

# **LSC Greenbook**

**Analysis of the Enacted Budget**

**State Board of Pharmacy**

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# TABLE OF CONTENTS

<b>OVERVIEW</b> .....	<b>1</b>
Duties and Responsibilities.....	1
Appropriation Overview .....	1
Staffing.....	2
Licensing.....	2
Enforcement .....	3
<b>ANALYSIS OF ENACTED BUDGET</b> .....	<b>5</b>
Operating Expenses (GSF line item 887609) .....	5
Fund 4K9 Cash Flow Activity .....	5
CAVU Licensing .....	7
Drug Law Enforcement (GSF line item 887605) .....	8
Dangerous Drugs Database (FED line item 887604).....	8
<b>APPENDIX</b> .....	<b>10</b>
Controlling Board Authorized Appropriation Increases .....	10

## ATTACHMENT:

Budget Spreadsheet By Line Item

# State Board of Pharmacy

- Fees, fines, and federal grants drive budget
- Staff stable, but funding cuts and cost savings controls may mean service delays
- OARRS operational

## OVERVIEW

### Duties and Responsibilities

The State Board of Pharmacy, first created in 1884, is responsible for administering and enforcing the Pharmacy Practice Act and Dangerous Drug Distribution Act (Chapter 4729. of the Revised Code), the Controlled Substances Act (Chapter 3719. of the Revised Code), the Pure Food and Drug Act (Chapter 3715. of the Revised Code), and the Criminal Drug Law (Chapter 2925. of the Revised Code).

The Board is a nine-member panel composed of eight pharmacists and one person representing the public who is at least 60 years old. Each member serves a four-year term and may be reappointed one time at the Governor's discretion. The Board currently meets three days each month. In addition to the panel, the Board's expenses include 50 full-time equivalent (FTE) staff positions whose activities can be divided into two distinct programs: (1) licensure and regulation and (2) drug law enforcement and investigation.

### Appropriation Overview

Table 1 below summarizes the Board's budget by fund group.<sup>1</sup>

Table 1. Agency Appropriations by Fund Group, FY 2010-FY 2011					
Fund Group	FY 2009*	FY 2010	% change, FY 2009-FY 2010	FY 2011	% change, FY 2010-FY 2011
General Services	\$5,529,462	\$5,075,500	-8.2%	\$5,075,500	0.0%
Federal Special Revenue	\$313,272	\$493,164	57.4%	\$500,891	1.6%
<b>TOTALS</b>	<b>\$ 5,842,734</b>	<b>\$5,568,664</b>	<b>-4.7%</b>	<b>\$5,576,391</b>	<b>0.1%</b>

\*Actual expenditures in FY 2009

<sup>1</sup> Subsequent to the enactment of the budget, the Board received additional federal appropriation authority via the state Controlling Board. The attached appendix details these additional appropriations.

The Board receives no GRF funding; its operating expenses are primarily paid from General Services line item 887609, Operating Expenses. Federal money typically makes up less than 10% of the Board's total annual expenditures.

Most notable in Table 1 above, the budget provides a General Services (GSF) appropriation of \$5,075,500 for each of FYs 2010 and 2011, an amount that is 8.2%, or \$453,962, less than the Board's FY 2009 GSF expenditures totaling \$5,529,462. From the Board's perspective, it will be able to maintain its existing staffing level; however, due to the mandatory "cost savings days" program and the reduction in GSF funding, investigations and license processing may experience delays.

## Staffing

In addition to the nine Board members, 50 full-time equivalent (FTE) staff are employed to perform licensure and enforcement activities. As Table 2 below indicates the total number of staff employed by the Board over the course of FY 2003 projected through FY 2011 has been relatively stable.

2003	2004	2005	2006	2007	2008	2009	2010	2011
47	47	47	47	47	50	50	50	50

\*FYs 2010 and 2011 are estimates.

## Licensing

The licensure activities of the Board include the testing and certification of pharmacists and pharmacy interns entering the profession in Ohio, as well as renewing the licenses of practicing pharmacists annually. In addition, the Board licenses sites where dangerous drugs (primarily those requiring a prescription) are purchased and stored prior to the delivery to a patient. The site licenses are issued by the Board as either a terminal distributor of dangerous drugs (mainly retail-type settings) or a wholesale distributor of dangerous drugs. Terminal distributor sites include, but are not limited to, retail pharmacies, hospitals, nursing homes, prisons and jails, emergency medical squads, clinics, and medical gas distributors.

