



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	SB0553	Title:	Revise incentives for certain physicians
Primary Sponsor:	Black, Jerry W	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$63,100	\$126,200	\$189,300
State Special Revenue	\$20,000	\$40,000	\$319,000	\$379,000
Revenue:				
General Fund	\$0	\$63,100	\$126,200	\$189,300
State Special Revenue	\$0	\$263,100	\$326,200	\$389,300
Net Impact-General Fund Balance	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: This legislation phases-out the tax credit for physicians practicing in rural areas after tax year 2007. The credit would be terminated after 2011. In addition, this legislation would transfer money from the general fund to the special revenue account for the repayment of physician student loans, increase the surcharge for medical students, and expand educational debt that can be paid by the Board of Regents.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

- Under current law, the rural physician's credit provides a credit to qualified physicians equal to \$5,000 per year for four years. The proposed legislation would phase out the rural physician's tax credit after tax year 2007. A taxpayer first taking the credit in tax year 2007 would be eligible for the credit for the next three tax years; however, only taxpayers who claimed the credit in the previous year and have not yet

taken the credit for four years would be eligible for the credit in tax years 2008 and beyond. By tax year 2011, the credit would be fully phased out.

2. In tax year 2005 (the latest data available), taxpayers claimed \$252,400 for the rural physician’s tax credit. Over the years 2001 to 2005, the amount taken for this tax credit had negative growth; however, for the purposes of this fiscal note, the growth is assumed to be 0% to agree with the growth projections included in HJR 2 for the health care professional loan payment exclusion. Therefore, the projected amount of rural physician’s credit claimed in future years will be \$252,400 per year.
3. This legislation would phase out the rural physician’s tax credit starting with tax year 2007. This fiscal note assumes that the credit phases out at a rate of 25% of the 2007 amount per year. The estimated amount of rural physician’s credit claimed under the proposed legislation is shown in the chart below:

Projected Rural Physician’s Credit Proposed Law	
2007	252,400
2008	189,300
2009	126,200
2010	63,100
2011	0

4. Under the proposed legislation, the general fund would receive revenues equal to the difference between current law and proposed law projections, which would be equal to zero in tax year 2007, \$63,100 in tax year 2008, \$126,200 in tax year 2009, \$189,300 in tax year 2010, and \$252,400 in tax year 2011. Credits for a tax year would be claimed on tax returns filed the following spring. Credits for a tax year will reduce revenue in the next higher numbered fiscal year.
5. Section 2 of the proposed legislation would require the treasurer to transfer money from the general fund to a special revenue account. The amount transferred is based on the average amount of rural physician’s credits claimed in tax years 2006 and 2007. The expected average amount of rural physician’s credit taken in these two years is \$252,400.
6. The amount transferred from the general fund to the special revenue fund is equal to 25% of the average in FY 2009, 50% of the average in FY 2010, 75% of the average in FY 2011, and 100% of the average after FY 2011. The impact to the general fund from this transfer is estimated to be a reduction of \$63,100 in FY 2009, \$126,200 in FY 2010, and \$189,300 in FY 2011.
7. The increases and reductions offset each other so there is no net impact to the general fund each fiscal year.

Office of Commissioner of Higher Education

8. Section 4 of the proposed legislation would increase the surcharge to medical students effective July 1, 2008 (FY 2009) to \$4,000/yr from the current surcharge of \$2,000/yr.
9. The expenses of administering the program may not exceed 10% of the annual fees collected. Administrative fees are estimated to be \$20,000 in FY 2008 and \$40,000 in FY 2009 and subsequent fiscal years. The administrative fees would be used to develop a computer database to automate loan disbursements. Other administrative expenses include coordinating the application process with state hospitals and health care facilities and prospective physicians. Collecting and processing program application materials including loan verification forms. Conducting legal verification of loans and establishing loan disbursement schedules for program participants.
10. The average number of medical students accessed the surcharge is 100 per year. Therefore, fees collected in FY 2008 are estimated to be \$200,000 and fees in FY 2009 and subsequent fiscal years are estimated to be \$400,000 per year.

11. The Board of Regents will establish procedures for determining rural areas and medically underserved areas of the state that qualify for assistance in physician recruitment. The amount of educational debt payment committed in a year may not exceed the annual amount deposited in the physician incentive state special revenue account.
12. In FY 2009, it is assumed the maximum fee will be charged; however, future liabilities will have to be evaluated and the actual fee assessed may be less than the maximum provided for in section 4 of the proposed legislation.
13. The base year (FY 2006) contains \$201,000 of debt payments from the Rural Physicians Account.
14. The fund balance in the Rural Physicians Account was \$539,441 at the end of FY 2006.
15. For purposes of the fiscal note, it is assumed that starting in FY 2010, eligible physicians will receive \$20,000 per year of educational debt payment over a 5-year period.
16. In FY 2010, it is assumed 24 physicians would be eligible for debt payment (24*\$20,000=\$480,000) and in FY 2011, it is assumed 27 physicians would be eligible (27*\$20,000=\$540,000).
17. The differences are shown in the fiscal note for FY 2010 (\$480,000-\$201,000 = \$279,000) and FY 2011 (\$540,000-201,000 = \$339,000).

Department of Revenue

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Transfers	\$0	\$63,100	\$126,200	\$189,300
TOTAL Expenditures	<u>\$0</u>	<u>\$63,100</u>	<u>\$126,200</u>	<u>\$189,300</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$63,100	\$126,200	\$189,300
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$63,100</u>	<u>\$126,200</u>	<u>\$189,300</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$63,100	\$126,200	\$189,300
TOTAL Revenues	<u>\$0</u>	<u>\$63,100</u>	<u>\$126,200</u>	<u>\$189,300</u>

Office of Commissioner of Higher Education

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Operating Expenses	\$20,000	\$40,000	\$40,000	\$40,000
Grants	\$0	\$0	\$279,000	\$339,000
TOTAL Expenditures	<u>\$20,000</u>	<u>\$40,000</u>	<u>\$319,000</u>	<u>\$379,000</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$20,000	\$40,000	\$319,000	\$379,000
TOTAL Funding of Exp.	<u>\$20,000</u>	<u>\$40,000</u>	<u>\$319,000</u>	<u>\$379,000</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Sp. Rev. (02) (Fee Assessment)	\$0	\$200,000	\$200,000	\$200,000
State Sp. Rev. (G.F. Transfer)	\$0	\$63,100	\$126,200	\$189,300
TOTAL Revenues	<u>\$0</u>	<u>\$263,100</u>	<u>\$326,200</u>	<u>\$389,300</u>
<u>Combined Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	(\$20,000)	\$223,100	\$7,200	\$10,300

Long-Range Impacts:

The impact to the general fund will be zero in future years not covered by this note.

Sponsor's Initials

Date

Budget Director's Initials

Date