

November 4, 2011

Hon. Kamala D. Harris
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Dawn McFarland
Initiative Coordinator

Dear Attorney General Harris:

Pursuant to Elections Code Section 9005, we have reviewed the proposed statutory initiative related to monitoring prescription drug use (A.G. File No. 11-0045).

Background

California Monitors Prescription Drug Activity. The California Department of Justice (DOJ) maintains the Controlled Substance Utilization Review and Evaluation System (CURES), an electronic database of prescription drugs issued by doctors. The database allows law enforcement officials and doctors to track patient prescription history in an effort to reduce the illegal sale and abuse of prescription drugs. The CURES program monitors prescription drugs classified by the federal government as being prone to abuse. Recently, the state spent about \$675,000 per year on CURES and has received federal funding for the program in past years. The *2011-12 Budget Act*, however, eliminates funding for the CURES program.

Current CURES Program Not Widely Used by Doctors and Law Enforcement. Currently, 3 percent of the 185,000 medical professionals authorized to prescribe or dispense prescription drugs utilize the CURES database to prevent patient drug abuse.

Proposal

Expands Requirements and Funding of CURES Program. This measure changes state law to (1) require medical professionals that distribute prescription drugs to report patient prescription history, and (2) require manufacturers or importers of prescription drugs to pay a one-quarter cent (\$0.0025) tax on each pill prescribed in the state. Revenues raised by this measure will be used to fund the CURES program.

Use of Additional Funding Under This Measure. Additional revenues raised by the measure would fund new and ongoing DOJ monitoring efforts, including hiring additional staff to expand the database, register new database users, and work with law enforcement officials. In addition, the measure would provide funding for two enforcement teams to investigate prescription drug abuses and to refer those cases for prosecution.

Fiscal Effects

New State Revenues to Fund CURES Program. In 2010, doctors and pharmacists in California issued nearly 44 million prescriptions that included 2.8 billion pills. Accordingly, the quarter-cent per pill fee on manufacturers and importers of prescription drugs would generate approximately \$7 million annually. This amount would change over time to the extent that the number of prescriptions issued each year changes. The revenues raised by this measure would be used to fund the CURES program.

Other Fiscal Effects. The measure could result in somewhat higher annual costs to state and local law enforcement agencies to the extent that these agencies utilize the CURES database to investigate and prosecute new prescription drug-related offenses. These costs may be offset by increased fines and penalties related to such offenses. There also would be one-time and ongoing administrative costs related to collecting the new tax. The measure earmarks a portion of the new revenues to cover these costs.

Summary of Fiscal Effects

We estimate that this measure would have the following major fiscal effects:

- Increased state revenues of approximately \$7 million annually from a new tax on prescription drugs. The revenues would be used to increase spending on a prescription drug database maintained by DOJ.

Sincerely,

Mac Taylor
Legislative Analyst

Ana J. Matosantos
Director of Finance