

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Transportation and Economic Development Appropriations Committee

BILL: CS/CS/SB 704

INTRODUCER: Transportation and Economic Development Appropriations Committee, Judiciary Committee and Senators Bennett and Gaetz

SUBJECT: Administrative Procedure Act

DATE: April 15, 2008 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	McKay	Wilson	GO	Favorable
2.	Sumner	Maclure	JU	Fav/CS
3.	Belcher	Noble	TA	Fav/CS
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

This bill revises provisions in the Administrative Procedure Act (APA), codified in ch. 120, F.S., relating to unadopted agency rules. The bill creates incentives for agencies to adopt rules and for affected persons to challenge unadopted rules by:

- Creating requirements for agency adoption of policy statements as rules; and
- Modifying provisions relating to the award of costs and fees in rule challenges.

The bill also modifies provisions of the APA concerning the incorporation by reference of materials into agency rules. In addition to technical or administrative refinements to ch. 120, F.S., the bill makes the following significant changes:

- Provides definitions of the terms “law implemented” and “rulemaking authority”;
- Provides additional requirements for the use of material that is being incorporated by reference in rules;
- Requires electronic publication of the Florida Administrative Code (FAC);
- Provides for material incorporated by reference to be filed in electronic form, unless doing so would constitute a violation of federal copyright law;
- Provides that if an agency head is a board or other collegial body created under Department of Business and Professional Regulation or Department of Health, then the agency head must conduct at least one of the requested public hearings itself;
- Provides an award of attorney’s fees to the petitioner in an unadopted rule challenge if, prior to the final hearing, the agency initiates rulemaking and the agency knew or

should have known that the agency statement was an unadopted rule, but provides no attorney's fees if the agency initiates rulemaking in response to notice prior to the filing of an unadopted rule challenge; and

- Provides for the granting of a stay in an unadopted rule challenge when certain conditions are met.
- Appropriates non-recurring funds of \$50,000 in Fiscal Year 2008-09 and \$401,000 in Fiscal Year 2009-10 from the Records Management Trust Fund to implement electronic publication of the Florida Administrative Weekly.
- Requires a temporary space charge fee increase to cover the cost of implementing system changes required for electronic publication.
- Authorizes one full-time-equivalent position and appropriates \$22,399 in recurring Salaries and Benefits from the Records Management Trust Fund to the Department of State.
- Allows the Department of State to carry forward unencumbered cash balance in the Records Management Trust Fund at the end of Fiscal Year 2008-09.

This bill amends the following sections of the Florida Statutes: 120.52, 120.536, 120.053, 120.54, 120.545, 120.55, 120.56, 120.569, 120.57, 120.595, 120.74, 120.80, 120.81, 409.175, 420.9072, and 420.9075.

II. Present Situation:

Overview of the Administrative Procedure Act (APA), Ch. 120, F.S.

Because administrative agencies have been granted extensive investigative, rulemaking, and adjudicating powers, statutes such as the Florida Administrative Procedure Act (APA) have been adopted to provide parties in administrative proceedings with procedural protection and due process.¹ The APA allows individuals who feel that their interests are being or will be affected by the preliminary decisions of agencies to challenge those decisions.² The central purpose of the APA is to provide the basic fairness that should surround all governmental activity, such as:

- The opportunity for adequate and full notice of agency activities;
- The right to present viewpoints and to challenge the views of others;
- The right to develop a record which is capable of court review;
- The right to locate precedent and have it applied; and
- The right to know the factual bases and policy reasons for agency action.³

The operative provisions of the APA concern only "agencies" as defined in the APA. The term "agency" is defined in s. 120.52(1), F.S., as each:

¹ 2 FLA. JUR 2D *Administrative Law* s. 1 (2007).

² Judge Linda M. Rigot, *Administrative Law: A Meaningful Alternative to Circuit Court Litigation*, 75 FLA. B.J. 14, 14 (2001); see also 2 FLA. JUR 2D *Administrative Law* s. 5 (2007).

³ 2 FLA. JUR 2D *Administrative Law* s. 5 (2007) (quoting *Singer Island Civic Ass'n, Inc. v. State Dep't of Environmental Regulation*, 636 So. 2d 723, 725 (Fla. 4th DCA 1994)).

- State officer and state department, and each departmental unit described in s. 20.04, F.S.⁴
- Authority, including a regional water supply authority.
- Board and commission, including the Commission on Ethics and the Fish and Wildlife Conservation Commission when acting pursuant to statutory authority derived from the Legislature.
- Regional planning agency.
- Multicounty special district with a majority of its governing board comprised of non-elected persons.
- Educational unit.
- Entity described in chs. 163 (Intergovernmental Programs), 373 (Water Resources), 380 (Land and Water Management), and 582 (Soil and Water Conservation), F.S., and s. 186.504 (regional planning councils), F.S.
- Other unit of government in the state, including counties and municipalities, to the extent they are expressly made subject to the act by general or special law or existing judicial decisions.

The definition also includes the Governor in the exercise of all executive powers other than those derived from the State Constitution.⁵

The Division of Administrative Hearings (DOAH), which consists of an independent group of administrative law judges (ALJs), conducts hearings under ch. 120, F.S., when certain agency decisions, e.g., rules and determinations of a party's substantial interest, are challenged by substantially affected persons.⁶ Proceedings by DOAH are conducted like nonjury trials and are governed by ch. 120, F.S.⁷

Joint Administrative Procedures Committee and Agency Rulemaking

The APA also provides for legislative oversight of rules. The Joint Administrative Procedures Committee (JAPC or the committee) is created in s. 11.60, F.S., as a legislative check on legislatively created authority as interpreted by executive agencies. The JAPC is a joint standing legislative committee composed of six members, three from the Senate and three from the House of Representatives.⁸ The committee is assigned the duty of maintaining a continuous review of administrative rules and the statutory authority on which they are based.⁹

Pursuant to s. 120.52(15), F.S., a "rule" means "each agency statement of general applicability that implements, interprets, or prescribes law or policy or describes the procedure or practice requirements of an agency and includes any form which imposes any requirement or solicits any information not specifically required by statute or by an existing rule." Florida law states that statutory language which grants general rulemaking authority must not be construed to go

⁴ Section 20.04, F.S., sets the structure of the executive branch of state government.

