
MEMORANDUM

Legislative Fiscal Office
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To: Education Subcommittee

From: Kim To, Legislative Fiscal Office
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Date: April 27, 2015

Subject: Senate Bill 5530 – Board of Pharmacy
Work Session Recommendations

Board of Pharmacy – Agency Totals

	2011-13 Actual	2013-15 Legislatively Approved	2015-17 Current Service Level	2015-17 LFO Recommended
Other Funds	4,684,935	5,957,609	6,164,443	6,892,573
Total Funds	\$4,684,935	\$5,957,609	\$6,164,443	\$6,892,573
Positions	18	19	19	20
FTE	17.75	19.00	19.00	20.00

The 2015-17 LFO recommended budget for the Board of Pharmacy is 20 positions (20.00 FTE), and \$6,892,573 Other Funds. This is a 15.7% increase from 2013-15 Legislatively Approved Budget. Attached are the recommendations from the Legislative Fiscal Office for the Board of Pharmacy. It contains the following:

Adjustments to Current Service Level:

See attached “Work Session Presentation Report” dated 4/23/2015.

- Package 100: Personnel Management – Increase Other Funds expenditures by \$363,604 to fund: (1) a pay line exception approved by the Department of Administrative Services; (2) a new full-time Program Analyst 1 position in the Licensing Division as recommended in a 2012 Operational Review.
- Package 101: Business Improvement Database Upgrade – Increase Other Funds by \$316,756 (\$275,000 of which is a one-time cost) to fund the replacement of the Board’s System Automation (SA) License 2000 software. This package would be funded using one-time revenues from a civil penalty of over \$500,000 collected by the Board.
- Package 102: IT Professional Services – Increase Other Funds expenditures by \$25,000 for costs associated with an increase in Professional Liability Insurance.
- Package 103: Paperless Records Retention Part 2 – Increase Other Funds expenditures by \$22,770 to continue the Board’s Paperless Records Retention project that began in 2013-15. This increase will fund usage-based fee charged

by the Secretary of State's Archives Division for use of the Oregon Records Management Solution (ORMS).

- Package 104: Medical Lab Testing – Not recommended. This package requested \$50,000 Other Funds limitation to cover medical lab testing for compounded prescriptions. The package anticipated the possibility that under the Drug Quality Security Act passed by Congress and signed into law in 2013 the Federal Drug Administration (FDA) may require the Board to test compounded drugs to ensure their safety for the public. So far the FDA has not required such testing, and the plan and timeline for doing so has not been established by the FDA.
- Package 105: Merchant Fees – Not recommended. The Board requests \$25,000 Other Funds limitation for merchant fees paid to US Bank, which provides a platform for licensees to securely pay application and renewal fees online. LFO does not recommend this request because the Board is currently absorbing these costs within its Services & Supplies limitation.
- Package 801: Revenue Reduction – Reduce Other Fund revenues by \$806,548 to provide for transition to biennial licensure for Pharmacists and Certified Pharmacy at a reduced rate. This policy option to go to biennial licensure will allow the Board to reduce its large ending balance, and to achieve workload efficiencies by adjusting renewing cycle to alternate years.

Motion on the LFO Budget Recommendations:

Senator/Representative _____ move that the Education Subcommittee approve the LFO recommendations to SB 5530.

Amendment to Appropriation Bill:

LFO recommends amending Senate Bill 5530 by the following changes:

Line 6 Delete [\$6,872,049] and insert "\$6,892,573"

Motion on the Amendment:

Senator/Representative _____ move the dash 1 amendment to SB 5530.

Performance Measures

See attached "Legislatively Proposed 2015-17 Key Performance Measures" form.

Motion on the LFO Key Performance Measure Recommendations:

Senator/Representative _____ move that the Education Subcommittee approve the LFO Key Performance Measures recommendations.

SB 5530 Final Subcommittee Action:

Final Motion:

Senator/Representative _____ move that the Education Subcommittee move SB 5530 to the Full Joint Committee on Ways and Means with a “do pass” recommendation.

