

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1874H.04C
Bill No.: HCS for SCS for SB 403
Subject: Health Care; Hospitals; Crimes and Punishment; Tax Credits; Holidays and
Observances; Corrections, Department of
Type: Original
Date: May 3, 2021

Bill Summary: This proposal modifies provisions relating to health care.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue*			
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

*The fiscal impact to General Revenue nets to zero as a result of the revenue loss equal to the amount of tax credits awarded which is later reimbursed from the Medical Preceptor Fund.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Medical Preceptor Fund*	\$0	Up to or could exceed \$670	Up to or could exceed \$233
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	Up to or could exceed \$670	Up to or could exceed \$233

*The fee increase (additional revenue) to the Medical Preceptor Fund (license fee increases) is offset by Transfers out (Reimbursement to GR for tax credit program) equal to the estimated number of \$1,000 values available after the Department of Commerce and Insurance's administrative costs.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Medical Preceptor Fund	0	1 FTE	1 FTE
Total Estimated Net Effect on FTE	0	1 FTE	1 FTE

- ☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- ☐ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

§135.690 - Tax credits for certain medical education-related preceptorships

In response to similar legislation (HB 689), officials from the **Office of Administration – Budget & Planning Division (B&P)** stated this proposed legislation would create a tax credit for any community-based faculty preceptor who serves as the community-based faculty preceptor for a medical student core preceptorship or a physician assistant student core preceptorship.

The credit is equal to \$1,000 for each preceptorship, up to a maximum of \$3,000 per tax year if he or she completes up to three (3) preceptorship rotations and did not receive any direct compensation for the preceptorships. The cumulative amount of tax credits awarded under this section shall not exceed \$200,000 per year.

The Division of Professional Registration is authorized to exceed the \$200,000 program cap in any amount not to exceed the amount of funds remaining in the Medical Preceptor Fund. This would result in an unknown negative impact on Total State Revenue (TSR) if the program cap is exceeded.

Effective January 1, 2022, funding for the tax credit program shall be generated from a license fee increase of \$7 per license for physicians and surgeons and from a license fee increase of \$3 per license for physician assistants. This money would be deposited into the Medical Preceptor Fund. At the end of every tax year, an amount equal to the dollar amount of all tax credits claimed under this section shall be transferred from the Medical Preceptor Fund to General Revenue (GR). Any excess money shall remain in the fund.

This proposed legislation will lead to an increase in total state revenues, as additional fees are collected and deposited in the Medical Preceptor Fund. Concurrently, GR and TSR will decrease as tax credits are redeemed.

The net impact to TSR could be positive or negative in a given year, depending on fees collected and credits redeemed. While GR collections will decrease, these losses are to be offset by a transfer from the Medical Preceptor Fund; such a transfer will be subject to appropriation. B&P defers to the Division of Professional Registration on specific revenue impacts.

This proposal could impact the calculation under Article X, Section 18(e).

Officials from the **Missouri Department of Commerce and Insurance (DCI)** state there are approximately 29,080 active physicians licensed in Missouri. A seven dollar (\$7) fee increase would generate approximately \$203,560. Furthermore, there are approximately 1,613 active assistant physicians licensed in Missouri. A three dollar (\$3) fee increase would generate

approximately \$4,839. DCI estimates a total of \$208,399 would be generated as a result of the fee increase(s).

DCI states, a community based faculty preceptor shall claim the tax credit in the tax year which he or she completes the preceptorship rotations and shall submit supporting documentation to the Division of Professional Registration.

No more than 200 preceptorship tax credits shall be authorized by the Division of Professional Registration in a calendar year. The cumulative amount of tax credits awarded shall not exceed \$200,000.

It is estimated that the collection of fee increase(s) will begin at annual renewal in **November 2022**.

If the number of licenses largely vary from the number estimated above, the licensure fee(s) will be adjusted accordingly.

DCI anticipates the need for one (1) FTE Regulatory Auditor.

Oversight notes the DCI anticipates the need for one (1) Regulatory Auditor to administer the responsibilities associated with this proposed legislation. This proposed legislation would require the Division of Professional Registration (PR), under the DCI, to authorize tax credits to taxpayers who complete preceptorship rotations, review aggregate authorization(s) in conjunction with the established tax credit cap(s), provide priority to taxpayers who provide preceptorships in rural areas of Missouri, and evaluate the fee increase annually.