⁵ The definition of agency expressly excludes certain legal entities or organizations found in chs. 361 and 348, F.S., and ss. 339.175 and 163.01(7), F.S.

⁶ Rigot, *supra* note 2, at 14.

⁷ *Id.*

⁸ Section 11.60(1), F.S.

⁹ Section 11.60(2)(a), F.S.

beyond the implementation or interpretation of any specified powers and duties conferred by the same statute.¹⁰

Prior to the adoption, amendment, or repeal of any rule, an agency must publish notice of the intended action in the *Florida Administrative Weekly* (FAW) at least 28 days prior to the intended action.¹¹ The notice must provide:

- A short, plain explanation of the purpose and effect of the proposed action;
- The full text of the proposed rule or amendment and a summary thereof;
- A reference to the specific rulemaking authority pursuant to which the rule is adopted;
- A reference to the section or subsection of the Florida Statutes or the Laws of Florida being implemented, interpreted, or made specific;
- A summary of the agency's statement of the estimated regulatory costs, if one is prepared;
- A statement that any person who wishes to provide the agency with information regarding the statement of estimated regulatory costs must do so in writing within 21 days after publication of the notice; and
- The procedure for requesting a public hearing on the proposed rule.

Section 120.54(3)(a)4., F.S., requires an agency to furnish the following documents to the JAPC at least 21 days prior to rule adoption:

- A copy of the proposed rule;
- A detailed written statement of the facts and circumstances justifying the proposed rule;
- A copy of any statement of estimated regulatory costs that has been prepared pursuant to s. 120.541, F.S.;
- A statement of the extent to which the proposed rule relates to federal standards or rules on the same subject; and
- A copy of the notice of intent to adopt, amend, or repeal a rule, as required by s. 120.54(3)(a)1., F.S.

The JAPC will conduct a review of all proposed rules to determine whether:

- The rule is an invalid exercise of delegated legislative authority;
- The statutory authority for the rule has been repealed;
- The rule reiterates or paraphrases statutory material;
- The rule is in proper form;
- The notice given prior to adoption was sufficient to give adequate notice of the purpose and effect of the rule;
- The rule is consistent with expressed legislative intent pertaining to the specific provisions of law which the rule implements;

¹⁰ Section 120.536(1), F.S.

¹¹ Section 120.54(3)(a)1. and 2., F.S.

- The rule is necessary to accomplish the apparent or expressed objectives of the specific provision of law which the rule implements;
- The rule is a reasonable implementation of the law as it affects the convenience of the general public or persons particularly affected by the rule;
- The rule could be made less complex or more easily comprehensible to the general public;
- The rule does not impose regulatory costs on the regulated person, county, or city which could be reduced by the adoption of less costly alternatives that substantially accomplish the statutory objections;
- The rule will require additional appropriations; and
- If the rule is an emergency rule, there exists an emergency justifying the promulgation of such rule, the agency has exceeded the scope of its statutory authority, and the rule was promulgated in compliance with the requirements and limitations of s. 120.54(4), F.S.¹²

If JAPC objects to a rule, it must certify the objection to the agency within five days of the objection.¹³ The committee also must notify the President of the Senate and the Speaker of the House of Representatives of any objection concurrent with certification to the agency.¹⁴

Upon receipt of the objection to a proposed rule, an agency must:

- (a) Modify the proposed rule to meet JAPC's objection;
- (b) Withdraw the proposed rule; or
- (c) Refuse to modify or withdraw the proposed rule.¹⁵

If the objection is to an existing rule, the agency must notify the committee that:

- (a) It has elected to amend the rule to meet the objection;
- (b) It has elected to repeal the rule; or
- (c) It refuses to amend or repeal the rule.¹⁶

Section 120.545(4), F.S., provides that if an agency elects to modify a proposed rule to meet the objection, after modification it must give notice in the first available issue of the FAW. If an agency elects to amend an existing rule to meet an objection, it must notify JAPC in writing and initiate the amendment procedure by giving notice in the next available issue of the FAW. The agency must complete the amendatory process to an existing rule under these circumstances within 90 days.¹⁷

If the agency refuses to modify, amend, withdraw, or repeal a rule to which JAPC has filed an objection, JAPC must file a detailed notice of its objection with the Department of State

¹² Section 120.545(1), F.S.

¹³ Section 120.545(2), F.S.

¹⁴ *Id.*

¹⁵ Section 120.545(3), F.S.

¹⁶ *Id.*

¹⁷ Section 120.545(6), F.S.

(department). The department must publish this notice in the FAW and in the *Florida Administrative Code* (FAC).¹⁸

The committee may not require the agency to meet its objection. However, JAPC may seek an administrative or judicial determination that a rule to which it has filed an objection is an invalid exercise of delegated legislative authority.

JAPC Reports on Unadopted Rules

Throughout the history of the Administrative Procedure Act (APA), the Legislature has consistently expressed its preference that agencies adopt their policies pursuant to the rulemaking procedures of ch. 120, F.S.¹⁹ Important goals of the APA, to combat the perception of “phantom government,” were to provide public notice of agency policy, encourage public participation in the formulation of that policy, and ensure legislative oversight of delegated authority.²⁰

The judicial response to the APA has been somewhat mixed, and the courts have tended to afford more discretion to agencies in whether or not to adopt policy statements as rules; courts have also narrowed and created exceptions to the definition of a rule.²¹ Accordingly, the APA has been amended several times in an attempt to reassert the legislative intent that agencies must adopt their policies pursuant to ch. 120, F.S.