Assignment of Carriers:

Full: Senator/Representative _____

House: Senator/Representative _____

Senate: Senator/Representative _____

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2013-15 Agy. Leg. Adopted	-	-	5,783,198	-	-	-	5,783,198	19	19.00
2013-15 Ebds, SS & Admin Act	-	-	174,411	-	-	-	174,411	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2013-15 Leg Approved Budget	-	-	5,957,609	-	-	-	5,957,609	19	19.00
2013-15 Leg Approved Budget (Base)	-	-	5,957,609	-	-	-	5,957,609	19	19.00
Summary of Base Adjustments	-	-	125,595	-	-	-	125,595	-	-
2015-17 Base Budget	-	-	6,083,204	-	-	-	6,083,204	19	19.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	20,737	-	-	-	20,737	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(85,000)	-	-	-	(85,000)	-	-
030: Inflation & Price List Adjustments	-	-	145,502	-	-	-	145,502	-	-
2015-17 Current Service Level	-	-	6,164,443	-	-	-	6,164,443	19	19.00
Adjusted 2015-17 Current Service Level	-	-	6,164,443	-	-	-	6,164,443	19	19.00
Total LFO Recommended Packages	-	-	728,130	-	-	-	728,130	1	1.00
2015-17 Legislative Actions	-	-	6,892,573	-	-	-	6,892,573	20	20.00
Net change from 2013-15 Leg Approved Budget	-	-	934,964	-	-	-	934,964	1	1.00
Percent change from 2013-15 Leg Approved Budget	0.0%	0.0%	15.7%	0.0%	0.0%	0.0%	15.7%	5.3%	5.3%
Net change from 2015-17 Current Service Level	-	-	728,130	-	-	-	728,130	1	1.00
Percent change from 2015-17 Current Service Level	0.0%	0.0%	11.8%	0.0%	0.0%	0.0%	11.8%	5.3%	5.3%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 100 Personnel Management

Package Description The agency requests an increase in Other Funds expenditures by \$391,602 to fund: (1) a pay line exception approved by the Department of Administrative Services; (2) a new full-time Program Analyst 1 position in the Licensing Division as recommended in a 2012 Operational Review; and (3) a new full-time Public Service Representative 3 position in anticipation of potential workload associated with the implementation of a new Practitioner Dispensing license.

LFO recommends an increase of \$363,604 , and making the following modifications (1) reducing the request by \$123,457, not funding the Public Service Representative 3 position and associated DAS EHRS contract services, due to the undetermined timeline for implementation and the unknown magnitude of workload associated with this change; and (2) including a salary differential fo \$95,459 Other Funds for the Compliance Director to align with compensation for this position with market rates adn adress salary compensation in the agency approved by the Chief Human Resources Office and became effective retroactively on July 1, 2014.

LFO Recommendation Recommended as modified

LFO Recommended	-	-	363,604	-	-	-	363,604	1	1.00
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 101 Business Improvement Database Upgrade

Package Description The agency requests an increase in Other Funds by \$287,960 (\$275,000 of which is a one-time cost) to fund the replacement of the Board's System Automation (SA) License 2000 software. This package would be funded using one-time revenues from a civil penalty of over \$500,000 collected by the Board. The Chief Information Officer estimates that vendor cost estimates from June 2014 could likely increase by 10% (resulting in total project cost of \$316,756) by the project launch.

LFO recommends including the \$28,796 adjustment recommended by the Chief Information Officer.

LFO Recommendation Recommended as modified.

LFO Recommended	-	-	316,756	-	-	-	316,756	-	-
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 102 IT Professional Services

Package Description Increase Other Funds expenditures by \$25,000 for costs associated with an increase in Professional Liability Insurance. The Board increased the Professional Liability Insurance limit as recommended by the Department of Administrative Services Risk Management. The selected vendor raised their hourly rates from \$100 to \$150 per hour, resulting in an increase to the biennial contract for these activities from \$50,00 to \$75,000.

LFO Recommendation Recommended.

LFO Recommended	-	-	25,000	-	-	-	25,000	-	-
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 103 Paperless Records Retention Part 2

Package Description Increase Other Funds expenditures by \$22,770 to continue the Board's Paperless Records Retention project that began in 2013-15. This increase will fund usage-based fee charged by the Secretary of State's Archives Division for use of the Oregon Records Management Solution (ORMS). This package will allow the Board to reduce reliance on paper records for compliance, resulting in improved efficiency and a reduced need for filing cabinets and other storage costs.

LFO Recommendation Recommended.

LFO Recommended	-	-	22,770	-	-	-	22,770	-	-
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 104 Medical Lab Testing

Package Description This package requested \$50,000 Other Funds limitation to cover medical lab testing for compounded prescriptions. The package anticipated the possibility that under the Drug Quality Security Act passed by Congress and signed into law in 2013 the Federal Drug Administration (FDA) may require the Board to test compounded drugs to ensure their safety for the public.

LFO does not recommend this package because the FDA has not required such testing, and the timeline for this potential requirement is uncertain.

LFO Recommendation Not recommended.

