



ORGANIZATIONAL DEVELOPMENT COMMITTEE

Stan Weisser, RPh, Chairperson, Board President
 Amy Gutierrez, PharmD, Board Vice-President

1. FOR INFORMATION: Future Board Meeting Dates

October 28-29, 2014 – Southern California
 January 27 & 28, 2015
 April 21 & 22, 2015
 July 28 & 29, 2015
 October 28-29, 2015

2. FOR INFORMATION: Budget Update/Report

Attachment 1

a. Budget Report for 2014/15

The new budget year began July 1, 2014. The board’s spending authorization for the year is \$19,414,000, which is a seven percent increase from the prior year.

The chart below highlights budget change proposals secured for FY 2014/15 that account for a significant portion of the increase in authorized expenditures.

Cures – Combating RX Drug Abuse	AGPA (1.0); Research Program Specialist (1.0); Inspector (5.0); Sup. Inspector (1.0)
Enforcement Workload	AGPA (1.0); SSA (1.0)
SB 294 – Sterile Compounding	AGPA (1.0); OT (T) (1.0); SSA (1.0); Inspector (4.0)
SB 493 – APP	AGPA (1.0); OT (T) (0.5); SSA (0.5); Inspector (1.0)
Total Positions	20

Attachment 1 provides expenditure data for the last three years which illustrates the growth in various expenditure categories.

b. Budget Report for 2013/14

Fiscal Year 2013/14 ended June 30, 2014. However, the final FY 2013/14 numbers will not be available until the beginning of August 2014. Provided in **Attachment 2** is information on the most recent budget figures available. A final budget report will be provided during the October Board Meeting.

Expenditures (as of June 2013): \$16,570,893
Maximum spending authority for year: \$18,155,197
Revenue Collected (as of June 2013): \$15,157,606

As the expenditure charts illustrate, 55 percent of the board's expenditures was attributed to personnel; and 19 percent was related to enforcement and 16 percent was attributed to prorata. Revenue for the year came primarily from application and renewal fees, 81 percent; with citation and fines accounting for approximately 15 percent. Cost recovery only accounted for about four percent of the board's revenue.

Based on projections through the end of the year, the board identified that it would exceed its authorized enforcement related expenditures including Attorney General and Office of Administrative Hearings expenditures. Budget bill language allowed programs within the Department of Consumer Affairs to submit a deficiency request to increase authorized expenditures for enforcement related costs. (Redirection from other budget line items was not possible.) Board staff, in collaboration with the AG's Office and the DCA budget office, prepared the deficiency notice seeking an additional \$1.742 million in authorized expenditures which was approved in Executive Order No. E 13/14 was issued on April 7, 2014.

Board staff does not anticipate a decrease in enforcement related costs and may need to pursue another one-time augmentation if necessary. The board and committee will receive updates through the year.

c. Fund Condition Report

Attachment 3

Attachment 3 includes the projected fund condition report that reflects increased revenues based on fee increases effective July 1, 2014, as well as the one-time increase in enforcement expenditures. The regulation change that facilitated implementation of the fee increase was approved earlier this calendar year by the Office of Administrative Law.

The information below reflects the estimated fund condition with the additional revenue from the approved fee increase:

2013/14	\$10,414,000	6.4 months in reserve
2014/15	\$7,253,000	4.4
2015/16	\$2,708,000	1.6

As our fund condition reflects, the board may need to pursue another fee increase to sustain operations. Should this be required, it would need to be done through legislation. One of the precursors to making such a determination will be completion of a few audit, similar to the one completed several years ago in advance of our 2008 fee bill. Board staff will begin working with an outside firm to determine the true costs to

deliver application and renewal services, which will serve as the foundation for any changes to the board's current fee schedule.

d. Update on BreEZe and DCA's Plans for a New Computer System

Background

As we have previously advised the board, for a number of years the department has worked to replace and/or enhance its legacy licensing and enforcement tracking systems used by most DCA agencies. The system selected was a Commercial Off the Shelf Product (COTS) that was intended to streamline processes, provide better access for consumers and licensees and help programs within the department to gain better reporting tools.

The first release of the system occurred on October 8, 2013, and the department continues to work on additional changes to ensure the system is fully operational for the board's first deployment of the system. Concurrent with those efforts, work has begun for the Release Two boards, including the Board of Pharmacy.