In February 2006, JAPC released a report on unadopted rules, which contained a background and history of unadopted rules, and provided recommendations and proposals for consideration. The report confirmed that the application of unadopted rules by agencies is a legitimate concern; however, the underlying cause of the problem and the appropriate means to address it were not readily clear.²²

The JAPC released a supplement to the report on unadopted rules in February 2007. Research done by JAPC identified at least 130 instances of agency policy statements that appeared to meet the definition of a rule but were not adopted pursuant to the requirements of ch. 120, F.S. The report mentioned the following concerns with the current law:

The current statute provides little incentive for agencies to adopt policy statements as rules until a rule challenge is filed, as there is no “penalty” for failing to adopt the rule earlier. The current statute also provides no incentive for an affected person to spend time and money challenging an unadopted rule, since the challenged policy can still be applied to the person if the agency subsequently initiates rulemaking. Similarly, attorney’s fees and costs are

¹⁸ Section 120.545(9), F.S.

¹⁹ Florida Legislature, Joint Administrative Procedures Committee, *Report on Unadopted Rules*, 1, February 2006 (hereinafter *Report*).

²⁰ *Id.* at 2.

²¹ *Id.* at 1.

²² Florida Legislature, Joint Administrative Procedures Committee, *Supplement to Report on Unadopted Rules*, 1, February 2007 (hereinafter *Supplement to Report*).

awarded to the petitioner only if a final order is issued, not if the agency initiates rulemaking.²³

The JAPC recommended that the Legislature amend the APA to address the use of unadopted rules by creating more incentives for agencies to adopt rules and incentives for affected persons to challenge unadopted rules.

Costs and Attorney's Fees in Administrative Proceedings

Section 120.595, F.S., provides for an award of costs and attorney's fees in certain ch. 120, F.S., proceedings. Currently, an agency may avoid the imposition of attorney's fees and costs simply by initiating the rulemaking process when a challenge is filed to an unadopted rule pursuant to s. 120.56(4), F.S. However, if the action proceeds, the Administrative Law Judge (ALJ) is required to award a prevailing petitioner reasonable costs and attorney's fees, unless the agency demonstrates that the statement is required to meet a federal government program requirement or for the receipt of federal funds.

Florida Administrative Code and Florida Administrative Weekly

Section 120.55(1), F.S., requires the Department of State (department) to publish all rules adopted by each agency. This compilation of rules is titled the *Florida Administrative Code* (FAC). The publication is the official compilation of the administrative rules of the state. The FAC must cite the specific rulemaking authority pursuant to which each rule was adopted, all history notes, and complete indexes to all rules contained in the code. Supplementation is required to occur at least monthly.

Pursuant to s. 120.55(1)(b), F.S., the department is required to publish notices and various other materials filed by the state's administrative agencies in the *Florida Administrative Weekly* (FAW). The FAW must contain:

- Notice of adoption of, and an index to, all rules filed during the preceding week;
- All notices required by s. 120.54(3)(a), F.S., concerning agency rulemaking, showing the text of all rules proposed for consideration or a reference to the location in the FAW where the text of the proposed rules is published;
- All notices of public meetings, hearings, and workshops, including a statement of the manner in which a copy of the agenda may be obtained;
- A notice of each request for authorization to amend or repeal an existing uniform rule or for the adoption of new uniform rules;
- Notice of petitions for declaratory statements or administrative determinations;
- A summary of each objection to any rule filed by the Joint Administrative Procedures Committee during the preceding week; and
- Any other material required or authorized by law or deemed useful by the department.²⁴

²³ *Id.* at 4.

²⁴ Section 120.55(1)(b), F.S.

During the 2006 Regular Session, the Legislature passed CS/SB 262, enacted as ch. 2006-82, L.O.F., which requires the department to start publishing the FAW on its Internet website with certain search capabilities, effective December 31, 2007.²⁵ The law requires the department to continue to publish a printed version of the FAW.

III. Effect of Proposed Changes:

Section 1. Short Title

The bill provides that the act may be cited as the “Open Government Act.”

Section 2. Definitions

The APA requires agencies to adopt as a rule, pursuant to s. 120.54(1)(a), F.S., any agency statement that meets the definition of a rule, as defined in s. 120.52(15), F.S. The APA definition of a rule is a functional one, meaning that an agency statement is a rule depending upon how it *functions*. Accordingly, if a rule is not adopted, the statement does not cease to be a rule; it simply becomes an “unadopted rule” in violation of ch. 120, F.S., requirements.²⁶

Courts and commentators have used the terms “unadopted rule,” “policy,” “nonrule policy,” “incipient policy,” and “incipient rulemaking” interchangeably, which may have contributed to the uncertainty over what agency policy must be promulgated through the rulemaking process.²⁷

Statutory language granting rulemaking authority or generally describing the powers and functions of an agency are construed to extend no further than implementing or interpreting the specific powers and duties conferred by the same statute.

The terms “law implemented” and “rulemaking authority” are not currently defined.

Proposed Changes: The bill amends s. 120.52, F.S., by providing that a grant of rulemaking authority or general description of powers goes no further than the specific powers and duties conferred by the enabling statutes. It deletes the language that provides a grant of rulemaking authority or general description of powers goes no further than the specific powers and duties conferred by the same statute. It adds definitions to s. 120.52, F.S., which provides definitions for terms used in the APA. The bill adds subsection (9) to s. 120.52, F.S.,²⁸ which provides that “law implemented” means “the language of the enabling statute being carried out or interpreted by an agency through rulemaking.”

The term “rulemaking authority” is also added as subsection (17) to mean “statutory language that explicitly authorizes or requires an agency to adopt, develop, establish, or otherwise create any statement coming within the definition of the term ‘rule.’”

This bill adds a definition for “unadopted rule” as subsection (20) to mean “an agency statement that meets the definition of the term ‘rule,’ but that has not been adopted pursuant to the requirements of s. 120.54[, F.S.]”

