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**M E M O R A N D U M**

April 20, 2016

**TO:** Representative Joann Ginal  
**FROM:** Erin Reynolds, Fiscal Analyst (303-866-4146)  
**SUBJECT:** Fiscal Assessment of Proposed Amendment **HB1324\_L.003**.

This memorandum is an assessment of the fiscal impact of the attached proposed amendment **L.003** to **House Bill 16-1324**. This fiscal assessment is for the impact of the bill with inclusion of this amendment only. Any other added amendment could influence the fiscal impact.

**Summary of Proposed Amendment**

Amendment L.003 requires a prescription drug outlet to possess a valid manufacturing registration from the federal Drug Enforcement Administration and for a nonresident pharmacy outlet to be annually inspected by a State Board of Pharmacy-approved third-party at its own expense.

**Fiscal Impact of Amendment**

By requiring a third-party inspection of nonresident pharmacies, travel costs for the Division of Professions and Occupations in DORA to inspect these pharmacies are reduced to complaint-driven inspections. Because the fiscal note estimates that five nonresident pharmacies will seek licensure to sell compounded animal drugs to Colorado veterinarians, it is estimated that one complaint-driven inspection will be required each year at a cost of \$1,200 to cover travel expenses.

**Departmental difference.** Because DORA estimates that 30 nonresident pharmacies will seek licensure to sell compounded animal drugs to Colorado veterinarians, DORA estimates that five complaint-driven inspections will be required each year at a cost of \$6,000 to cover travel expenses.

**Bill's Revised Fiscal Impact with Amendment**

Table 1, on the following page, summarizes the fiscal impact of the bill as amended by HB16-1324\_L.003.

Consistent with the fiscal note and not impacted by Amendment L.003, state revenue will increase from fees to cover costs in DORA. In addition to the \$1,200 to cover one complaint-driven inspection, state expenditures in FY 2016-17 include legal services for 100 hours of rulemaking in the Boards of Pharmacy and Veterinary Medicine at a rate of \$95.01 per hour. Expenditures in FY 2017-18 include legal services for 320 hours of complaint adjudication, based on the estimate of 4 complaints with 80 hours of legal services each.

<b>Table 1. Fiscal Impact Summary of HB16-1324_L.003</b>		
<b>Fiscal Impact Summary</b>	<b>FY 2016-2017</b>	<b>FY 2017-2018</b>
<b>State Revenue</b>	<b><u>\$21,500</u></b>	<b><u>\$20,675</u></b>
Cash Funds	21,500	20,675
<b>State Expenditures</b>	<b><u>\$10,701</u></b>	<b><u>\$31,603</u></b>
Cash Funds	10,701	31,603
<b>TABOR Impact</b>		<b>\$20,675</b>
<b>Appropriation Required: \$10,701 – Department of Regulatory Agencies (FY 2016-17).</b>		
<b>Future Year Impacts: Ongoing revenue and expenditure increase.</b>		