Arizona State Board of Pharmacy

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	22.4	22.4	22.4
Personal Services	1,278,300	1,515,200	1,515,200
Employee Related Expenditures	457,900	549,700	549,700
Professional and Outside Services	178,100	157,000	157,000
Travel - In State	62,700	65,200	65,200
Travel - Out of State	4,300	4,200	4,200
Other Operating Expenditures	420,900	344,300	344,300
Equipment	75,200	4,000	4,000
OPERATING SUBTOTAL	**2,477,400**	**2,639,600**	**2,639,600**
SPECIAL LINE ITEMS			
Prescriber Report Card	0	50,000	50,000
AGENCY TOTAL	**2,477,400**	**2,689,600**	**2,689,600** 1/2/
FUND SOURCES			
Other Appropriated Funds			
Arizona State Board of Pharmacy Fund	2,477,400	2,689,600	2,689,600
SUBTOTAL - Other Appropriated Funds	2,477,400	2,689,600	2,689,600
SUBTOTAL - Appropriated Funds	**2,477,400**	**2,689,600**	**2,689,600**
Other Non-Appropriated Funds	1,787,100	362,400	362,400
TOTAL - ALL SOURCES	4,264,500	3,052,000	3,052,000

AGENCY DESCRIPTION - The board licenses, regulates, and conducts examinations of pharmacists and issues permits to distributors of approved medications. The board also educates pharmacists and the general public on the proper distribution and use of these medications.

FOOTNOTES

1/ **NEW** On or before September 30, 2021, the state board of pharmacy shall submit a report to the joint legislative budget committee on the progress of the department's implementation of recommendations included in the auditor general's September 2020 report, including recommendations regarding policies and procedures for verifying possession of fingerprint clearance cards, ensuring continuing education requirements are met, documenting complaint jurisdiction, meeting inspection time frames, and enforcement of compliance with the Controlled Substances Prescription Monitoring Program requirements. The report shall include information regarding the board's review of its direct and indirect costs and its determination of the appropriate license and permit fees.

2/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes $2,639,600 and 22.4 FTE Positions from the Arizona State Board of Pharmacy Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

Prescriber Report Card

The Baseline includes $50,000 from the Arizona State Board of Pharmacy Fund in FY 2022 for the Prescriber Report Card program. This amount is unchanged from FY 2021.

This line item funds the development of opioid prescriber report cards as part of the Controlled Substances Prescription Monitoring Program (CSPMP). The prescriber report cards include detailed information comparing a practitioner's history of prescribing controlled substances with peers in a similar practice.

Other Issues

Auditor General Report

In September 2020, the Auditor General published a Board of Pharmacy audit that included recommendations for improvements to the board's policies and procedures for verifying possession of fingerprint clearance cards, ensuring continuing education requirements are met, documenting complaint jurisdiction, meeting inspection time frames, and enforcement of compliance with CSPMP requirements.

The audit also found that the board does not charge license and permit fees based on the cost of providing services and included a recommendation that the board conduct a review and adjust its fees accordingly. This was based on an examination of the board's fees for each license type compared to the potential workload required for processing each type of application, a lack of documentation from the board on its overall fee-setting process, and the board's current fee revenue compared to its expenditures.

In its response to the audit, the board agreed with the findings of the Auditor General and plans to implement new policies and procedures to address different outcomes. Specifically, the board will work to review the direct and indirect costs for its regulatory processes and determine the appropriate license and permit fees.

Large Fund Balances

The JLBC Staff has identified several regulatory agencies as having a large fund balance above $5,000,000. The Board of Pharmacy Fund had an ending fund balance of $8,669,300 at the end of FY 2020, or 350% of their total FY 2020 expenditures of $2,477,400. Ongoing FY 2021 revenues are projected to be $3,207,400, in comparison to an FY 2021 appropriation of $2,689,600. Therefore, the fund balance will likely continue to rise.

The Legislature may consider the following options to address the board's fund balance: 1) allow the agency to retain the current balance; 2) increase the agency's spending authority to spend down a portion of the balance; 3) require the agency to adopt a fee holiday to limit revenue collections for a period of time; and/or 4) transfer a portion of the fund balance to the General Fund.

In FY 2021, the board requested $163,700 and 1 FTE Position from the Board of Pharmacy Fund to fund pay raises for board employees, building security costs, one-time employee training costs, and to hire a legal secretary. The board did not receive any additional funding in the FY 2021 budget. In FY 2022, the board is requesting $597,900 and 3 FTE Positions to fund additional compliance officers and for performance-based compensation adjustments. This proposal would not significantly reduce the fund balance.

Additionally, Executive Order 2020-17 instructed regulatory agencies to waive licensing fees at their discretion due to the impacts of COVID-19. This executive order is up for review every 2 weeks and is currently still in effect. The board has not provided information on whether they plan to implement a fee moratorium.

In FY 2008 and FY 2009, the budget transferred a portion of regulatory board fund balances to the General Fund. The affiliated professional associations filed a lawsuit against to the state to recover the transferred funds. The case was ruled in favor of the state in the Superior Court and Court of Appeals. The Supreme Court declined to hear the case.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
Arizona State Board of Pharmacy Fund (PMA2052/A.R.S. § 32-1907)		**Appropriated**
Source of Revenue: Monies collected by the board from the examination and licensing of pharmacies and pharmacists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate pharmacies and pharmacists, and for board administration. Pursuant to A.R.S. § 32-1907 up to $1,000,000 may be transferred to the Arizona Poison and Drug Information Center. Additionally, $500,000 may be transferred to the Controlled Substance Prescription Monitoring Program Fund. These transfers are a "transfer out" and are not displayed in expenditures to avoid double counting.		
Funds Expended	2,477,400	2,689,600
Year-End Fund Balance	8,669,300	8,487,100

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate

Controlled Substances Prescription Monitoring Program Fund (PMA2359/A.R.S. § 36-2605) **Non-Appropriated**

Source of Revenue: Legislative appropriations, transfers from the Arizona State Board of Pharmacy Fund, and any grants, gifts, or donations. Includes a distribution of CDC grant monies received through the Arizona Department of Health Services. Up to $500,000 can be transferred from the Arizona State Board of Pharmacy Fund each year, according to A.R.S. § 32-1907. The transfer is not displayed in the Arizona State Board of Pharmacy Fund expenditures to avoid double counting.

Purpose of Fund: For program expenses, which include automated tracking of controlled substances, assisting law enforcement in identifying illegal use of controlled substances, and providing information to patients, medical practitioners, and pharmacists.

Funds Expended	1,787,100	362,400
Year-End Fund Balance	983,200	2,806,100

Federal Grants (PMA2000/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: Direct federal reimbursements and grants.

Purpose of Fund: Reimbursements for services provided to the federal government.

Funds Expended	0	0
Year-End Fund Balance	4,800	4,800