Oversight will include the DCI's administrative costs (FTE). Oversight will report the administrative cost being paid from the Medical Preceptor Fund as this proposed legislation states the funds in the Medical Preceptor Fund may be used by PR for the administration of the tax credit program created.

Furthermore, since the cost will be paid from the Medical Preceptor Fund, the amount of revenue available to be transferred to GR, to reimburse the cost of the tax credit program, will be reduced which could result in a reduction in the number of tax credits that may be awarded. Based on the estimated revenue gain from the license fee increase(s), in conjunction with the DCI's administrative costs, Oversight estimates a maximum of 124 tax credits will be available in Fiscal Year 2023 and 134 tax credits will be available in Fiscal Year 2024.

Officials from the **Missouri Department of Revenue (DOR)** state, beginning January 1, 2022, any community-based faculty preceptor who serves as the community-based faculty preceptor for a medical student core preceptorship or a physician assistant student core preceptorship (and serves without direct compensation) shall be allowed a credit in an amount equal to one thousand dollars (\$1,000) for each preceptorship, up to a maximum of three thousand dollars (\$3,000) per tax year (for three (3) students). No more than 200 preceptorship tax credits (\$200,000) shall be

authorized annually. DOR notes the first tax returns reporting this tax credit will be filed starting January 1, 2023 (Fiscal Year 2023).

DOR contacted the University of Missouri's Medical School in 2020, to determine if any of their medical students participate in such a program. The University of Missouri stated there are 250 certified physicians registered to serve as a community-based faculty preceptor and that the University of Missouri does not provide any compensation for these duties.

The University of Missouri has 25 first year students, 25 third year students and 25 fourth year students participate in the Rural Track program at the University of Missouri. Those 75 students meet the definition outlined in the bill. Each of the 25 first year and 25 fourth year students work with 1 each community-based faculty preceptor. The 25 third year students each work with at least 3 community-based faculty preceptors each. Therefore, at least the 125 physicians a year that are working with the University Medical School could potentially qualify for this tax credit.

DOR notes that the University of Missouri is not the only medical school in Missouri that has such a program. Therefore, DOR assumes the full \$200,000 in tax credits may be utilized annually.

This proposed legislation also creates funding for the administration of the tax credit. An additional license fee of \$7.00 per physician and surgeon and an additional license fee of \$3.00 per physician assistant is to be assessed starting January 1, 2022. These fees are to be transferred into the Medical Preceptor Fund. DOR contacted the Missouri Department of Commerce and Insurance, who informed DOR that there are 29,080 active physicians and 1,613 assistant physicians.

Therefore, this fund could result in \$203,560 in physician fees and \$4,839 in assistant physician fees being collected annually. The Missouri Department of Commerce and Insurance noted that the annual license fees are paid by the physicians and assistant physicians in **November**. The state would expect to receive the fees starting in Fiscal Year 2023 (November 2022); \$208,399 annually.

This proposed legislation states that the money received into the Medical Preceptor Fund is to go for the administration of the tax credit. Additionally, this proposed legislation states that the money collected at the end of each tax year is to be transferred from the Medical Preceptor Fund to GR in an amount equal to the total dollar amount of credits claimed. DOR assumes that based on the possible usage of the program the entire \$200,000 would need to be transferred to GR.

DOR states this proposed legislation will result in a maximum increase of 200 tax credit redemptions and an unknown, but minimal increase to errors/correspondence generated. DOR assumes the responsibilities of the tax credit program created can be absorbed with existing resources. If the increase is significant or if multiple bills pass that increase the number of tax credits redeemed, DOR will request FTE through the appropriation process based on the following: one (1) FTE Associate Customer Service Representative for every 6,000 tax credits

redeemed, one (1) FTE Associate Customer Service Representative for every 7,600 errors/correspondence generated and \$2,000 for forms and programming changes.

Oversight notes the DOR assumes the responsibilities of the tax credit program and the minimal programming/form changes created under this proposed legislation can be absorbed with existing resources. Oversight does not have any information to the contrary.

