



Economic Affairs Interim Committee

69th Montana Legislature

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July 17, 2025

TO: Economic Affairs Interim Committee
FROM: Jameson Walker, Staff Attorney
RE: Overview of Administrative Rulemaking and Rule Review

The Economic Affairs Interim Committee (EAIC) is required to review administrative rules promulgated by the Department of Agriculture, Department of Commerce, Department of Labor and Industry, Department of Livestock, State Auditor's Office, Division of Banking and Financial Institutions, Governor's Office of Economic Development, and Department of Revenue, Alcoholic Beverage Control Division and Cannabis Control Division for compliance with the Montana Administrative Procedure Act (MAPA). The rulemaking and rule review processes and the Committee's and an individual legislator's roles in these processes are outlined below.

1. Administrative Rulemaking -- General

Executive agencies are often authorized by the Legislature to adopt administrative rules, which are defined as agency regulations, standards, or statements of general applicability that implement, interpret, or prescribe law or policy or describe the organization, procedures, or practice requirements of an agency.

MAPA governs the rulemaking process for most agencies. MAPA does not grant agencies authority to adopt rules. Rulemaking authority must be granted by the Legislature. For a rule to be valid, it must be adopted in substantial compliance with the requirements contained in MAPA and must be consistent with statutory authority.

The Administrative Rules of Montana (ARMs) are the administrative rules in their entirety and are updated by the Montana Administrative Register (MAR), which publishes all proposed and adopted rules twice a month. The ARMs and MAR are available and searchable online at <https://rules.mt.gov>. The ARMs are broken down into title, chapter, and subchapter.

2. Administrative Rulemaking – MAPA Requirements

Before an agency can adopt, amend, or repeal a rule, the agency must give written notice of its proposed action (proposal notice) and, upon adoption, amendment, or repeal of a rule, must

issue a written statement of its reasons for and against the adoption (adoption notice). MAPA requires that proposal and adoption notices be published in the MAR within a certain timeframe and contain certain information, which are outlined below.

Requirements for Proposed Rulemaking

Notice to Rule Review Committee

When a proposed rule is filed with the Secretary of State, an agency is required to send an electronic copy of the published proposal notice to the rule review committee (the legislative interim committee with jurisdiction over the rulemaking).

Notice to Public and Publication

Notice of proposed rulemaking must be published in the MAR at least 30 days before the date of the proposed action, unless imminent peril to the public health, safety, or welfare requires earlier action. A public hearing is not necessary unless it is required by statute or the proposed rulemaking involves a matter of significant interest to the public. If a public hearing is not scheduled, the proposal notice must state that a public hearing will be scheduled if requested by either 10% or 25, whichever is less, of the persons who will be directly affected by the rulemaking, by a governmental subdivision or agency, by the appropriate rule review committee, or by an association with at least 25 members who will be directly affected. The agency must provide at least 20 days' notice from the date of publication of the proposal notice of any hearing to be held and must provide at least 28 days from the date of publication of the notice for submission of oral and written comments.

Authority and Necessity

In general, a proposal notice must include a description of the substance of the intended action or subjects and issues involved, cite to the specific statutory grant of rulemaking authority pursuant to which the rule is adopted and to the specific statutes being implemented, and include a statement of reasonable necessity, which identifies the principal reasons for the intended action and for each adoption, amendment, or repeal and, if alternative approaches are available, explains the rationale behind the particular approach taken.

*Notice to Sponsor **REVISED 2025***

Notice to a primary bill sponsor is required when the agency begins to work on the substantive content of a proposal notice initially implementing legislation. Not less than 10 days before filing a proposal notice with the Secretary of State, the agency is required to contact the primary bill sponsor via the sponsor's legislative email address to inform the sponsor of the rulemaking timelines and to invite comments/explanations of legislative intent. If the sponsor provides comments, and the agency disagrees with the comments, the agency is required to publish the sponsor's unredacted comments in the proposal notice and explain why the sponsor's comments were not incorporated into the proposed rulemaking. An agency's failure to contact a sponsor invalidates the proposal notice.

Fee Increase or Decrease

If an agency is proposing a fee increase or decrease, the agency must include an estimate of the cumulative amount of the increase or decrease or new amount and an estimate of the number of persons affected.

Small Business Impact Statement

A proposal notice must include a small business impact statement that identifies the small businesses affected by the rulemaking and the probable direct and significant effects of the rulemaking on the small businesses.

Adoptions by Reference

An agency may adopt by reference a publication if it would be unduly cumbersome, expensive, or otherwise inexpedient and it is reasonable. An adoption by reference must contain a citation to the material adopted by reference and where it may be found, must contain a statement of the general subject matter of the omitted rule, must be in existence at the time the proposed rule is published, may not be altered between the time of publication of the proposed rule and the adoption of the rule except to respond to comments received in the rulemaking record, and must be available to the public for comment through publication in the register or in an electronic format while the rule is subject to public comment. Any alteration to the material adopted by reference may not be made without being subject to the rulemaking process.