Recent Update

Significant transition activities started in February of this year. The implementation is broken into key stages. The first stage included basic configuration elements as well as education of the vendor on business process and education of board staff on how the system functions as a standard COTS product. Efforts in this stage included configuration sessions with the vendor in three primary areas - - licensing, enforcement and inspections. In addition to these sessions, board staff completed several reviews of configuration documents to confirm the appropriate documentation of values necessary to configure the COTS product. Specifically, board staff participated in about 28 day-long sessions with the vendor providing input on business needs and configuration values plus an additional 33 days reviewing documents provided by the vendor. Board staff also spent time in additional meetings with the vendor learning about the system functionality. In total board staff has dedicated over 1300 hours to the initial stage of transition.

As part our efforts, board staff discovered critical functionality that was not detailed in the original contractual requirements and that is essential to the board's ability to deploy BreEZe. Board staff is working with DCA and the vendor to determine the most efficient and economical path forward. We expect to know more information on the impacts after a July 28, 2014 meeting of the Change Control Board. (The Change Control Board is the oversight committee responsible for evaluating proposed changes to the contract. Ms. Herold is a member.)

e. Updates on Board Member Attendance, Reimbursement and Mail Votes

Based on discussion with committee members, Organization Committee reports will now include two additional elements: board member attendance and mail votes. As both activities are key to the success of the board, it was decided that reporting on both items is appropriate because the board is a public agency.

The third item reported is expenses and per diem payments to board members. These are hours and expenses claimed by board members during the indicated periods. Board members are paid for each day of a board meeting, but in accordance with board policy, may also submit hours for work performed doing additional board business. It is important to note that these figures only represent hours where reimbursement was sought. It is not uncommon for board members to waive their per diem payments.

This information is currently be prepared and will be available at the board meeting.

3. FOR INFORMATION: Personnel Update

a. Board Member Update

The board currently has one public member vacancy. This position was previously held by Shirley Wheat who resigned from her position as a board member after concluding her term. Ms. Wheat was eligible to serve up to an additional year.

b. Board Staff Update

Recent Hires/Transfers/Promotions

- Anparo Nisi is an associate governmental program analyst in the licensing unit responsible for the issuance of business licenses.
- Tremaine Palmer is the new office technician responsible for processing pharmacy technician applications.
- Kim Gazaille is the new office technician responsible for cashiering application fees.
- Ericka Busby increased her time base from permanent, intermittent to permanent, fulltime in the Enforcement unit.
- Christine Acosta and Antony Ngondara have both accepted Supervising Inspector positions.

Departures

- Patricia "Sunny" Pulido, one of the board's receptionists, accepted a position at California Prison Industry Authority

Recruitments

- Office Technician for reception.
- Intermittent office technician in the complaint unit
- Two pharmacy inspector positions.

The following recruitments are for 2-yr limited term positions.

- Five (5) Inspector positions for the prescription drug abuse team.
- Four (4) Inspector positions for the sterile compounding team.
- One (1) Inspector positions for advanced practice pharmacist (APP).
- Two (2) associate governmental programming analysts responsible for sterile compounding and APP application investigation, review and approval.
- One (1) associate governmental program analyst responsible for initiating internal investigations.
- One (1) research program analyst I responsible for analysis and identification of trends indicating prescription drug abuse.
- One (1) staff services analyst responsible for analyzing and processing sterile compounding applications.
- One (1) halftime staff services analyst to serve as APP resource analyst.
- One (1) office technician to cashier sterile compounding applications.
- One (1) halftime office technician responsible for application processing.

