

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5181-02
Bill No.: HB 2049
Subject: Drugs and Controlled Substances; Licenses - Professional; Pharmacy
Type: Original
Date: April 26, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	(Less than \$102,553)	(Less than \$103,155)	(Less than \$101,440)
Total Estimated Net Effect on General Revenue Fund	(Less than \$102,553)	(Less than \$103,155)	(Less than \$101,440)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Wholesale Distributor Bonds Fund*	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown	Unknown	Unknown

*The name for the fund was not designated in the proposal
Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. SOS is provided with core funding to handle a certain amount of normal activity resulting from each years legislative session. The fiscal impact for Administrative Rules is less than \$1,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Department of Corrections (DOC)** state due to the penalty provisions which increased to a Class C felony, DOC assumes the cost is unknown but under \$100,000.

Officials from the **Department of Economic Development - Division of Professional Registration (PR)** state this proposal establishes licensure requirements for wholesale distributors; requires a wholesale distributor applicant to pass an examination given by the board

ASSUMPTION (continued)

regarding federal and state laws governing wholesale distribution of prescription drugs; submit evidence of a bond of at least \$500,000 or an equivalent means of security acceptable to the board; requires licensees to complete continuing education requirements as established by the board; and details scope of the practice for licensees. In addition, PR states this proposal states that the board may make claims against such bond and deposit it into a fund established by the board separate from its other accounts.

PR anticipates a contract employee will be necessary for one month to assist with the processing of initial applications, which will begin in FY07, as well as one additional month to assist with auditing submission of continuing education for each biennial renewal period beginning in FY08.

PR assumes seven inspectors will incur overnight expenses to attend a meeting to develop the examination questions and meet annually, thereafter, to review and maintain the examination. PR assumes that the examination will be posted on their website and maintained by office staff, therefore, no costs are estimated relative to section 338.412.

PR states Section 337.412.4 requires applicants to secure a bond of at least \$500,000. Section 338.370 states that the board may secure such fine from the bond pursuant to section 338.370. PR states it has no estimates as to the number of licensees that would be affected by 338.370, therefore, the collection of fines relative to these sections are unknown.

Oversight assumes the costs related to the program would be from General Revenue. Oversight notes that a fund will be set up, but Section 338.412.5 does not specify the name of the fund. For fiscal note purposes, Oversight will use the name Wholesale Distributor Bonds Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
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GENERAL REVENUE

<u>Costs</u> - Department of Corrections			
Program costs	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)

<u>Costs</u> - Department of Economic Development - Division of Professional Registration			
Program costs	<u>(\$2,553)</u>	<u>(\$3,155)</u>	<u>(\$1,440)</u>

ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(LESS THAN \$102,553)</u>	<u>LESS THAN \$103,155)</u>	<u>(LESS THAN \$101,440)</u>
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**WHOLESALE DISTRIBUTOR
BONDS FUND**

<u>Income</u> - Department of Economic Development - Division of Professional Registration			
Fines	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

ESTIMATED NET EFFECT ON WHOLESALE DISTRIBUTOR BONDS FUND*	<u>UNKNOWN</u>	<u>UNKNOWN</u>	<u>UNKNOWN</u>
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*The name for the fund was not designated in the proposal

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal changes the laws regarding wholesale distribution of prescription drugs. The proposal:

- (1) Requires all applicants for licensure as wholesale distributors to provide a minimum amount of information regarding themselves and their wholesale business;
- (2) Establishes certain criteria which all applicants must meet prior to being issued a license;
- (3) Requires licensees to be bonded and authorizes the State Board of Pharmacy to create a fund for these bonds;
- (4) Allows pharmacies to return prescription drugs to the drug manufacturer or wholesale distributor where they originally purchased them;
- (5) Requires manufacturers and wholesalers to distribute only to persons licensed by the board;
- (6) Requires manufacturers and wholesalers to deliver prescription drugs only to the premises listed on the license;
- (7) Requires manufacturers and wholesalers to accept payment for the purchase of prescription drugs only from the pharmacy owner of record;
- (8) Requires persons engaged in the wholesale distribution of a prescription drug to provide a pedigree or electronic file identifying each sale, trade, or transfer of a prescription drug;
- (9) Authorizes the board to promulgate rules relating to the wholesale distribution of prescription drugs no later than 120 days after August 28, 2007;
- (10) Authorizes the board to suspend and revoke licenses and issue orders requiring the appropriate person to cease distribution of prescription drugs; and
- (11) Makes any person violating these provisions guilty of a class C felony and fined no more than \$5,000.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Secretary of State
Department of Economic Development
Department of Corrections

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large, stylized "M" and "W".

Mickey Wilson, CPA
Director
April 26, 2006