What Are Rules and Why Do They Matter?

(And other rulemaking bits and bobs)

Amber May and Amanda Reeder Rules Review Commission Counsel

What is a Rule?

>1508-2(8a) defines a Rule as, "any agency regulation, standard, or statement of general applicability that implements or interprets an enactment of the General Assembly or Congress or a regulation adopted by a federal agency or that describes the procedure or practice regularements of an agency. The term includes the establishment of a feel.¹⁰



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What is the purpose of a Rule?

"[R]ules fill the interstices of statutes. They go beyond mere interpretation of statutory language or application of such language and within statutory limits set down additional substantive requirements."

State, ex rel, Comm. of Insurance v. N.C. Rate Bureau, 300 N.C. 381, 269 S.E.2d 547, 567 (1980).

Why does it matter?

Rules = Law



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tements concerning only the internal hagement of an agency... if the statement is not directly or substantially affect the edural or substantive rights or duties of a son not employed by the agency..."

binding, interpretive statements within blegated authority of an agency that y define, interpret, or explain the ng of a statute or rule"

ientific, architectural, or engineering dards, forms, or procedures, including ign criteria and construction standards user onstruct or maintain highways, bridges, or

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What else are not Rules?

"a form, the contents or substantive requirements of which are prescribed by rule or statute."

This means that if the contents of the form are not in the law, and the agency is requiring them, then the contents must be in a rule.

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What else are not Rules?

"Nonbinding interpretive statements within the delegated authority of an agency that merely define, interpret, or explain the meaning of a statute or rule." 1508-2(8a)(c)

POLICIES

Rule vs. Policy

Rule

"any agency regulation, standard, or statement of <u>general applicability</u> that implements or interprets an enactment of the General Assembly or Congress or a regulation adopted by a federal agency or that describes the <u>procedure or practice</u> requirements of an agency." 1508-2(8a) Policy

"any nonbinding interpretive statement within the delegated authority of an agency that merely defines, interprets, or explains the meaning of a statute or rule. The term includes any document issued by the agency which is intended and used purely to assist a person to comply with the law, such as a guidance document." 1508-2(7a)

Unlike a rule, a policy does not have the force of law.

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Rule vs. Policy

Child Care Commission

10A NCAC 09.0605 (g) Any openings in equipment, steps, decks, handrails, and fencing shall be smaller than 3 ½ inches or greater than 9 inches to prevent entrapment. (h) All upright angles shall be greater than 55 degrees to prevent entrapment and entanglement.



Rules vs. Policy Board of Pharmacy

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When are rules not needed?

spirational statements are not rules. Rule of thumb: If you want to use a word other than "shall" because you cannot or do not intend to require something of your regulated public, it is not a rule.

When you merely want to restate a state or federal law or a federal regulation. (See G.S. 150B-19(4))

G.S. 150B-21.6 Incorporating material in a rule t reference



When are rules not needed? (Take 2)

When the General Assembly expressly states within statute what is required, and that requirement is determined by the agency to be sufficient to address the concern. SECTION 74(2) G.S. 17C-186(2) reads as revenies: (1) In addition to the requirement of siloscetion (1) of this section, the Commission, by ore and replations, and the order and addition the terrelative protocol and the order order and replations, and a section of the order protocol and additional of the order of additional of protocol and additional protocol and additional addition of the section of the order of these requirements, including a free to file or, a protocol ending of the section of the order of the section of the order of the section of the order of the section of the order of the section of the order of the section of the order of the section of the order of the section of the order of the section of the order of the o

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When are rules not needed (Take 3)

 When the General Assembly exempts the agency from rulemaking
 See Session Law 2021-75, exempting the State Treasurer and the Supplemental Retirement Board of Trustees from promulgating rules using the APA for various State retirement plans and creating as special PART V. AUTHORIZATION TORE THE DEPARTMENT OF STATT TREASURER AND THE SUPPLANENTAL RETREMENTS HOAD OF TREATERS TO ADDR MORTH COLORISM, THE SOUTH CAROLINA, DETERED FOR OUTPENATION PARA, AND THE NORTH CAUDIAN, PERLE SCHOOL TALENES: AND PARA, AND THE NORTH CAUDIAN, PERLE SCHOOL TALENES: AND MORTH COLORISM, THE SOUTH CAUDIAN PERLE SCHOOL TALENDARY AND THE SOUTH AND TALENDARY AND THE SOUTH AND TALENDARY AND TALENDARY AND THE PARA STATEMENT AND TALENDARY AND TALENDARY AND TALENDARY AND TALENDARY PARA STATEMENT AND TALENDARY PARA STATEMENT AND TALENDARY TALENDARY AND TALENDARY A

