

FISCAL NOTE
Requested by Legislative Council
01/14/2021

Bill/Resolution No.: SB 2212

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2019-2021 Biennium		2021-2023 Biennium		2023-2025 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$500,000		\$500,000	
Expenditures			\$2,212,644		\$670,269	
Appropriations			\$2,212,644		\$670,269	

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2019-2021 Biennium	2021-2023 Biennium	2023-2025 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB2212 will create a new section to Chapter 19-02 and a new chapter to Title 19 of NDCC to increase access to low-cost prescription drugs through importation of pharmaceuticals from Canada.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 2 of the bill requires the Department of Health to establish a wholesale prescription drug importation program requiring additional FTE and related costs.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Biennial revenue \$500,000 (\$50 x 10,000 orders): \$50 handling fee will be charged to each pharmacy/vendor placing an order for pharmaceuticals to be shipped to their business for the purpose of sale to the citizens of North Dakota.
 Additional revenue will include the manufacturer wholesale pricing charged to the customer for the pharmaceuticals. All revenue collected will be applied to offset program costs and to restock pharmaceuticals into the warehouse for use in the program

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

2021-2023 biennium expenditures - \$2,212,644
 • Salary/Fringe - \$499,806: 3 FTE – Program Manager, Hotline operators/administrative staff and salary expense for warehouse staff already working for the Department.
 • Travel/Supplies - \$16,596: In-state travel using State Fleet vehicles for local delivery of pharmaceuticals to realize shipping savings. Supplies include general office supplies (paper, pens, folders, staples) and shipping supplies

(boxes, labels, packing materials).

- Contractual - \$38,800: Consultation contracts with ND Board of Pharmacy and Dakota Drug, Inc. for assistance and to provide guidance and ensuring compliance with federal regulations and safety and effectiveness of imported drugs. We will need to ensure the program complies with transaction and tracing requirements of the Federal Food, Drug, and Cosmetic Act.
- Shipping costs - \$70,000 (\$7/bx x 10,000)
- Legal fees - \$5,000
- Maintain drug wholesale distributor license - \$800
- Rents - \$12,323
- IT costs - \$12,744
- Warehouse utilities - \$1,200
- Insurance - \$8,000
- Audit expenses - \$5,000

One-time Operating Expenses:

- Equipment - \$12,375
- Legal - \$30,000: Initial set up of program including development of policies and contracts. Review of federal, State and national laws.
- Initial inventory purchase of the Canadian drugs that would be offered to North Dakota pharmacies is estimated at \$1.5 million.

2023-2025 biennium expenditures - \$670,269

- Salary/Fringe - \$499,806: 3 FTE – Program Manager, Hotline operators/administrative staff and salary expense for warehouse staff already working for the Department.
- Travel/Supplies - \$16,596
- Contractual - \$38,800: Consultation with ND Board of Pharmacy and Dakota Drug, Inc.
- Shipping costs - \$70,000
- Legal fees - \$5,000
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- Warehouse utilities - \$1,200
- Insurance - \$8,000
- Audit expenses - \$5,000

The decrease in cost in the 2023 - 2025 biennium assumes incoming revenue would be used to purchase and replenish future inventory and at this time that amount is unknown.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

An appropriation of \$2,212,644 will be needed in the 2021 - 2023 biennium in order to operate the program since this is not reflected in SB 2004, the appropriation bill for the Department of Health.

In addition the Department of Health would need continuing appropriation authority to purchase and replenish pharmaceuticals for distribution under this program. The Department of Health would need authority to collect and deposit funding under this program.

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