

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

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**April 1, 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. ), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB943, Committee Report 1st House, Substituted: 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 &amp; DRUG REGISTRATION</i> 5024	Probable Revenue Gain/(Loss) from <i>FOOD &amp; DRUG REGISTRATION</i> 5024
2008	(\$1,039,785)	\$1,019,060
2009	(\$1,073,181)	\$1,313,120
2010	(\$1,086,193)	\$1,313,120
2011	(\$1,073,181)	\$1,705,200
2012	(\$1,090,653)	\$1,705,200

Fiscal Year	Change in Number of State Employees from FY 2007
2008	14.0
2009	14.0
2010	14.0
2011	14.0
2012	14.0

## **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, with the exception of manufacturers, prescription gas distributors, and third party logistics providers; 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 the 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, with the exception of manufacturers, prescription gas distributors, and third party logistics providers. DSHS currently has 2,500 licensed prescription wholesale drug distributors, which would be subject to these pre-licensing inspections. The analysis assumes that these firms will need to be re-inspected every two years, prior to license renewal, and that there will be 676 new applicants annually; therefore, the analysis assumes that DSHS will have to complete 1,926 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 10 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 this 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 \$2,112,966 through 2009.

DSHS also estimates costs for staff of \$447,164 in fiscal year 2008 and \$581,459 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 \$466,118 in fiscal year 2008, \$327,227 in fiscal year 2009, \$340,239 in fiscal year 2010, \$327,227 in fiscal year 2011, and \$344,699 in fiscal year 2012. Estimated costs also include \$126,503 in fiscal year 2008 and \$164,495 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 \$149,547 in fiscal year 2008, \$15,547 in fiscal years 2009 through fiscal year 2011, and \$19,547 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