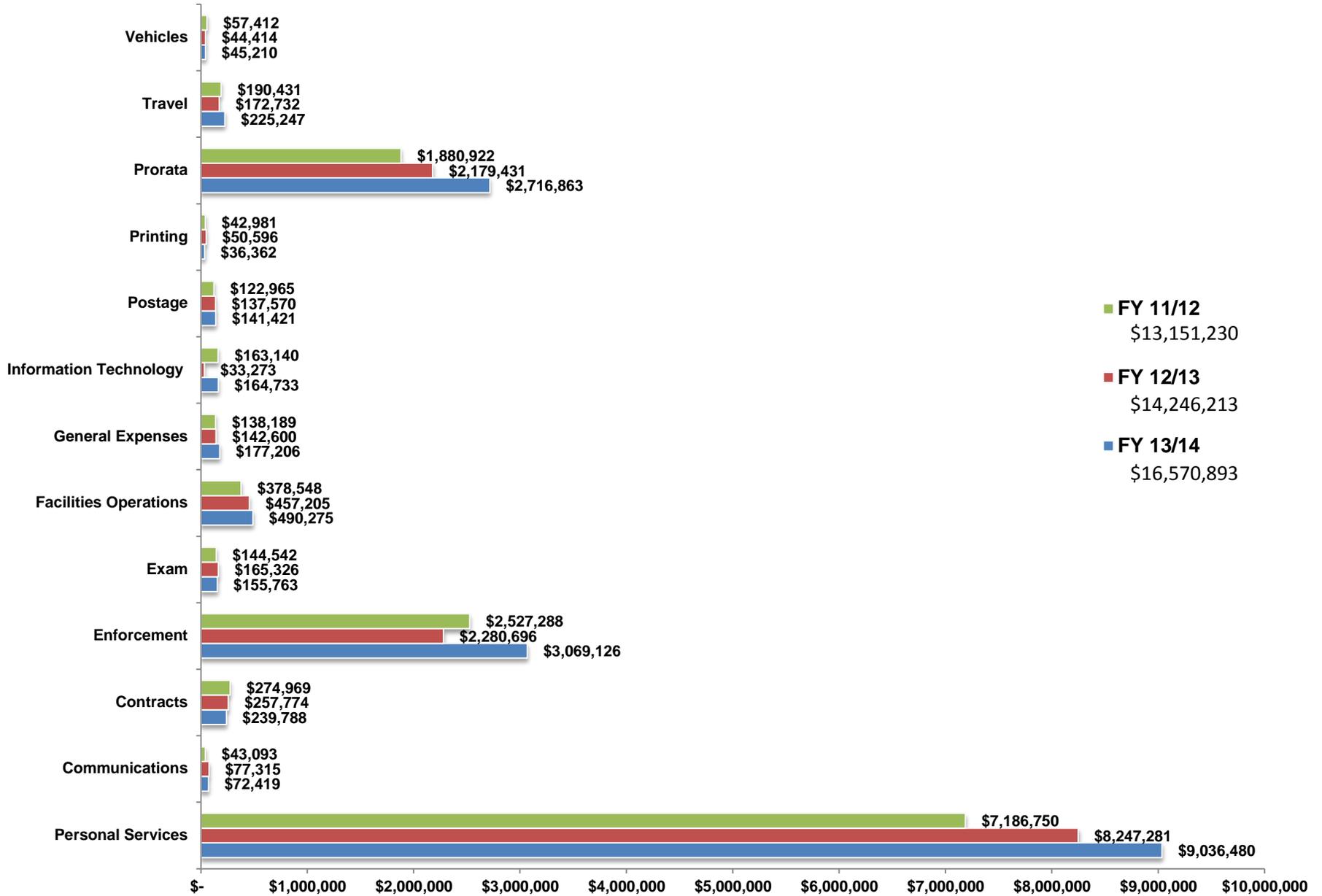
4. FOR INFORMATION: Review of Board Comments Submitted on a Proposed Federal Rescheduling of Hydrocodone from Schedule III to Schedule II

Attachment 4

During the April 2014 Board Meeting, the board voted to submit comments on a proposed federal scheduling of hydrocodone from a Schedule III to Schedule II controlled substance. On April 28, 2014, the board sent a letter to the DEA on April 28 with comments in support of the rescheduling hydrocodone from Schedule III to Schedule II. The letter is included in **Attachment 4**.

