

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 08/06/2012  
POSITION: Neutral, note concerns

BILL NUMBER: SB 1416  
AUTHOR: Rubio, Michael  
RELATED BILLS: AB 589 (Perea) SB  
635 (Hernandez)

**BILL SUMMARY: Medical residency training program grants: grants.**

This bill would establish the Graduate Medical Education Trust Fund (GMETF), to be administered by the Office of Statewide Health Planning and Development (OSHPD) for the purpose of providing grants to graduate medical education residency programs in California. The GMETF would be funded through private donations. This bill would require OSHPD, in consultation with the California Health Care Workforce Policy Commission, (Commission), to develop criteria for distribution of available funds with priority given to programs serving medically, underserved areas and primary care providers. This bill would also require that OSHPD must utilize moneys appropriated from the GMETF to provide a match for available federal funds for graduate medical education.

**FISCAL SUMMARY**

Finance notes that this bill contains language prohibiting the use of the General Fund to implement its provisions. Rather, monies contained in the GMETF would consist solely of private donations and any interest accruing on the fund's balance.

OSHPD could develop the selection criteria for the program utilizing existing administrative resources within its Access to Care Section. Unabsorbable administrative costs would not be incurred until this fund expands above the \$500,000 level and grants begin to be awarded. At that time, an additional 0.5 Associate Governmental Program Analyst would be needed at an estimated annual cost of \$39,000 to cover salaries, benefits, and operating expenses to support workload for the award of approximately 10 grants per year. These costs would be payable from the GMETF subject to a sufficient level of funding from private donations.

The minimum costs to develop the criteria for this bill are estimated at \$5,000 to cover expenditures by the Commission members to consult on development of the program criteria. These costs would include expenditures for Commission travel, per-diem, and meeting costs of approximately \$2,500 per meeting with at least two meetings required to develop the criteria. According to OSHPD, there is no existing funding source to absorb these costs. As such, these costs would also be payable from the GMETF subject to a sufficient level of funding from donations.

OSHPD does not have an estimate for when donations would be sufficient to trigger the costs identified above. Thus, it is unknown when costs associated with this bill would be incurred.

**COMMENTS**

The Department of Finance is neutral on this bill but notes the following concerns:

Analyst/Principal (0562) A.Bazos	Date	Program Budget Manager Ken DaRosa	Date
Department Deputy Director		Date	
Governor's Office:	By:	Date:	Position Approved _____ Position Disapproved _____
BILL ANALYSIS			Form DF-43 (Rev 03/95 Buff)

Rubio, Michael

08/06/2012

SB 1416

**COMMENTS** (continued)

- While this bill prohibits use of General Fund to implement its provisions, a slow rate of donations to the GMETF could place pressure on the state to use other special funds to make up for the lack of private support.
- This bill would create another another state fund that may experience very little activity, particularly if donations lag, at a time when Finance is seeking to abolish existing funds not currently being used to cover program costs, consistent with the Administration's goal of reducing the size of state government, and improving operations.

SB 635 (Hernandez) would require funds deposited in the Managed Care Administrative Fines and Penalties Fund in excess of \$1,000,000 to be transferred each year to OSHPD for the purposes of the Song-Brown Health Care Workforce Training Act. SB 635 is pending in Assembly Appropriations Committee. Finance is opposed to this bill. AB 589 (Perea) would establish the Steven M. Thompson Medical School Scholarship Program that would receive funding from OSHPD's Health Professions Education Fund. AB 589 is on the Senate Appropriations Committee suspense file. Finance is opposed to this bill primarily due to the administrative costs that would be incurred to implement the new program.

According to the author, funding graduate medical education (GME) programs is essential to improving the state's workforce issues. California retains nearly 70 percent of its medical residents and fellows which account for 55 percent of the practicing physicians in the state. Yet California has only 25.1 medical residents per 100,000 people which is far less than the national average of 35.7 residents per 100,000. The majority of GME funds typically come from Medicare and Medicaid, but Medicare funding for this purpose has been frozen since 1997. With no increase in Medicare GME funding, this bill will address workforce shortages by laying the groundwork for a permanent fund for residency training slots that will be targeted at meeting the needs of underserved regions of our state.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)					Fund Code
	LA	(Dollars in Thousands)					
	CO	PROP					
	RV	98	FC	2012-2013 FC	2013-2014 FC	2014-2015	
4140/Stwd Hth Pln	SO	No		----- See Fiscal Summary -----		0494	
<u>Fund Code</u>	<u>Title</u>						
0494	Other - Unallocated Special Funds						