

Chairperson: Tim B. Hunter, M.D.

JLBC Analyst: Amy Strauss

	<b>FY 2005 Actual</b>	<b>FY 2006 Estimate</b>	<b>FY 2007 Approved</b>
<b>SPECIAL LINE ITEMS</b>			
Medical Student Financial Assistance	0	0	1,809,800
Medical Student Loans	296,600	296,600	0
Medical Student Scholarships	0	1,500,000	0
<b>AGENCY TOTAL</b>	<b>296,600</b>	<b>1,796,600</b>	<b>1,809,800<sup>1/</sup></b>

**FUND SOURCES**

General Fund	0	1,500,000	1,500,000
<u>Other Appropriated Funds</u>			
Arizona Medical Board Fund	283,400	283,400	0
Medical Student Loan Fund	13,200	13,200	309,800
SUBTOTAL - Other Appropriated Funds	296,600	296,600	309,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>296,600</b>	<b>1,796,600</b>	<b>1,809,800</b>
<b>TOTAL - ALL SOURCES</b>	<b>296,600</b>	<b>1,796,600</b>	<b>1,809,800</b>

**AGENCY DESCRIPTION** — The Board of Medical Student Loans distributes financial aid to qualified resident students enrolled at the University of Arizona College of Medicine or private medical schools within Arizona. The University of Arizona College of Medicine and Midwestern University provide the board with support services at no cost.

<b>PERFORMANCE MEASURES</b>	FY 2003	FY 2004	FY 2005	FY 2007
	Actual	Actual	Actual	Approved
• % of physicians meeting service requirement	100	96	93	93
• Customer satisfaction rating (Scale 1-8)	6.7	7.3	6.5	7.5
Comments: The agency does not plan to collect information for this measure in the future.				

**Special Line Items**

**Medical Student Financial Assistance**

The budget provides \$1,809,800 for Medical Student Financial Assistance in FY 2007. This amount consists of:

	<b>FY 2007</b>
General Fund	\$1,500,000
Medical Student Loan Fund	309,800

These amounts include the following adjustments:

**Additional Loan Funding**

The budget provides an increase of \$13,200 from the Medical Student Loan Fund in FY 2007 for the new Medical Student Financial Assistance Special Line Item. This funding provides additional support for the loan program.

**Fund Shift**

The budget provides an increase of \$283,400 from the Medical Student Loan Fund in FY 2007 for the new Medical Student Financial Assistance Special Line Item.

This amount was transferred from the Medical Student Loan Special Line Item to backfill the decrease in Arizona Medical Board Fund (AMB) funding. The Loan program had received AMB funding in the past, but it was eliminated as a source of funding for the loan program in FY 2007.

**Transfer from the Medical Student Loans Special Line Item**

The budget provides an increase of \$13,200 from the Medical Student Loan Fund for the new Medical Student Financial Assistance Special Line Item in FY 2007.

This amount was transferred from the Medical Student Loans Special Line Item to fund the newly reorganized Medical Student Loan program.

<sup>1/</sup> General Appropriation Act funds are appropriated as a Special Line Items by Agency.

### **Transfer from the Scholarship Program**

The budget provides an increase of \$1,500,000 from the General Fund for the new Medical Student Financial Assistance Special Line Item in FY 2007.

This amount was transferred from the Medical Student Scholarship Special Line Item to fund the newly reorganized Medical Student Loan program. The living allowance portion of the scholarship, approximately \$20,000, is treated as taxable income by the Internal Revenue Service. Loans, however, are not taxable.

The Medical Student Financial Assistance Program funds the newly reorganized Medical Student Loan Program, and any existing Medical Student Scholarship Students currently under contract. As the board no longer provides scholarships, only loans will be provided under this program in the future.

The Medical Student Loan Program distributes monies on a first come, first serve basis. Preference is given to those students who demonstrate a strong commitment to attend residency programs, and practice medicine in-state. The board funds loans according to private and public tuition rates plus a living allowance.

Medical students who participate in the loan program agree to practice in the state's medically underserved areas 1 year for each year of loan support, but at least 2 years, in return for loan forgiveness. Borrowers not meeting the service requirement must repay the entire amounts of their loans, plus 7% interest and additional penalties.

The Higher Education Budget Reconciliation Bill (Laws 2006, Chapter 352) makes several changes to the Medical Student Loan Program, which are summarized below.

Changes to the loan program include:

- Increases the living allowance amount from \$17,000 to \$20,000;
- Removes the limit of 40 loans the board was allowed to grant per year;
- Opens up the program from family practice, general pediatrics, combined medicine and pediatrics, obstetrics and gynecology, or general internal medicine to all specialties approved by the board;
- At least 50% of all monies shall be distributed to students attending private medical schools; and
- Eliminates financial need as the basis for a loan.

At the FY 2006 funding level, the board provided loans for 9 students, including 5 University of Arizona College of Medicine students who received up to \$30,547, and 4 Arizona College of Osteopathic Medicine students who received up to \$38,428. This is approximately 94% of the cost of public medical school education and 89% of the cost of private medical school education.

The board estimates it will provide 37 loans, which includes 7 former scholarship students, totaling \$1,809,600 in FY 2007. Final amounts will be decided when the Board meets in the fall.

### **Medical Student Loans**

The budget provides no funding for the Medical Student Loans Special Line Item from the Arizona Medical Board Fund in FY 2007. This includes the following adjustments:

#### **Fund Shift**

The budget provides a decrease of \$(283,400) from the Arizona Medical Board Fund (AMB) in FY 2007 to eliminate it as a source of funding for the loan program. From FY 2004 to FY 2006 AMB Fund monies were used, rather than a General Fund appropriation, to provide funding for the loan program. A footnote in the FY 2006 General Appropriation Act, however, stated the Legislature's intent to discontinue the AMB Fund as a source of revenue for the board in FY 2007. These monies are replaced by General Fund support in the new Medical Student Financial Assistance Special Line Item.

#### **Transfer to the Medical Student Financial Assistance Special Line Item**

The budget also provides a decrease of \$(13,200) from the Medical Student Loan Fund in FY 2007. These funds are transferred into the newly created Medical Student Financial Assistance Special Line Item. (*See the Medical Student Financial Assistance Special Line Item for more information.*)

#### **Medical Student Scholarships**

The budget provides no funding for the Medical Student Scholarships Special Line Item in FY 2007. This includes the following adjustment:

#### **Transfer to the Loan Program**

The budget provides a decrease of \$(1,500,000) from the General Fund in FY 2007. These funds are transferred into the newly created Medical Student Financial Assistance Special Line Item. (*See the Medical Student Financial Assistance Special Line Item for more information.*)

In FY 2006 the board provided scholarships for 7 students, including 2 University of Arizona College of Medicine students who received \$30,359, and 5 Arizona College of Osteopathic Medicine students who received \$52,486. This is approximately 93% of the cost of public medical school education and 89% of the cost of private medical school education. In FY 2007, all scholarship students will receive loans.