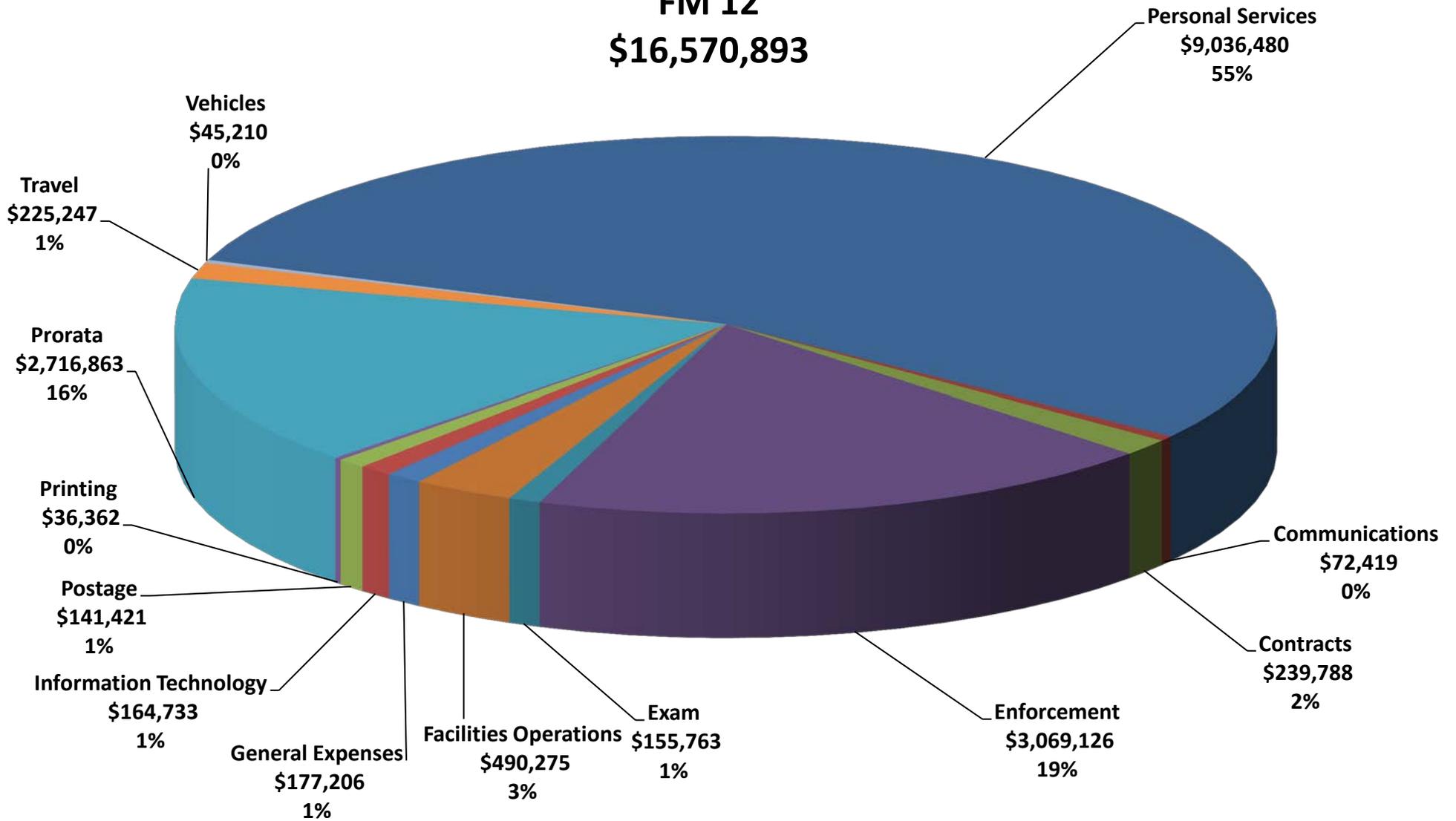
Attachment 1

Expenditure Comparison

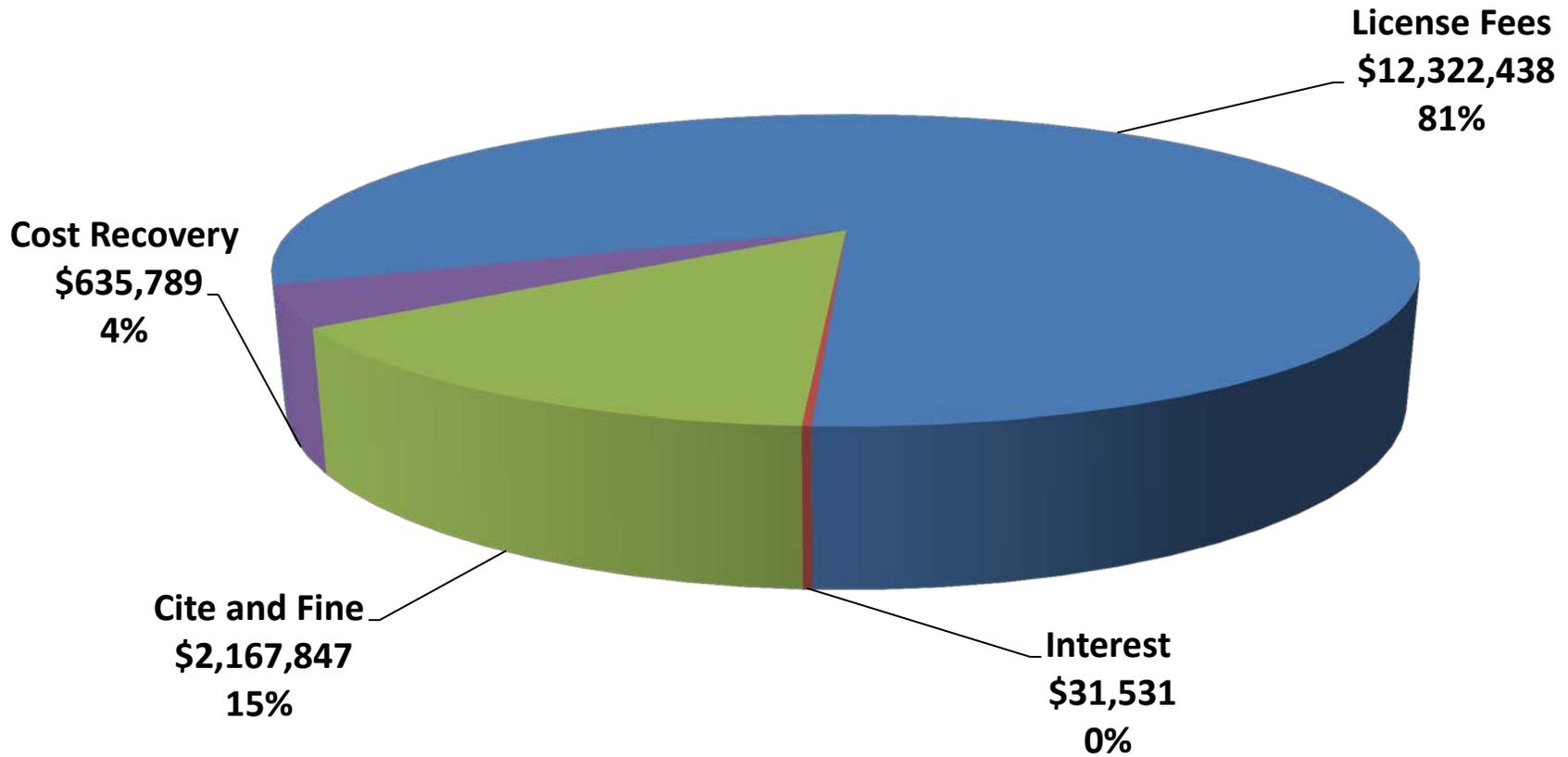


