

BOARD OF PHARMACY

Expenditure	Actual FY 2015	Agency Est. FY 2016	Gov. Rec. FY 2016	Agency Est. FY 2017	Gov. Rec. FY 2017
Operating Expenditures:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	1,006,901	1,911,444	1,911,444	1,421,336	1,399,519
TOTAL	\$ 1,006,901	\$ 1,911,444	\$ 1,911,444	\$ 1,421,336	\$ 1,399,519
Capital Improvements:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	\$ 1,006,901	\$ 1,911,444	\$ 1,911,444	\$ 1,421,336	\$ 1,399,519

Percentage Change:

Operating Expenditures					
State General Fund	-- %	-- %	-- %	-- %	-- %
All Funds	(6.7)	89.8	89.8	(25.6)	(26.8)
FTE Positions	9.0	9.0	9.0	10.0	10.0
Non-FTE Perm.Uncl.Pos.	2.0	2.0	2.0	2.0	2.0
TOTAL	11.0	11.0	11.0	12.0	12.0

AGENCY OVERVIEW

The Board of Pharmacy is responsible for the enforcement of the Pharmacy Act and the Controlled Substance Act. The mission of the Board is to ensure that all persons and entities conducting business relating to the practice of pharmacy in Kansas are properly licensed and registered, to protect public health, safety, and welfare, and to promote understanding of pharmacy related practices. The seven member Board is appointed by the Governor for overlapping four year terms and is composed of six licensed pharmacists and one public member.

The Board licenses and registers approximately 19,000 persons and entities, including issuing and renewing licenses, evaluating and approving continuing education programs, investigating complaints against license holders, and claims of unlawful practice. The Board is empowered to revoke or suspend licenses and to place licensees on probation. Fines assessed to persons and entities are collected by the Board of Pharmacy and deposited into the State General Fund. The Board is financed through fees assessed for annual renewals, registration of pharmacy-related businesses, pharmacist examinations, score certifications, license verifications and federal grants.

MAJOR ISSUES FROM PRIOR YEARS

The **2005 Legislature** passed HB 2077, which requires the agency to establish a cancer drug repository to allow for drugs to be donated and dispensed to cancer patients. The program is voluntary to all participants.

The **2005 Legislature** also passed SB 27 (the Sheriff Matt Samuels Bill), which requires any product containing ephedrine or pseudoephedrine in starch tablet or gel-coated starch tablet form be listed as a Schedule V controlled substance. The law also requires the agency to gather information and detect trends with regard to illicit drug activity so that recommendations could be made regarding future controls of commonly abused chemicals.

SB 27 made all forms of over-the-counter ephedrine and pseudoephedrine Schedule V controlled substances in Kansas. The drugs can only be sold at pharmacies and customers cannot have direct access to any of these products. The law also made it a class A nonperson misdemeanor for any person to purchase, receive or otherwise acquire more than 3.6 grams in a single transaction, or more than 9.0 grams within any 30-day period.

The **2008 Legislature** passed HB 2578, the Utilization of Unused Medication Act, which creates a voluntary program in which adult-care homes, mail service pharmacies, and medical care facilities can donate unused medications to indigent health clinics, federally qualified health centers, or community health centers for distribution to medically indigent Kansas residents. The agency assisted the Kansas Department of Health and Environment in establishing a clearinghouse whereby all drugs could be donated to one location.

The **2008 Legislature** also passed the House Sub. for SB 491, which created the Prescription Drug Monitoring Program to monitor Schedule II through Schedule IV substances and other drugs of concern. The agency is required to develop and maintain a database of prescriptions for controlled substances and drugs of concern as a tool for pharmacists to monitor for patients misusing, abusing, or diverting controlled substances.

The **2009 Legislature** authorized the creation of a statewide electronic logging system for the sale of methamphetamine precursors in pharmacies. The legislation required the agency to establish and provide the electronic system at no cost to the pharmacy. The Legislature did not fund the project, but the agency did receive permission to accept donations, gifts or grants for funding of this project.