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INERAL ASSEMBLY OF NORTH CAROLINA SESSION 2021 н BOUSE BILL 361 Committee Substitute Favorable 4/22/21 Committee Substitute #2 Favorable 5/11/21

- e: APA Roles Review Definitions.
- Sponsors: Referred to: Murch 24, 2021

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Article." SECTION 2. This art is effective when it be

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- Obviously, because policies do not have the legal effect of rules.
 Perhaps less obviously, the General Assembly cares as it continues to see agencies follow policy without adopting rules to enforce them.
 See HB 361 from the 2021 session. The bill has been with the Senate since May; however, this is not the first time a bill like this has been introduced. And It's likely not the last

Why Do I Care? (Redux) March 16, 2021

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(Public)

March 16, 2021
ABACT DO BE EXTITLED
AN ACT TO BIGOLINE THE SOCIAL SUPERICS COMMISSION OF THE DIVISION OF
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DIVISION THE STATEMENTS AND SUBMIT A REPORT TO THE OFFICE OF
ADMINISTRATIVE HEARNON.
The Greant Assembly of North Carolian enacts:
SECTON I. No later than MM 931, 2022. Un North Carolian Division of Social
Services (Division), by and through the Division's Social Services (Commission),
dial prepare and abmin for review to the Office of Administrative Hearness, This
dial prepare and abmin for a review to the Office of Administrative Hearness, Total
precedual or submarker anglistic es duite of persons not employed by the Division of exa of sin
interpretive statements not adopted as meles the Commission believes are not in violation of
S., S1098-18. The report hall in cinched as we margency, temperary, or parameter function
adopted by the Division in accordance with Article 2A of Chatter 1508 of the General Statutes.

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Yeah, but that's not going to happen to the agency I work with ...

See Session Law 2018-114, which mandated the State Board of Education to convert all policies to rules within two years in order for them to remain in effect.

Kudos to the Board - Its staff put in an amazing amount of effort into the process and got this done. However, I would bet the staff would not wish that compressed and stressful rulemaking on its worst enemy.

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And in the 2021 Session, there is HB 159

PART V. STATE BOORD OF EDUCATION REQUIRED TO USE RELEMANNS TO MANY AND ADDRESS use Bill 159-Sixth Edition Page

General Assembly Of North Carolina Session 2021 cventral assettinty OI NOTIR LEWORR interments of general applicability are not valid tailens they with Chapter 150B of the General Strange. In accordance the North Carolina Contribution, the Superimendent OP hand Canacci & Stone number, while Manimizer all methods State Board of Education through the Department of Public tile State Board of Educations are defined as follows:





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Cabarrus County Board of Education v. Department of State Treasurer, Retirement Systems, 374 N.C. 3, 839 S.E.2d 814 (2020)

Case involved the way that the cost of pension of certain retirees would be funded

Cabarrus County Board of Education v. Department of State Treasurer, Retirement Systems, 374 N.C. 3, 839 S.E.2d 814

- S.L. 2014-88

S.L. 2014-88
S.L. 2014-88
The General Assembly of North Carolina enacts: SECTION 1, (a) G.S. 135-5 is amended by adding a new subsection to read:
(a) Aust-Penetro-Splake Carolina biological and section (C.S.a. - Norwithstanding any other provision of this action, every service retrement allowance provided under this action for members when every environment allowance provided under this action for members when every environment allowance provided under this action for members when every environment allowance provided under this action for members when every environment and there-quarters of one percent (D.7%) or fettlement allowance are expected to be capacit. The Bard of Thuster shall monthly such factors early of the sequence frequency and there are every abservation of the section for as required by G.S. 135-6(n).

as requires by U.S. 153401. "The Act establishes a retirement benefit cap applicable to certain employees with an average final compensation of \$100,000 or more per year whose retirement benefit payment would otherwise be significantly greater than the contributions made by that retiree during the course of his or her employment with the State." Cabarrus Courty Board of Education x. Department of State <u>Treasurer, Retirement Systems</u>, 374 N.C. 3, 389 S.E.2d 814, 815 (2020).

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Cabarrus County Board of Education v. Department of State Treasurer, Retirement Systems, 374 N.C. 3, 839 S.E.2d 814

- The Board of trustees adopted a cap factor, but did not go through the rule-making process set forth in the APA.
- Subsequent to that, the superintendent of the Cabarrus County School system was set to retire and was eligible to receive retirement benefits.
- The Retirement Systems determined that his pension benefits were subject to the contribution-based benefit cap and sent notification both to him and to the Board of Education that an additional S208, 405.8 H would be required in order for him to receive his full benefits. The Board of Education submitted this amount on his based. behalf.

