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FISCAL IMPACT REPORT

SPONSOR: SEC DATE TYPED: 03/10/03 HB _____
 SHORT TITLE: Medical Student Loans SB CS/214/aSPAC
 ANALYST: Maloy

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			See Narrative		

Relates to HB 141.

SOURCES OF INFORMATION

Responses Received on Original SB 214 from
 Department of Health
 State Department of Education
 Taxation and Revenue Department
 Committee on Higher Education

New analyses were not received on SB 214/ SECS. There is a significant overlap of issues discussed in the analyses of the original bill. These issues have been incorporated into this analysis where applicable.

SUMMARY

Synopsis of SPAC Amendment

The Senate Public Affairs Committee has amended SB 214 to eliminate the appropriation of \$500.00 from the general fund to the health professional loan repayment fund for expenditure in FY 04 and subsequent fiscal years for the purpose of making loans pursuant to the Health Professional Loan Repayment Act.

Synopsis of Original Bill

1. Senate Bill 214 /SECS amends the Health Professional Loan Repayment Act to provide loans to health professionals specializing in certain field who agree to practice in New Mexico.
2. The bill also exempts certain stipends and awards from taxation. The bill enacts a new provision in the Gross Receipts and Compensating Tax Act which provides:

“Exempted from the gross receipts tax are the receipts of a health professional received as a stipend pursuant to the Health Services Corps Act and awards received pursuant to the Health Professional Loan Repayment Act.”

3. The bill makes an appropriation of \$500.0 from the general fund to the health professional loan repayment fund for expenditure in FY 04, and subsequent fiscal years, for the purpose of making loans pursuant to the Health Professional Loan Repayment Act. Unexpended or unencumbered balances at the end of a fiscal year shall **not** revert to the general fund.
4. The bill vests the “health profession advisory committee” (responsible for advising the commission on higher education on matters relating to student loans to health professionals) with two additional responsibilities, to include:
 - a. Identifying areas of shortage and acute shortage of health care providers in New Mexico; and
 - b. Designate fields of specialization in medicine wherein New Mexico suffers an acute shortage.
5. Finally, SB 214 / SECS contains minor grammatical corrections to, and addition of the “acute shortage” criteria in, Section 21-22D-4, NMSA 1978. This section of law establishes the commission on higher education’s (“commission’s”) duties regarding administration of awards for health education expenses for applicants declaring an intent to practice in New Mexico.

Significant Issues

1. Exemption from state income taxation would improve the incentive value of stipend awards.
2. According to the Taxation and Revenue Department, there has long been confusion on which taxation provisions stipends and similar awards are exempted. This bill makes this clear by expressly tying the exemption to gross receipts taxation.
3. 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 commission on higher education’s student loans 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 need to be examined.

4. 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, expansion of the Health Professional Loan Repayment Program is key to addressing the *immediate* need for specialists by attracting those that are already in practice.

SB 214 / SECS does expand this program and moves New Mexico toward addressing immediate needs.

5. The New Mexico Health Policy Commission has recently issued a study of physician adequacy in New Mexico, and has documented the shortage of specialist physicians. The findings of this study should be consulted when identifying and designating needed specialties and areas suffering an “acute shortage”

FISCAL IMPLICATIONS

SB 214 appropriates \$500.0 from the general fund to the health professional loan repayment fund for expenditure in FY 04 and subsequent fiscal years for the purpose of making loans pursuant to the Health Professional Loan Repayment Act. Any unexpended or unencumbered balance at the end of a fiscal year shall **not** revert to the general fund.

ADMINISTRATIVE IMPLICATIONS

The Department of Health and State Department of Education report 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 commission on higher education on the medical student loan repayment program. This can be accommodated within existing staffing levels. .

TECHNICAL ISSUES

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

Attract currently licensed physicians by offering similar opportunities for repayment of loans obtained from other sources.

SJM/prr:njw