

# SENATE AMENDMENTS

2<sup>nd</sup> Printing

By: Edwards

H.B. No. 2154

A BILL TO BE ENTITLED

AN ACT

relating to the physician education loan repayment program.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 155.0211, Tax Code, is amended by amending Subsection (b) and adding Subsections (b-1), (b-2), (b-3), (b-4), (c), (d), and (e) to read as follows:

(b) Except as provided by Subsection (c), the [The] tax rate for each can or package of a tobacco product [products] other than cigars is \$1.22 per ounce and a proportionate rate on all fractional parts of an ounce [40 percent of the manufacturer's list price, exclusive of any trade discount, special discount, or deal].

(b-1) Notwithstanding Subsection (b) and except as provided by Subsection (c), for the state fiscal year beginning September 1, 2012, the tax rate for each can or package of a tobacco product other than cigars is \$1.19 per ounce and a proportionate rate on all fractional parts of an ounce. This subsection expires December 1, 2013.

(b-2) Notwithstanding Subsection (b) and except as provided by Subsection (c), for the state fiscal year beginning September 1, 2011, the tax rate for each can or package of a tobacco product other than cigars is \$1.16 per ounce and a proportionate rate on all fractional parts of an ounce. This subsection expires December 1, 2012.

(b-3) Notwithstanding Subsection (b) and except as provided

1 by Subsection (c), for the state fiscal year beginning September 1,  
2 2010, the tax rate for each can or package of a tobacco product  
3 other than cigars is \$1.13 per ounce and a proportionate rate on all  
4 fractional parts of an ounce. This subsection expires December 1,  
5 2011.

6 (b-4) Notwithstanding Subsection (b) and except as provided  
7 by Subsection (c), for the state fiscal year beginning September 1,  
8 2009, the tax rate for each can or package of a tobacco product  
9 other than cigars is \$1.10 per ounce and a proportionate rate on all  
10 fractional parts of an ounce. This subsection expires December 1,  
11 2010.

12 (c) The tax imposed on a can or package of a tobacco product  
13 other than cigars that weighs less than 1.2 ounces is equal to the  
14 amount of the tax imposed on a can or package of a tobacco product  
15 that weighs 1.2 ounces.

16 (d) The computation of the tax under this section and the  
17 applicability of Subsection (c) shall be based on the net weight as  
18 listed by the manufacturer. The total tax to be imposed on a unit  
19 that contains multiple individual cans or packages is the sum of the  
20 taxes imposed by this section on each individual can or package  
21 intended for sale or distribution at retail.

22 (e) A change in the tax rate in effect for a state fiscal  
23 year that occurs in accordance with this section does not affect  
24 taxes imposed before that fiscal year, and the rate in effect when  
25 those taxes were imposed continues in effect for purposes of the  
26 liability for and collection of those taxes. This subsection  
27 expires December 1, 2013.

1 SECTION 2. Section 155.2415, Tax Code, is amended to read as  
2 follows:

3 Sec. 155.2415. ALLOCATION OF CERTAIN REVENUE TO PROPERTY  
4 TAX RELIEF FUND AND CERTAIN OTHER FUNDS. Notwithstanding Section  
5 155.241, the [all] proceeds from the collection of taxes imposed by  
6 Section 155.0211 shall be allocated as follows:

7 (1) the amount of the proceeds that is equal to the  
8 amount that, if the taxes imposed by Section 155.0211 were imposed  
9 at a rate of 40 percent of the manufacturer's list price, exclusive  
10 of any trade discount, special discount, or deal, would be  
11 attributable to the portion of that [the] tax rate in excess of  
12 35.213 percent [of the manufacturer's list price, exclusive of any  
13 trade discount, special discount, or deal], shall be deposited to  
14 the credit of the property tax relief fund under Section 403.109,  
15 Government Code;

16 (2) the amount of the proceeds that is equal to the  
17 amount that would be attributable to a tax rate of 35.213 percent of  
18 the manufacturer's list price, exclusive of any trade discount,  
19 special discount, or deal, if the taxes were imposed by Section  
20 155.0211 at that rate, shall be deposited to the credit of the  
21 general revenue fund; and

22 (3) 100 percent of the remaining proceeds shall be  
23 deposited to the credit of the physician education loan repayment  
24 program account under Chapter 61, Education Code.

