

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

May 4, 2005

TO: Honorable Dianne White Delisi, Chair, House Committee on Public Health

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB3174 by Truitt (Relating to the licensing and regulation of wholesale drug distributors; providing penalties.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3174, Committee Report 1st House, Substituted: an impact of \$0 through the biennium ending August 31, 2007.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	\$0
2007	\$0
2008	\$0
2009	\$0
2010	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>FOOD & DRUG REGISTRATION</i> 5024	Probable Savings from <i>FOOD & DRUG REGISTRATION</i> 5024	Probable (Cost) from <i>FOOD & DRUG REGISTRATION</i> 5024	Probable Revenue Gain from <i>FOOD & DRUG REGISTRATION</i> 5024
2006	(\$964,000)	\$235,776	(\$97,316)	\$97,316
2007	(\$964,000)	\$235,776	(\$128,103)	\$128,103
2008	(\$964,000)	\$235,776	(\$128,103)	\$128,103
2009	(\$964,000)	\$235,776	(\$128,103)	\$128,103
2010	(\$964,000)	\$235,776	(\$128,103)	\$128,103

Fiscal Year	Change in Number of State Employees from FY 2005
2006	(1.0)
2007	(1.0)
2008	(1.0)
2009	(1.0)
2010	(1.0)

Fiscal Analysis

The bill relates to the licensing and regulation of wholesale drug distributors. The bill would amend Section 431.201 of the Health and Safety Code to deregulate distributors of over-the-counter drugs and to create additional requirements for licensing as a wholesale prescription drug or device distributor. The bill would require the Department of State Health Services (DSHS) to conduct a study on the implementation and use of electronic pedigrees. DSHS would be allowed to recover reasonable costs related to the processing of licenses and conducting inspections, or DSHS may outsource these activities to an accredited third party.

Methodology

According to DSHS, the definitions included in the bill would remove DSHS's authority to license and inspect an estimated 1350 over-the-counter drug manufacturers and distributors. This would result in lost revenue from licensing of \$540,000 per year.

In addition, according to DSHS, certain distributors of wholesale durable medical equipment or certain prescription medical gasses would not meet the requirements of the bill and 1060 licensees would therefore not renew their licenses. This would result in lost revenue of \$424,000 per year.

The reduction of these two licensing activities would result in 800 fewer inspections per year, assuming inspections are conducted every 3 years. This would result in a reduction of four Environmental Specialist III FTEs, for a total savings of \$235,776 per year, including salaries, benefits, travel and other operating expenses.

In order to implement the provisions of the bill, DSHS estimates that three new FTEs would be needed. Staff would be required to review wholesale drug applications, conduct criminal background checks, process bonds, and conduct credit checks of applicants. Total costs for new FTEs, including salary, benefits, rent, utilities, other operating expenses, and computer hardware total \$97,316 in the first year and \$128,103 in each subsequent year. The costs are assumed at 75% for fiscal year 2006.

It is assumed that DSHS would raise fees to cover this additional cost. Estimated new fee revenue totals \$97,316 in the first year and \$128,103 in each subsequent year.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 405 Department of Public Safety, 515 Board of Pharmacy, 529 Health and Human Services Commission, 537 Department of State Health Services

LBB Staff: JOB, CL, PP, BW