commission must include a citation to and description of the policy implemented. Each  
11 agency rule implementing a policy and the policy itself must be based on legal authority and otherwise comply  
12 with the requisites for validity of rules established by this chapter.

13          (5)       To be effective, each substantive rule adopted must be within the scope of authority conferred  
14 and in accordance with standards prescribed by other provisions of law.

15          (6)       Whenever by the express or implied terms of any statute a state agency has authority to adopt  
16 rules to implement, interpret, make specific, or otherwise carry out the provisions of the statute, an adoption,  
17 amendment, or repeal of a rule is not valid or effective unless it is:

18          (a)       consistent and not in conflict with the statute; and

19          (b)       reasonably necessary to effectuate the purpose of the statute. A statute mandating that the  
20 agency adopt rules establishes the necessity for rules but does not, standing alone, constitute reasonable  
21 necessity for a rule. The agency shall also address the reasonableness component of the reasonable necessity  
22 requirement by, as indicated in 2-4-302(1) and subsection (1) of this section, stating the principal reasons and  
23 the rationale for its intended action and for the particular approach that it takes in complying with the mandate  
24 to adopt rules. Subject to the provisions of subsection (8), reasonable necessity must be clearly and thoroughly  
25 demonstrated for each adoption, amendment, or repeal of a rule in the agency's notice of proposed rulemaking  
26 and in the written and oral data, views, comments, or testimony submitted by the public or the agency and  
27 considered by the agency. A statement that merely explains what the rule provides is not a statement of the  
28 reasonable necessity for the rule.

1           (7)     A rule is not valid unless notice of it is given and it is adopted in substantial compliance with 2-  
2     4-302, 2-4-303, or 2-4-306 and this section, unless notice of adoption of the rule is published within 6 months of  
3     the publishing of notice of the proposed rule, and unless the adoption is in compliance with the prohibitions of  
4     subsection (11). The measure of whether an agency has adopted a rule in substantial compliance with 2-4-302,  
5     2-4-303, or 2-4-306 and this section is not whether the agency has provided notice of the proposed rule,  
6     standing alone, but rather must be based on an analysis of the agency's substantial compliance with 2-4-302,  
7     2-4-303, or 2-4-306 and this section. If an amended or supplemental notice of either proposed or final  
8     rulemaking, or both, is published concerning the same rule, the 6-month limit must be determined with  
9     reference to the latest notice in all cases.

10          (8)     (a) An agency may use an amended proposal notice or the adoption notice to correct  
11     deficiencies in citations of authority for rules and in citations of sections implemented by rules.

12          (b)     An agency may use an amended proposal notice but, except for clerical corrections, may not  
13     use the adoption notice to correct deficiencies in a statement of reasonable necessity.

14          (c)     If an agency uses an amended proposal notice to amend a statement of reasonable necessity  
15     for reasons other than for corrections in citations of authority, in citations of sections being implemented, or of a  
16     clerical nature, the agency shall allow additional time for oral or written comments from the same interested  
17     persons who were notified of the original proposal notice, including from a primary sponsor, if primary sponsor  
18     notification was required under 2-4-302, and from any other person who offered comments or appeared at a  
19     hearing already held on the proposed rule.

20          (9)     Subject to 2-4-112, if a majority of the members of the appropriate administrative rule review  
21     committee notify the committee presiding officer that those members object to all or a portion of a notice of  
22     proposed rulemaking, the committee shall notify the agency in writing that the committee objects to all or a  
23     portion of the proposal notice and will address the objections at the next committee meeting. Following notice  
24     by the committee to the agency, all or a portion of the proposal notice that the committee objects to may not be  
25     adopted until publication of the last issue of the register that is published before expiration of the 6-month  
26     period during which the adoption notice must be published, unless prior to that time, the committee meets and  
27     does not make the same objection. A copy of the committee's notification to the agency must be included in the  
28     committee's records.

(10) This section applies to the department of labor and industry adopting a rule relating to a commercial drug formulary as provided in 39-71-704. This section does not apply to the automatic updating of department of labor and industry rules relating to commercial drug formularies as provided in 39-71-704.

(11) (a) In the year preceding the year in which the legislature meets in regular session, an agency may not adopt a rule between October 1 through the end of the year.

(b) This subsection (11) does not apply to:

(i) an emergency rule adopted under 2-4-303; or

(ii) subject to subsection (11)(c)(i), a rule adopted for implementation of a program or policy if the unavailability of information, guidance, or notice precluded adoption of the rule before October 1; or

(iii) subject to subsection (11)(c)(ii), a rule adopted by providing the proposal notice and statement of reasoning with an opportunity to object to the appropriate administrative rule review committee.

(c) (i) A rule may only be exempted under this subsection (11)(b)(ii) if the notice required under 2-4-302(1)(a) provides a statement explaining why the unavailability of information, guidance, or notice precluded adoption of the rule before October 1.

(ii) A rule may be exempted under subsection (11)(b)(iii) only if the agency provides a copy of the proposal notice and an explanation of the reason why the rule must be adopted before the end of the year by electronic mail to each member of the committee and the committee staff. If the committee does not object to the proposal within 10 days after the electronic mail of the proposal and explanation has been sent to the committee, the agency may proceed with adoption of the proposed rule. If, during the 10-day review period, a majority of the members notify the committee presiding officer that those members object to the proposed rulemaking, the presiding officer shall notify the agency by electronic mail that the committee objects. Following notice of the objection, a rule may not be adopted until the end of the year."

**NEW SECTION. Section 2. Applicability.** [This act] applies to rule proposals published on or after [the effective date of this act].

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