The **2009 Legislature** also permitted the agency to fingerprint or perform a background check on any original or reinstatement license applicant as a consumer protection action. Applicants are required to pay the fee associated with a Kansas Bureau of Investigation fingerprint or background check. The agency collects these funds, which then go directly to the Kansas Bureau of Investigation.

The **2010 Legislature** expanded the Unused Medication Act to permit out of state mail order pharmacies to donate unused drugs.

The **2012 Legislature** passed SB 134 which requires the agency to conduct a study, in consultation with industry, on electronic transmission of prior authorization and step therapy programs relating to prescription medication. The study was to be completed and submitted to the Legislature by January 15, 2013. The agency also is authorized to conduct pilot projects for new technology implementation when necessary, but no state monies may be used for the pilot projects.

SB 134 also expanded the Prescription Drug Monitoring Program to send information to physicians, dispensers, and law enforcement if a patient appears to be misusing, abusing, or diverting controlled substances. The law allows medical examiners to access the Prescription Drug Monitoring Program to investigate and determine cause of death.

In addition, SB 134 authorized the agency to apply for and accept grants, and to accept any donations, gifts, or bequests to further the Prescription Drug Monitoring Program. Any funding received by the agency is submitted for deposit to the State Treasury to the credit of Non-Federal Gifts and Grants Fund of the agency.

The **2014 Legislature** passed the Senate Sub. for HB 2146, which gives the agency authority to require pharmacy technicians to pass examinations and meet continuing education requirements and requires the agency to license pharmacy interns. The bill also added collaborative drug therapy management as a class of pharmacy practice, eliminated single registration for manufacturers and distributors operating multiple facilities, and changed the timing for license renewals.

BUDGET SUMMARY AND KEY POINTS

FY 2016 – Current Year. The **agency** requests a revised estimate of \$1,911,444, all from special revenue funds in FY 2016. The revised estimate is an increase of \$641,877, or 50.6 percent, above the FY 2016 approved amount due to available federal funding for the Prescription Monitoring Program which was not guaranteed at the time the previous request was approved.

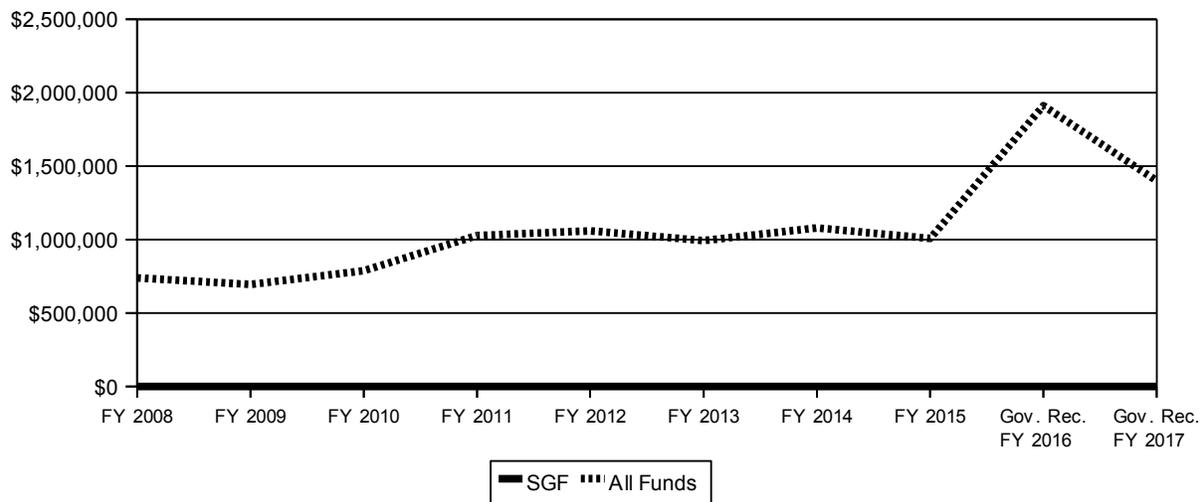
The **Governor** concurs with the agency's revised estimate.

