

**Resolution of the Board of Directors in Support of Creating the Health
Care Access Fund Through the Application of a Tax Imposed on
Certain Tobacco Products.**

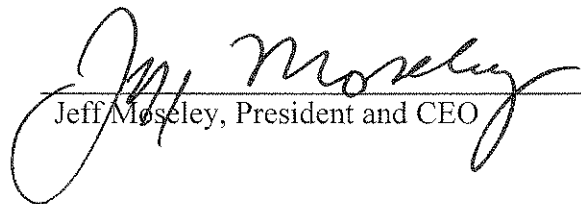
The Greater Houston Partnership supports legislation that results in the creation of a health care access fund to recruit health care providers in health professional shortage areas and to support federally-qualified health centers. A percentage of the health care access fund will be derived from the revenue generated from a tax imposed on certain tobacco products, in addition to gifts and grants and earnings on the principal of the fund.



Daniel G. Bellow, Chairman



Patrick Oxford, Secretary



Jeff Moseley, President and CEO

MEMORANDUM

DATE: May 6, 2009

TO: Greater Houston Partnership Executive Committee

FROM: Daniel J. Wolterman, Chairman
Health Care Advisory Committee

SUBJECT: Resolution of the Board of Directors in Support of Creating the Health Care Access Fund Through the Application of a Tax Imposed on Certain Tobacco Products

RECOMMENDATION

The Greater Houston Partnership supports legislation that results in the creation of a health care access fund to recruit health care providers in health professional shortage areas and to support federally-qualified health centers. A percentage of the health care access fund will be derived from the revenue generated from a tax imposed on certain tobacco products, in addition to gifts and grants and earnings on the principal of the fund.

BACKGROUND

The American health care system continues to face a widespread crisis in the shortage of health care professionals and funding to support health care centers. In a survey conducted by the American Hospital Association in 2007, there were approximately 116,000 unfilled nursing positions in American hospitals and more than 25,000 unfilled nursing jobs in our nursing home facilities.

According to the Texas Center for Nursing Workforce Studies, the demand for full-time registered nurses in Texas in 2008 exceeded the supply by 22,000. Without significant increases in funding for education, the gap is projected to widen to 70,000 in 10 years. The problem does not simply reside in a shortage of nurses; the shortage extends to other health care professionals across the state.

As of January 2008, 184 of the 254 counties in Texas were designated by the U.S. Department of Health and Human Services as Health Professional Shortage Areas for mental health purposes. Texas' supply of psychiatrists, psychologists and social workers is the lowest compared with California, New York, Illinois and Florida and falls below other regions of the country and the United States as a whole.

The shortage of nurses and other health care professionals directly impacts the cost in health care. High vacancy rates and turnover rates increase the costs associated with providing health care and comprise the quality of health care provided, jeopardizing the

lives of patients. A national survey found that health care centers spend an average of \$300,000 annually in nurse turnover costs for every one percent increase in turnover.

LEGISLATION NEEDED

The Greater Houston Partnership requests legislative initiatives that support the creation of the health care access fund to recruit health care providers in health professional shortage areas and to support federally-qualified health centers.

FISCAL IMPACT

The health care access fund is a special fund in the state treasury outside of the general revenue fund. The fund is composed of gifts and grants contributed to the fund, earnings on the principal of the fund, and other amounts deposited to the credit of the fund, including legislative appropriations.

Additionally, a percentage of the fund will be derived from the revenue generated from a tax imposed on certain tobacco products. The tax rate will vary each year:

The tax rate for each can or package of a tobacco product, other than cigars, for tobacco products weighing 1.2 ounces or more, is as follows:

- \$1.10 per ounce and a proportionate rate on all fractional parts of an ounce, beginning September 1, 2009, expiring December 1, 2010
- \$1.13 per ounce and a proportionate rate on all fractional parts of an ounce, beginning September 1, 2010, expiring December 1, 2011
- \$1.16 per ounce and a proportionate rate on all fractional parts of an ounce, beginning September 1, 2011, expiring December 1, 2012
- \$1.19 per ounce and a proportionate rate on all fractional parts of an ounce, beginning September 1, 2012, expiring December 1, 2013

Those tobacco products that weigh less than 1.2 ounces will be taxed at the base rate for a 1.2 ounce can or package for each respective year. The increasing tax rate will not exceed \$1.22 per ounce.

The Greater Houston Partnership acknowledges that, generally, increases in the cost of tobacco products reduce tobacco use, and the resulting health care costs. However, as a source of funding for the program to expand the number and economic stability of health care providers, taxes imposed on certain tobacco products may not serve the long-term intent, as the amount of tax revenue will decrease as the use of tobacco products declines.

The cost to administer the health care access fund shall not exceed one and a half percent of the total amount available.

KNOWN OPPOSITION:

No known opposition at this time.

RESOURCES REQUIRED:

No resources required at this time.