25 SECTION 3. Section 61.535(a), Education Code, is amended to  
26 read as follows:

27 (a) The coordinating board shall deliver any repayment made

1 under this subchapter in a lump sum:

2 (1) payable to both the lender and the physician, in  
3 accordance with federal law; or

4 (2) delivered directly to the lender on behalf of the  
5 physician in electronic form.

6 SECTION 4. Subchapter J, Chapter 61, Education Code, is  
7 amended by adding Section 61.5391 to read as follows:

8 Sec. 61.5391. PHYSICIAN EDUCATION LOAN REPAYMENT PROGRAM  
9 ACCOUNT. (a) The physician education loan repayment program  
10 account is an account in the general revenue fund. The account is  
11 composed of:

12 (1) gifts and grants contributed to the fund;

13 (2) earnings on the principal of the fund; and

14 (3) other amounts deposited to the credit of the fund,  
15 including:

16 (A) legislative appropriations; and

17 (B) money deposited under Section 155.2415, Tax  
18 Code.

19 (b) Money in the fund may not be appropriated for any  
20 purpose except as provided by this section. Money in the fund shall  
21 be used to recruit and retain physicians in health professional  
22 shortage areas.

23 (c) To be eligible to receive repayment assistance, a  
24 physician must:

25 (1) apply to the board;

26 (2) be licensed in this state in the appropriate field  
27 of practice;

1           (3) have completed one, two, three, or four  
2 consecutive years of practice in a health professional shortage  
3 area designated by the department; and

4           (4) provide health care services to:

5                   (A) recipients under the medical assistance  
6 program authorized by Chapter 32, Human Resources Code; or

7                   (B) enrollees under the child health plan program  
8 authorized by Chapter 62, Health and Safety Code.

9           (d) A physician may receive repayment assistance under this  
10 subchapter in the amount determined by board rule, not to exceed the  
11 following amounts for each year for which the physician establishes  
12 eligibility for the assistance:

13                   (1) for the first year, \$25,000;

14                   (2) for the second year, \$35,000;

15                   (3) for the third year, \$45,000; and

16                   (4) for the fourth year, \$55,000.

17           (e) A physician may not receive repayment assistance under  
18 this subchapter for more than four consecutive years.

19           SECTION 5. The changes in law made by this Act in amending  
20 Chapter 155, Tax Code, do not affect tax liability accruing before  
21 the effective date of this Act. That liability continues in effect  
22 as if this Act had not been enacted, and the former law is continued  
23 in effect for the collection of taxes due and for civil and criminal  
24 enforcement of the liability for those taxes.

25           SECTION 6. This Act takes effect September 1, 2009.

ADOPTED

MAY 26 2009

*Atty Gen*  
Secretary of the Senate

By: J. J. King

H.B. No. 2154

Substitute the following for H.B. No. 2154:

By: J. J. King

C.S. H.B. No. 2154

A BILL TO BE ENTITLED

AN ACT

1

2 relating to the physician education loan repayment program.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

4 SECTION 1. Section 61.532(a), Education Code, is amended to  
5 read as follows:

6 (a) To be eligible to receive repayment assistance, a  
7 physician must:

8 (1) apply to the coordinating board ~~[and have~~  
9 ~~completed at least one year of medical practice.~~

10 ~~[(1) in private practice in an economically depressed~~  
11 ~~or rural medically underserved area of the state];~~

12 (2) at the time of application, be licensed to  
13 practice medicine under Subtitle B, Title 3, Occupations Code ~~[for~~  
14 ~~one of the following state agencies:~~

15 ~~[(A) Texas Department of Health,~~

16 ~~[(B) Texas Department of Mental Health and Mental~~  
17 ~~Retardation,~~

18 ~~[(C) Texas Department of Corrections, or~~

19 ~~[(D) Texas Youth Commission]; ~~or~~~~

20 (3) have completed one, two, three, or four  
21 consecutive years of practice in a health professional shortage  
22 area designated by the Department of State Health Services; and

23 (4) provide health care services to:

24 (A) recipients under the medical assistance

1 program authorized by Chapter 32, Human Resources Code; or

2 (B) enrollees under the child health plan program  
3 authorized by Chapter 62, Health and Safety Code [~~for an approved~~  
4 ~~family practice residency training program established under~~  
5 ~~Subchapter I as a clinical faculty member and have completed~~  
6 ~~training in an approved family practice residency training program~~  
7 ~~on or after July 1, 1994~~].