²⁵ The department’s website is located at <https://www.flrules.org/default.asp>.

²⁶ *Report, supra* note 19, at 8.

²⁷ *Id.*

²⁸ The bill renumbers subsequent subsections accordingly.

The bill also amends the definition of “invalid exercise of delegated legislative authority” to replace the phrase “by the same statute,” with “by the enabling statute” to clarify, as noted by JAPC, that the grant of rulemaking authority need not be in the same section as the law implemented.

Section 3. Maintenance of orders; indexing; listing; organizational information

Currently an agency may designate an official reporter to publish and index by subject matter each agency order that must be indexed and made available to the public.

Proposed Changes: The bill amends s. 120.53, F.S., by adding language to provide an option to post orders on the Division of Administrative Hearing’s website.

Section 4. Rulemaking authority; repeal; challenge

Florida law states that statutory language which grants general rulemaking authority (i.e., authority to adopt rules on an issue) must not be construed to go beyond the implementation or interpretation of any specified powers and duties conferred by the same statute.

Proposed Changes: The bill amends s. 120.536(1), F.S., to clarify language relating to the source of statutory authority granting rulemaking authority by removing the phrase “by the same statute” found at the end of subsection (1) and replacing it with “by the enabling statute.” This is conforming language to those changes made in the Definitions section.

Section 5. Rulemaking

Under current law, an affected person is given the opportunity to present evidence and argument on all issues of consideration when a rule is to be adopted, amended, or repealed.²⁹ A public hearing on the rule must be held if requested by the affected person or at the discretion of the agency.³⁰

Section 120.54(3)(e)2., F.S., provides that a rule may not be filed for adoption:

- Less than 28 days or more than 90 days after the notice required by paragraph (a);
- Until 21 days after the notice of change required by paragraph (d);
- Until 14 days after the final public hearing;
- Until 21 days after preparation of a statement of estimated regulatory costs required under s. 120.541, F.S.; or
- Until the administrative law judge has rendered a decision under s. 120.56(2), F.S.

The APA allows anyone who has a substantial interest in an agency rule or who is regulated by such agency to petition the agency to adopt, revise, or repeal a rule. The petition must designate the rule and the action being requested. Within 30 days of receiving the petition, the agency must take one of the following actions:

- Begin rulemaking on the issue;

²⁹ Section 120.54(3)(c)1., F.S.

³⁰ *Id.*

- Otherwise comply with the requested action; or
- Deny the petition stating in writing its reasons for the denial.³¹

However, if the petition addresses an existing agency statement that has not yet been adopted as a rule, within 30 days the agency must either begin rulemaking or publish a notice in the *Florida Administrative Weekly* (FAW) that it will hold a public hearing on the petition within 30 days of publishing the notice.³² The purpose of the public hearing is to receive public comments on the unadopted rule and to “consider whether the public interest is served adequately by the application of the rule on a case-by-case basis, as contrasted with its adoption by the rulemaking procedures or requirements [of the APA].”³³ Within 30 days after the public hearing, the agency is required to either initiate rulemaking or publish a statement of its reasons for not doing so.³⁴

Section 120.54, F.S., authorizes agencies to adopt certain types of materials by incorporating them by reference in a rule, instead of reproducing all of the material in the rule. This helps ensure that rules will not be voluminous or full of technical jargon. It also ensures that the public is informed that the materials constitute part of the rules and helps the public find the material.

Proposed Changes: This bill adds a provision to subsection (1) of s. 120.54, F.S., which clarifies that in all instances when an agency rule incorporates by reference another rule of that agency, all future revisions to the incorporated rule automatically apply to the host rule unless a contrary intent is clearly indicated. The bill also states that when changes to a rule that has been incorporated by reference in other rules are noticed, the notice must explain the effect of the changes on the referencing rule. For example, if an agency rule on travel authorization incorporates another rule of the same agency that deals with travel documentation, then any revisions to the travel documentation rule automatically apply to the travel authorization rule. Additionally, if changes to the travel documentation rule are noticed, such notification must explain the effect of the changes on the travel authorization rule.

For rules adopted after December 31, 2010, material may not be incorporated by reference unless it has been submitted in the appropriate electronic format to the Department of State (department) and is made available to the public free of charge by providing a hyperlink from the reference in the rule (as published in the *Florida Administrative Code* (FAC)) to the incorporated materials on file at the department. However, the agency does not have to submit material incorporated by reference in electronic format if the agency determines that posting the material on the Internet for purposes of public examination and inspection would constitute a violation of federal copyright law. If the agency makes this determination, it must submit a statement to that effect, along with the address of locations at the department and the agency in which the material is available, in the notice required by s. 120.54(3)(a)1., F.S.

This bill clarifies that an agency head may delegate the authority to initiate rule development; however, rulemaking responsibilities of an agency head relating to notice requirements in rule

³¹ Section 120.54(7)(a), F.S.

³² Section 120.54(7)(b), F.S.

³³ *Id.*

³⁴ Section 120.54(7)(c), F.S.

adopting procedures, and procedures for filing for final adoption of a rule, may not be delegated or transferred.³⁵

The bill amends s. 120.54(3), F.S., to clarify language relating to grants of rulemaking authority, and to require that agencies, when filing a rule with the Joint Administrative Procedures Committee (JAPC or the committee), file copies of any materials incorporated by reference in the rule. If the rule is required to be published in the FAC, a certified copy of any material incorporated by reference in the rule must be filed with the department. The department must reject any rule presented for adoption if it does not comply with the department's rules.

The bill provides that if an agency head is a board or other collegial body created under ss. 20.165(4) or 20.43(3)(g), F.S., and one or more requested public hearings is scheduled, the board or other collegial body shall conduct at least one of the public hearings itself and may not delegate this responsibility without the consent of the persons requesting the public hearing.

The bill amends s. 120.54(4), F.S., by requiring that in adopting an emergency rule, an agency must provide the JAPC with any material incorporated by reference in the rule.