FY 2017 – Budget Year. The **agency** requests a revised estimate of \$1,421,336, all from special revenue funds for FY 2017. This is an increase of \$282,448, or 24.8 percent, above the FY 2017 approved amount. The increase is due to supplemental requests for FY 2017 including \$21,817 in salaries and wages to align the Executive Director salary with the market value of a preferred pharmacist or attorney candidate, \$208,431 to adequately fund Kansas Tracking and Reporting of Controlled Substances (K-TRACS), \$43,200 for costs related to a new licensing software vendor, and \$9,000 to cover increases in rates for contractual services. The supplemental request also includes an additional 1.0 FTE position for a K-TRACS Director and Grant Program Manager. Without the supplemental requests, there is no change from the approved amount.

The **Governor** concurs with the agency's revised base estimate. The Governor recommends supplemental funding of \$260,631, all from the Pharmacy Fee Fund for FY 2017, including the additional 1.0 FTE position requested. The recommendation includes \$43,200 for increased costs related to the new licensing software vendor, \$9,000 for contractual rate increases, and \$208,431 to support KTRACS program operations. The Executive Director salary increase is not recommended at this time.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2008 – FY 2017



OPERATING EXPENDITURES FY 2008 – FY 2017

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2008	\$ 0	%	\$ 738,748	14.7 %	6.0
2009	0	--	694,118	(6.0)	8.0
2010	0	--	787,517	13.5	8.0
2011	0	--	1,026,676	30.4	8.0
2012	0	--	1,058,908	3.1	8.0
2013	0	--	992,663	(6.3)	8.0
2014	0	--	1,079,214	8.7	7.0
2015	0	--	1,006,901	(6.7)	9.0
2016 Gov. Rec.	0	--	1,911,444	89.8	9.0
2017 Gov. Rec.	0	--	1,399,519	(26.8)	10.0
Ten-Year Change Dollars/Percent	\$ 0	-- %	\$ 660,771	89.4 %	4.0

Summary of Operating Budget FY 2015 - FY 2017

	Actual 2015	Agency Estimate				Governor's Recommendation			
		Estimate FY 2016	Estimate FY 2017	Dollar Change from FY 16	Percent Change from FY 16	Rec. FY 2016	Rec. FY 2017	Dollar Change from FY 16	Percent Change from FY 16
By Program:									
Administration	\$ 1,006,901	\$ 1,911,444	\$ 1,421,336	\$ (490,108)	(25.6) %	\$ 1,911,444	\$ 1,399,519	\$ (511,925)	(26.8) %
By Major Object of Expenditure:									
Salaries and Wages	\$ 648,116	\$ 747,889	\$ 869,665	\$ 121,776	16.3 %	\$ 747,889	\$ 847,848	\$ 99,959	13.4 %
Contractual Services	316,866	997,205	501,571	(495,634)	(49.7)	997,205	501,571	(495,634)	(49.7)
Commodities	10,372	19,600	23,350	3,750	19.1	19,600	23,350	3,750	19.1
Capital Outlay	31,547	146,750	26,750	(120,000)	(81.8)	146,750	26,750	(120,000)	(81.8)
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	\$ 1,006,901	\$ 1,911,444	\$ 1,421,336	\$ (490,108)	(25.6) %	\$ 1,911,444	\$ 1,399,519	\$ (511,925)	(26.8) %
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	0	--	0	0	0	--
TOTAL	\$ 1,006,901	\$ 1,911,444	\$ 1,421,336	\$ (490,108)	(25.6) %	\$ 1,911,444	\$ 1,399,519	\$ (511,925)	(26.8) %
Financing:									
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	-- %	\$ 0	\$ 0	\$ 0	-- %
State Board of Pharmacy Fee Fund	936,069	1,209,866	1,421,336	211,470	17.5	1,209,866	1,399,519	189,653	15.7
SAMSHA PMP Integration Fund	40,778	310,926	0	(310,926)	(100.0)	310,926	0	(310,926)	(100.0)
Harold Rogers Prescription Fund	26,150	390,652	0	(390,652)	(100.0)	390,652	0	(390,652)	(100.0)
Litigation Fund	3,904	0	0	0	--	0	0	0	--
TOTAL	\$ 1,006,901	\$ 1,911,444	\$ 1,421,336	\$ (490,108)	(25.6) %	\$ 1,911,444	\$ 1,399,519	\$ (511,925)	(26.8) %