Oversight notes, even as the cumulative amount of tax credits is permitted to exceed the \$200,000 cap established under this proposed legislation, it is unclear whether more than two hundred (200) preceptorship tax credits may be authorized by the Division of Professional Registration for any one (1) calendar year.

Oversight notes, based on information reported by the Missouri Department of Commerce and Insurance (DCI), the revenues from the license fee increase would not be recognized until November 2022 (Fiscal Year 2023) when the license renewals occur. Thus, Oversight assumes the first deposit(s) into the Medical Preceptor Fund would occur in Fiscal Year 2023.

Oversight notes Tax Year 2022 tax returns will not be filed claiming the credit until after January 1, 2023 (Fiscal Year 2023).

This proposed legislation creates the Medical Preceptor Fund, which shall fund the tax credit program created by obtaining and later transferring (or retaining amounts in excess of the total amount of tax credits claimed in any given year) revenues generated as the result of a license fee increase of \$7 for physicians and surgeons and a license fee increase of \$3 for physician assistants. The license fee increase shall take effect on January 1, 2022.

The Medical Preceptor Fund is to, at the end of each tax year, transfer an amount equal to the total dollar amount of tax credits claimed under this section to GR. Any moneys in the Medical Preceptor Fund in excess of the amount of tax credits claimed shall remain in the fund.

As noted, this proposed legislation states the cumulative amount of tax credits that may be awarded each calendar year shall not exceed \$200,000 unless there are funds in excess of \$200,000 in the Medical Preceptor Fund that is readily available to be transferred to GR to provide additional tax credits.

Based on the cumulative amount of tax credits that may be authorized (\$200,000) and the total amount of revenue generated as a result of this proposed legislation, as estimated by the DCI and the DOR (\$208,399), Oversight assumes the cap of \$200,000 could be claimed each year.

However, the DCI's administrative costs, which shall be paid from the Medical Preceptor fund, will reduce the likelihood that \$200,000 will be awarded in tax credits as the funds available for the tax credit program will be reduced.

For purposes of this fiscal note, Oversight will report a revenue reduction to GR (transfer out – tax credit allowances) and a revenue gain to GR (transfer in – reimbursement from Medical Preceptor Fund) equal to Up to \$124,000 in Fiscal Year 2023 and Up to \$134,000 in Fiscal Year 2024. Oversight assumes, then, GR will net zero (\$0).

Oversight will report a revenue gain to the Medical Preceptor Fund by an amount “Up to \$208,399” beginning in Fiscal Year 2023. Oversight will report a cost to the Medical Preceptor Fund by the amount(s) reported as administrative costs for the DCI. Oversight will report a revenue reduction to the Medical Preceptor Fund by an amount up to the difference between the revenue gain and the cost(s); the amount that would be transferred to GR to reimburse GR for the tax credit(s) awarded.

Oversight notes, if the total amount of tax credits claimed in any given year is less than the amount readily available in the Medical Preceptor Fund, the excess amount(s) shall remain in the Medical Preceptor Fund.

In response to similar legislation (HB 689), officials from the **Missouri State Treasurer’s Office** did not anticipate this proposed legislation would result in a fiscal impact on their organization.

Oversight does not have any information to the contrary. Therefore, Oversight will not report a fiscal impact for this organization.

§192.028 – Vaccine Passports

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that available. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Based on responses received for this fiscal note and the lack of reference to this section by responding agencies, **Oversight** assumes this provision has no direct fiscal impact.

§§192.2520 and 197.135 – Justice for Survivors Act

In response to a similar proposal (HCS for HB 1179), officials from the **Department of Health and Senior Services**, the **Department of Public Safety - Missouri Highway Patrol**, the **Department of Social Services** and the **Hermann Area Hospital District** each assumed the proposal will have no fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies

§§217.199 and 221.065 – Hygienic products to offenders

Officials from the **Department of Corrections (DOC)** assume the proposal will have no fiscal impact on their organization. In FY20, the DOC was appropriated additional funding to support these costs.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

Oversight contacted the DOC to determine the amount of funding appropriated to them for feminine hygiene products. From a new decision item beginning in FY 2020, the DOC was appropriated \$113,574 in General Revenue funds. This amount, combined with the \$114,774 in funding already within DOC's budget, brings the total department appropriations for feminine hygiene products to \$228,348 for FY 2020, FY 2021, and FY 2022 as no changes were made to the appropriation in FY 2021 or requested in FY 2022.