The Board's licensing activity for FYs 2002 through 2009 is summarized in Table 3 below. Over the course of that eight-year span, the total number of licensees/registrants has steadily grown from 27,132 in FY 2002 to 36,169 in FY 2009, an increase of 9,037, or 33.3%.

**Table 3. Number of Licensees/Registrants, FYs 2002-2009**

License/Registrant Type	2002	2003	2004	2005	2006	2007	2008	2009
Registered Pharmacists	14,056	14,540	14,682	14,953	15,308	15,484	15,853	16,598
Pharmacy Interns	1,510	1,634	2,076	1,906	2,158	2,311	2,461	2,398
Terminal Distributors	9,958	10,485	11,117	11,453	11,994	12,204	13,100	15,226
Wholesale Distributors	1,119	1,144	1,251	1,305	1,386	1,290	1,452	1,392
Controlled Substance Wholesalers	489	511	525	535	550	517	565	555
<b>TOTALS</b>	<b>27,132</b>	<b>28,314</b>	<b>29,651</b>	<b>30,152</b>	<b>31,396</b>	<b>31,806</b>	<b>33,431</b>	<b>36,169</b>

## Enforcement

The Board is the only state agency that has statewide jurisdiction to enforce the laws related to the legal distribution of drugs and, as a result, is sometimes responsible for criminal investigations and prosecutions of doctors, nurses, dentists, veterinarians, or other individuals. By enforcing the laws and rules regulating drugs and pharmacists, the Board may deny, suspend, or revoke a license and place a pharmacist or pharmacy intern on probation. Such action may be taken for reasons that include: conviction of a misdemeanor committed in the practice of pharmacy or any felony; dishonesty or unprofessional conduct in the practice of pharmacy, drug, or alcohol addiction that causes a practitioner to be unfit for practice; and any violation of provisions under Chapters 2925., 3719., or 4729. of the Revised Code.

The Board's investigations are classified as either criminal (involving drug trafficking, forging prescriptions, fraud, etc.), or administrative (involving errors in dispensing, administrative code violations, etc.). With the exception of a matter that involves the dispensing of an incorrect drug, an investigation can be closed due to a lack of time to fully investigate a case. This usually occurs in cases that take longer than 45 days to investigate. These cases are illustrated in Table 4 below under the column heading "Investigations Closed for No Time."

From 1998 through 2008, the Board has averaged approximately 1,220 investigations annually and the percentage of those investigations that had to be "closed for no time" was cut by more than two-thirds, from 31.2% to 9.6%. From the Board's perspective, this is an indicator that its ability to fully investigate cases has been greatly enhanced by the hiring of additional field staff.

<b>Table 4. Board Investigations</b>			
<b>Calendar Year</b>	<b>Number of Investigations</b>	<b>Investigations Closed for No Time*</b>	<b>Percent Closed for No Time*</b>
1998	1,198	374	31.2%
1999	1,309	397	30.3%
2000	1,404	424	30.2%
2001	1,692	370	21.9%
2002	1,421	252	17.7%
2003-2004	2,526	308	12.2%
2005-2006	2,083	231	11.1%
2007-2008	1,807	173	9.6%

\*"No Time" is a decision made by a Board field agent.

## ANALYSIS OF ENACTED BUDGET

Table 5 below shows the line items that are used to fund the Board of Pharmacy, as well as the enacted funding levels. It is then followed by a narrative describing how each appropriated amount will be used, and as appropriate, the implications of the enacted funding levels.

