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FISCAL IMPACT REPORT

SPONSOR: Picraux DATE TYPED: 1/31/03 HB 141

SHORT TITLE: Medical Student Loans SB _____

ANALYST: Maloy

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
	\$500.0			Recurring	General Fund

Duplicates SB 214

SOURCES OF INFORMATION

Responses Received From
 Department of Health
 State Department of Education

SUMMARY

Synopsis of Bill

1. House Bill 141 creates a new section to the Income Tax Act to exempt health practitioner stipends, as issued under the New Mexico Health Service Corps Act, from taxation.
2. HB 141 also expands the duties of the Health Profession Advisory Committee of the New Mexico Commission on Higher Education (NMCHE). The expanded duties include designating fields of specialization in the practice of medicine in which New Mexico is “suffering an acute shortage”. HB 141 provides loans will be extended through the Student Loan For Service Program (administered by the NMCHE) to medical students specializing in shortage fields if a student is willing to declare that, after licensure, he or she will commence the practice of medicine in New Mexico, and in the specialized field.
 - a. HB 141 creates a separate repayment schedule for students receiving these shortage/specialty loans. This separate schedule requires loan terms of two years shall require two years of practice. Upon completion of service, 100% of the principal plus accrued interest shall be forgiven.

- b. Loan terms of three years or more shall require that a proportionate amount of the principal and accrued interest shall be forgiven for each year of practice in New Mexico, provided that no principal or interest is forgiven if the recipient practices less than two years.
- c. All other penalties of the existing Student Loan for Service Program would apply to the shortage/specialty loans.

Significant Issues

1. The New Mexico Health Service Corps provides stipends to health professionals during their clinical training in exchange for a commitment to work in underserved areas. Stipend payments are currently subject to federal and state income tax. An exemption from state income taxation would improve the incentive value of stipend awards.
2. Medical education is expensive. The cost of one year's tuition and fees at the School of Medicine at UNM is \$9,466. Total expenses (including books, supplies, and living costs) are estimated between \$25,000 and \$27,000 on average. If significant financial assistance is made possible through the NMCHE's Student Loan for Service Program, it could create a great incentive to influence specialty choice and service in New Mexico.

However, the Student Loan for Service Program currently makes awards to medical students based upon student's demonstrated financial need, as assessed by university financial aid officers. The existing guidelines for assessing students' financial need may not result in an award level sufficient to create an effective incentive plan. The guidelines and levels of award generated should be examined.

3. The Medical Student Loan For Service Program provides financial support to medical students during post-secondary medical school training. Students will not be eligible to practice in a specialty until at least 7-8 years after entry into medical school. More often a specialist may not be ready for practice until at least 10 years after entry into medical school. The proposed expansion of the Medical Student Loan for Service Program to specialists will not bring new physicians into service for 3-5 years after its implementation.

Given this delay, New Mexico may want to look at expanding the Health Professional Loan Repayment Program, also administered by the NMCHE, which could be used to address the immediate need for specialists by attracting those that are already in practice.

FISCAL IMPLICATIONS

HB 141 appropriates \$500.0 from the general fund to the Medical Student Loan For Service Program for FY04 for the purpose of making these Medical Student Loans to students agreeing to specialize in shortage fields and practice in New Mexico. Unexpended or unencumbered balances remaining at the end of FY04 will revert to the general fund.

ADMINISTRATIVE IMPLICATIONS

1. There will be no *direct* administrative impact on either the Department of Health or the

State Department of Education. However, the Department of Health will be required to step-up its coordination efforts with the NMCHE on the Medical Student Loan Repayment Program. This can be accommodated within existing staffing levels.

2. The New Mexico Health Policy Commission has recently issued a study of physician adequacy in New Mexico, and has addressed the shortage of specialist physicians. It may be beneficial to direct the Health Policy Commission, NMCHE and the DOH work together in developing the list of specialties to be designated as suffering an acute shortage.

TECHNICAL ISSUES

1. Currently, the Taxation and Revenue Department questions whether New Mexico Health Service Corps stipends are subject to gross receipts tax. The language included in HB 141 is not as clear as it could be regarding gross receipt tax.
2. The bill does not direct shortage/specialty loan award levels. The Student Loan for Service Program currently makes awards to medical students based upon the individual student's demonstrated financial need, as assessed by university financial aid officers. The guidelines used to assess financial need may not result in an award level that is sufficient to serve as an incentive to commit to a shortage-designated specialty and to working in New Mexico.

ALTERNATIVES

1. Amend HB 141 to expressly designate New Mexico Health Service Corps stipends as exempt from gross receipts taxation.
2. Expand the Health Professional Loan Repayment Program to provide for a more immediate means of addressing the shortage / specialty issue. (See SIGNIFICANT ISSUES discussion, item 3, regarding the delayed affect of expanding the Student Loan for Service program).
3. Attract currently licensed physicians by offering similar opportunities for repayment of loans obtained from other sources.

SJM/yr:sb