BUDGET OVERVIEW

A. FY 2016 – Current Year

Adjustments to Approved Budget

CHANGE FROM APPROVED BUDGET					
	Legislative Approved FY 2016	Agency Estimate FY 2016	Agency Change from Approved	Governor Rec. FY 2016	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	1,269,567	1,911,444	641,877	1,911,444	641,877
TOTAL	\$ 1,269,567	\$ 1,911,444	\$ 641,877	\$ 1,911,444	\$ 641,877
FTE Positions	9.0	9.0	0.0	9.0	0.0

The **agency** requests a revised estimate of \$1,911,444, all from special revenue funds. The revised estimate is an increase of \$641,877, or 50.6 percent, all from federal grant funding, above the FY 2016 approved amount. The increase includes a federal grant of \$310,926 from the Substance Abuse and Mental Health Services Administration (SAMSHA), which has been extended to September 29, 2016. This is \$251,225, or 420.8 percent, above the FY 2016 approved amount. The increase also includes \$390,652 remaining from the Harold Roger PMP Enhancement grant, which was not included in the FY 2016 approved amount. Funding from both federal grants are planned to be passed through to outside vendors for the Prescription Monitoring Program.

The **Governor** concurs with the agency's revised estimate.

Governor's Allotments

The 2015 Legislature, through the enactment of Senate Sub. for HB 2135, authorized the Director of the Division of the Budget to lapse appropriations or transfer funding from special revenue funds to the State General Fund (SGF), up to a total of \$100.0 million, at any time during FY 2016 if the Director determines the unencumbered ending balance of the SGF for FY 2016 will be less than \$100.0 million. This authority does not apply to appropriations for the Judicial Branch, Legislative Branch agencies, debt service, employer contributions to the Kansas Public Employees Retirement System (KPERs), the Department of Education (except the agency's operating expenditures account), or demand transfers to the school district capital improvements fund. On July 30, 2015, the Director announced various SGF lapses and transfers totaling \$60.7 million of which \$17.7 million require legislative approval.

On November 6, 2015, the Consensus Revenue Estimating Group met to revise the SGF Revenue Estimate for FY 2016. The estimate was decreased by \$159.1 million, for FY 2016. Excluding Governor recommended legislative adjustments, the ending balance for FY 2016 was estimated to require \$135.9 million in adjustments to achieve a zero ending balance.

This estimate assumes that human services caseloads are funded at the recommended level and school finance KPERs contributions are reduced to reflect current estimates. As a result, on November 6, 2015 the Director exercised his authority under Senate Sub. for HB 2135 to make an additional \$56.9 million in revenue adjustments. The Governor further made \$52.6 million in expenditure reductions under the Governor's allotment authority. Finally, the Governor recommended the Legislature make an additional \$14.3 million in revenue adjustments.