<b>Table 5. Appropriations for Board of Pharmacy</b>				
<b>Fund</b>	<b>ALI and Name</b>		<b>FY 2010</b>	<b>FY 2011</b>
<b>General Services Fund (GSF) Group</b>				
4A50	887605	Drug Law Enforcement	\$75,500	\$75,500
4K90	887609	Operating	\$5,000,000	\$5,000,000
<b>General Services Fund Group Subtotal</b>			<b>\$5,075,500</b>	<b>\$5,075,500</b>
<b>Federal Special Revenue Fund (FED) Group</b>				
3BC0	887604	Dangerous Drugs Database	\$493,164	\$500,891
<b>Federal Special Revenue Fund Group Subtotal</b>			<b>\$493,164</b>	<b>\$500,891</b>
<b>Total Funding: Board of Pharmacy</b>			<b>\$5,568,664</b>	<b>\$5,576,391</b>

### Operating Expenses (GSF line item 887609)

This GSF line item, which draws its appropriation from fees and fines deposited in Fund 4K90, is used by the Board to administer and enforce laws governing the legal distribution of dangerous drugs and the practice of pharmacy. For FYs 2010 and 2011, the budget provides the line item with an appropriation of \$5,000,000, an amount that is 8.6%, or \$471,069, less than the line item's FY 2009 expenditures totaling \$5,471,069. The Board expects it will be able to maintain its existing staffing level; however, due to the mandatory "cost savings days" program and the reduction in 4K90 funding, investigations and license processing may experience delays.

### Fund 4K90 Cash Flow Activity

The State Board of Pharmacy is one of 20-plus independent professional and occupational licensing boards that draw their primary source of funding from the Occupational Licensing and Regulatory Fund (Fund 4K90). The fund was originally established by Am. Sub. H.B. 152 of the 120th General Assembly and serves as a repository for license fees and other assessments collected by those boards.

The Board has historically generated more fee revenues than it has expended, thereby partially subsidizing the overall expenditures made from Fund 4K90 for the other licensing entities. The Board last raised fees in FY 1997. Table 6 below displays the current schedule of licensing and miscellaneous other fees paid by pharmacists, pharmacy interns, and drug distributors.

<b>Table 6. Pharmacy Licensing and Miscellaneous Other Service Fees</b>	
<b>Fee Type</b>	<b>Amount</b>
<b>Pharmacists</b>	
Initial License by Examination – Ohio Application	\$110.00
NAPLEX/MPJE Only Exam – Ohio Application	\$110.00
Ohio's Initial License by Reciprocity – Ohio Application	\$337.50
Pharmacist License Renewal – Annual	\$97.50
Pharmacist License Renewal – if lapsed > 60 days but < 3 years	\$135.00
Pharmacist License Renewal – if lapsed > 3 years	\$337.50
Duplicate Identification Card	\$37.50
Duplicate Wall Certificate	\$22.50
<b>Pharmacy Interns</b>	
Pharmacy Intern Initial License Application	\$22.50
Pharmacy Intern License Renewal	\$22.50
Duplicate Identification Card	\$7.50
Duplicate Wall Certificate	\$7.50
<b>Drug Distributors</b>	
TDDD* Category I or Limited Category I	\$45.00
TDDD* Category II or Limited Category II	\$112.50
TDDD* Category III or Limited Category III	\$150.00
Revised Limited Addendum	\$15.00
Professional Assoc., Corporation, Partnership, or Limited Liability Company Organized for the Purpose of Practicing Veterinary Medicine	\$40.00
Wholesale Distributor of Dangerous Drugs (WDD) License	\$150.00
Manufacturer of Controlled Substances License	\$37.50
Issuing Certificate of Free Sale	\$150.00

\*TDDD refers to Terminal Distributor of Dangerous Drugs.

Table 7 below displays the amount of revenue that has been deposited to the credit of Fund 4K90 from FYs 1996 through 2009, as well as the amount of funding that the Board has drawn from the fund over the same period of time. The "Net" amounts in the table's last column do not reflect Board moneys removed from Fund 4K90 by OBM for administrative purposes. Thus, the "Net" amounts do not exactly equal the Board's cash balance in Fund 4K90.