8 SECTION 2. Section 61.533, Education Code, is amended to  
9 read as follows:

10 Sec. 61.533. LIMITATION. A physician may receive repayment  
11 assistance grants for [~~each of~~] not more than four [~~five~~] years.

12 SECTION 3. Section 61.535(a), Education Code, is amended to  
13 read as follows:

14 (a) The coordinating board shall deliver any repayment made  
15 under this subchapter in a lump sum payable:

16 (1) to both the [lender and the] physician and the  
17 lender or other holder of the affected loan; or

18 (2) directly to the lender or other holder of the loan  
19 on the physician's behalf [~~, in accordance with federal law~~].

20 SECTION 4. Section 61.536, Education Code, is amended to  
21 read as follows:

22 Sec. 61.536. ADVISORY COMMITTEES. The coordinating board  
23 may[+

24 [~~+~~] appoint advisory committees from outside the  
25 board's membership to assist the board in performing its duties  
26 under this subchapter [~~, and~~

27 [~~+~~] request the assistance of the Family Practice

1 ~~Residency Advisory Committee in performing those duties].~~

2 SECTION 5. Section 61.537, Education Code, is amended to  
3 read as follows:

4 Sec. 61.537. RULES. (a) The coordinating board shall adopt  
5 rules necessary for the administration of this subchapter[  
6 ~~including a rule that sets a maximum amount of repayment assistance~~  
7 ~~that may be received by a physician in one year and a rule that~~  
8 ~~authorizes the Family Practice Residency Advisory Committee to~~  
9 ~~establish priorities among eligible physicians for repayment~~  
10 ~~assistance, by taking into account the degree of physician~~  
11 ~~shortage, geographic locations, whether the physician is or will be~~  
12 ~~providing service in a medically underserved area, and other~~  
13 ~~criteria the committee considers appropriate].~~

14 (b) The coordinating board shall distribute to each medical  
15 unit [~~and appropriate state agency]~~ and professional association  
16 copies of the rules adopted under this section and pertinent  
17 information in this subchapter.

18 SECTION 6. Section 61.538, Education Code, is amended to  
19 read as follows:

20 Sec. 61.538. ~~[TOTAL]~~ AMOUNT OF REPAYMENT ASSISTANCE.

21 (a) A physician may receive repayment assistance under this  
22 subchapter in the amount determined by board rule, not to exceed the  
23 following amounts for each year for which the physician establishes  
24 eligibility for the assistance:

- 25 (1) for the first year, \$25,000;  
26 (2) for the second year, \$35,000;  
27 (3) for the third year, \$45,000; and



1           (4) for the fourth year, \$55,000.

2           (b) The total amount of repayment assistance distributed by  
3 the board may not exceed the total amount of money available in the  
4 physician education loan repayment program account [~~gifts and~~  
5 ~~grants accepted by the board for repayment assistance, medical~~  
6 ~~school tuition set aside under Section 61.539 of this code, and~~  
7 ~~legislative appropriations for repayment assistance~~].

8           (c) The total amount of repayment assistance made under this  
9 subchapter to an individual physician may not exceed \$160,000.

10           SECTION 7. Sections 61.539(b) and (c), Education Code, are  
11 amended to read as follows:

12           (b) The amount set aside shall be transferred to the  
13 comptroller of public accounts to be deposited in the physician  
14 education loan repayment program account established under Section  
15 61.5391 [~~maintained in the state treasury for the sole purpose of~~  
16 ~~repayment of student loans of a physician serving in a designated~~  
17 ~~state agency or in an area of this state that is economically~~  
18 ~~depressed or that is a medically underserved area or health~~  
19 ~~professional shortage area, as designated by the United States~~  
20 ~~Department of Health and Human Services, that has a current~~  
21 ~~shortage of physicians~~]. Section 403.095, Government Code, does  
22 not apply to the amount set aside by this section.