The bill moves a provision allowing the department to provide rules governing the incorporation of materials by reference from the middle of subsection (1) of s. 120.54, F.S., to the end of the subsection.

The bill also provides that if a statement of estimated regulatory costs is prepared pursuant to s. 120.541, F.S., then a rule may not be filed for adoption until the statement is provided to the public and all persons who submitted a lower cost regulatory alternative.

Section 6. Rulemaking

The bill provides that effective January 1, 2009, s. 120.54 (1)(a)1.c., F.S., which provides that the agency is currently using the rulemaking procedure expeditiously and in good faith to adopt rules which address the agency statement, is deleted.

Section 7. Committee review of agency rules

The Joint Administrative Procedures Committee (JAPC or committee) is statutorily authorized to review proposed agency rules to determine if the rule conforms to the requirements of ch. 120, F.S.³⁶ The APA authorizes JAPC to request any information from an agency that is reasonably necessary to help it determine if the rule being examined complies with the rule promulgation provisions of ch. 120, F.S.³⁷ The law also requires that agencies provide the committee with any information it requests that may help it conduct such review. If the committee objects to an agency rule or proposed rule, it must certify the objection to the agency, and the agency has several alternatives, depending on the status of the rule. If the committee objects to a proposed rule, the agency must modify, withdraw, or refuse to modify or withdraw the rule.³⁸ If the

³⁵ Subparagraphs (3)(a)1., (3)(e)1., and (3)(e)6. of section 120.54, F.S.

³⁶ Section 120.545(1), F.S.

³⁷ Section 120.545(2), F.S.

³⁸ Section 120.545(3)(a), F.S.

committee objects to an existing rule, the agency must notify the committee that it will amend, repeal, or not amend or repeal the rule.³⁹

Section 120.545(4)-(6), F.S., provides instructions to the agency depending on which option the agency takes.

Section 120.545(9), F.S., provides that if an agency refuses to modify, amend, withdraw, or repeal a rule to which the committee has objected, the committee must publish a notice of objection in the FAW. If the rule the committee objects to is published in the FAC, a reference to the committee's objection must be included in the rule's history note.

If an agency refuses to begin proceedings to modify, amend, withdraw, or repeal a rule, the committee may submit a recommendation to legislative leaders to modify or suspend adoption of a proposed rule or amend or repeal an existing rule.⁴⁰ If legislation is to be introduced, the agency must be notified so it can either temporarily suspend the rule or inform the committee in writing that it refuses to temporarily suspend the rule. The APA provides procedures the agency must follow depending on which action the agency takes upon being notified that legislation is to be introduced.⁴¹

Currently, the APA does not authorize JPAC to object to an agency's unadopted rule or an agency's statement of estimated regulatory costs. There are also no statutory options that apply if the rule is unadopted.

Proposed Changes: This bill amends s. 120.545, F.S., by changing the duties of agencies and JAPC with respect to rules and review of rules.

The bill adds language to this section to provide that JAPC may review a rule's statement of estimated regulatory costs for compliance with statutory requirements. It replaces "proposed rule" and "existing rule" with "rule not yet in effect" or "in effect" to clarify the procedures an agency follows in response to a committee objection.

The bill provides that agency failure to respond to a JAPC objection to a statement of regulatory costs constitutes a refusal to prepare a corrected statement.

The committee may also submit a recommendation to the Legislature that legislation be introduced to address *any committee objection*. If JAPC prepares a bill to address its objection, it must comply with the rules of the Legislature. If such a bill fails to become law, temporary agency suspension must expire. If the agency suspends reliance on the statement, it must give notice of the suspension in the FAW. Failure of an agency to respond to the JAPC objection constitutes a refusal to prepare a corrected statement of estimated regulatory costs.

³⁹ Section 120.545(3)(b), F.S.

⁴⁰ Section 120.545(10)(a), F.S.

⁴¹ Section 120.545(10)(b)3. and 4., F.S.

Sections 8 and 9 Publications

Section 120.55(1), F.S., requires the Department of State (department) to publish all rules adopted by each agency in the FAC, which must include:

- All rules adopted by agencies;
- Citations specifying the rulemaking authority for each rule;
- History notes for each rule; and
- Complete indexes to all rules in the FAC.

Any agency that publishes proposed rules in the FAC or other place must designate the supervisor or person who approved the rule.

Additionally, the department is required to publish notices and various other materials filed by the state's administrative agencies weekly in the *Florida Administrative Weekly* (FAW). The statute authorizes the department to promulgate rules specifying the style and form of rules, notices, and other items submitted for filing, as well as the form for certifying rules.⁴²

The department may contract with a publishing firm to print the FAC, but the law specifies that the department retains responsibility for it. In addition, the law provides that this publication is the official compilation of Florida's administrative rules.⁴³

Section 120.55, F.S., as amended by s. 4 of ch. 2006-82, L.O.F., effective December 31, 2007, requires that an FAW Internet website be developed and that this website allow users to:

- Search for notices by type, publication date, rule number, agency, and word/subject;
- Search a database that makes available all notices published on the website for a period of at least five years;
- Subscribe to an automated e-mail notification of selected notices;
- View agency forms incorporated by reference in proposed rules; and
- Comment on proposed rules.

Proposed Changes: The bill amends s. 120.55(1)(a)1., F.S., to require that the FAC cite the grant of rulemaking authority and the specific law implemented, for all rules adopted by agencies.

The bill adds language to s. 120.55(1)(d), F.S., to authorize the department to prescribe by rule the style and form required for notices, and other materials submitted for filing.

The bill also requires, under s. 120.55(5), F.S., that the name of the agency head, not a delegate, be published with proposed rules.

This bill amends s. 120.55(1) and (2), F.S., effective July 1, 2010. Section 120.55(1), F.S., is amended to require the department to publish an electronic version of the FAC, in which each rule must contain a cite to the specific law implemented. The on-line FAC must contain all

⁴² Section 120.55(1)(d), F.S.