Attachment 2

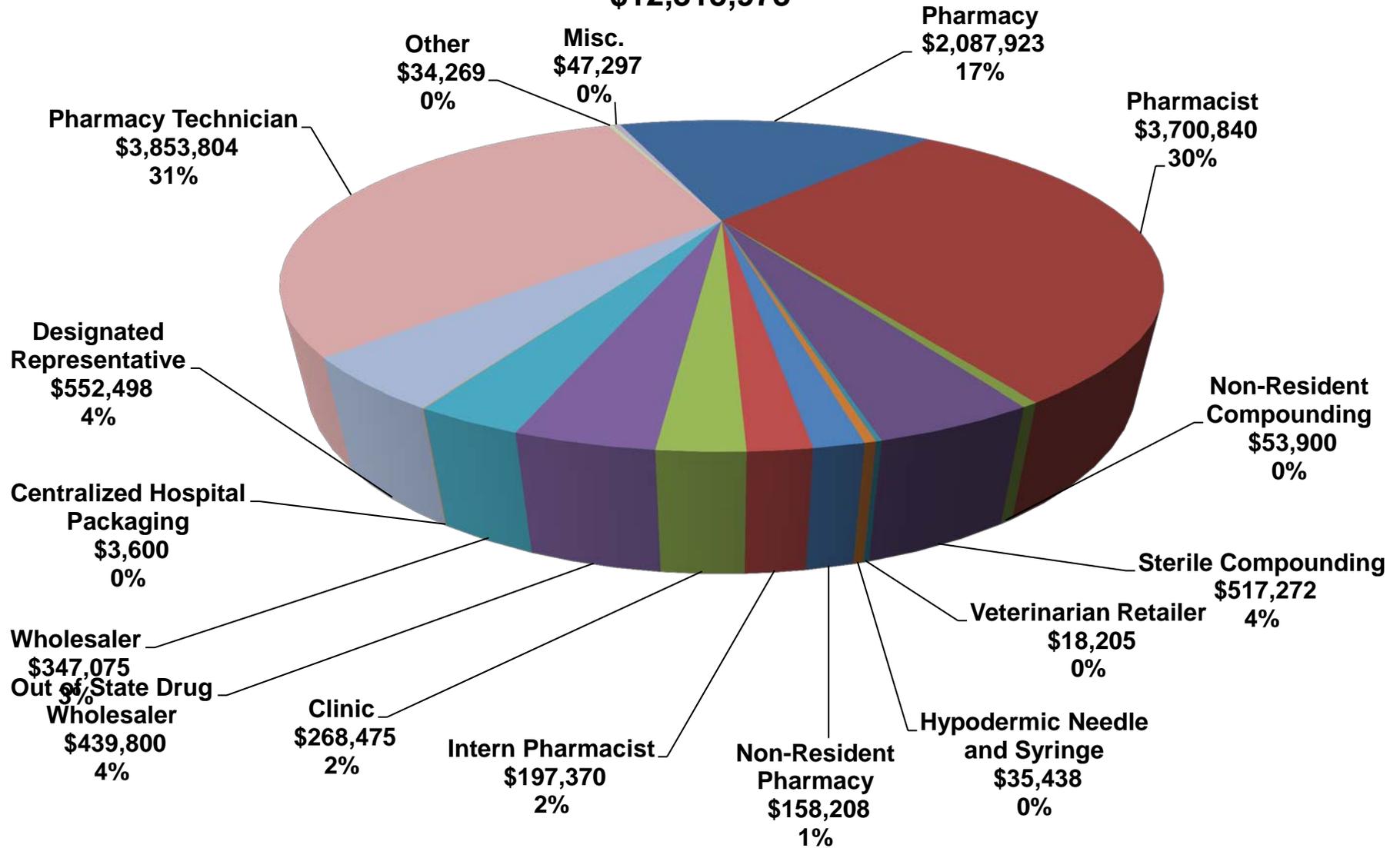
**Expenditures
FY 2013/2014
FM 12