Denait. The Board of Education then sought a declaratory ruling "asking that the involce another can be detected the casculate flare and the source of the theory of the source of the making procedures of the Administrative Procedure Act." (Cabarroux County Board of Education v. Department of State Treasurer, Retirement Systems, 374 N.C. 3, 839 S.E.Z 0344, 316 (2020).

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Cabarrus County Board of Education v. Department of State Treasurer, Retirement Systems, 374 N.C. 3, 839 S.E.2d 814 (2020)

- In this case, the issue was not whether the cap factor fell within the definition of a Rule pursuant to G.S. 1508-2(8a), but whether it was implicitly exempted from the rule-making process. The Court noted that there was no
- exemputed from the rule-making process. Ihe Court noted that there was no argument that the cap factor was explicitly exempted from the process. "... the Court has consistently refused to recognize the existence of any implicit exemption from the provisions of the Administrative Procedure Act in the absence of clearly-stated teglislative intent to the contrary. A presumption that the rulemaking provisions of the Administrative Procedure Act apply to the formulation of Rules... in the absence of an explicit or implicit exemption." •
- Obvious question what is an "implicit presumption"?

<u>State v. Reaves-Smith,</u> 271 N.C. App. 337, 844 S.E.2d 19 (2020)

This was a criminal case, where the defendant appealed a conviction for attempted robbery with a dangerous weapon. The Court of Appeals upheld the conviction in the opinion.

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The Next Centrel Active Sections were Training Structures Commission that driving a program of generating proceedings of the section of the section. The section of the se

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Statutes are binding tatis of the General Assembly, By definition, policies from State agencies are nonhming quedines. The plant language of the statute are bine that the insignation delegated authority to the North Carolina Criminal Justice Education and Training Standards Commission to establish nonbinding quedines to assatt twe entorement. Because the language of Sector 13-5, the North Carolina Criminal Justice Education and Training Standards Commission to exploring quedines, only Sector 13-24-24-25 (2) test state for the requirements for show-toporthinding quedines, only Sector 13-24-24-25 (2) test state for the requirements for show-to-

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Takeaways from <u>Cabarrus County Board of</u> <u>Education v. Department of State Treasurer</u>, <u>Retirement Systems</u>, 374 N.C. 3, 839 S.E.2d 814 (2020)

- In this case, the Court found that "... the establishment of a cap factor is a discretionary decision that must be made by the Board of Trustees, with the aid of an actuary, rather than a ministerial decision over which the Board of Trustees has little to no control." <u>Cabarrus County Board of Education v.</u> <u>Department of State Treasurer, Retirement Systems</u>, 374 N.C. 3, 839 S.E.2d 814, 828 (2020)
- Takeaway: Just because the General Assembly doesn't say "adopt a rule," doesn't mean that rules aren't required.

Examples of statutory language that provides agencies authority for rulemaking

"create" "adopt" "establish" "require"

"charge a fee"

And all of these examples are often in statute without referring to "rules" or "APA" in the sentence. Such as "establish a program" or "create a process" This all goes back to the definition of Neie in G.5. (SDE-2(&): "(A)ny agency regulation, standard, or statement of general applicability[.] The term includes the establishment of a fee[.]"

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Quick Update on the "fixes" for the agency in Cabarrus County Board of Education:

Session Law 2021-72

SECTION 1.1.(b)

G.S. 135-8(f) is amended by adding a new subdivision to read: Usi: 1574(1) Failentee Up adding a few suburstitut read, (2) Notwitstanding Chapter 1500 of the General Statutes, as of the beginning of the fiscal year following 90 days after the assessment of a contribution-based benefit cap liability that is not paid as a lung sum payment, the required employee contribution rate for an employer shall be adjusted to include an additional contribution amount benefit: cap liability on an amortization schedule selected by the Board that has been applied to unfunded liabilities in the most recent actuarial valuation.

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AND Once more with gusto! SL 2021-75, exempting the Board of Trustees from rulemaking pursuant to the APA.

(i) The Department of frame Transmers and the Board of Transmers And have full power and anthenny to adapt ratio and regulations. It is distributed to the the Department of the Department of Depa



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All agency shall not seek to implement or enforce against any person a policy, guideline, or other interpretive statement that meets the definition of a rule contained in G.S. 1508-2(8a) if the policy, guideline, or other interpretive statement has not been adopted in accordance with this Article." G.S. 1508-18





Speaking of rulemaking, what's new in that realm?

 We're glad you asked!
 There are some pending bills, such as HB 327, which will clarify the effective date of rules pending legislative review.

March 18, 2021

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Any Questions? Now or later?







Ashley Snyder - Codifier (new as of July 1, 2021 Amber May - Commission Counsel Amanda Reeder - Commission Counsel Alex Burgos - Paralegal

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