23           (c) As soon as practicable after each state fiscal year, the  
24 comptroller shall prepare a report for that fiscal year of the  
25 number of students registered in a medical branch, school, or  
26 college, the total amount of tuition charges collected by each  
27 institution, the total amount transferred to the comptroller

1 [~~treasury~~] under this section, and the total amount available in  
2 the physician education loan repayment program account [~~under~~  
3 ~~Subsection (b)~~] for the repayment of student loans of physicians  
4 under this subchapter. The comptroller shall deliver a copy of the  
5 report to the board and to the governor, lieutenant governor, and  
6 speaker of the house of representatives not later than January 1  
7 following the end of the fiscal year covered by the report.

8 SECTION 8. Subchapter J, Chapter 61, Education Code, is  
9 amended by adding Section 61.5391 to read as follows:

10 Sec. 61.5391. PHYSICIAN EDUCATION LOAN REPAYMENT PROGRAM  
11 ACCOUNT. (a) The physician education loan repayment program  
12 account is an account in the general revenue fund. The account is  
13 composed of:

14 (1) gifts and grants contributed to the account;  
15 (2) earnings on the principal of the account; and  
16 (3) other amounts deposited to the credit of the  
17 account, including:

18 (A) money deposited under Section 61.539(b);  
19 (B) legislative appropriations; and  
20 (C) money deposited under Section 155.2415, Tax  
21 Code.

22 (b) Money in the account may not be appropriated for any  
23 purpose except to provide loan repayment assistance to eligible  
24 physicians under this subchapter.

25 SECTION 9. Section 61.540, Education Code, is amended to  
26 read as follows:

27 Sec. 61.540. LOAN REPAYMENT ASSISTANCE [~~SERVICE AGREEMENTS~~

1 ~~ENTERED INTO~~] UNDER FORMER LAW; SAVING PROVISION. (a) This  
2 subsection [~~section~~] applies only to a person who entered into a  
3 written agreement to perform service as a physician in exchange for  
4 loan repayment assistance under this subchapter before September 1,  
5 2003.

6 [~~(b)~~] The agreement continues in effect and this  
7 subchapter, as it existed when the person entered into the  
8 agreement, is continued in effect for purposes of that agreement  
9 until the person satisfies all the conditions of the agreement or  
10 repays all amounts due under the agreement if the person does not  
11 satisfy the conditions of the agreement.

12 (b) A person receiving loan repayment assistance under this  
13 subchapter immediately before the effective date of the amendments  
14 made to this subchapter by the 81st Legislature, Regular Session,  
15 2009, may continue to receive loan repayment assistance under this  
16 subchapter, as this subchapter applied to the person immediately  
17 before the effective date of those amendments, until the person is  
18 no longer eligible for loan repayment assistance under this  
19 subchapter, as this subchapter existed on that date, and the former  
20 law is continued in effect for that purpose.

21 (c) A person to whom this section applies is not eligible to  
22 receive repayment assistance under another provision of this  
23 subchapter.

24 SECTION 10. Section 155.0211, Tax Code, is amended by  
25 amending Subsection (b) and adding Subsections (b-1), (b-2), (b-3),  
26 (b-4), (c), (d), and (e) to read as follows:

27 (b) Except as provided by Subsection (c), the [~~The~~] tax rate

1 for each can or package of a tobacco product [~~products~~] other than  
2 cigars is \$1.22 per ounce and a proportionate rate on all fractional  
3 parts of an ounce [~~40 percent of the manufacturer's list price,~~  
4 ~~exclusive of any trade discount, special discount, or deal~~].

5 (b-1) Notwithstanding Subsection (b) and except as provided  
6 by Subsection (c), for the state fiscal year beginning September 1,  
7 2012, the tax rate for each can or package of a tobacco product  
8 other than cigars is \$1.19 per ounce and a proportionate rate on all  
9 fractional parts of an ounce. This subsection expires December 1,  
10 2013.