⁴³ Section 120.55(1)(a)1., F.S.

required or useful information, display rules in browse mode, and allow for a full text search. The bill requires that the department continue to publish a printed version of the FAC, which must be supplemented at least monthly. The bill adds a new provision authorizing the department to prescribe rules governing the electronic filing of materials incorporated by reference. It provides that if materials incorporated by reference in a rule are filed electronically, the department must provide a hyperlink on its Internet website from the FAC text that incorporates the materials to the actual materials.

Section 120.55(2), F.S., is amended to change the requirements associated with the FAC Internet website subscription system. The bill requires that the e-mail notification be sent out before, or at the same time, as such notice is published in hardcopy and electronically in the FAW. A requirement is added that the e-mail include a summary of the content of each notice. The bill also amends this subsection to add language requiring that a user on the system can view all other materials that are incorporated by reference in a proposed rule, not just proposed forms.

Section 10. Challenges to rules

Section 120.56(2), F.S., authorizes any person substantially affected by a proposed rule to seek an administrative determination of the invalidity of that proposed rule by filing a petition with the Division of Administrative Hearings:

- Within 21 days after the date of publication of the notice required by s. 120.54(3)(a), F.S.;
- Within 10 days after the final public hearing is held on the proposed rule as provided by s. 120.54(3)(c), F.S.;
- Within 20 days after the preparation of a statement of estimated regulatory costs required pursuant to s. 120.541, F.S.; or
- Within 20 days after the date of publication of the notice required by s. 120.54(3)(d), F.S.

Proposed Changes: This bill amends s. 120.56(2), F.S., by revising the third option listed above, providing that any person substantially affected by a proposed rule may file a petition with the division for an administrative determination within 20 days after a statement of estimated regulatory costs has been provided to all persons who submitted a lower cost regulatory alternative and made available to the public.

Section 11. Challenging agency statements defined as rules

Section 120.56(4), F.S., authorizes any person substantially affected by an agency statement to file a petition seeking a determination as to whether the statement should have been promulgated as a rule under s. 120.54(1), F.S. The APA provides procedures for considering such a petition.

Proposed Changes: This bill amends s. 120.56(4)(b), F.S., to provide that notification to the administrative law judge that the agency has published a notice of rulemaking under s. 120.54(3), F.S., shall automatically operate as a stay of proceedings pending adoption of the statement as a rule. The administrative law judge may vacate the stay for good cause shown. A stay of proceedings pending rulemaking shall remain in effect so long as the agency is proceeding expeditiously and in good faith to adopt the statement as a rule. If a hearing is held

and the petitioner proves the allegations of the petition, the agency shall have the burden of proving that rulemaking is not feasible or not practicable under s. 120.54(1)(a), F.S.

The bill provides that, if an administrative law judge enters a final order that all or part of an agency statement violates s. 120.54(1)(a), F.S., the agency shall immediately discontinue all reliance upon the statement or any substantially similar statement as a basis for agency action. The bill states that this paragraph shall not be construed to impair the obligation of contracts existing at the time the final order is entered.

The bill eliminates language relating to the process to determine whether an agency was acting in good faith to enter into rulemaking, and replaces it with the new “stay” provisions discussed above.

It amends s. 120.56(4), F.S., to provide that if proposed rules addressing the challenged statement are determined to be an invalid exercise of delegated legislative authority, the agency must immediately discontinue reliance on the statement and any substantially similar statement until rules addressing the subject are properly adopted, and the administrative law judge shall enter a final order to that effect.

Section 12. Additional procedures for particular cases

In hearings involving disputed issues of material fact, s. 120.57, F.S., provides that when an agency’s action is based on an unadopted rule, such action is not presumed to be valid or invalid until the agency shows that the unadopted rule:

- Is within the powers, functions, and duties given to the agency by the Legislature or the state constitution;
- Does not enlarge, modify, or overcome any specific law that is being implemented;
- Is not vague;
- Does not give the agency unrestricted discretion;
- Sets adequate standards for agency decisions;
- Is not arbitrary or capricious;
- Is not applied to an affected party without due notice;
- Does not apply excessive regulatory costs on the affected party.

Proposed Changes: This bill amends s. 120.57(1)(e), F.S., to provide that an agency or an administrative law judge may not base agency action that determines the substantial interests of a party on an unadopted rule. The administrative law judge shall determine whether an agency statement constitutes an unadopted rule. It does not preclude application of adopted rules and applicable provisions of law to the facts.

It provides an exception for when an agency demonstrates that the statute being implemented directs it to adopt rules, and the agency has not had time to adopt those rules because the requirement was so recently enacted, and that the agency has initiated rulemaking and is proceeding expeditiously and in good faith to adopt the required rules. In that case, the agency’s action may be based upon those unadopted rules, subject to de novo review by the administrative law judge.

Section 13. Attorney's fees

Under current law, an agency may avoid the imposition of costs by initiating the rulemaking process when a challenge is filed to an unadopted rule.

Current law provides for an award of attorney's fees to a party or agency depending upon who prevails in challenges to proposed or existing agency rules. Such judgments for attorney's fees are capped at \$15,000.⁴⁴ However, in challenges to unadopted rules, upon entry of a final order that all or part of an agency statement is an unadopted rule, the administrative law judge must award reasonable costs and attorney's fees to the petitioner, unless the agency demonstrates that the statement is required by the Federal Government.⁴⁵ Current law does not provide a cap on these attorney's fees.

Proposed Changes:

This bill amends s. 120.595, F.S., to clarify that all references to "the court" are references to the appellate court. It raises the cap on attorney's fees that may be awarded against a party in a proceeding in s. 120.595(2) and (3), F.S. to \$50,000.

It provides for a 30-day notice requirement prior to filing a s. 120.56(4), F.S., petition for an award of attorney's fees. If an agency initiates rulemaking within that 30 day period and proceeds to adopt a rule, then no attorney's fees are awarded.

