

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

LS 6401
BILL NUMBER: SB 172

NOTE PREPARED: Jan 26, 2026
BILL AMENDED: Jan 22, 2026

SUBJECT: Administrative Rulemaking.

FIRST AUTHOR: Sen. Johnson T
FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill establishes the Administrative Rules Oversight Committee with oversight review of rules of any agency if the implementation and compliance costs of the proposed rule of the agency is expected to exceed a specified threshold. It sets forth the membership of the oversight committee.

The bill provides that if the implementation and compliance costs of a proposed rule, provisional rule, or interim rule exceed \$100,000 (instead of \$1 M) over a two-year period:

- (1) the rule cannot be published in the Indiana Register until the oversight committee has reviewed the rule;
- (2) the State Budget Agency (SBA) and the Office of Management and Budget (OMB) may not approve any part of the proposed rule prior to review by the oversight committee; and
- (3) in the case of a provisional rule or an interim rule, the Governor may not approve a rule prior to the oversight committee's review of the rule.

It provides that an agency may adopt a rule only if the agency has demonstrated to the satisfaction of the Governor that certain circumstances exist. It specifies that provisional and interim rulemaking may be used only under specified circumstances if the combined implementation and compliance costs would not exceed \$500,000 for businesses, units, and individuals if effective over a two-year period.

Effective Date: Upon passage; July 1, 2026.

Explanation of State Expenditures: *Administrative Rules Oversight Committee:* The bill establishes a 12-member Administrative Rules Oversight Committee. They are to meet on the same day and at the same location as the Budget Committee. Members are entitled to per diem, mileage, and travel; however, a member may not receive a per diem if the member is also on the Budget Committee and receives a per diem for a meeting on the same day. The committee is to review any administrative rule submitted by a state agency that passes the threshold for fiscal impact to state and local governments. Committee expenses will be paid from appropriations to the Legislative Council.

The Legislative Services Agency (LSA) is to staff the committee, as it currently does for standing and interim study committees. The LSA should be able to provide committee staff using existing resources.

Implementation and Compliance Cost Threshold: The bill would increase the number of administrative rules requiring review. Under current law, any proposed administrative rule (regular, provisional, or interim rule) that has combined implementation and compliance costs exceeding \$1 M over any two-year period [for businesses, local units, and individuals, as estimated in the rule's regulatory analysis] must be reviewed by the Budget Committee prior to the proposed rule being published in the Indiana Register or approved by the SBA or OMB, with a few exceptions. The bill reduces this threshold to \$100,000 over any *one*-year period, and requires review by the new Administrative Rules Oversight Committee.

Additionally, any proposed rule exceeding a \$500,000 threshold could no longer be adopted under provisional or interim rulemaking. Agencies would be required to use the regular rulemaking procedures which could lengthen the rulemaking process.

Rule Review and Approval: Currently, pre-approval from the Governor to proceed with rulemaking is only required for provisional and interim rules. The bill expands this requirement, providing that an agency must obtain authorization from the Governor prior to using regular rulemaking procedures, by demonstrating to the Governor that the proposed rule is either necessary to comply with a court order or a deadline for a federal or state law, is related to health care services or facilities, does not exceed the \$500,000 threshold, or is necessary for a provisional rule reason or interim rule program or category (presuming the rule is above that threshold, and, therefore, required to use regular rulemaking procedures).

Additionally, any rule that can no longer be adopted under provisional or interim rulemaking due to the reduced threshold, would now require SBA and OMB approval under regular rulemaking.

Document Publishing: Workload could minimally increase for the Indiana Register and Administrative Code Division of the LSA to publish additional rulemaking documents. This can be done using existing resources.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Budget Committee; Governor; Legislative Services Agency; Office of Management and Budget; State Budget Agency; Potentially all state agencies with rulemaking authority under IC 4-22 or IC 13-14-9.

Local Agencies Affected:

Information Sources:

<https://www.in.gov/sba/files/FMC-5.2-Requirements-for-Regulatory-Analysis-July-1-2024-UPDATE.pdf>
<https://www.in.gov/omb/rule-approval-process/administrative-rulemaking-rulemaking-process-overview/>

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