\$16,570,893**



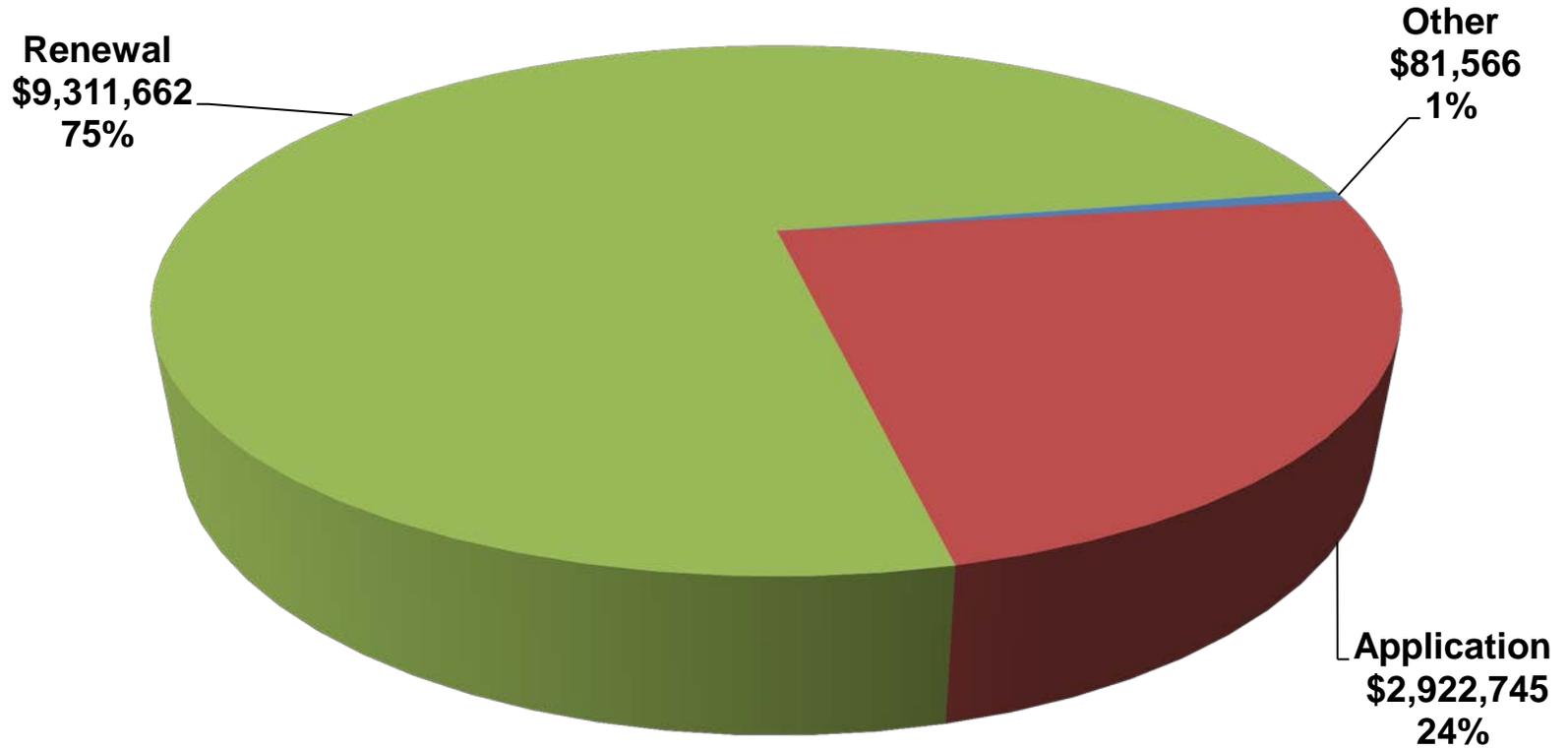
**Origin of Revenue
FY 2013/2014
FM 12
\$15,157,606**



