

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION**

**May 5, 2005**

**TO:** Honorable Jane Nelson, Chair, Senate Committee on Health & Human Services

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

**IN RE: SB1685** by Janek (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 SB1685, 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 (Cost) from <i>FOOD &amp; DRUG REGISTRATION</i> 5024	Probable Revenue Gain from <i>FOOD &amp; DRUG REGISTRATION</i> 5024	Change in Number of State Employees from FY 2005
2006	(\$112,423)	\$112,423	3.0
2007	(\$128,103)	\$128,103	3.0
2008	(\$128,103)	\$128,103	3.0
2009	(\$128,103)	\$128,103	3.0
2010	(\$128,103)	\$128,103	3.0

## **Fiscal Analysis**

The bill relates to the licensing and regulation of wholesale drug distributors. The bill would add a new subchapter to Chapter 431 of the Health and Safety Code to regulate the distribution of prescription drugs. The bill would create additional requirements for licensing as a wholesale prescription drug or device distributor. The bill requires distributors to maintain pedigrees for distributions that occur outside the normal distribution chain.

The Department of State Health Services (DSHS) would be allowed to recover reasonable costs related to the processing of licenses and conducting inspections. DSHS is required to conduct a study on the implementation and use of electronic pedigrees.

## **Methodology**

In order to implement the provisions of the bill, DSHS estimates that three new FTEs would be needed. Staff will 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 \$112,423 in the first year and \$128,103 in each subsequent year.

It is assumed that DSHS would raise fees to cover this additional cost. Estimated new fee revenue totals \$112,423 in the first year and \$128,103 in each subsequent year.

Existing DSHS staff will conduct the study of electronic pedigrees, review technology, and write new rules.

## **Technology**

Computer hardware costs for three new FTEs would total \$903 in 2006 and \$650 in subsequent years.

## **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 405 Department of Public Safety, 537 Department of State Health Services, 515 Board of Pharmacy

**LBB Staff:** JOB, KF, CL, PP, LW