Between the July and November adjustments, the Governor has reduced expenditures by a total of \$73.2 million, made \$79.4 million in revenue adjustments, and recommended the Legislature enact an additional \$32.0 million through the allotment authority and authority under 2015 Senate Sub. for HB 2135 or the special allotment statute. These adjustments, including the recommended Legislative adjustments, would result in a State General Fund ending balance of approximately \$5.6 million in FY 2016. This estimate excludes monthly SGF receipts subsequent to the November 6, 2015 consensus revenue estimate and any further adjustments made within the FY 2016 Governor's Budget Recommendation. The impact of these adjustments on this agency is described below.

GOVERNOR'S ALLOTMENTS			
Allotment	SGF	All Funds	FTE
July Special Allotment			
State Board of Pharmacy Fee			
Fund Transfer	\$ 0	\$ (800,000)	0.0
TOTAL	\$ 0	\$ (800,000)	0.0

B. FY 2017 – Budget Year

Adjustments to Approved Budget

CHANGE FROM APPROVED BUDGET					
	Legislative Approved FY 2017	Agency Estimate FY 2017	Agency Change from Approved	Governor Rec. FY 2017	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	1,138,888	1,421,336	282,448	1,399,519	260,631
TOTAL	\$ 1,138,888	\$ 1,421,336	\$ 282,448	\$ 1,399,519	\$ 260,631
FTE Positions	9.0	10.0	1.0	10.0	1.0

The **agency** requests a revised estimate of \$1,421,336, all from special revenue funds. This is an increase of \$282,448, or 24.8 percent, above the FY 2017 approved amount. There is also an increase of 1.0 FTE position. The increase includes supplemental requests for FY 2017 detailed in the section below. Without the supplemental requests, there is no change from the approved amount.

The **Governor** concurs with the agency's revised base estimate. The Governor recommends supplemental funding of \$260,631, all from the Pharmacy Fee Fund for FY 2017, including the additional 1.0 FTE position as detailed in the section below.

Supplemental Detail

FY 2017 SUPPLEMENTALS							
Supplementals	Agency Estimate			Governor's Recommendation			
	SGF	All Funds	FTE	SGF	All Funds	FTE	
Director Salary	\$ 0	\$ 21,817	0.0	\$ 0	\$ 0	0.0	
KTRACS Program	0	208,431	1.0	0	208,431	1.0	
Licensing Software							
Vendor Costs	0	43,200	0.0	0	43,200	0.0	
IT Rate Increases	0	9,000	0.0	0	9,000	0.0	
TOTAL	\$ 0	\$ 282,448	1.0	\$ 0	\$ 260,631	1.0	

The **agency** requests \$282,448 in additional funding for FY 2017, all from special revenue funds. The agency also requests 1.0 additional FTE position.

An additional \$21,817 is requested in salaries and wages for a salary increase for the Executive Director position. This is necessary to align the salary with the market value of a preferred pharmacist or attorney candidate.

A total of \$208,431 is requested to adequately fund the KTRACS prescription monitoring program. This amount includes \$65,931 and 1.0 FTE for a KTRACS Director and Grant Program Manager, \$140,000 for contractual services, (which includes maintenance, support, and hosting of the KTRACS software which was funded by the National Board in the past), and \$2,500 in commodities for additional office supplies.

Additional contractual services of \$43,200 are requested to cover ongoing maintenance, support, and hosting costs charged by a new licensing software vendor. The software purchase is planned in FY 2016 with existing appropriations.

The last supplemental request is for \$9,000 and is needed to cover increases in rates for current Information Technology (IT) services from OITS and the Accounting, Payroll, and Budget System. The agency does not have internal IT staff.

The **Governor** recommends supplemental funding of \$260,631, all from the Pharmacy Fee Fund for FY 2017, including the additional 1.0 FTE position requested. The recommendation includes \$43,200 for increased costs related to the new licensing software vendor, \$9,000 for contractual rate increases, and \$208,431 to support KTRACS program operations. The Executive Director salary increase of \$21,817 is not recommended at this time.

Funding Sources

Funding Source	Agency Est. Percent of Total FY 2017	Gov. Rec. Percent of Total FY 2017
State Board of Pharmacy Fee Fund	100.0 %	100.0 %

Note: Details may not add to totals due to rounding.

