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FISCAL IMPACT REPORT

SPONSOR Rodella DATE TYPED 2/3/04 HB 443

SHORT TITLE Health Professional Tax Exemptions SB _____

ANALYST Gilbert

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY04	FY05	FY04	FY05		
	\$500.0			Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04	FY05			
	\$500.0	(See Narrative)	Recurring	Health Professional Loan Repayment Fund

(Parenthesis () Indicate Revenue Decreases)

Relates to SB 324

SOURCES OF INFORMATION

LFC Files

Response Received From
Department of Health (DOH)

No Response From
Taxation & Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 443 appropriates \$500 thousand from the general fund to the Health Professional Loan Repayment Fund (HPLRF) for the purpose of making awards to repay loans pursuant to the Health Professional Loan Repayment Act (HPLRA).

This bill enacts a new section in the Income Tax Act which exempts stipends and awards received pursuant to the New Mexico Health Service Corps Act (HSCA) and HPLRA from income and gross receipts taxation.

HB 443 expands the duties of the Health Profession Advisory Committee (HPAC), appointed by the Commission on Higher Education (CHE), composed of representatives from the Department of Health (DOH), the NM Health Policy Commission (HPC), public post secondary health and medical training programs, providers from underserved healthcare areas, recruiting and placement organizations, and professional health and medical associations. The HPAC is authorized to designate health professional shortage areas and acute shortage areas, including fields of medical specialization as well as other duties.

HB 443 eliminates the reference to primary care from the definition of physician and would require the CHE to provide annual reports to the Governor and the legislature prior to each legislative session.

Significant Issues

The purpose of the Health Professional Loan Repayment Program (HPLRP) is to assist New Mexico practicing health care professionals to repay outstanding students loans. As a condition of participation, a health professional must make a two-year service commitment to practice full-time in a designated shortage area of the state. Penalties apply for failure to provide services. Participants must use the award to pay outstanding educational debt. Awards cannot be used as a salary supplement and \$25 thousand is the maximum award amount for a two-year period.

FISCAL IMPLICATIONS

The appropriation of \$500.0 contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.

Revenue to the general fund will also be reduced due to the tax exemptions granted in this bill.

Continuing Appropriations

This bill creates a new fund and provides for continuing appropriations. The LFC objects to including continuing appropriation language in the statutory provisions for newly created funds. Earmarking reduces the ability of the legislature to establish spending Priorities.

ADMINISTRATIVE IMPLICATIONS

The CHE has administered HPLRP for over 15 years and policies and procedures are currently in place. No additional resources would be required from DOH. DOH staff currently coordinates closely with the CHE in the review of HPLRP applications, provides information about federal Health Professional Shortage Areas, and provides technical assistance in the administration of the federal National Health Service Corps Grant for Loan Repayment.

OTHER SUBSTANTIVE ISSUES

HPLRP has been identified as one of the most effective recruitment and retention tools. Currently, it is drastically under funded. Last year the CHE received an appropriation of \$417,600 and an additional federal award of \$137,500. This funding only allowed one in four applicants to be funded from a pool of over 200 applications.

Last year the HSC awarded a total of 18 stipends and 6 community contracts. Under the program, approximately \$10,000 is made available for Paramedic-EMTs, \$15,000 for Nurse Practitioners, Certified Nurse Midwives and Physician Assistants, and \$20,000 for Physicians each year; and last year, the legislature appropriated \$500,000 for the addition of Dentists and Dental Hygienists to the program, which resulted in approximate awards of \$15,000 to Bachelors Dental Hygienists, and \$20,000 for Dentists this year.

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