<b>Fiscal Year</b>	<b>Revenues*</b>	<b>Expenditures</b>	<b>Net</b>
1996	\$3,131,677	\$2,762,321	\$369,356
1997	\$3,214,543	\$3,060,104	\$154,439
1998	\$4,369,170	\$3,254,336	\$1,114,834
1999	\$4,225,210	\$3,364,074	\$861,136
2000	\$4,282,302	\$3,815,769	\$466,533
2001	\$4,288,827	\$3,837,911	\$450,916
2002	\$4,265,201	\$4,176,816	\$88,385
2003	\$4,458,368	\$4,490,725	\$(32,357)
2004	\$4,484,926	\$4,369,323	\$115,603
2005	\$4,510,488	\$4,513,155	\$(2,667)
2006	\$4,578,206	\$4,525,101	\$53,105
2007	\$4,768,372	\$5,073,717	\$(305,345)
2008	\$5,233,863	\$5,223,813	\$10,050
2009	\$5,290,115	\$5,470,111	\$(179,996)
<b>TOTALS</b>	<b>\$61,101,268</b>	<b>\$57,937,276</b>	<b>\$3,163,992</b>

\*Includes all sources of revenue, both from fees and fines.

It should also be noted that certain fines and forfeited bonds and bails collected by the Board, and summarized in Table 8 below, are also deposited into Fund 4K90. Generally, this money constitutes approximately 20% of the total revenue deposited annually by the Board to the credit of Fund 4K90.

<b>Fiscal Year</b>	<b>Revenues*</b>
2003	\$1,019,249
2004	\$1,001,874
2005	\$1,026,266
2006	\$993,580
2007	\$974,128
2008	\$1,040,155
2009	\$944,184

\*Moneys are collected by local courts and then remitted to the state.

### **CAVU Licensing**

A notable element of the Board's operating expenses is its involvement in the state's licensing system for certain boards and commissions operated by CAVU, a provider of licensing, permitting, and enforcement software solutions for eGovernment. In the summer of 2008, the Board became the last licensing entity with the state of Ohio

to contract with CAVU for on-line licensing services. From the Board's perspective, this was due to the time and effort necessary to implement the complex nature of the Board's fee structure. Pharmacists were licensed on-line in August 2008.

The Ohio Department of Administrative Services (DAS) administers the CAVU agreements. As each licensing board came on-line, costs of the contracts were administratively removed from Fund 4K90. The costs are distributed amongst the boards annually according to the degree of licensing activity by each entity. The Board's cost for FYs 2010 and 2011 is estimated at \$23,166 annually.

### **Drug Law Enforcement (GSF line item 887605)**

This GSF line item (Fund 4A50) draws its appropriation from the Board's share of certain fines and forfeited bonds and bail collected as a result of its drug law enforcement efforts. Moneys deposited to the fund are statutorily restricted and may only be used for drug law enforcement purposes. For each of FYs 2010 and 2011, the line item was appropriated \$75,500.

The Board is restricted to using the revenue in the fund for drug law enforcement purposes only, which in practice means providing the Board's compliance and enforcement staff with current technology and training. As seen in Table 9 below the fund's annual revenues vary greatly from year to year.

It should be noted that due to the unpredictable nature of the deposits made to the fund and the stringent restrictions on its use, the fund typically receives appropriation increases via the Controlling Board process.

<b>Fiscal Year</b>	<b>Beginning Cash</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Net Cash Available</b>
2004	\$505,946	\$23,326	\$72,977	\$456,296
2005	\$456,296	\$201,515	\$272,755	\$385,056
2006	\$385,056	\$297,219	\$115,727	\$566,547
2007	\$566,547	\$76,570	\$42,894	\$600,224
2008	\$600,224	\$22,491	\$70,958	\$551,756
2009	\$551,756	\$306,299	\$58,393	\$799,662

### **Dangerous Drugs Database (FED line item 887604)**

Moneys deposited to the credit of Fund 3BC0 and appropriated to line item 887604 consist of federal grants awarded to the Board for the purpose of planning, implementing, and enhancing Ohio's prescription monitoring program, known as the Ohio Automated Rx Reporting System (OARRS) was first authorized by Sub. H.B. 377 of the 125th General Assembly. The Act, which became effective May 2005, permitted the Board to establish and maintain an electronic database to monitor the misuse and diversion of controlled substances and certain dangerous drugs, but was silent on how

the drug database and its related costs would be funded. The program began full operation in October 2006.

