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## FISCAL IMPACT REPORT

SPONSOR Lopez DATE TYPED 3/01/2005 HB \_\_\_\_\_

SHORT TITLE Income Tax for Certain Nurses and Physicians SB 823

ANALYST Taylor

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	\$750			Recurring	General Fund
	\$500			Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act  
 Duplicates HB 744

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
(2.5)	(5.0)	Increasing	Recurring	General Fund
	\$500.0			Health Professionals Loan Repayment Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files  
 Taxation and Revenue Department (TRD)  
 Department of Health (DOH)

### SUMMARY

Senate Bill 823 provides an exemption in the income tax act for certain nurses and physicians serving in acute shortage and medically underserved areas. Starting in FY06, it makes recurring appropriations to the health professional loan repayment fund and the Department of Health.

Specifically, the bill amends the income tax by providing an exemption for stipend income received by a nurse or physician pursuant to the Health Service Corps Act and Health Professional Loan Repayment Act.

It expands the duties of the Health Profession Advisory Committee to include the designation of nursing and the practice of medicine in which the state is experiencing an acute shortage.

The bill appropriates \$500 thousand in FY06 from the general fund to the health professional loan repayment fund for the purpose of making loans to students pursuing medical specialties needed in acute shortage and medically underserved areas. It also appropriates \$750 thousand in FY06 from the general fund to the department of health for expanded recruitment of medical professionals.

The bill is applicable to taxable years beginning on or after January 1, 2005.

### **FISCAL IMPLICATIONS**

TRD estimates the fiscal impact for the tax exemptions provided in this bill to be \$5.0 thousand in FY06. They note that stipends range from \$10 to \$20 thousand per year, and total, on average about \$300 thousand. They further assume that two-thirds of stipends, or \$200 thousand are provided to nurses and physicians. They apply a 2.5 percent tax rate against \$200 thousand to arrive at the full year fiscal impact of \$5 thousand. The FY05 impact reflects the applicability date, and is simply half of the full-year impact.

The appropriations of \$500 thousand to the Health Professional Repayment Loan Fund and \$750 thousand to the department of health contained in this bill are recurring expenses to the General Fund.

The department of health's bill analysis notes that the executive budget recommendation included \$695.7 thousand for the same purpose (as that provided in this bill). They also report that appropriation to the Health Professional Repayment Loan Fund does not directly impact the department.

### **Continuing Appropriations**

This bill creates provides a continuing appropriations from the general fund to another fund. The LFC objects to including continuing appropriation language in statutory provisions. Earmarking reduces the ability of the legislature to establish spending priorities.

### **ADMINISTRATIVE IMPLICATIONS**

Both TRD and DOH report that the administrative implications associated with this bill are modest and could be absorbed with existing resources.

### **OTHER SUBSTANTIVE ISSUES**

The department of health submitted the following comments:

Despite progress over the years, there are still gaps in access to dental and primary care services for many New Mexicans who reside in underserved areas of the state. The Federal government has designated all or part of 28 New Mexico counties as either medical or dental Health Professional Shortage Areas. Dental services are inadequate especially in rural and remote areas of the state. Similar shortages of nurses and medical specialists occur throughout the State.

The Health Professional Loan Repayment Program, administered by the Commission on Higher Education, provides repayment of health professional education loans to selected health professionals in exchange for their commitments to practice in underserved parts of New Mexico. Similarly, the New Mexico Health Service Corps, administered by the Department of Health, makes stipend awards to health professional students during their training in exchange for their commitments to practice in underserved parts of New Mexico. The exemptions from taxation for these repayments and stipends, proposed in HB 744, would increase their net financial incentive, making them a more effective tool for recruitment and retention.

The needs of underserved New Mexicans are met, in part, by a network of community-based primary care centers. This network provides basic services to more than 230,000 patients each year. The Rural Primary Health Care Act (RPHCA) Program, administered by the DOH, provides financial support to more than 75 clinics in the network. The majority of patients at community-based primary care centers are either indigent or Medicaid program participants. Indigent patients receive services according to sliding fee schedules, based upon their ability to pay. It is estimated that an additional 200,000 New Mexicans statewide could benefit from the services of new or expanded health centers. Sections of the RPHCA authorize a program for recruitment and retention of primary health professionals for underserved parts of the State. The \$750,000 appropriation in HB 744 would supplement the funds currently used for RPHCA recruitment and retention purposes and support the safety net services available for underserved areas.

The President has established a Community Health Center Initiative for the nation aiming to double the number of new or expanded community-based primary care centers nationwide by 2006. All new centers receiving this funding are required to provide both medical and dental services to their patients. New or expanded centers in Silver City, Edgewood, Mora, Santa Fe, East Mesa (Dona Ana County), Fort Sumner, Socorro and Alamogordo have all benefited from this Initiative. In the current fiscal year federal applications are pending or to be submitted for new or expanded centers in Bernalillo and Hobbs. In addition, there have been numerous supplemental grants given to existing health centers to expand the comprehensiveness of their services to include dental and basic behavioral health care. During the next year it is anticipated that at least 5 applications could be developed for new or expanded health centers in New Mexico. This would permit a significant expansion of New Mexico's health care safety net. The appropriations proposed in HB 744 could be used to meet health professional needs resulting from expansions in federal programs and improve access to primary medical, dental and basic behavioral health care.

The \$500,000 appropriation to the Health Professional Loan Repayment Fund for medical specialties would expand this program.

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