LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 28, 2009

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

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

IN RE: **HB2154** by Edwards (Relating to the physician education loan repayment program.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2154, As Passed 2nd House: an impact of $0 through the biennium ending August 31, 2011.

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
2010	$0
2011	$0
2012	$0
2013	$0
2014	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *New General Revenue Dedicated: Physician Education Loan Repayment Program Account*	Probable Revenue Gain from *New General Revenue Dedicated: Physician Education Loan Repayment Program Account*
2010	($510,684)	$44,512,000
2011	($5,969,711)	$60,280,000
2012	($13,846,711)	$58,061,000
2013	($23,973,711)	$68,527,000
2014	($36,350,711)	$74,740,000

Fiscal Year	Change in Number of State Employees from FY 2009
2010	4.0
2011	4.0
2012	4.0
2013	4.0
2014	4.0

Fiscal Analysis

The bill would partially implement recommendations in the LBB *Government Effectiveness and Efficiency Report* to the Eighty-first Legislature entitled "Funding Options for the Physician Education Loan Repayment Program."

The bill would amend the Government Code and Education Code to create, using revenue from a tax imposed on certain tobacco products, a dedicated source of revenue for the physician education loan repayment program account. The physician education loan repayment program is administered by the Higher Education Coordinating Board and recruits and retains physicians in health professional shortage areas.

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 year 2010, $1.13 per ounce in fiscal year 2011, $1.16 per ounce in fiscal year 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 physician education loan repayment program account.

The bill would allow the coordinating board to electronically deliver payment directly to the lender on behalf of the physician.

The bill would also establish maximum amounts of repayment assistance for eligible physicians based on their length of participation in the program. For the first year they would be eligible to receive $25,000; for the second, $35,000; for the third, $45,000; and $55,000 for the fourth year.

This bill would take effect September 1, 2009.

Methodology

The revenue gain shown in the table above was estimated by the comtproller using data on consumption from public and private sources. 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.

The costs shown in the table above include both the administrative and program costs for the Physician Education Loan Repayment Program.

Estimates of administrative costs have been updated by the Higher Education Coordinating Board (THECB). These costs include 4 FTEs to develop administrative rules; communicate with potential participants in medical school and residency training; develop program materials and web pages; respond to telephone inquiries and correspondence; review applications for eligibility and verify data reported by applicants; and rank applicants and select recipients. THECB assumes it would enter into an memorandum of understanding with the Department of State Health Services (DSHS) to provide program outreach and to review applications submitted online by physicians. THECB expects that 3 of the 4 FTEs would be transferred to DSHS along with related personnel costs. Costs include technology costs at DSHS to develop an online application and database to be shared with THECB. The estimated personnel and technology costs are $510,684 in fiscal year 2010; $344,711 in fiscal year 2011; $346,711 in fiscal year 2012; $348,711 in fiscal year 2013; and $350,711 in fiscal year 2014.

The estimated program costs assume that physicians currently enrolled in the program would be reimbursed out of funds from the program's current method of finance. The bill does not provide direction on the total number of providers to receive loan repayment in a year, nor does it provide direction on the number of providers to be added each year. Actual program costs would depend on the amount appropriated to the program.

The estimated loan repayment awards shown in the table above are based on the assumption that a new cohort of 225 physicians would receive loan repayment awards each year, following their first year of service in a shortage area, beginning in fiscal year 2011. Each cohort would receive loan repayment awards at the maximum amounts prescribed in the bill: first year: $25,000; second year: $35,000; third year: $45,000; fourth year: $55,000. The cost of these awards would be $5,625,000 in fiscal year 2011; $13,500,000 in fiscal year 2012; $23,625,000 in fiscal year 2013; and $36,000,000 in fiscal year 2014. If the THECB established lower repayment amounts, the amounts shown above would be less.

Technology

The technology cost includes net costs of $241,161 in fiscal year 2010 and $56,869 each year thereafter to develop and maintain an online application for managing the program. The system would be developed by the Department of State Health Services via a memorandum of understanding with THECB. These costs are net after a $100,000 offset from funds being used to develop and maintain a similar program with Frew settlement funds.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 537 State Health Services, Department of, 781 Higher Education Coordinating Board

LBB Staff: JOB, SZ, MN, JI, BH