Under OARRS, each pharmacy licensed as a terminal distributor of dangerous drugs that dispenses drugs to patients in the state and each wholesale distributor of dangerous drugs that delivers drugs to prescribers in the state are required to submit certain prescription and purchase information to the Board for entry into the database. As of December 2008, the database included approximately 39 million prescription records for 8.6 million patients.<sup>2</sup> Since the program's inception, law enforcement officers have made almost 17,000 requests for database information. Prescribers and pharmacists have also submitted more than 456,000 requests for information from the database relating to client patients.

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<sup>2</sup> Records are deleted weekly so that only two years of data is in the database at any one time. Records are added twice a month, which is the frequency that pharmacies are required to report.

## APPENDIX

**Controlling Board-Authorized Appropriation Increases**

Since the budget's enactment, the Board of Pharmacy has received two Controlling Board-authorized appropriation increases, as summarized in Table 10 below, both for the purpose of expending federal funding in support of the prescription monitoring program known as OARRS.

<b>Table 10. Controlling Board-Authorized Appropriation Increases</b>				
<b>Fund</b>	<b>ALI and Name</b>		<b>FY 2010</b>	<b>FY 2011</b>
<b>Federal Special Revenue Fund (FED) Group</b>				
3CT0	887606	2008 Developing/Enhancing PMP	\$400,000	\$400,000
3DV0	887607	Enhancing Ohio's PMP	\$400,000	\$400,000

On July 27, 2009, the Controlling Board approved the Pharmacy Board's request to establish appropriation authority in the amount of \$400,000 in each of FYs 2010 and 2011 for federal Fund 3CT0, line item 887606. On August 24, 2009, the Controlling Board approved the Pharmacy Board's request to create new Fund 3DV0, and establish appropriation authority in the amount of \$400,000 in each of FYs 2010 and 2011 for related line item 887607.

According to Pharmacy Board staff, these appropriation requests corrected an oversight which occurred during the budgetary planning process. The two above-noted federal line items (887606 and 887607) are used for the same purpose as the Pharmacy Board's existing budgeted line item 887604, Dangerous Drugs Database, and utilize the same federal funding source. However, in order to make compliance with federal reporting requirements easier, it was deemed prudent to track multiple federal dangerous drugs database grants by separating the receipts and expenditures attributable to each grant into separate line items.

**FY 2010 - 2011 Final Appropriation Amounts**

**All Fund Groups**

<i>Line Item Detail by Agency</i>			<i>FY 2008</i>	<i>FY 2009</i>	<i>FY 2010 Appropriations</i>	<i>% Change FY09 - FY10</i>	<i>FY 2011 Appropriations</i>	<i>% Change FY10 - FY11</i>
<b>Report For: Main Operating Appropriations Bill</b>			<b>Version: Enacted</b>					
<b>PRX State Board of Pharmacy</b>								
4A50	887605	Drug Law Enforcement	\$ 70,959	\$ 58,393	\$ 75,500	29.30%	\$ 75,500	0.00%
4K90	887609	Operating Expenses	\$ 5,223,813	\$ 5,471,069	\$ 5,000,000	-8.61%	\$ 5,000,000	0.00%
<b>General Services Fund Group Total</b>			<b>\$ 5,294,772</b>	<b>\$ 5,529,462</b>	<b>\$ 5,075,500</b>	<b>-8.21%</b>	<b>\$ 5,075,500</b>	<b>0.00%</b>
3BC0	887604	Dangerous Drugs Database	\$ 371,375	\$ 270,150	\$ 493,164	82.55%	\$ 500,891	1.57%
3CT0	887606	2008 Developing/Enhancing PMP	\$0	\$ 43,122	\$0	N/A	\$0	N/A
<b>Federal Special Revenue Fund Group Total</b>			<b>\$ 371,375</b>	<b>\$ 313,272</b>	<b>\$ 493,164</b>	<b>57.42%</b>	<b>\$ 500,891</b>	<b>1.57%</b>
<b>State Board of Pharmacy Total</b>			<b>\$ 5,666,147</b>	<b>\$ 5,842,734</b>	<b>\$ 5,568,664</b>	<b>-4.69%</b>	<b>\$ 5,576,391</b>	<b>0.14%</b>