11 (b-2) Notwithstanding Subsection (b) and except as provided  
12 by Subsection (c), for the state fiscal year beginning September 1,  
13 2011, the tax rate for each can or package of a tobacco product  
14 other than cigars is \$1.16 per ounce and a proportionate rate on all  
15 fractional parts of an ounce. This subsection expires December 1,  
16 2012.

17 (b-3) Notwithstanding Subsection (b) and except as provided  
18 by Subsection (c), for the state fiscal year beginning September 1,  
19 2010, the tax rate for each can or package of a tobacco product  
20 other than cigars is \$1.13 per ounce and a proportionate rate on all  
21 fractional parts of an ounce. This subsection expires December 1,  
22 2011.

23 (b-4) Notwithstanding Subsection (b) and except as provided  
24 by Subsection (c), for the state fiscal year beginning September 1,  
25 2009, the tax rate for each can or package of a tobacco product  
26 other than cigars is \$1.10 per ounce and a proportionate rate on all  
27 fractional parts of an ounce. This subsection expires December 1,

1 2010.

2 (c) The tax imposed on a can or package of a tobacco product  
3 other than cigars that weighs less than 1.2 ounces is equal to the  
4 amount of the tax imposed on a can or package of a tobacco product  
5 that weighs 1.2 ounces.

6 (d) The computation of the tax under this section and the  
7 applicability of Subsection (c) shall be based on the net weight as  
8 listed by the manufacturer. The total tax to be imposed on a unit  
9 that contains multiple individual cans or packages is the sum of the  
10 taxes imposed by this section on each individual can or package  
11 intended for sale or distribution at retail.

12 (e) A change in the tax rate in effect for a state fiscal  
13 year that occurs in accordance with this section does not affect  
14 taxes imposed before that fiscal year, and the rate in effect when  
15 those taxes were imposed continues in effect for purposes of the  
16 liability for and collection of those taxes.

17 SECTION 11. Section 155.101, Tax Code, is amended to read as  
18 follows:

19 Sec. 155.101. RECORD OF PURCHASE OR RECEIPT. Each  
20 distributor, wholesaler, bonded agent, and export warehouse shall  
21 keep records at each place of business of all tobacco products  
22 purchased or received. Each retailer shall keep records at a single  
23 location, which the retailer shall designate as its principal place  
24 of business in the state, of all tobacco products purchased and  
25 received. These records must include the following, except that  
26 Subdivision (7) applies to distributors only and Subdivision (8)  
27 applies only to the purchase or receipt of tobacco products other

1 than cigars:

2 (1) the name and address of the shipper or carrier and  
3 the mode of transportation;

4 (2) all shipping records or copies of records,  
5 including invoices, bills of lading, waybills, freight bills, and  
6 express receipts;

7 (3) the date and the name of the place of origin of the  
8 tobacco product shipment;

9 (4) the date and the name of the place of arrival of  
10 the tobacco product shipment;

11 (5) a statement of the number, kind, and price paid for  
12 the tobacco products;

13 (6) the name, address, permit number, and tax  
14 identification number of the seller;

15 (7) the manufacturer's list price for the tobacco  
16 products; ~~and~~

17 (8) the net weight as listed by the manufacturer for  
18 each unit; and

19 (9) any other information required by rules of the  
20 comptroller..

21 SECTION 12. Section 155.102, Tax Code, is amended by adding  
22 Subsection (c) to read as follows:

23 (c) In addition to the information required under  
24 Subsection (b), the records for each sale, distribution, exchange,  
25 or use of tobacco products other than cigars must show the net  
26 weight as listed by the manufacturer for each unit.

27 SECTION 13. Section 155.103, Tax Code, is amended by adding

1 Subsection (a-1) and amending Subsection (b) to read as follows:

2 (a-1) In addition to the information required under  
3 Subsection (a), the records for each sale of tobacco products other  
4 than cigars must show the net weight as listed by the manufacturer  
5 for each unit.

6 (b) A manufacturer who sells tobacco products to a permit  
7 holder in this state shall file with the comptroller, on or before  
8 the last day of each month, a report showing the information  
9 required to be listed by Subsections [in Subsection] (a) and (a-1),  
10 if applicable, for the previous month.

