

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1412-04
Bill No.: HCS for SB 284
Subject: Boards, Commissions, Committees, Councils; Drugs and Controlled Substances;
Pharmacy
Type: Original
Date: April 18, 2011

Bill Summary: Modifies the disciplinary authority of the Board of Pharmacy and defines the term legend drug for the purpose of certain pharmacy statutes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund	(Unknown)	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Conservation Commission	(Unknown)	(Unknown)	(Unknown)
Parks, and Soil and Water	(Unknown)	(Unknown)	(Unknown)
School District Trust	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration (COA) - Administrative Hearing Commission, Department of Insurance, Financial Institutions, and Professional Registration, Department of Health and Senior Services, and Department of Social Services** assume the proposal would have no fiscal impact on their agencies.

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal is less than \$2,500. The SOS does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the SOS can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the costs of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

Officials from the **Department of Elementary and Secondary Education** defer to the Department of Revenue for response regarding the potential fiscal impact of this proposal on their organization.

Officials from the **Department of Revenue** assume the proposal will have no fiscal impact on their organization. However, it will reduce total state revenue.

Officials from the **Missouri Department of Conservation (MDC)** state the proposal will have an unknown negative fiscal impact on the MDC. The Conservation Sales Tax funds are derived from a one-eighth of one percent sales and use tax pursuant to Article IV Section 43(a) of the

ASSUMPTION (continued)

Missouri Constitution. Exempting diabetic accessories and supplies prescribed by a practitioner and certain medical equipment, supplies, and devices, whether purchased or rented, from sales tax will decrease sales tax collected and thus would decrease revenue to the Conservation Sales Tax funds. The Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Officials from the **Department of Natural Resources (DNR)** state:

Sales Tax Exemption (Section 144.030):

Section 144.030.2(18) of this proposal would exempt all sales of diabetic accessories and supplies including, but not limited to, blood sugar testing monitors and test strips, lancet devices, lancets, and blood sugar control solutions, over-the-counter or non-prescription drugs which are prescribed by a physician or any medical equipment, supplies or devices which are ordered by a physician or that are otherwise paid for by insurance, the federal Medicare program or the Missouri Medicare program from state and local sales and use tax.

The DNR's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to Article IV Section 47(a) of the Missouri Constitution. Therefore, any additional sales and use tax exemption would result in a loss to the Parks and Soils Sales Tax Funds. The amount of the fiscal impact from the exemption proposed in this proposal is unknown.

Officials from the **City of Kansas City** assume the loss in sales tax revenue would not be great. However, the City cannot define its sales tax revenue to this level of detail and is unable to make a more accurate estimate of the loss as a result of this proposal.

Oversight notes that this proposal would provide a new exemption for diabetic accessories and supplies, rentals of certain medical equipment and communicative devices as prescribed by a practitioner, and for any medical equipment, supplies, or devices that are provided to a person on or by the order of a physician, or that are otherwise paid for by a third-party health insurer, Medicare, or Medicaid. In addition, the proposal exempts from sales tax nonprescription drugs prescribed by a practitioner

Oversight was not able to locate any additional information regarding the retail sales that would be affected by the changes in sales tax exemptions if this proposal is enacted. For fiscal note purposes, **Oversight** will indicate unknown revenue reductions for all impacted funds.

ASSUMPTION (continued)

Officials from the **Office of Administration - Division of Budget and Planning** did not respond to **Oversight's** request for a statement of fiscal impact.

No other local governments responded to **Oversight's** request for a statement of fiscal impact.

This proposal will reduce total state revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE FUND			
<u>Loss - Reduction in sales tax revenue</u>			
Reduction in sales taxes received from exemption of certain medical care items	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
PARKS AND SOILS SALES TAX FUND			
<u>Loss - DNR</u>			
Reduction in sales taxes received from exemption of certain medical care items	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON PARKS AND SOILS SALES TAX FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
CONSERVATION COMMISSION FUND			
<u>Loss - MDC</u>			
Reduction in sales taxes received from exemption of certain medical care items	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
SCHOOL DISTRICT TRUST FUND			
<u>Loss - Reduction in sales tax revenue</u>			
Reduction in sales taxes received from exemption of certain medical care items	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
LOCAL GOVERNMENTS			
<u>Loss - Reduction in sales tax revenue</u>			
Reduction in sales taxes received from exemption of certain medical care items	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal exempts from state and local sales tax all sales of diabetic accessories and supplies, and rented medical oxygen, wheelchairs, scooters, reading machines, electronic print enlargers, electronic communication devices, and items used to modify motor vehicles for individuals with disabilities. The proposal also modifies the sales tax exemption for nonprescription drugs, so that nonprescription drugs prescribed by a practitioner are exempt. Any medical equipment, supplies, or devices that are ordered by a doctor, or paid for by a third-party insurer, Medicare, or Medicaid, will also be exempt from these taxes.

This proposal defines the term "legend drug" for the purpose of certain pharmacy laws. Legend drugs will mean any drug or biological product that is subject to a certain federal law, is required to be labeled in certain ways, or is required to be dispensed by prescription only or is restricted to use by practitioners only. The proposal excludes certain drugs and drug products that are being used in clinical trials.

FISCAL DESCRIPTION (continued)

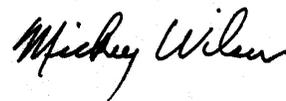
This act has an emergency clause for the section regarding legend drugs.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration -
 Administrative Hearing Commission
Department of Elementary and Secondary Education
Department of Insurance, Financial Institutions, and Professional Registration
Department of Natural Resources
Department of Health and Senior Services
Department of Revenue
Department of Social Services
Missouri Department of Conservation
Office of Secretary of State
City of Kansas City

NOT RESPONDING: Office of Administration - Division of Budget and Planning



Mickey Wilson, CPA
Director
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