Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

SB 26-066: REGULATION OF COMPOUNDED WEIGHT-LOSS MEDICATION

Prime Sponsors:
Sen. Jodeh; Carson

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Published for: Senate Health & Human Services
Drafting number: LLS 26-0540

Version: Initial Fiscal Note
Date: March 3, 2026

Fiscal note status: The fiscal note reflects the introduced note. This analysis is preliminary and will be updated following further review and any additional information received.

Summary Information

Overview. The bill regulates the sale, transfer, and distribution of compounded weight-loss medications.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Revenue
- State Expenditures
- TABOR Refunds

Appropriations. For FY 2026-27, the bill requires an appropriation of $190,661 to the Department of Regulatory Agencies.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	$340,000	$340,000
State Expenditures	$242,394	$336,601
Transferred Funds	$0	$0
Change in TABOR Refunds	$340,000	$340,000
Change in State FTE	2.5 FTE	3.0 FTE

Fund sources for these impacts are shown in the tables below.

Table 1A
State Revenue

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	$0	$0
Cash Funds	$340,000	$340,000
Total Revenue	**$340,000**	**$340,000**

Table 1B
State Expenditures

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	$0	$0
Cash Funds	$190,661	$284,868
Federal Funds	$0	$0
Centrally Appropriated	$51,733	$51,733
Total Expenditures	**$242,394**	**$336,601**
Total FTE	**2.5 FTE**	**3.0 FTE**

Summary of Legislation

The bill requires that compounded versions of weight-loss medications (impacted drugs):

- use bulk drug substances that are subject to similar requirements as the federal Food and Drug Administration (FDA)-approved version of the medication;
- are manufactured in compliance with FDA processes and in facilities registered with the FDA;
- are labeled as compounded drugs not approved by the FDA and not for resale; and
- list all ingredients and specific information about them including the country of origin.

Additionally, the bill subjects promotions of impacted drugs to disclosure requirements and distributers of impacted drugs to record keeping requirements and inspections, at the discretion of the State Board of Pharmacy (board).

If the board determines that a violation has occurred, it may assess fines of up to $1,000 per dose of medication sold or revoke pharmacy or business licenses. Additionally, violations are a deceptive trade practice enforceable by the Attorney General.

Background

FDA Approval of Weight-Loss Medications

Glucagon-like peptide 1 (GLP-1) agonists can enhance the secretion of insulin. GLP-1 with the active ingredient semaglutide or tirzepatide have been shown to be especially effective for weight-loss by decreasing appetite and slowing digestion. Versions of these drugs have been approved for treating diabetes for many years. The semaglutide drug Wegovy was FDA-approved for weight loss in 2017 and the tirzepatide drug Zebound was FDA-approved for weight loss in 2023.

Availability of Compounded Versions

Compounded drugs are not FDA-approved but may be allowed if the FDA-approved version of the drug is on the FDA drug shortage list or is not available in the prescribed dose or form.

Drugs may be compounded by various types of medical facilities and there are two types of compounding pharmacies, 503As and 503Bs. 503As fulfill patient specific prescriptions, tend to operate within one state, and are mostly regulated at the state level. 503Bs manufacture drugs in bulk to sell to health care facilities in multiple states and are mostly regulated at the federal level.

FDA-approved versions of semaglutide and tirzepatide were on the FDA drug shortage list from 2022 to 2024, when demand for the drugs was surging. As a result, several producers started offering compounded versions of the drugs. As of May 2025, compounded drug producers are no longer allowed to offer versions of the drugs that closely match an FDA-approved version in dose, ingredients, or form but several have continued offering the drugs in alternative versions.

A study conducted in 2025 by two researchers over the span of three months found that there are 79 online retailers of compounded versions of weight-loss medications. These are 503B pharmacies. The fiscal note does not have data on other compounders of weight-loss medication.

State Revenue

The bill increases cash fund revenue by $340,000 starting in FY 2026-27 to the Division of Professions and Occupations (DPO) Cash Fund in Department of Regulatory Agencies (DORA) to cover the costs of monitoring the impacted drug market for compliance with the bill. The bill may also increase state revenue from court fines, civil penalties, and filing fees.