If the agency initiates rulemaking after the s. 120.56(4), F.S., petition has been filed, the petitioner is entitled to attorney's fees to the point at which the stay was entered provided the agency knew or should have known that the statement was a rule. However, the fees may not exceed the \$50,000 cap.

Finally, if the final order of the ALJ determines that the statement is an unadopted rule, the petitioner is entitled to all attorney's fees without a cap. If the ALJ determines that the statement is not a rule, the agency shall receive attorney's fees if the petitioner participated in the proceedings for an improper purpose or the petitioner knew or should have known that the statement was not a rule.

Section 14. Decisions which affect substantial interests

Currently, section 120.569(1), F.S., provides that, unless waived by all parties, s. 120.57(1), F.S., applies to all proceedings involving a disputed issue of material fact, and s. 120.57(2), F.S., applies in all other cases.

The Uniform Rules of Procedure for administrative actions, adopted by the Administration Commission pursuant to s. 120.54(5), F.S., specify the procedures to be followed in the APA. Until amended in January of 2007, Rule 28-106.305, F.A.C., specified that if during the course of an informal hearing under s. 120.57(2), F.S., a disputed issue of material fact arose, the proceeding should be terminated and a formal hearing under s. 120.57(1), F.S., should be initiated.

⁴⁴ Sections 120.595(2) and (3), F.S.

⁴⁵ Section 120.595(4), F.S.

Section 120.569(2)(c), F.S., provides that unless otherwise provided by law, a petition or request for hearing shall include those items required by the uniform rules adopted pursuant to s. 120.55(5)(b)4., F.S.

Proposed Changes: The bill provides that if a disputed issue of material fact arises during a proceeding under s. 120.57(2), F.S., the proceeding must be terminated and a proceeding under s. 120.57(1), F.S., must be initiated, unless waived by all parties. The bill would thus codify in statute that which had been part of the Uniform Rules of Procedure for nearly 10 years, before recent amendment.

The bill also contains a technical change in s. 120.569, F.S., to a statutory cross-reference to the uniform rules adopted pursuant to s. 120.54(5)(b), F.S.

Section 15. Agency rules review

Section 120.74, F.S., provides that the head of every agency must submit a report every two years to specified legislative officers and committees which certifies that the agency has complied with the rule review activities specified by this statute.

Proposed Changes: The bill makes a technical change in s. 120.74, F.S., by substituting the word “section” for “subsection,” to clarify the existing reporting requirements.

Sections 16, 17, 18, 19 and 20. Cross references

These sections correct cross references in sections 120.80, 120.81, 409.175, 420.9072, and 420.9075, F.S.

Section 21. Records Management Trust Fund and appropriations

According to the Department of State, electronically accepting and publishing incorporated materials will entail \$451,000 in nonrecurring costs to upgrade existing systems over a 2-year period. The Department of State (DOS) has stated it will be required to increase its fees for advertising in the Florida Administrative Weekly in order to gain the revenue to support an appropriation of funds.

The bill appropriates for Fiscal Year 2008-09 the non-recurring lump sum of \$50,000 and for Fiscal Year 2009-10, the non-recurring lump sum \$401,000 from the Records Management Trust Fund. The bill requires DOS to increase the space rate charge assessed state agencies for a 2-year period to cover the non-recurring cost.

Section 22. Recurring appropriation from the Records Management Trust Fund

According to DOS, one full-time-equivalent position and recurring Salaries and Benefits for the Records Management Trust Fund is required for tasks associated with the electronic publications.

The bill authorizes one full-time-equivalent positions and appropriates \$22,399 in recurring Salaries and Benefits from the Records Management Trust Fund to the Department of State for carryout tasks associated with the electronic publications.

Section 23. Unencumbered cash balance in the Records Management Trust Fund

Section 120.55(8)(b), F.S., requires the unencumbered balance in the Records Management Trust Fund for fees collected not to exceed \$300,000 at the beginning of each fiscal year, and requires any excess to be transferred to the General Revenue Fund.

Proposed Changes: Notwithstanding s. 120.55(8)(b), F.S., the bill authorizes the DOS to carry forward to Fiscal Year 2009-10 cash in excess of the \$300,000 cap if such fund balance represents collections for the system modifications that are not encumbered or disbursed for the project costs by June 30, 2009.

Section 24. Effective date

The bill provides that except as otherwise expressly provided in this act, this act shall take effect July 1, 2008.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

The bill appears to provide incentives for people to challenge unadopted rules by eliminating those provisions that currently allow an agency to initiate the rulemaking process and avoid any sanctions. Additionally, the bill provides for the award of costs and attorney's fees against the agency, unless the agency prevails.

C. Government Sector Impact:

Agencies that have not adopted as rules those agency statements that should be adopted pursuant to ch. 120, F.S., may incur administrative costs associated with the rulemaking process. Those costs are indeterminate, and should be minimal. Agencies that lose in a proceeding challenging an agency statement not adopted as a rule may be liable for costs and attorney's fees. Those costs can be avoided by complying with the new provisions concerning unadopted rules, and may be offset across all agencies by the effect of the

provision raising the cap on attorneys' fees that can be awarded to an agency if an ALJ determines that a party participated for an improper purpose in a proceeding challenging a proposed agency rule, or an existing agency rule. In addition, attorneys' fees to an agency in a s. 120.56(4), F.S., proceeding are available for the first time.

At least one agency has said that it will incur costs associated with the requirements to: 1) electronically supply materials referenced in rules, and 2) terminate a s. 120.57(2), F.S., proceeding and initiate a s. 120.57(1), F.S., proceeding if a disputed issue of material fact arises in the former. First, though there may be costs associated with scanning documents to be submitted electronically, those costs may be less than the costs associated with providing hard copies of incorporated materials, as is currently required. The second concern appears misplaced, since the Uniform Rules of Procedure, for 10 years and until recently, required exactly what the bill would require.

