

**COMMONWEALTH OF KENTUCKY FISCAL NOTE STATEMENT  
LEGISLATIVE RESEARCH COMMISSION  
2020 REGULAR SESSION**

**MEASURE**

2020 BR NUMBER 422

HOUSE BILL NUMBER 5

**TITLE** AN ACT relating to the Solemn Covenant of the States to Award Prizes for Curing Diseases Interstate Compact.

**SPONSOR** Representative David Meade

**FISCAL SUMMARY**

STATE FISCAL IMPACT:  YES  NO  UNCERTAIN

OTHER FISCAL STATEMENT(S) THAT MAY APPLY:  ACTUARIAL ANALYSIS  
 LOCAL MANDATE  CORRECTIONS IMPACT  HEALTH BENEFIT MANDATE

APPROPRIATION UNIT(S) IMPACTED: CHFS/General Administration & Program Support

FUND(S) IMPACTED:  GENERAL  ROAD  FEDERAL  RESTRICTED \_\_\_\_\_

<b>FISCAL ESTIMATES</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>ANNUAL IMPACT AT FULL IMPLEMENTATION</b>
<b>REVENUES</b>		Indeterminable	Indeterminable	Indeterminable
<b>EXPENDITURES</b>		Indeterminable	Indeterminable	Indeterminable
<b>NET EFFECT</b>		Indeterminable	Indeterminable	Indeterminable

( ) indicates a decrease/negative

**PURPOSE OF MEASURE:** The purpose of the measure is to establish Kentucky as a member of an interstate compact to award prizes for curing diseases and to establish the Solemn Covenant of States Commission (Commission) and the duties of the Commission.

**FISCAL EXPLANATION:** Article III permits the Commission to make a treatment widely available including by arranging or contracting for the manufacture, production, or provision of the treatment and to collect royalty fees imposed on manufacturers, producers, and providers in non-compacting states and foreign countries. The royalty fees may be used to defray the costs associated with payment of a prize, and any surplus after those obligations are met to be used to refund states' prize money. To the extent that the treatment generated royalty fees, then the state would realize gains from the royalty fees.

Article III also permits the Commission to establish annual dues that would be paid by states participating in the compact. If the Commission were to be established and Kentucky became a member of the compact, then the state would pay the annual dues as established by the Commission. It is unknown the amount of annual dues that the state would be required to pay to the Commission.

Article VI establishes that the amount of the prize to be awarded for a disease cure is to be equal to the most recently estimated total five year savings in public health expenses for the disease in all compacting

states; donations made to cure a specific disease; and other factors deemed appropriate by the Commission. Article VI also establishes that a compacting state may issue bonds or other obligations to meet its prize responsibilities. If Kentucky were part of the compact and a prize was awarded for a disease cure, then the state would be required to annually pay its actual one year savings in public health expenses attributable to the particular disease until the state has fulfilled its prize responsibility. If Kentucky were able to realize a reduction in health care costs attributable to the disease, then expenses incurred by the payment of the prize money would be offset by whatever amount health care costs would be reduced.

Article XIV establishes that in the event of a state's withdrawal from the compact, the state remains liable for all obligations, duties, and liabilities of the Commission incurred through the date of a state's withdrawal. Article XIV also establishes that in the event of the compact's dissolution, any surplus funds would be distributed to the participating states after all the Commission's debts and obligations are paid. It is unknown how much liability Kentucky would incur in the event of the state's withdrawal from the compact if it were to join, or how much, if any, surplus funds the state would receive if the compact were to dissolve.

The legislation does not specify which state agency would be responsible for administering the activities that would be involved in fulfilling the state's participation in the compact. Overall, the impact of the legislation is indeterminable. If the state were able to realize a reduction in health care costs attributable to a disease for which the Commission awarded a prize and to realize gains from royalty fees, then those would offset the costs of the annual dues and contributions to the prize money pool as required by the compact.

**DATA SOURCE(S): Ohio Legislative Service Commission**

**PREPARER: Miriam Fordham NOTE NUMBER: 212 REVIEW: JAB DATE: 3/13/2020**