Fee Impact on Regulated Health Care Professionals

Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. Beginning in FY 2026-27, DORA will collect $340,000 in registration and renewal fees from about 340,000 regulated health care professionals each year. Due to the wide array of potential cost impacts on registered individuals across 30 regulated occupations, the fiscal note assumes that the department will increase licensing, certification, and registration fees by $1 across all professions. This proposed fee is an estimate only; actual fees will be set administratively by DORA based on the cash fund balance, estimated program costs, and the estimated number of licensees subject to the fee.

Fines and Civil Penalties

The bill allows the Board of Pharmacy to issue fines and civil penalties to be issued under the Consumer Protection Act. Under the Colorado Consumer Protection Act, a person committing a deceptive trade practice may be subject to a civil penalty of up to $20,000 for each violation. Additional penalties may be imposed for subsequent violations of a court order or injunction. Under the bill, the Board of Pharmacy may assess fines of up to $1,00 per dose of medication sold out of compliance with the bill's requirements. This revenue is classified as a damage award and not subject to TABOR. Given the uncertainty about the number of cases that may be pursued by Board of Pharmacy or the Attorney General and district attorneys, as well as the wide range in potential penalty amounts, the fiscal note cannot estimate the potential impact of these fines and civil penalties.

Filing Fees

The bill may increase revenue to the Judicial Department from an increase in civil case filings. Revenue from filing fees is subject to TABOR.

State Expenditures

The bill increases state expenditures in DORA by $242,000 in FY 2026-27 and $337,000 in future years. These costs, paid from the DPO Cash Fund, are summarized in Table 2 and discussed below. The bill also minimally affects workload in the Department of Law and Judicial Department.

Table 2
State Expenditures
Department of Regulatory Agencies

Cost Component	Budget Year FY 2026-27	Out Year FY 2027-28
Personal Services	$166,461	$166,461
Operating Expenses	$3,200	$3,200
Capital Outlay Costs	$21,000	$0
Legal Services	$0	$115,207
Centrally Appropriated Costs	$51,733	$51,733
FTE – Personal Services	2.5 FTE	2.5 FTE
FTE – Legal Services	0.0 FTE	0.5 FTE
Total Costs	**$242,394**	**$336,601**
Total FTE	**2.5 FTE**	**3.0 FTE**

Department of Regulatory Agencies

DORA will have staff and legal services costs to implement the bill; however, enforcement may run into jurisdictional hurdles. See Technical Note.

Staff

The fiscal note assumes that investigating the impacted drug market for compliance with the bill's several requirements will require at least 2.5 FTE starting in FY 2026-27. This estimate is informed by other regulatory programs in the state, as well as the research project described in the Background Section involving two researchers conducting an initial probe of the compounded pharmaceutical market over a three-month period.

Legal Services

The fiscal note assumes that DORA will need about 900 hours of legal services to develop a framework for enforcement and provide general counsel in enforcement actions, starting in FY 2027-28. Legal services are provided by the Department of Law at a rate of $138.47 per hour.

Centrally Appropriated Costs

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which may include employee insurance, supplemental employee retirement payments, indirect cost assessments, and other costs, are shown in Table 2 above.

Other Agency Impacts

Enforcement actions may increase workload in the Department of Law and the Judicial Department.

Department of Law

Workload in the Department of Law will minimally increase to the extent that deceptive trade practice complaints are filed. The department will review complaints under the bill and prioritize investigations as necessary within the overall number of deceptive trade practice complaints and available resources.

Judicial Department

Workload will increase for the trial courts in the Judicial Department to handle any challenges to agency disciplinary decisions and any cases filed under the Colorado Consumer Protection Act. Assuming most decisions will be adjudicated by the Board of Pharmacy, this impact is assumed to be minimal.

TABOR Refunds

The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by $350,000 in FY 2026-27 and future years. This estimate assumes the December 2025 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2027-28. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save in FY 2026-27, FY 2027-28, and any future years when the state is over its revenue limit.

Technical Note

The State Board of Pharmacy in the DORA does not have regulatory authority over all compounders of the medications in the bill, as medications may be compounded by any licensed prescriber, including individuals. Additionally, the bill's requirements may conflict with federal regulation of 503B pharmacies. It is currently unclear how the Board of Pharmacy would regulate all components of this bill.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature, and applies to conduct occurring on or after this date.

State Appropriations

For FY 2026-27, the bill requires an appropriation of $190,661 from the Division of Professions and Occupations Cash Fund to the Department of Regulatory Agencies, and 2.5 FTE.

State and Local Government Contacts

District Attorneys

Judicial

Law

Personnel

Regulatory Agencies