11 SECTION 14. Section 155.105(b), Tax Code, is amended to  
12 read as follows:

13 (b) The wholesaler or distributor shall file the report on  
14 or before the 25th day of each month. The report must contain the  
15 following information for the preceding calendar month's sales in  
16 relation to each retailer:

17 (1) the name of the retailer and the address of the  
18 retailer's outlet location to which the wholesaler or distributor  
19 delivered cigars or tobacco products, including the city and zip  
20 code;

21 (2) the taxpayer number assigned by the comptroller to  
22 the retailer, if the wholesaler or distributor is in possession of  
23 the number;

24 (3) the tobacco permit number of the outlet location  
25 to which the wholesaler or distributor delivered cigars or tobacco  
26 products; and

27 (4) the monthly net sales made to the retailer by the

1 wholesaler or distributor, including:

2           (A) the quantity and units of cigars and tobacco  
3 products sold to the retailer; and

4           (B) for each unit of tobacco products other than  
5 cigars, the net weight as listed by the manufacturer.

6           SECTION 15. Section 155.111, Tax Code, is amended by adding  
7 Subsection (b-1) to read as follows:

8           (b-1) In addition to the information required under  
9 Subsection (b), the report must show the net weight as listed by the  
10 manufacturer for each unit of tobacco products other than cigars  
11 that is purchased, received, or acquired.

12           SECTION 16. Section 155.2415, Tax Code, is amended to read  
13 as follows:

14           Sec. 155.2415. ALLOCATION OF CERTAIN REVENUE TO PROPERTY  
15 TAX RELIEF FUND AND CERTAIN OTHER FUNDS. Notwithstanding Section  
16 155.241, the [all] proceeds from the collection of taxes imposed by  
17 Section 155.0211 shall be allocated as follows:

18           (1) the amount of the proceeds that is equal to the  
19 amount that, if the taxes imposed by Section 155.0211 were imposed  
20 at a rate of 40 percent of the manufacturer's list price, exclusive  
21 of any trade discount, special discount, or deal, would be  
22 attributable to the portion of that [the] tax rate in excess of  
23 35.213 percent [of the manufacturer's list price, exclusive of any  
24 trade discount, special discount, or deal], shall be deposited to  
25 the credit of the property tax relief fund under Section 403.109,  
26 Government Code;

27           (2) the amount of the proceeds that is equal to the



1 amount that would be attributable to a tax rate of 35.213 percent of  
2 the manufacturer's list price, exclusive of any trade discount,  
3 special discount, or deal, if the taxes were imposed by Section  
4 155.0211 at that rate, shall be deposited to the credit of the  
5 general revenue fund; and

6 (3) 100 percent of the remaining proceeds shall be  
7 deposited to the credit of the physician education loan repayment  
8 program account established under Subchapter J, Chapter 61,  
9 Education Code.

10 SECTION 17. Sections 61.531(b) and (c) and 61.532(b),  
11 Education Code, are repealed.

12 SECTION 18. As soon as practicable after the effective date  
13 of this Act, the Texas Higher Education Coordinating Board shall  
14 adopt rules necessary to administer Subchapter J, Chapter 61,  
15 Education Code, as amended by this Act. For that purpose, the  
16 coordinating board may adopt the initial rules in the manner  
17 provided by law for emergency rules.

18 SECTION 19. The changes in law made by this Act in amending  
19 Chapter 155, Tax Code, do not affect tax liability accruing before  
20 the effective date of this Act. That liability continues in effect  
21 as if this Act had not been enacted, and the former law is continued  
22 in effect for the collection of taxes due and for civil and criminal  
23 enforcement of the liability for those taxes.

