

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

March 30, 2021

TO: Honorable Lois W. Kolkhorst, Chair, Senate Committee on Health & Human Services

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB437 by Blanco (Relating to the state reserve of personal protective equipment for health care workers and essential personnel.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB437, As Introduced : a negative impact of (\$795,787,461) through the biennium ending August 31, 2023.

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:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2022	(\$748,998,150)
2023	(\$46,789,311)
2024	(\$46,714,449)
2025	(\$46,714,811)
2026	(\$46,715,185)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Savings/(Cost) from General Revenue Fund 1</i>	<i>Change in Number of State Employees from FY 2021</i>
2022	(\$748,998,150)	2.0
2023	(\$46,789,311)	2.0
2024	(\$46,714,449)	2.0
2025	(\$46,714,811)	2.0
2026	(\$46,715,185)	2.0

Fiscal Analysis

The bill would require the Department of State Health Services (DSHS) to establish and maintain a reserve of personal protective equipment (PPE) that includes at least a 90-day supply for health care workers and essential personnel as defined in the bill. The bill would require the Health and Human Services Commission (HHSC) to adopt rules related to the reserve. The bill would establish a Personal Protective Equipment Reserve Advisory Committee to make recommendations regarding the rules. DSHS would be required to establish the reserve by September 1, 2022.

Methodology

According to DSHS, there are an estimated 3,460,857 people in Texas who would fall into the categories of healthcare worker and essential personnel as defined in the bill. The analysis assumes the PPE reserve would include 90 days of supply for that population for the following items of PPE: N95 respirators, surgical masks, face shields, gowns, shoe covers, and pairs of exam gloves. This would require a total of 827 million items of PPE. Given current state inventory, DSHS would be required to purchase 707 million additional items of PPE in fiscal year 2022 to meet the requirements of the bill. The analysis assumes the PPE prices will remain at higher levels seen during the pandemic throughout fiscal year 2022 for an estimated total cost of \$748,297,376 to purchase the required PPE.

The analysis assumes PPE prices would return to pre-pandemic levels in fiscal year 2023 and later years. According to DSHS, PPE items expire within two to ten years, depending on the item. The analysis assumes the five-year cost to replace the entire reserve at pre-pandemic prices would be \$227,969,531. The analysis assumes these costs would be distributed evenly across years, resulting in a cost of \$45,593,906 per fiscal year starting in fiscal year 2023.

According to DSHS, in order to establish the PPE reserve, the agency would need to acquire an inventory management system and rent a warehouse to store the equipment. The inventory management system would cost \$200,000 per fiscal year and warehouse rental would cost \$177,600 per fiscal year. The agency would also need two full-time equivalents to manage the reserve including an inventory and storage specialist and a system analyst to manage the inventory management system. In order to ensure the PPE could be distributed, DSHS would be required to modify contracts with Hospital Preparedness Program providers. The analysis assumes this would cost \$5,000 for each of the eight contracts per fiscal year starting in fiscal year 2023 for an annual cost of \$480,000. The analysis also assumes DSHS would have \$100,000 in costs each fiscal year related to transport of PPE or destruction of expired PPE.

According to DSHS, the costs for the PPE advisory committee would be \$75,214 in fiscal year 2022 and fiscal year 2023.

Technology

The analysis assumes technology costs would be \$261,741 in fiscal year 2022 and \$279,339 in later fiscal years. Technology costs include \$200,000 each fiscal year for an inventory management system. The analysis also assumes there would be FTE-related technology costs of \$61,741 in fiscal year 2022 and \$79,339 in later fiscal years for a systems analyst for the inventory management system, and data center services and seat management for both FTEs.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 529 Hlth & Human Svcs Comm, 537 State Health Services, 575 TX Division of Emergency Management

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