State Board of Pharmacy Fee Fund Analysis

The State Board of Pharmacy Fee Fund receives fees from the licensing of pharmacists, pharmacy technicians, pharmacies, drug manufacturers and distributors, and retail dealers, as well as the administration of pharmacist licensing examinations. Licenses and permits are renewed on an biennial basis.

Historically, the agency's cash flow fluctuated throughout the year because different classes of licenses expired on dates established by statute. The **2014 Legislature** eliminated these set expiration dates and empowered the Board to set the renewal schedule for licensees. Pharmacists and pharmacy technicians will continue to renew biennially, with odd-numbered licenses and registrations renew in odd-numbered years and even-numbered registrations renew in even-numbered years.

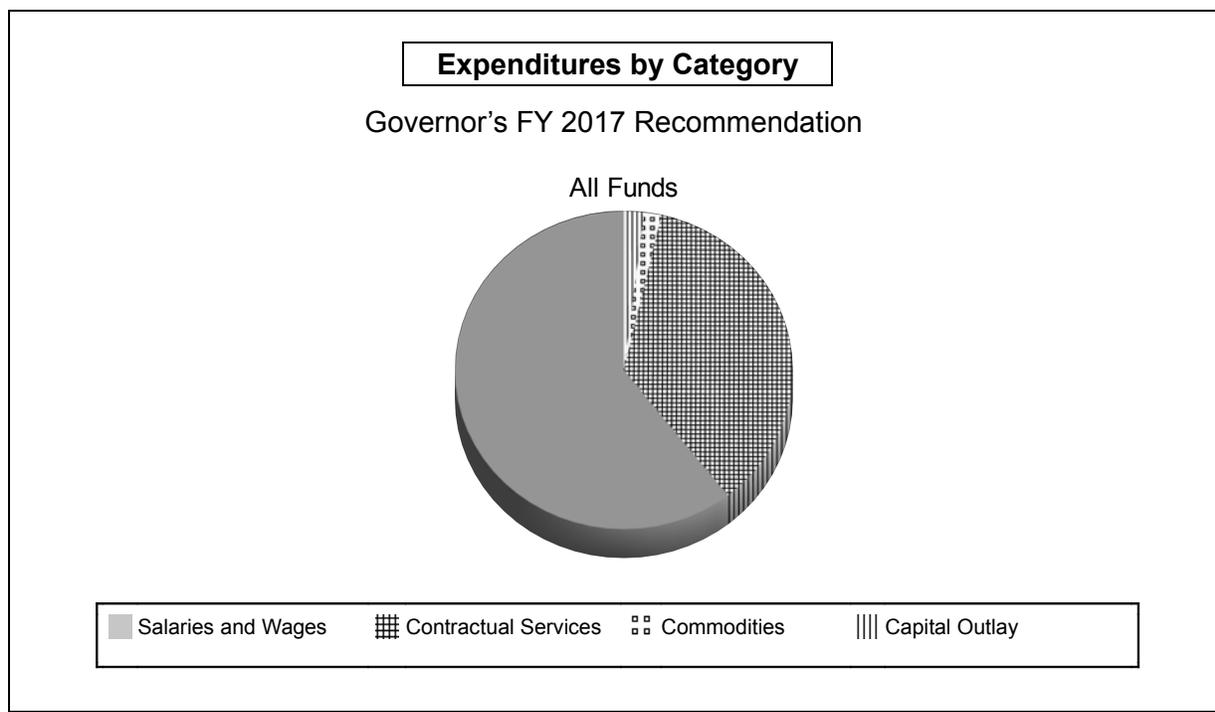
Additionally, in order to address the growing balance in the Fee Fund, the Board reduced all application, renewal, and late fees by 20 percent, effective July 1, 2014.