Requirements for Adopted Rulemaking

MAPA contains additional requirements particular to adoption notices. The time between publication of the proposal notice and publication of the adoption notice may not be more than 6 months. Failure to publish an adoption notice within 6 months after the date of publication of the proposal notice invalidates the proposal and makes it necessary to publish a new proposal notice, unless the time limit was extended by the publication of an amended or supplemental notice of proposed or final rulemaking before the time limit expired. If the agency received public comment, the agency must include in the adoption notice a statement of reasons for overruling or accepting considerations submitted via public comment. If the adopted rule initially implements legislation and does not reflect comments submitted by the primary sponsor, the agency is required to publish the sponsor's unredacted comments in the adoption notice.

In a year preceding a legislative session, a rule may not be adopted between October 1 and the end of the year unless: (1) the rule is an emergency rule; (2) the rule is adopted to implement a program or policy and the unavailability of information, guidance, or notice prevented the adoption of the rule prior to October 1; or (3) the rule is adopted after providing notice and an explanation to the rule review committee and staff and the committee does not object.

3. EAIC Rule Review – Opportunities for Committee Involvement

EAIC legal staff reviews each proposal and adoption notice for conformance with the MAPA requirements described above. If a potential issue is noted, staff contacts the agency rule reviewer to address the issue. If staff cannot resolve the issue with the agency, the issue will be

brought to the Committee's attention for further direction. In addition to EAIC legal staff's review of rulemaking, the Committee may become involved in the rulemaking process by taking one or more of the following actions:

- request an agency's rulemaking records to check for compliance with MAPA;
- prepare and submit to the agency written recommendations for the adoption, amendment, or rejection of a rule and submit oral or written testimony at a rulemaking hearing;
- require that a rulemaking hearing be held;
- participate in litigation involving MAPA;
- review the incidence and conduct of administrative proceedings under MAPA;
- poll the Legislature by mail to determine if a proposed rule is consistent with legislative intent. The results of the poll are admissible in any court proceeding involving the validity of the rule.
- require an economic impact statement relating to the adoption of a rule;
- request publication of material adopted by reference in a rule;
- publish a statement with the Secretary of State concerning the advisory nature of an adjective or interpretive rule;
- receive reports on litigation and request documents in litigation involving judicial construction of a rule or MAPA; or
- object to all or a portion of a proposed or adopted rule.

4. Objecting to a Rule – Procedure – Effect

MAPA provides separate processes for objecting to proposed rules and adopted rules. One process is referred to as an informal objection and the other process is referred to as a formal objection.

Note: The Speaker of the House and the President of the Senate are ex officio members of a rule review committee for the purpose of breaking a tie vote on a question before the committee involving an objection to an administrative rule.

Informal Objection

Procedure: If a majority of the committee members notify the chair in writing that they object to a proposed rule, the committee must notify the agency of the objection (the committee is not required to set forth its reasons for the objection), the committee must address the

objection at its next meeting, and the objecting members must be identified in the committee's records. ****Note:** The committee may not informally object to a rule once it has been adopted.

Effect: An informal objection prevents the agency from adopting a proposed rule for up to approximately 6 months **unless** the committee meets during that time and does not sustain the objection.

Formal Objection

Procedure: If a majority of the committee believes that all or a portion of a proposed rule is not in substantial compliance with 2-4-302 (notice, hearing, and submission of views requirements), 2-4-303 (emergency or temporary rules requirements), or 2-4-305 (authority and reasonable necessity requirements), the committee may formally object to the proposed rule. The objection must be in writing and describe the committee's reasons for the objection. The agency is required to respond in writing to the objection within 14 days of the mailing of the objection.

Effect: Unless the committee withdraws its objection before the proposed rule is adopted or determines, as communicated in writing by a majority of the committee members to the chair and staff, that the rule has been adopted with changes that make the rule comply with the committee's objections and concerns, the rule is not effective until the day after final adjournment of the next regular session of the Legislature.

The committee may formally object to an adopted rule for failure to substantially comply with 2-4-302, 2-4-303, or 2-4-305. The objection process is the same as is described above; however, the effect is different. If the committee votes to send the formal objection to the Secretary of State for publication, at the committee's expense, the agency bears the burden in any action challenging the legality of the rule of proving that the rule was adopted in substantial compliance with 2-4-302, 2-4-303, or 2-4-305. If the rule is invalidated by the court because the agency failed to meet its burden of proof, and the court finds that the agency acted in arbitrary and capricious disregard of the authorizing statute, the court may award costs and attorney fees against the agency.

5. Additional Opportunities for Individual Involvement

Members of the committee may individually engage in the rulemaking process by taking one or more of the following actions:

- petition for the adoption, amendment, or repeal of a rule;
- if a rule initially implements legislation of which the individual was a primary sponsor, provide comments and receive notice;
- request an agency to hold an informal conference or appoint a committee to develop a proposed rule before the agency publishes notice;
- join an agency's list of interested persons for purposes of rulemaking; or
- contribute to the rulemaking process by submitting oral or written testimony on a proposed rule.