**Revenue By Program
FY 2013/2014
FM 12
\$12,315,973**



**Application vs. Renewal Fees
FY 2013/2014
FM 12
\$12,315,973**



Attachment 3

0767 - State Board of Pharmacy

Analysis of Fund Condition

(Dollars in Thousands)

FM 12 Actuals	ACTUAL 2012-13	CY 2013-14	Governor's Budget	
			BY 2014-15	BY +1 2015-16
BEGINNING BALANCE	\$ 13,557	\$ 13,595	\$ 10,414	\$ 7,253
Prior Year Adjustment	\$ 40	\$ -	\$ -	\$ -
Adjusted Beginning Balance	\$ 13,597	\$ 13,595	\$ 10,414	\$ 7,253
REVENUES AND TRANSFERS				
Revenues:				
125600 Other regulatory fees	\$ 2,503	\$ 2,367	\$ 1,200	\$ 1,200
125700 Other regulatory licenses and permits	\$ 2,469	\$ 2,849	\$ 2,123	\$ 2,123
125800 Renewal fees	\$ 8,742	\$ 9,171	\$ 8,485	\$ 8,485
Fee Increase eff. July 1,2014	\$ -	\$ -	\$ 3,237	\$ 3,237
125900 Delinquent fees	\$ 150	\$ 150	\$ 146	\$ 146
131700 Misc. revenue from local agencies	\$ 7	\$ 5	\$ 5	\$ 5
141200 Sales of documents	\$ -	\$ -	\$ -	\$ -
142500 Miscellaneous services to the public	\$ 1	\$ 1	\$ 1	\$ 1
150300 Income from surplus money investments	\$ 42	\$ 25	\$ 17	\$ 8
150500 Interest Income From Interfund Loans	\$ -	\$ -	\$ -	\$ -
160400 Sale of fixed assets	\$ 1		\$ -	\$ -
161000 Escheat of unclaimed checks and warrants	\$ 8	\$ 7	\$ 7	\$ 7
161400 Miscellaneous revenues	\$ 10	\$ 6	\$ 6	\$ 6
Totals, Revenues	\$ 13,933	\$ 14,581	\$ 15,227	\$ 15,218
Transfers from Other Funds				
F00001 GF Loan Repayment 1110-011-0767 BA of 2008	\$ -	\$ -	\$ 1,000	\$ -
Transfers to Other Funds				
T00001 GF loan per Item 1490-011-0767 BA of 2002	\$ -	\$ -	\$ -	\$ -
GF loan per Item 1110-011-0767 BA of 2008	\$ -	\$ -	\$ -	\$ -
Totals, Revenues and Transfers	\$ 13,933	\$ 14,581	\$ 16,227	\$ 15,218
Totals, Resources	\$ 27,530	\$ 28,176	\$ 26,641	\$ 22,471
EXPENDITURES				
Disbursements:				
0840 State Operations	\$ 9	\$ 1	\$ -	\$ -
8880 FISC (State Operations)	\$ 75	\$ 69	\$ 13	\$ -
1110 Program Expenditures (State Operations)	\$ 13,851	\$ 15,951	\$ 19,375	\$ 19,763
BBL Request	\$ -	\$ 1,741	\$ -	\$ -
Total Disbursements	\$ 13,935	\$ 17,762	\$ 19,388	\$ 19,763
FUND BALANCE				
Reserve for economic uncertainties	\$ 13,595	\$ 10,414	\$ 7,253	\$ 2,708
Months in Reserve	9.2	6.4	4.4	1.6

