

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 6953

BILL NUMBER: SB 4

NOTE PREPARED: Mar 11, 2024

BILL AMENDED: Mar 8, 2024

SUBJECT: Fiscal and Administrative Matters.

FIRST AUTHOR: Sen. Garten

FIRST SPONSOR: Rep. Thompson

BILL STATUS: Enrolled

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: *Workforce Related Programs Reviews:* The bill specifies that certain workforce related programs must be reviewed by the Legislative Services Agency (LSA) at least once rather than every five years.

Unused Dedicated Funds: The bill requires the State Budget Agency (SBA) to biennially prepare a list of dedicated funds that have not been used in the previous two state fiscal years.

Phase Out Trust Fund Transfer: The bill requires the SBA to transfer money in the Phase Out Trust Fund on or before June 30, 2024, to the Medicaid Contingency and Reserve Account. It expires the Phase out Trust Fund on July 1, 2024, and makes corresponding changes.

Rulemaking Process: The bill makes technical corrections to various statutes concerning rulemaking. It requires agencies to submit a copy of the notice of the first public comment period and regulatory analysis to the small business ombudsman. It provides that the legislative notice required for rule readoptions must be submitted not later than January 1 of the year preceding the year in which the rule expires. The bill provides that the publisher of the Indiana Register shall assign a document control number when an agency submits the legislative notice during rule readoption instead of when the agency submits the notice of proposed readoption.

Interim Rule for Fee Reduction: The bill provides that an agency may adopt interim rules to implement a reduction, a full or partial waiver, or an elimination of a fee, fine, or civil penalty included in an administrative rule.

Licensure Rules: The bill specifies certain deadlines within the statutes governing an agency's failure to enact required licensure rules.

Implementation and Compliance Cost Threshold: The bill requires an agency to conduct a regulatory analysis for certain proposed rules, including if the implementation and compliance costs are at least \$1 M. It provides that if a proposed rule has implementation and compliance costs of at least \$1 M, the following: (1) The rule cannot be published in the Indiana Register until the Budget Committee has reviewed the rule. (2) The SBA and the Office of Management and Budget may not approve any part of the proposed rule prior to review of the proposed rule by the Budget Committee. It provides that for a provisional rule or an interim rule that has implementation and compliance costs of at least \$1 M, the Governor may not approve a rule prior to the Budget Committee's review of the rule. It requires the Office of Management and Budget to notify the Legislative Council of certain proposed rules that have a fiscal impact of over \$1 M over the course of two years.

Conforming Language: The bill removes references concerning the adoption of an emergency rule. It amends a reference from emergency rules to provisional or interim rules under certain circumstances. It makes conforming changes.

Effective Date: Upon passage; July 1, 2024.

Explanation of State Expenditures: *Reversion of Balances in Unused Dedicated Funds:* The bill requires the SBA, before October 1 of each even-numbered year, to prepare a list of dedicated funds that have had no expenditures in the previous two state fiscal years. The bill provides that any remaining balance in a dedicated fund identified on this list would revert to the state General Fund. The impact of this provision is unknown, but could result in additional expenditures from currently inactive funds to avoid reversion to the state General Fund.

Implementation and Compliance Cost Threshold: The bill could increase workload for state agencies to conduct a regulatory analysis for a proposed provisional or interim rule (currently only required for regular administrative rules). The bill could also lengthen the rulemaking process for *any* proposed rule which has implementation and compliance costs of at least \$1 M over a two-year period for businesses, local units, and individuals, as estimated in the rule's regulatory analysis. The bill prohibits the SBA, the Office of Management and Budget, and the Governor from approving any proposed rule that exceeds the threshold, prior to the Budget Committee's review of the proposed rule. The Budget Committee may have additional workload to review these rules. The bill makes exceptions for a provisional rule resulting from and only valid during a Governor-declared emergency; a provisional or interim rule to comply with federal law, regulation, or grant/loan program; or an interim rule that incorporates a new or updated building, equipment, firefighting, safety, or professional code.

Interim Rule for Fee Reduction: A state agency would be able to streamline rules when needing to lower, waive, or eliminate a fee, fine, or civil penalty by adopting an interim rule rather than an administrative rule. Additionally, if a state agency is able to reduce fees more quickly, it could eliminate some of the administrative workload of returning excess funds to regulated entities, when required by statute. These interim rules would remain valid up to 5 years, rather than 425 days.

Explanation of State Revenues: *Reversion of Balances in Unused Dedicated Funds:* The bill could increase reversions to the state General Fund as it requires the balance of an unused dedicated fund to be reverted to the state General Fund (funds identified on the list submitted biennially by the SBA as a dedicated fund

having no expenditures in the previous two state fiscal years).

Phase Out Trust Fund Transfer: The \$23 M balance in the Phase Out Trust Fund as of June 30, 2023, will transfer to the Medicaid Contingency and Reserve Account on June 30, 2024. The fund was established to pay the state share of expenses for certain Healthy Indiana Plan 2.0 costs.

Interim Rule for Fee Reduction: The bill makes it easier for an agency to reduce revenue, by adopting an interim rule, rather than an administrative rule, when needing to lower, waive, or eliminate a fee, fine, or civil penalty. This provision would simplify the reduction of revenues, but would likely only be used in situations where the reduction is necessary to avoid the refund of excess funds or to comply with other laws and regulations.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Budget Committee; Code Revision Commission; Governor; Legislative Council; Legislative Services Agency; Office of Management and Budget; State Budget Agency; State Comptroller; any agency reducing, waiving, or eliminating a fee, fine, or civil penalty.

Local Agencies Affected:

Information Sources: Comptroller's Data;
<https://iga.in.gov/2023/committees/interim/government-reform-task-force>;
<https://www.in.gov/omb/rule-approval-process/regulatory-analysis-template/>.

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