LFO Recommended	-	-	-	-	-	-	-	-	-
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 105 Merchant Fees

Package Description This package requested \$25,000 Other Funds limitation for merchant fees paid to US Bank, which provides a platform for licensees to securely pay application and renewal fees online.

LFO does not recommend this package because the Board is currently absorbing these costs within its Services & Supplies limitation.

LFO Recommendation Not recommended.

LFO Recommended	-	-	-	-	-	-	-	-	-
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 801 LFO Analyst Adjustments

Package Description Reduce Other Fund revenues by \$806,548 to provide for transition to biennial licensure for Pharmacists and Certified Pharmacy at a reduced rate. During the 2009-11 biennium, an accounting error was made that resulted in an understatement of the agency's projected fund balance. In response, a negative fund balance adjustment of \$423,475 was included in the budget for the 2011-13 biennium. Once the error was discovered, the actual ending balance for the 2009-11 biennium was corrected and was in fact \$845,355 higher than the original budgeted ending balance. These two items created an understatement of the agency's total available revenues for the 2011-13 biennium of \$1,268,830. Included in the budget for the 2013-15 biennium was an adjustment to the agency's beginning fund balance of \$1,268,830; an increase in available revenues equating to roughly 22% of the biennial budget for the Board of Pharmacy. In response to the corrected fund balance and at the recommendation of the Legislative Fiscal Office, the Board of Pharmacy adopted temporary fee reductions in a number of licensing categories reducing projected revenues by \$81,590 from the 2011-13 legislatively approved budget. This policy option to go to biennial licensure will allow the Board to reduce its large ending balance, and to achieve workload efficiencies by adjusting renewing cycle to alternate years.

LFO Recommendation LFO Recommended

LFO Recommended	-	-	-	-	-	-	-	-	-
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Legislatively Proposed 2015-2017 Key Performance Measures

Agency: PHARMACY, BOARD OF

Mission: The mission of the Oregon State Board of Pharmacy is to promote, preserve and protect the public health, safety and welfare by ensuring high standards in the practice of pharmacy and by regulating the quality, manufacture, sale and distribution of drugs.

Legislatively Proposed KPMs	Customer Service Category	Agency Request	Most Current Result	Target 2016	Target 2017
1 - Percent of inspected pharmacies that are in compliance annually.		Approved KPM	83.00	75.00	75.00
2 - Percent of audited pharmacists who complete continuing education on time.		Approved KPM	95.00	100.00	100.00
3 - Percent of pharmacies inspected annually.		Approved KPM	100.00	100.00	100.00
4 - Average number of days to complete an investigation from complaint to board presentation.		Approved KPM	97.00	100.00	100.00
5 - Percent of Customers Rating Their Satisfaction With the Agency's Customer Service as "Good" or "Excellent" : Overall Customer Service, Timeliness, Accuracy, Helpfulness, Expertise, and Availability of Information.	Accuracy	Approved KPM	92.00	85.00	85.00
5 - Percent of Customers Rating Their Satisfaction With the Agency's Customer Service as "Good" or "Excellent" : Overall Customer Service, Timeliness, Accuracy, Helpfulness, Expertise, and Availability of Information.	Availability of Information	Approved KPM	88.00	85.00	85.00
5 - Percent of Customers Rating Their Satisfaction With the Agency's Customer Service as "Good" or "Excellent" : Overall Customer Service, Timeliness, Accuracy, Helpfulness, Expertise, and Availability of Information.	Expertise	Approved KPM	95.00	85.00	85.00
5 - Percent of Customers Rating Their Satisfaction With the Agency's Customer Service as "Good" or "Excellent" : Overall Customer Service, Timeliness, Accuracy, Helpfulness, Expertise, and Availability of Information.	Helpfulness	Approved KPM	93.00	85.00	85.00
5 - Percent of Customers Rating Their Satisfaction With the Agency's Customer Service as "Good" or "Excellent" : Overall Customer Service, Timeliness, Accuracy, Helpfulness, Expertise, and Availability of Information.	Overall	Approved KPM	93.00	85.00	85.00

Agency: PHARMACY, BOARD OF

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Legislatively Proposed KPMs	Customer Service Category	Agency Request	Most Current Result	Target 2016	Target 2017
5 - Percent of Customers Rating Their Satisfaction With the Agency's Customer Service as "Good" or "Excellent" : Overall Customer Service, Timeliness, Accuracy, Helpfulness, Expertise, and Availability of Information.	Timeliness	Approved KPM	90.00	85.00	85.00
6 - Board Best Practices - Percent of total best practices met by the Board.		Approved KPM	100.00	100.00	100.00

LFO Recommendation:

Recommend approval of KPM and targets as presented.

Sub-Committee Action: