

Board of Medical Student Loans

A.R.S. § 15-1723

Chairperson: Diane Brennan

JLBC Analyst: Bruce Groll

	FY 2000 Actual	FY 2001 Estimate	FY 2002 Approved	FY 2003 Approved
PROGRAM BUDGET				
Board of Medical Student Loans	284,300	342,400	350,400	361,500
OPERATING BUDGET				
Full Time Equivalent Positions	0.0	0.0	0.0	0.0
Medical Student Loans	284,300	342,400	350,400	361,500
TOTAL APPROPRIATIONS	284,300	342,400	350,400 ^{1/}	361,500 ^{1/}
FUND SOURCES				
General Fund	276,400	322,100	285,500	353,600
<u>Other Appropriated Funds</u>				
Medical Student Loan Fund	7,900	20,300	64,900	7,900
Subtotal - Other Appropriated Funds	7,900	20,300	64,900	7,900
TOTAL APPROPRIATIONS	284,300	342,400	350,400	361,500

AGENCY DESCRIPTION — The board is authorized to grant loans to students of the University of Arizona College of Medicine and to qualified students enrolled in Arizona private medical schools, and administer the loan program. The costs to administer the loan program are funded by the University of Arizona College of Medicine and participating Arizona private medical schools. Medical students who participate in the Medical Student Loans program agree to serve the State of Arizona in medically underserved areas for at least 2 years, or 1 year of service for each year of loan support, whichever is longer, upon graduation. As an incentive for service, the board is authorized to impose upon participants who have signed contracts, liquidated damages equal to the full amount borrowed, in addition to repaying the loan at a 7% interest rate.

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of physicians who have finished school and are currently fulfilling service obligation	8/10	12/10	12	13
• Cumulative % of physicians providing service with contracts under new law	100/100	100/100	100	100
• Number of physicians continuing service after service requirement is met	18/18	19/15	15	16/18
• Administration as a % of total cost	NA	0/NA	0	0.4
• Customer satisfaction rating (Scale 1-8)	NA	NA	NA	6.0

Medical Student Loans — The approved amount includes a FY 2002 increase of \$8,000 above FY 2001 and a FY 2003 increase of \$19,100 above FY 2001 for medical student loans. The approved amounts will allow the board to provide average loan amounts per student of \$21,903 in FY2002 and \$22,596 in FY 2003. These approved amounts are the legal maximum loan levels, including inflation, for continued funding of 16 medical students in each year of the biennium. The approved appropriation is funded from the General Fund and the Medical Student Loan Fund.

A.R.S. § 15-1723 authorized the Board of Medical Student Loans to grant the maximum loan amount for tuition plus a stipend adjusted for inflation based on the percentage change in the Gross Domestic Product (GDP) Price Deflator.

For FY 2002, the approved amount includes a decrease of \$(36,600) below FY 2001 from the General Fund and an increase of \$44,600 above FY 2001 from the Medical Student Loan Fund to fund inflationary and tuition increases and offset higher than expected loan repayment

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

revenues. The approved amount is based on an estimated 1.6% change in the GDP Price Deflator. Tuition of \$9,670 plus the \$12,233 stipend equals \$21,903 (See Table 1). This amount is approximately 84% of the \$26,000 average annual cost of education for a University of Arizona medical student.

For FY 2003, the approved amount includes an increase of \$31,500 above FY 2001 from the General Fund and a decrease of \$(12,400) below FY 2001 from the Medical Student Loan Fund to offset inflationary and tuition increases and expected reduced future loan repayment revenue, respectively. The approved amount continues funding for 16 currently enrolled students at the legal maximum loan amount of \$22,596. This sum is based on a \$12,441 stipend, as calculated using an estimated 1.7% change in the GDP Price Deflator, plus tuition of \$10,155 (See Table 1). The reduction in loan repayment revenue is based on current data reflecting that more students are now fulfilling their service commitments to the State of Arizona in medically underserved areas.

	<u>Stipend</u>	<u>Tuition</u>	<u>Total</u>
FY 2001	\$12,040	\$9,210	\$21,250
GDP Deflator @ 1.6%	193	--	193
Tuition Change	--	460	460
FY 2002	\$12,233	\$9,670	\$21,903
GDP Deflator @ 1.7%	208	--	208
Tuition Change	--	485	485
FY 2003	\$12,441	\$10,155	\$22,596

Administrative Costs — The Arizona Department of Administration General Accounting Office (GAO) notified the Board of Medical Student Loans that it would begin charging them for accounting services on July 1, 2001. The board estimates the administrative expenses charged by GAO for accounting services will be \$1,500 in FY 2002 and FY 2003.

Due to the small dollar amount, GAO has agreed to not levy this charge. Additionally, the University of Arizona Medical School has and will continue to provide support staff at no cost to the program.

Additional Legislation: Medical Student Loans (Chapter 27) — Makes multiple changes to the statutes that govern the Board of Medical Student Loans and continues the board for 10 years. Major provisions of the bill include:

- Expanding the definition of *medically underserved area* and defining *medically underserved population* and *rural*.
- Stipulating that the board may grant loans to students who intend to become certified in family practice, general pediatrics, obstetrics and gynecology, general internal medicine, or combined medicine and pediatrics.

- Specifying Arizona residency shall be determined by the same criteria used to determine in-state status, (A.R.S. §15-1802).
- Stipulating that loans beginning in FY 2003 and each year after shall provide tuition plus up to \$16,000 for each student and that loans beginning in 2003-2004 and each year after shall be adjusted by a prescribed calculation (based on the GDP Price Deflator). Also limits the amount provided for tuition to not exceed the registration costs for a full-time student at the University of Arizona College of Medicine.
- Authorizing the board to approve service locations in this state that may be rural and medically underserved areas, medically underserved areas, medically underserved population, or any Indian reservation.
- Allowing the board to record in the student's contract an approved location and permitting the student to seek employment in the area as a physician; and making it permissible for the approved location to be noted in subsequent contracts as such.
- Requiring the board to collect and maintain data for 10 years on the retention of doctors in service locations.
- Extending the time period from 4 to 5 years for which an applicant may be granted a loan.
- Eliminating the prohibition that a loan total shall not exceed the costs of a medical education at the University of Arizona College of Medicine.

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