



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2021 Biennium

Bill #	HB0710	Title:	Require reporting of prescription drug cost information
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Primary Sponsor:	Sullivan, Katie	Status:	As Amended in House Appropriations
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|---|--|---|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input checked="" type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2020</u> <u>Difference</u>	<u>FY 2021</u> <u>Difference</u>	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>
Expenditures:				
General Fund	\$152,540	\$0	\$0	\$0
State Special Revenue	\$0	\$146,040	\$148,231	\$150,455
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$146,040	\$148,231	\$150,455
Net Impact-General Fund Balance:	<u>(\$152,540)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: HB 710 will require drug manufacturers to report price factors for prescription drugs to the State Auditor's Office (SAO). The increased workload to administer the program includes the development of a reporting procedure, preparation of reports to the legislature, drafting recommendations for legislative changes and oversight, trade secret and confidentiality review, and conducting hearings to enforce the law. The new requirements will require 1.25 FTE.

FISCAL ANALYSIS

Assumptions:

State Auditor's Office (SAO)


- HB 710 will require 1.25 FTE to manage technical work including data collection, reporting, compliance, and enforcement.
- A 1.00 FTE Administrative Specialist band 7 salary and benefits are \$95,671 in each of FY 2020 and FY 2021; \$97,106 in FY 2022; and \$98,563 in FY 2023.

3. A 0.25 FTE Lawyer band 7 salary and benefits are \$28,670 in each of FY 2020 and FY 2021; \$29,100 in FY 2022; and \$29,537 in FY 2023.
4. Operating costs for the 1.25 FTE are \$28,199 in FY 2020, which includes \$6,500 for one time purchase of office packages and computers. The operating costs are \$21,699 in FY 2021; \$22,025 in FY 2022; and \$22,355 in FY 2023.
5. The SAO will adopt rules to implement the program. The cost of the rules is expected to be \$900 in FY 2020.
6. Section 7 (3) instructs the SAO to set fees for carrying out the duties required by HB 710. Revenue will be collected from manufacturers for the costs of carrying out the provisions; an appropriation from the general fund will be required in the first year.
7. An inflationary factor of 1.5% has been applied to all costs in FY 2022 and FY 2023.

	<u>FY 2020</u> <u>Difference</u>	<u>FY 2021</u> <u>Difference</u>	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
FTE	1.25	1.25	1.25	1.25
<u>Expenditures:</u>				
Personal Services	\$124,341	\$124,341	\$126,206	\$128,100
Operating Expenses	\$28,199	\$21,699	\$22,025	\$22,355
TOTAL Expenditures	<u>\$152,540</u>	<u>\$146,040</u>	<u>\$148,231</u>	<u>\$150,455</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$152,540	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$146,040	\$148,231	\$150,455
TOTAL Funding of Exp.	<u>\$152,540</u>	<u>\$146,040</u>	<u>\$148,231</u>	<u>\$150,455</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$146,040	\$148,231	\$150,455
TOTAL Revenues	<u>\$0</u>	<u>\$146,040</u>	<u>\$148,231</u>	<u>\$150,455</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$152,540)	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0

Technical Notes:

1. HB 710 may be challenged by manufacturers and/or Pharmacy Benefit Manager (PBM's) who do not currently share proprietary pricing information with outside sources.
2. As amended, HB 710 requires the SAO to implement the legislation within existing resources. The estimated costs in this fiscal note reflect anticipated costs associated with the implementing HB 710. If no appropriation is provided, SAO will reduce other services to accommodate for the increased cost associated with HB 710.



Sponsor's Initials



Date



Budget Director's Initials



Date

**Dedication of Revenue 2021 Biennium**GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

17-1-507, MCA.

- a) **Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)**

No. The revenue will be used to offset the cost of the program.

- b) **What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?**

After the first year, the expenditures will be in the state special revenue fund and fees will be used to offset the expenditures.

- c) **Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? Yes / No (if no, explain)**

Yes.

- d) **Does the need for this state special revenue provision still exist? ___Yes ___No (Explain)**

Yes. The revenue should be in the same fund as the expenditures.

- e) **Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)**

No. The appropriations and expenditures will be reviewed by the legislature.

- f) **Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)**

The revenue will be used to pay the costs of the program.

- g) **How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)**

The costs of the program are expected to be paid from the state special revenue fund once the fees are determined and received. First year costs are expected to be paid from the general fund.