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FISCAL IMPACT REPORT

ORIGINAL DATE 01/17/12
LAST UPDATED 01/27/12 **HB** _____

SPONSOR Feldman

SHORT TITLE Primary Care Physician Conditional Tuition **SB** 8/aSEC

ANALYST Hartzler-Toon

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY12	FY13		
	\$300.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

*See Fiscal Impact. Program costs will increase \$300.0 thousand annually.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY12	FY13	FY14	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$0.0	\$15.0	\$15.0	\$30.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Senate Bill 8 relates to Higher Education Department's student financial aid appropriation in Section 4.J of the General Appropriation Act.

SOURCES OF INFORMATION

Conditional Tuition Waiver for Primary Care Medical Students Act, 21-22G-1 et al, NMSA (1978); Laws 2009, Ch. 225.

LFC Files

Responses Received From

Higher Education Department (HED)

University of New Mexico Health Sciences Center (HSC)

SUMMARY

Synopsis of SEC Amendment

The Senate Education Committee amendment to Senate Bill 8 directs the appropriation to the primary care physician conditional tuition waiver fund for expenditure in fiscal year 13 and subsequent years. The appropriation is to implement the tuition waiver program pursuant to the Conditional Tuition Waiver for Primary Care Medical Students Act.

Synopsis of Original Bill

The Primary Care Physician Conditional Tuition Waiver bill appropriates \$300 thousand from the General Fund to the Higher Education Department for the purpose of funding the conditional waiver for primary care medical students program created pursuant to 21-22G-1 NMSA (1978).

FISCAL IMPLICATIONS

The appropriation of \$300 thousand contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY13 would not revert to the general fund, but would remain in the primary care physician conditional tuition waiver fund established by 21-22G-1 NMSA (1978).

The bill would establish FY13 as the first year of funding the primary care medical student waiver program. At the proposed appropriation level, the HED would award ten waivers for \$30 thousand each in FY13 to students attending the University of New Mexico School of Medicine (SOM) who would be contractually bound to serve as a licensed primary care physician in an underserved area of New Mexico as defined by the Rural Primary Care Health Care Act. For each year a recipient receives a waiver, the recipient owes a year of service or must repay the amount of the waiver, plus a penalty, at rates defined in statute. FY13 recipients would be eligible for waivers in future years, should the Legislature appropriate additional funds.

The HED did not report operating budget impacts or calculations for FY12, FY13, or FY14, however, the bill would require the HED to issue regulations implementing 21-22G-1 NMSA (1978) and review and revise or create policies, legal contracts, and accounting methods to track waiver recipients, waiver awards, and service or repayment obligations. Further, the operational cost for FY14 should reflect the cost of adding another cohort of 10 waiver recipients (at \$30 thousand each, \$300 thousand total), the second year of the first cohort of waiver recipients (at \$300 thousand), and minimal administrative costs for managing this program. These additional operating expenses are estimated at \$15 thousand per year.

SIGNIFICANT ISSUES

The waiver program was created to address the shortage of primary care physicians in New Mexico. The HED cited U.S. Department of Health and Human Services data that identifies all but one of New Mexico's counties as having a shortage of primary care physicians. According to New Mexico Health Resources, there are 234 primary care vacancies around the state. Further, since 1990, medical school graduates have exhibited a declining interest in practicing in primary care fields. Funding the tuition waiver program may address this shortage when recipients are eligible to begin their service as a licensed practitioner.

The program's enabling statute required the HED to implement regulations to administer the program. As of the date of this bill's introduction, no rules for this program have been promulgated. Without departmental guidance on selection of waiver recipients and a standard process for medical students to declare their intentions to be primary care physicians, there is no program structure for student records management, fund disbursements to UNM SOM and accounting for this program, and the process to track recipients' service obligations and loan collections, if owed.

Further, the HED continues to experience difficulties managing financial aid programs with components similar to the primary care physician waiver program. The HED has failed to complete financial audits for FY10 and FY11 regarding financial aid programs, particularly the student loan repayment and loan forgiveness programs both of which contain many of these same records and fund management processes.

The UNM HSC's response noted that this bill would provide a benefit to New Mexico, by recruiting individuals to study and practice primary care in the state, and a benefit to the recipient, by reducing the cost to study and practice in this field. The HED would bear the administrative burden of the program, while UNM SOM would educate students. The UNM HSC shared its programmatic and student aid priorities for FY13 with the Legislative Finance Committee, but the primary care physician assistance waiver program was not among these.

PERFORMANCE IMPLICATIONS

As administrator of the program and in accordance with the Accountability in Government Act, the HED may add performance measures on the number of waiver recipients who perform service as a primary care physician.

ADMINISTRATIVE IMPLICATIONS

The bill would provide funding for up to 10 waivers for the 2012-2013 academic year, but the HED must follow statutory requirements before recipients can be selected and waivers issued. The HED must enact rules regarding the eligibility and selection of recipients and on waiver requirements and obligations, including repayment obligations should a waiver be received but service is not performed. It is unclear whether the HED will have sufficient time to complete statutory requirements prior to the 2012-2013 academic year.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The primary care physician waiver program is similar to other HED-administered student financial aid programs, including the medical loan-for-service and medical loan forgiveness programs. Per statute, the waiver program requires the HED and recipient to enter a contract that provides a recipient tuition and living stipends for an academic year in exchange for a year of service as a licensed primary care physician. Under the law and such a contract, the recipient would be required to repay the value of the total waiver amount, plus interest, if service is not performed. The HED would deposit all repayments in lieu of service in the primary care physician conditional tuition waiver fund (waiver fund) for further program use. Without HED regulations for the primary care physician waiver program, the program may be duplicative or allow the same recipient to benefit from multiple state medical loan programs.

Further, there are multiple tuition waiver programs in statute, including those that are considered as part of the higher education instruction and general (I&G) expenditure funding formula. Under the GAA of 2011, the legislature required the HED to submit a revised funding formula to the Legislature by October 15, 2011; the secretary complied. Unlike the old funding formula which included some tuition waiver programs in appropriations calculations, the new funding formula does not. Importantly, the new funding formula, used by both the Executive and LFC as the basis for FY13 budget recommendations, does not calculate state appropriations for tuition waiver programs and reduce such amounts from I&G formula funding. It is unclear whether and

how appropriations under this bill would be considered as part of the funding formula for FY13 and later.

TECHNICAL ISSUES

The bill appropriates \$300 thousand to the HED instead of to the Primary Care Physician Conditional Tuition Waiver Fund, allowing for some confusion as to whether the appropriation would be categorized as departmental general funds or other state funds. Further, the HED may require specific budget authority to facilitate the transfer to the SOM on behalf of recipients.

ALTERNATIVES

The bill sponsor may consider legislative language conditioning the appropriation on the HED implementing regulations pursuant to 21-22G-4 NMSA (1978) by June 30, 2012 to issue waivers before the 2012-2013 academic year.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The HED will not issue waivers under the primary care physician conditional waiver fund program for lack of funding.

THT/amm:svb