Department of State

The Department of State indicates that it will need \$450,920 for non-recurring expenses to upgrade IT hardware and programming, and a recurring \$39,614 for one full-time equivalent (FTE) position to comply with the bill requirements. The department also indicates that since recurring fee receipts in the Records Management Trust are currently committed to on-going program costs, it will be necessary to increase, for two years, the per line cost to agencies for advertising in the *Florida Administrative Weekly*. The bill requires the department to increase the space charge assessed agencies for a 2-year period; thereby, collecting an additional (estimated) \$260,000 during the 2008-09 fiscal year and again in the 2009-10 fiscal year. The system modifications would be implemented over a 2-year period, expending \$50,000 during Fiscal Year 2008-09 and \$401,000 during Fiscal Year 2009-10. Funding is therefore appropriated in the bill from the Records Management Trust Fund for these modifications. The agency has authority in current law to increase fees in order to cover program costs.

The fee cap on the Records Management Trust Fund in s. 120.55(8)(b), F.S., directs the department to transfer unencumbered funds in excess of \$300,000 to the General Revenue Fund on June 30th each year. The department reported that any increased fees collected and not yet expended or encumbered for the system modifications may be transferred to the General Revenue Fund, rather than being held for expenditure during year-two of the system modifications. The bill authorizes the DOS to carry forward to Fiscal Year 2009-10 cash in excess of the \$300,000 cap if such fund balance represents collections for the system modifications that are not encumbered or disbursed for the project costs by June 30, 2009.

The bill authorizes one full-time-equivalent position and appropriates \$22,399 in recurring Salaries and Benefits from the Records Management Trust Fund for the department's recurring operational costs related to the electronic publication requirements.

VI. Technical Deficiencies:

The bill provides that the act may be cited as the “Open Government Act,” even though the bill is amending provisions within the Administrative Procedure Act, and “open government” traditionally refers to the public records provisions of ch. 119, F.S., and the public meeting provisions of ch. 286, F.S. More specifically, the “Open Government Sunset Review Act,” of s. 119.15, F.S., establishes a review and repeal process for exemptions to public records or meetings requirements, and does not reference the Administrative Procedure Act, ch. 120, F.S.

VII. Related Issues:

This bill is similar to the bill that was passed during the 2007 Regular Session (HB 7183), and subsequently vetoed. JAPC has since met with the Governor’s office and several other parties to make amendments to the bill. This committee substitute is a reflection of those changes.

VIII. Additional Information:

- A. **Committee Substitute – Statement of Substantial Changes:**
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS by Transportation and Economic Development Appropriations Committee on April 15, 2008:

The committee substitute:

- Eliminates the provision that raised the cap on the Record Management Trust Fund from \$300,000 to \$500,000; thereby, removing the potential \$200,000 negative impact on the General Revenue Fund as reported by the Revenue Impact Conference held on March 28, 2008.
- Requires a temporary space charge fee increase to cover the cost of implementing system changes required for electronic publication.
- Authorizes one full-time-equivalent position and appropriates \$22,399 in recurring Salaries and Benefits from the Records Management Trust Fund to the Department of State.
- Allows the Department of State to carry forward unencumbered cash balance in the Records Management Trust Fund at the end of Fiscal Year 2008-09 in excess of \$300,000 if such excess balance represents fees collected but not yet disbursed or encumbered for the system modifications.

CS by Judiciary on March 25, 2008:

The committee substitute:

- Replaces “the same statute” with “the enabling statute” and defines “law implemented” to clarify that the rulemaking grant need not be in the same section as the law implemented;
- Allows agencies to file copies of their orders electronically with DOAH for electronic search;

- Deletes the restriction on incorporating material by reference which in turn incorporates other material by reference;
- Clarifies the rule that the agency head may delegate the initiation of rule development but not notice of rule making;
- Provides that boards under the DOH and DBPR, if requested, must conduct at least one public rulemaking hearing themselves;
- Restores the provisions under the Petition to Initiate Rulemaking which address unadopted rules;
- Revises procedures applicable to challenges to unadopted rules to provide for a stay when an agency initiates rulemaking;
- Removes provisions amending s. 120.545, F.S., that would have allowed JAPC to formally object to unadopted rules, while retaining the existing procedures of informal committee review;
- Clarifies agency procedures in response to a JAPC objection to a statement of estimated regulatory costs;
- Replaces terminology of “proposed rule” and “existing rule” with “not yet in effect” and “in effect” to clarify to procedures to be followed by agencies in response to committee objections;
- Delays implementation of enhancements to the Department of State Florida Administrative Code website to allow the Department of State more time to raise the necessary funds for implementation;
- Provides that an order in a s. 120.56(4) F.S., proceeding shall not affect existing contracts;
- Amends s. 120.57(1)(e), F.S., to eliminate the application of an unadopted rule in a substantial interests hearing;
- Provides an exception if the statute directing the adoption of the rules has been recently enacted, the agency has not had time to adopt rules, and the agency has initiated rulemaking, providing the agency demonstrates that the unadopted rule is otherwise valid;
- Clarifies the references to the court in s. 20.595, F.S., are to the appellate court;
- Increases the cap on the award of attorney’s fees in s. 120.595(20 and (3), F.S., from \$15,000 to \$50,000;
- Provides different attorney fee provisions for the following circumstances:
 1. when an agency initiates rulemaking within 30 days of a notice filed prior to a s. 120.56(4), F.S., challenge;
 2. when an agency initiates rulemaking after the filing of a s. 120.56(4), F.S., challenge;
 3. if an ALJ determines the statement is an unadopted rule;
 4. if the ALJ determines the petitioner filed the challenge for an improper purpose or knew or should have known the statement was not an unadopted rule;
- Lifts the cap on the Records Management Trust Fund for one year and provides for appropriations from that fund to the Department of State to implement the bill;
- Makes technical and conforming changes.

B. Amendments:

None.

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