As a fee funded agency, the Board currently contributes the lesser of 10 percent or \$100,000 of fee revenue to the State General Fund for the cost of support services provided by other state agencies under KSA 75-3170a. The table below summarizes estimated receipts and fund balances based upon the agency estimate and the Governor's recommendation. The transfers out in FY 2016 reflect a \$800,000 transfer to the State General Fund, which was part of the Governor's July Special Allotment.

<u>Resource Estimate</u>	<u>Actual FY 2015</u>	<u>Agency Estimate FY 2016</u>	<u>Gov. Rec. FY 2016</u>	<u>Agency Estimate FY 2017</u>	<u>Gov. Rec. FY 2017</u>
Beginning Balance	\$ 2,196,493	\$ 2,336,094	\$ 2,336,094	\$ 1,365,228	\$ 1,365,228
Revenue	1,061,452	1,039,000	1,039,000	1,040,000	1,040,000
Transfers in	14,218	0	0	0	0
Total Funds Available	\$ 3,272,163	\$ 3,375,094	\$ 3,375,094	\$ 2,405,228	\$ 2,405,228
Less: Expenditures	936,069	1,209,866	1,209,866	1,421,336	1,399,519
Transfers Out	0	800,000	800,000	0	0
Off Budget Expenditures	0	0	0	0	0
Ending Balance	<u>\$ 2,336,094</u>	<u>\$ 1,365,228</u>	<u>\$ 1,365,228</u>	<u>\$ 983,892</u>	<u>\$ 1,005,709</u>
Ending Balance as Percent of Expenditures	249.6%	112.8%	112.8%	69.2%	71.9%
Month Highest Ending Balance	June \$ 2,336,696	June \$ 2,486,803	June \$ 2,486,803	June \$ 1,455,562	June \$ 1,455,562
Month Lowest Ending Balance	April \$ 1,748,681	April \$ 1,861,015	April \$ 1,861,015	April \$ 1,089,279	April \$ 1,089,279

BOARD OF PHARMACY FEES - FY 2016					
<u>License Class</u>	<u>Initial Fee</u>	<u>Online Renewal Fee</u>	<u>Paper Renewal Fee</u>	<u>Late Fee</u>	
Pharmacists (Exam)	\$ 40	\$ 126	\$ 120	\$ 160	
Pharmacists (Reciprocity)	64	126	120	160	
Pharmacy	112	105	100	100	
Intern	50	N/A	N/A	N/A	
Manufacturer	240	249	240	240	
Distributor	240	249	240	240	
NPD Distributor	40	43	40	40	
Research and Teaching	40	43	40	40	
Analytical Lab	40	43	40	40	
Ambulance	20	22	20	20	
Retail Dealer	9.60	11.60	9.60	9.60	
Institutional Drug Room	20	18	16	16	
Technician	70	22	20	N/A	
Sample Distributor	24	26	24	24	
DME Provider	240	249	240	240	
Non-Resident Pharmacy	112	105	100	100	

PROGRAM DETAIL



Category	Gov. Rec. All Funds FY 2017	Percent of Total	Gov. Rec. SGF FY 2017	Percent of Total
Salaries and Wages	\$ 847,848	60.6 %	\$ 0	-- %
Contractual Services	501,571	35.8	0	--
Commodities	23,350	1.7	0	--
Capital Outlay	26,750	1.9	0	--
TOTAL	\$ 1,399,519	100.0 %	\$ 0	-- %

FTE POSITIONS BY PROGRAM FY 2015 – FY 2017

Program	Actual FY 2015	Agency Est. FY 2016	Gov. Rec. FY 2016	Agency Est. FY 2017	Gov. Rec. FY 2017
Administration	9.0	9.0	9.0	10.0	10.0

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2015	Actual FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Number of active pharmacist licenses	5,197	5,197	5,364	5,364
Number of complaints received	170	320	210	210
Number of inspections performed	901	901	925	925
Number of disciplinary actions imposed	50	190	75	75