

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 27, 2007

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

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

IN RE: SB943 by Janek (Relating to the licensing and regulation of wholesale distributors of prescription drugs; providing penalties.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB943, As Introduced: an impact of \$0 through the biennium ending August 31, 2009.

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
2008	\$0
2009	\$0
2010	\$0
2011	\$0
2012	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>FOOD & DRUG REGISTRATION</i> 5024	Probable Revenue Gain/(Loss) from <i>FOOD & DRUG REGISTRATION</i> 5024
2008	(\$1,284,264)	\$1,265,000
2009	(\$1,398,955)	\$1,655,000
2010	(\$1,417,275)	\$1,655,000
2011	(\$1,399,156)	\$1,655,000
2012	(\$1,417,275)	\$1,655,000

Fiscal Year	Change in Number of State Employees from FY 2007
2008	18.0
2009	18.0
2010	18.0
2011	18.0
2012	18.0

Fiscal Analysis

The bill would amend the Health and Safety Code relating to the licensing and regulation of wholesale distributors of prescription drugs.

The bill would require the Department of State Health Services (DSHS) to conduct a physical inspection of the wholesaler's place of business before issuing a license; change the pedigree required for each prescription drug not distributed through the normal distribution channel; implement electronic pedigrees on or after July 1, 2010 if the agency determines that track and trace technology to implement electronic pedigrees is universally available across the entire supply chain.

The bill would provide changes in the criminal penalties for persons who engage in the wholesale distribution of drugs in violation of the Health and Safety Code as amended by this bill.

The bill would take effect September 1, 2007.

Methodology

Based on information provided by DSHS, this analysis assumes that DSHS will need to conduct pre-licensing inspections for all facilities that submit an application for a prescription drug wholesale distributor license. DSHS currently has 3,500 licensed prescription wholesale drug distributors. The analysis assumes that these firms will need to be re-inspected every two years, prior to license renewal, and that there will be 1,040 new applicants annually; therefore, the analysis assumes that DSHS will have to complete 2,790 annual inspections. Based on information from DSHS providing that the standard work hours for an FTE of this program are 1,560 hours per year, DSHS would need an additional 14 inspectors (Environmental Specialist III) per year, as well as one Manager II to supervise the inspection staff and one Administrative Assistant III to handle the office related duties of running the program.

Based on information provided by DSHS, the agency will be required to hire one Pharmacist II and one Administrative Assistant II to operate the continuing education program required by the bill. The Pharmacist II would identify and approve continuing education programs and answer technical questions about these requirements and the Administrative Assistant II would provide support for the collection and dissemination of information about the continuing education programs.

Based on the analysis of DSHS, it is assumed that the provisions of the bill would necessitate additional resources at a cost of \$2,683,220 through 2009.

DSHS also estimates costs for staff of \$564,356 in fiscal year 2008 and \$752,475 in fiscal year 2009 through fiscal year 2012. Other operating expenses, computer hardware and software, rent and utilities, travel, and capitalized professional fees and services are estimated at \$560,252 in fiscal year 2008, \$433,605 in fiscal year 2009, \$451,925 in fiscal year 2010, \$433,806 in fiscal year 2011, and \$451,925 in fiscal year 2012. Estimated costs also include \$159,656 in fiscal year 2008 and \$212,875 in fiscal years 2009 through fiscal year 2012 for associated benefits.

Based on information provided by DSHS, the Board of Pharmacy, and the Department of Health and Human Services it is assumed that any additional costs related to the duties and responsibilities associated with implementing the provisions of the bill could be covered by utilizing existing resources.

Technology

The technological impact to DSHS would be \$155,455 in fiscal year 2008, \$19,855 in fiscal years 2009 through fiscal year 2011, and \$25,455 in fiscal year 2012.

Local Government Impact

No fiscal implication to units of local government is anticipated.

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

LBB Staff: JOB, CL, MW, AH