24 SECTION 20. This Act takes effect September 1, 2009.

**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 <i>New General Revenue Dedicated:</i> <i>Physician Education Loan Repayment</i> <i>Program Account</i>	Probable Revenue Gain from <i>New General Revenue Dedicated:</i> <i>Physician Education Loan Repayment</i> <i>Program Account</i>
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 comptroller 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

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

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**May 25, 2009**

**TO:** Honorable Steve Ogden, Chair, Senate Committee on Finance

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

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

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2154, Committee Report 2nd House, Substituted: 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 <i>New General Revenue Dedicated: Physician Education Loan Repayment Program Account</i>	Probable Revenue Gain from <i>New General Revenue Dedicated: Physician Education Loan Repayment Program Account</i>
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 comptroller 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, MN, JI, BH

**LEGISLATIVE BUDGET BOARD**

Austin, Texas

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**May 21, 2009**

**TO:** Honorable Steve Ogden, Chair, Senate Committee on Finance

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

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

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2154, As Engrossed: 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 <i>New General Revenue Dedicated: Physician Education Loan Repayment Program Account</i>	Probable Revenue Gain from <i>New General Revenue Dedicated: Physician Education Loan Repayment Program Account</i>
2010	(\$290,234)	\$44,512,000
2011	(\$5,852,829)	\$60,280,000
2012	(\$13,727,829)	\$58,061,000
2013	(\$23,852,829)	\$68,527,000
2014	(\$36,227,829)	\$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 comptroller 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.

Administrative costs estimated by the Higher Education Coordinating Board (THECB) 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. The technology costs for DSHS to develop an online application and database to be shared with THECB and are not included in this estimate. The technology estimate for THECB is \$17,710 in fiscal year 2010 only. The estimated personnel and technology costs are \$290,234 in fiscal year 2010 and \$227,829 in each year thereafter.

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 from the newly eligible practice sites.

The estimated loan repayment awards are based on the assumption that a new cohort of 225 physicians would receive loan repayment awards each year, 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 2010; \$13,500,000 in fiscal year 2011; \$23,625,000 in fiscal year 2012; and \$36,000,000 in fiscal year 2013. If the THECB established lower repayment amounts, the amounts shown above would be less.

### **Technology**

The technology cost includes \$17,710 for THECB to develop a database for the program.

### **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, MN, JI, BH

**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: HB2154** by Edwards (Relating to the physician education loan repayment program.), As **Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2154, As Introduced: 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 Revenue Gain from <i>Physician Education Loan Repayment Fund</i>	Probable Revenue Gain/ (Loss) from <i>General Revenue Fund 1</i>	Probable Revenue Gain from <i>Foundation School Fund 193</i>
2010	\$748,000	(\$299,000)	\$299,000
2011	\$816,000	(\$326,000)	\$326,000
2012	\$816,000	(\$326,000)	\$326,000
2013	\$816,000	(\$326,000)	\$326,000
2014	\$816,000	(\$326,000)	\$326,000

**Fiscal Analysis**

The bill would implement a recommendation in the Legislative Budget Board *Government Effectiveness and Efficiency Report* entitled "Funding Options for the Physician Education Loan Repayment Program."

The bill would amend Chapter 153 of the Occupations Code to add a \$25 fee to initial and renewal medical licenses, increasing the fee from \$400 to \$425. The revenue allocation would be changed by increasing the allocation for the Foundation School Fund from \$100 to \$110; allocating \$25 to a new General Revenue-Dedicated Account, Physician Education Loan Repayment; and allocating the remainder to the General Revenue Fund (a decrease from \$300 to \$290).

The bill would amend Chapter 61 of the Education Code to create a new General Revenue-Dedicated account with money in the account to be appropriated only for the Physician Education Loan Repayment Program.

The bill would also amend the Education Code so that the coordinating board could make electronic payments to the physician's lending agency.

The bill would take effect September 1, 2009.

### **Methodology**

The Comptroller of Public Accounts (CPA) estimated the revenue gain shown in the tables above from public and private sources, including comptroller files, then extrapolated through fiscal 2014. The fiscal implications for fiscal 2010 assume 11 months permit surcharge revenue are affected by the changes provided by this bill; the first month reflects current law. The General Revenue Fund would lose \$10 from each permit surcharge; the Foundation School Fund would gain \$10 from each permit surcharge. The new General Revenue-Dedicated Account, Physician Education Loan Repayment, would receive an allocation of \$25 from each surcharge.

This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts, 503 Texas Medical Board, 781 Higher Education Coordinating Board

**LBB Staff:** JOB, CL, JI, BH