

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 30, 2009

TO: Honorable Lois W. Kolkhorst, Chair, House Committee on Public Health

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

IN RE: HB1876 by Chisum (Relating to creating the health care access fund to recruit health care providers in health professional shortage areas and to support federally-qualified health centers and to using for those purposes revenue from a tax imposed on certain tobacco products.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1876, As Introduced: an impact of \$0 through the biennium ending August 31, 2011.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	\$0
2011	\$0
2012	\$0
2013	\$0
2014	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Health Care Access Fund</i>	Probable Savings/(Cost) from <i>Health Care Access Fund</i>
2010	\$44,512,000	(\$11,747,112)
2011	\$60,280,000	(\$24,540,906)
2012	\$58,061,000	(\$36,498,656)
2013	\$68,527,000	(\$55,204,656)
2014	\$74,740,000	(\$76,418,406)

Fiscal Year	Change in Number of State Employees from FY 2009
2010	7.1
2011	7.1
2012	7.1
2013	7.1
2014	7.1

Fiscal Analysis

This bill would amend the Government Code, Education Code, and Tax Code relating to creating the health care access fund to recruit health care providers in health professional shortage areas and to support federally-qualified health centers, using for those purposes revenue from a tax imposed on

certain tobacco products.

The bill would amend the Government Code to create a new Health Care Access Fund, composed of gifts, grants, interest earnings, legislative appropriations, and certain revenue from the taxation of tobacco products other than cigarettes and cigars. The account would only be used to recruit and retain health care providers and support health care centers. In each state fiscal biennium, 75 percent of the available fund revenue would be appropriated to the Texas Higher Education Coordinating Board (THECB) for repayment of health care provider education loans and 25 percent would be appropriated to the Department of State Health Services (DSHS) to fund the operational costs of federally-qualified health centers.

The bill would add new Subchapter FF to Chapter 61 of the Education Code, regarding the repayment of certain health care provider education loans. This subchapter would establish the procedures for THECB to provide assistance in the repayment of education loans for certain health care providers.

The bill would amend Chapter 155 of the Tax Code, regarding the tax imposed on tobacco products other than cigars, a group that includes snuff, chewing tobacco, pipe tobacco, and loose tobacco for rolling cigarettes. The tax for these tobacco products, instead of the current rate of 40 percent of the manufacturer's list price, would be computed based on the net weight as listed by the manufacturer. The total tax on a unit containing multiple individual cans or packages would be the sum of the taxes imposed on each individual can or package intended for sale or distribution at retail. Each distributor, wholesaler, bonded agent, and export warehouse would be required to maintain records of the net weight as listed by manufacturer for each unit of snuff purchased, acquired or received.

The tax rate for tobacco products imposed by this bill would be \$1.10 per ounce in fiscal 2010, \$1.13 per ounce in fiscal 2011, \$1.16 per ounce in fiscal 2012, \$1.19 per ounce from September 1, 2012 to December 1, 2013, and \$1.22 per ounce after December 1, 2013.

The bill would direct that the amount of revenue from the tax on these tobacco products that would have been allocated under current law to General Revenue Fund 0001 and Property Tax Relief Fund 0304 would not change. Revenue remaining after those allocations would be deposited to the credit of new Health Care Access Fund.

This bill would take effect September 1, 2009.

Methodology

Revenue deposited to the Health Care Access Fund from legislative appropriations, gifts, grants, or donations cannot be determined.

To calculate the fiscal impact from the change in the taxation of other tobacco products excluding cigars, data on their consumption from public and private sources were utilized. The proposed per ounce tax rates were applied to the estimated volumes of the tobacco products sold in Texas, and the resulting revenues were then compared to the estimated revenue attributable to these tobacco products from the *2010-11 Biennial Revenue Estimate*. The results were trended forward over the projection period and adjusted for implementation and phase-in effects.

With respect to Fund 0001 and Fund 0304, there would be no significant fiscal impact because the mechanism for calculating the deposits of revenue attributable to the tax on these tobacco products would not change.

Under the provisions of the bill, the Higher Education Coordinating Board would be appropriated 75 percent of the total amount available in the fund to provide assistance in the repayment of education loans for health care providers who apply and qualify. The board assumes loan repayments would total \$8,937,500 in FY 2011 for 450 providers; \$21,450,000 to 900 providers in FY 2012; \$37,537,500 to 1350 providers in FY 2013; and \$57,200,000 to 1800 providers in FY 2014. Because the health professionals must provide a year of service before receiving loan repayment awards, no awards will be disbursed in FY 2010.

The Coordinating Board would develop program materials, create web site content, and develop a data base for the new program. They anticipate needing one additional FTE to implement the loan repayment program. Salary and benefits would total \$68,131 for FY2010 and \$56,955 in FY 2011-2014. Additionally, the estimated printing and postage costs for brochures is expected to be \$2,500 per fiscal year.

Under the Provisions of the bill, the Department of State Health Services (DSHS) would be appropriated 25 percent of the funds available in the Health Care Access Fund each year to fund the operational costs of federally-qualified health centers. Based on the Comptrollers revenue assumptions, DSHS will receive \$11,128,000 in FY 2010; \$15,070,000 in FY 2011; \$14,515,250 in FY 2012; \$17,131,750 in FY 2013; and \$18,685,000 in FY 2014.

DSHS indicates the need for 6.07 additional FTEs. Salary and benefits in 2010 would total \$308,244 and would increase to \$409,925 in FY 2011-2014. According to the department other operating expenses would total \$68,447 in 2010 and \$59,943 in 2011-2014. Additional computer software and hardware, requiring capital authority, would total \$4,080 beginning in FY 2010 and continuing to 2014.

Under the provisions of the bill, the Coordinating board may use a reasonable amount of the money available, not to exceed 1.5 percent of the total amount available in the fund to cover associated costs. The tables above do not account for any transfers between the coordinating board and the DSHS for administration of duties required by the bill.

Technology

The Coordinating board anticipates technology costs would total \$17,710 in FY 2010. The Department of State Health Services anticipates technology costs would total \$150,000 in FY 2010.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 357 Office of Rural Community Affairs, 537 State Health Services, Department of, 781 Higher Education Coordinating Board

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