NOTES:

- A. ASSUMES WORKLOAD AND REVENUE PROJECTIONS ARE REALIZED FOR BY+1 AND ON-GOING.
- B. ASSUMES APPROPRIATION GROWTH OF 2% PER YEAR IN BY+1 AND ON-GOING..
- C. ASSUMES INTEREST RATE OF 0.3%

Attachment 4



California State Board of Pharmacy
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Phone (916) 574-7900
Fax (916) 574-8618
www.pharmacy.ca.gov

STATE BUSINESS, CONSUMER SERVICES, AND HOUSING AGENCY
DEPARTMENT OF CONSUMER AFFAIRS
EDMUND G. BROWN, JR., GOVERNOR

April 28, 2014

Drug Enforcement Administration
Attn: DEA Federal Register Representative/ODL
8701 Morrissette Drive
Springfield, VA 22152

RE: COMMENTS OF THE CALIFORNIA STATE BOARD OF PHARMACY
Docket No. DEA-389
Rescheduling of Hydrocodone Combination Products from Schedule III to Schedule II

To Whom It May Concern:

I write on behalf of the California State Board of Pharmacy (Board). We are pleased to have this opportunity to submit comments on Docket No. DEA-389, titled “Schedules of Controlled Substances: Rescheduling of Hydrocodone Combination Products From Schedule III to Schedule II.” We will be brief. We strongly support and encourage this timely action, as we believe Schedule II is more appropriate for hydrocodone combination products (HCPs). As we will explain below, however, we do urge you to keep in mind, as you schedule the timing of this transition, the innumerable patients (and their practitioners) who rely on HCPs for legitimate treatment, and respectfully suggest that the Drug Enforcement Administration (DEA) provide sufficient notice and a period of transition to enable those patients and practitioners to adjust their prescribing regimens to the additional requirements that must now be met.

Our experience in California with HCPs illustrates the need for their rescheduling. Our state leads the nation in utilization of HCPs, with over 1.4 billion dosage units dispensed from April 2012 to April 2013.¹ And that figure obviously does not capture usage not pursuant to a prescription. We have seen firsthand the strong potential for abuse of these drugs, which have now significantly surpassed other opioid analgesics, including Schedule II drugs of abuse such as oxycodone and morphine, in their legitimate and illegitimate utilization in California. We are also experiencing consistent and increasing trends in diversion and self-use of these drugs.

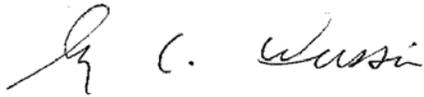
It seems obvious that HCPs belong in Schedule II. We support their rescheduling.

¹ Data from the Controlled Substance Utilization Review and Evaluation System (CURES), California’s prescription drug monitoring program (PDMP) to which Schedule II-IV controlled substance prescriptions are reported.

Our only caution would be that you not make this decision suddenly and without some period of time for adjustment and transition. This may occur naturally as a consequence of the rulemaking process, but in the event the rulemaking proceeds relatively quickly, we would ask that you consider building in an adjustment period to allow those patients and practitioners (in long-term care settings, especially) making legitimate use of HCPs for pain management to make changes in their prescribing protocols that will be necessitated by this reclassification, and/or to consider a switch in their treatment plan to another medication or methodology of pain treatment.

Thank you for your attention to these matters, and for your willingness to hear our input. We look forward to continuing to work together to secure the nation's drug supply. Please feel free to contact the Board at any time if we can be of assistance. The best route for contact is via Executive Officer Virginia Herold, at (916) 574-7911, or Virginia.Herold@dca.ca.gov.

Sincerely,

A handwritten signature in cursive script that reads "S. C. Weisser".

STANLEY C. WEISSER, R.Ph.
President, California State Board of Pharmacy