In response to similar legislation (HB 318), officials from the **Boone County Sheriff's Department** stated these items are currently supplied to detainees at no cost and as needed or requested.

In response to similar legislation (HB 318), officials from the **Cape Girardeau County Sheriff's Department** and the **Clay County Sheriff's Department** responded but did not provide a fiscal impact.

In response to similar legislation (HB 318), officials from the **Lewis County Sheriff's Department** stated feminine products are provided at no cost to the inmate.

In response to similar legislation (HB 318), officials from the **Ellisville Police Department** stated this will have a very minor impact but both reasonable and appropriate.

In response to similar legislation (HB 318), officials from the **Crestwood Police Department** stated no discernible fiscal impact. The Crestwood Police Department already supplies these items when necessary.

In response to similar legislation (HB 318), officials from **Clinton County**, the **Ellington Police Department**, the **Kimberling City Police Department** and the **St. John Police Department** each assumed the proposal will have no fiscal impact on their respective organizations.

Oversight notes there may be some county or city jails that do not provide both tampons and napkins for free. Therefore, the impact to local governments will be presented as \$0 or (Unknown).

Oversight notes the provisions of §§217.199 and 221.065 have an emergency clause.

§§574.203 and 574.204 –Protection of health care workers

In response to similar legislation (HCS HB 1022), officials from the **Office of the State Courts Administrator** and **Office of the State Public Defender** each assumed the provisions would have no fiscal impact on their respective organizations.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Bill as a whole

Officials from the **Office of Administration - Administrative Hearing Commission and Commissioner's Office**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education and Workforce Development**, the **Department of Health and Senior Services**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Labor and Industrial Relations**, the **Department of Public Safety**, **Divisions of: Alcohol and Tobacco Control, Director's Office, Fire Safety, Missouri Gaming Commission, Missouri National Guard, Missouri Highway Patrol, State Emergency Management Agency and Missouri Veterans Commission**, the **Department of Social Services**, the **Missouri Department of Agriculture**, the **Missouri Department of Transportation**, the **Petroleum Storage Tank Insurance Fund**, the **Office of the Governor**, the **Office of the State Auditor**, the **Missouri Office of Prosecution Services**, the **Oversight Division**, the **Missouri House of Representatives**, the **Missouri Senate**, the **Missouri State Lottery**, the **Missouri Consolidated Health Care Plan**, the **Missouri State Employee's Retirement System**, the **State Tax Commission**, the **MoDOT & Patrol Employees' Retirement System**, the **City of Claycomo**, the **City of Kansas City**, the **City of Springfield**, the **Kansas City Health Department**, the **Newton County Health Department**, the **Kansas City Police Department**, the **St. Joseph Police Department**, the **St. Louis County Police Department**, the **Crawford County 911 Board**, **Hancock Street Light District**, the **Metropolitan St. Louis Sewer District**, **7B Sewer**, the **South River Drainage District – 7D Levee**, the **Wayne County Public Water Supply District #2**, the **Hermann Area Hospital District** and the **University of Central Missouri** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** notes many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The

fiscal impact for this fiscal note to Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, they also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what their office can sustain with its core budget. Therefore, they reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, various county officials, county health departments, nursing homes, circuit clerks, sheriffs and police departments, ambulance and EMS, schools, utilities, hospitals and colleges and universities were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

HWC:LR:OD

<u>Revenue Reduction/Transfer Out – (\$135.690) – Reimbursement To GR For Cost Of Tax Credits (p. 7)</u>	<u>\$0</u>	<u>Up to (\$124,000)</u>	<u>Up to (\$134,000)</u>
ESTIMATED NET EFFECT ON MEDICAL PRECEPTOR FUND	<u>\$0</u>	<u>Up to or could exceed \$672</u>	<u>Up to or could exceed \$233</u>
Estimated Net FTE Change on the Medical Preceptor Fund	0 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2022	FY 2023	FY 2024
LOCAL GOVERNMENT - COUNTY OR CITY JAILS			
<u>Costs - (\$221.065) Healthcare products expense (p. 7-8)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>

FISCAL IMPACT – Small Business

A physician owned small business may be positively impacted by receiving the credit but would be negatively impacted by owing higher license fees. (§135.690)

