

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 27, 2017

TO: Honorable J. M. Lozano, Chair, House Committee on Higher Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB2996 by Ashby (Relating to the establishment of a rural resident physician grant program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2996, As Introduced: a negative impact of (\$1,639,221) through the biennium ending August 31, 2019.

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
2018	(\$1,604,618)
2019	(\$34,603)
2020	(\$955,944)
2021	(\$1,834,603)
2022	(\$2,755,944)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund
	1
2018	(\$1,604,618)
2019	(\$34,603)
2020	(\$955,944)
2021	(\$1,834,603)
2022	(\$2,755,944)

Fiscal Analysis

The bill would require the Texas Higher Education Coordinating Board (THECB) to establish and administer the Rural Resident Physician Grant Program as a competitive grant program to encourage the creation of new graduate medical education positions in rural and nonmetropolitan areas. The bill would require THECB to award grants to new or expanded physician residency

programs at teaching hospitals and other appropriate health care entities as defined in the provisions of the bill. The bill would require THECB to establish criteria for the grant program in consultation with one or more physicians.

Under the provisions of the bill, all grant funds awarded under the program could only be used to pay direct costs associated with creating or maintaining a residency position, including the salary of the resident physician. The bill would require THECB to monitor the physician residency program receiving a grant to ensure compliance with the grant program. For any residency program that fails to comply with the rules of the grant program, the bill would require the return of any unused grant money by a residency program or for THECB to decline additional grants to that program.

The bill would require the Board to establish the grant program no later than October 1, 2017, and to begin to award grants under the program no later than January 1, 2018.

Methodology

Based on information provided by THECB regarding similar grant programs for graduate medical education, it is assumed that six two-year planning grants would be awarded in the 2018-19 biennium at \$250,000 per grant to provide funding support for operational and financial planning, accreditation, and infrastructure needs for the new graduate medical education programs. In fiscal year 2020, it is assumed that 12 residency slots would receive funding at a per-resident amount of \$75,000. As these 25 residents progress to their second year of residency and a new cohort of residents begins, this estimate assumes that 24 residents would be funded in fiscal year 2021. In fiscal year 2022, it is estimated that 36 residents would be funded. Based on these assumptions, the program would result in a cost of \$0.9 million in fiscal year 2020, \$1.8 million in fiscal year 2021, and \$2.7 million in fiscal year 2022.

Costs associated with this grant program are scalable and could vary from this estimate depending on the total number of awards provided and the value of each award.

Based on information provided by THECB, administrative costs associated with the new program, including salaries, wages, benefits, and other expenses, are estimated to range from \$104,618 in fiscal year 2018 to \$34,603 in fiscal year 2021. According to the agency, because a two-year grant cycle is assumed, administrative costs would be higher in the first year of each grant cycle causing administrative costs to fluctuate from year to year.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 768 Texas Tech University System Administration, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board

LBB Staff: UP, THo, DEH, ED