FISCAL DESCRIPTION

Beginning January 1, 2022, this bill creates a tax credit for any community-based faculty preceptor, as defined in the bill, who serves as the community-based faculty preceptor for a medical student core preceptorship or a physician assistant student core preceptorship, as defined in the bill. The amount of the tax credit will be worth \$1000 for each preceptorship, up to a maximum of \$3000 per tax year, if he or she completes up to three preceptorship rotations during the tax year and did not receive any direct compensation for the preceptorships. To receive the credit, a community-based faculty preceptor must claim the credit on his or her return for the tax year in which he or she completes the preceptorship rotations and must submit supporting documentation as prescribed by the Division of Professional Registration within the Department of Commerce and Insurance.

This tax credit is nonrefundable, cannot be carried forward or carried back, transferred, assigned or sold. No more than 200 preceptorship tax credits will be authorized for any one calendar year and will be awarded on a first-come, first-served basis, capped at a total amount of \$200,000 per year.

Additionally, this bill creates a "Medical Preceptor Fund" which is funded from a license fee increase of seven dollars per license for physicians and surgeons and from a license fee increase of three dollars per license for physician assistants. This will be a dedicated fund designed to fund additional tax credits that may exceed the established cap of \$200,000 per year.

The Division of Professional Registration will administer the tax credit and each taxpayer claiming a tax credit must file an affidavit with his or her income tax return, affirming that he or she is eligible for the tax credit. Additionally, the Department of Commerce and Insurance and the Department of Revenue will jointly promulgate rules to implement the provisions of this bill. (§135.690)

This bill specifies that the Director of the Department of Corrections must ensure that tampons and sanitary napkins are available for free to offenders while they are confined in any of the Department's correctional centers. The Director must ensure that the products conform with applicable industry standards. Additionally, every sheriff and jailer who holds a person in custody pursuant to a writ or process for a criminal offense must ensure that tampons and sanitary napkins are available for free to such person in custody, in a quantity that is appropriate for the health care needs of the person. The sheriff or jailer must ensure that the products conform with applicable industry standards. The General Assembly may appropriate funds to assist the Director or sheriffs and jailers in fulfilling their duties.

These provisions contain an emergency clause. (§§217.199 and 221.065)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

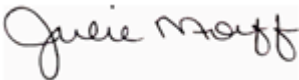
SOURCES OF INFORMATION

Attorney General's Office
Office of Administration –
 Administrative Hearing Commission
 Budget and Planning
 Commissioner's Office
Department of Commerce and Insurance
Department of Elementary and Secondary Education
Department of Higher Education and Workforce Development
Department of Health and Senior Services
Department of Mental Health

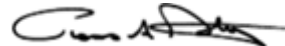
Department of Natural Resources
Department of Corrections
Department of Labor and Industrial Relations
Department of Revenue
Department of Public Safety
Department of Social Services
Office of the Governor
Joint Committee on Administrative Rules
Oversight Division
Missouri Department of Agriculture
Missouri Lottery Commission
Missouri Consolidated Health Care Plan
Missouri Office of Prosecution Services
Missouri State Employee's Retirement System
State Tax Commission
Missouri Department of Transportation
Missouri House of Representatives
Missouri Senate
Office of the State Auditor
Office of the State Courts Administrator
Office of the State Public Defender
MoDOT & Patrol Employees' Retirement System
Petroleum Storage Tank Insurance Fund
Office of the Secretary of State
Office of the State Treasurer
City of Claycomo
City of Kansas City
City of Springfield
Kansas City Health Department
Newton County Health Department
Boone County Sheriff's Department
Cape Girardeau County Sheriff's Department
Clay County Sheriff's Department
Lewis County Sheriff's Department
Crestwood Police Department
Clinton County
Ellington Police Department
Ellisville Police Department
Kansas City Police Department
Kimberling City Police Department
St. John Police Department
St. Joseph Police Department
St. Louis County Police Department
Crawford County 911 Board

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Hancock Street Light District
Metropolitan St. Louis Sewer District
South River Drainage District
Wayne County Public Water Supply District #2
Hermann Area Hospital District
University of Central Missouri



Julie Morff
Director
May 3, 2021



Ross Strobe
Assistant Director
May 3, 2021