

# Board of Medical Student Loans

JLBC: Amy Strauss  
 OSPB: Holly Baumann

DESCRIPTION	FY 2005 ACTUAL	FY 2006 ESTIMATE	FY 2007 JLBC
<b>SPECIAL LINE ITEMS</b>			
Medical Student Financial Assistance	0	0	1,513,200
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>1,513,200</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	13,200
SUBTOTAL - Other Appropriated Funds	296,600	296,600	13,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>296,600</b>	<b>1,796,600</b>	<b>1,513,200</b>
<b>TOTAL - ALL SOURCES</b>	<b>296,600</b>	<b>1,796,600</b>	<b>1,513,200</b>

## CHANGE IN FUNDING SUMMARY

	FY 2006 to FY 2007 JLBC	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	(283,400)	(95.5%)
Total Appropriated Funds	(283,400)	(15.8%)
Total - All Sources	(283,400)	(15.8%)

**AGENCY DESCRIPTION** — The Board of Medical Student Loans distributes financial aid, in the form of loans and scholarships, 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.

PERFORMANCE MEASURES	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2007 JLBC
• % 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.

## RECOMMENDED CHANGES FROM FY 2006

### Special Line Items

#### Medical Student Financial Assistance

The JLBC recommends \$1,513,200 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	13,200

These amounts include the following adjustments:

**Medical Student Financial Assistance GF 1,500,000  
 OF 13,200**

The JLBC recommends transferring \$1,500,000 from the General Fund and \$13,200 from the Medical Student Loan Fund into the newly created Medical Student Financial Assistance Special Line Item. Previously, these funds were shown under the Medical Student Scholarship and Medical Student Loan Special Line Items, respectively.

The JLBC recommends that the Legislature consider whether to retain separate loan and scholarship programs, or combine them into one program that would distribute

only loans or scholarships, but not both. Previous legislation established the Medical Student Scholarship Program, which is similar in scope to the Medical Student Loan Program. Current statute may need to be amended. (See *JLBC Recommended Statutory Changes for more information.*)

For more information on the existing programs, please see *Table 1*.

**Medical Student Loans**

The JLBC recommends no funding for the Medical Student Loan Program in FY 2007. This amount would fund the following adjustment:

**Eliminate Arizona Medical**

**Board Support** **OF (296,600)**

The JLBC recommends a decrease of \$(296,600) in FY 2007 for Medical Student Loans. This amount consists of:

Arizona Medical Board	(283,400)
Medical Student Loan Fund	(13,200)

The JLBC recommends a decrease of \$(283,400) from the Arizona Medical Board (AMB) Fund 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 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.

The JLBC further recommends a decrease of \$(13,200) from the Medical Student Loan Fund. These funds will be transferred into the newly created Medical Student Financial Assistance Special Line Item. (See *the Medical Student Financial Assistance Special Line Item for more information.*)

The Medical Student Loans Program distributes monies based on student need.

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.

At the FY 2006 approved funding level, the board will be able to provide loans for 8 students, including 4 University of Arizona College of Medicine students who will receive \$31,004, and 4 Arizona College of Osteopathic Medicine students who will receive \$53,131. This is approximately 95% of the cost of public medical school education and 90% of the cost of private medical school education.

Currently, the board plans to provide 9 loans totaling \$387,800 in FY 2007. These students will be funded out of the new Medical Student Financial Assistance Special Line Item.

**Medical Student Scholarships**

The JLBC recommends no funding for the Medical Student Scholarship Program in FY 2007. This amount includes the following adjustment:

**Transfer Funding** **GF (1,500,000)**

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

The Medical Student Scholarships Program is similar to the Medical Student Loans Program. Each scholarship can cover up to the total cost of tuition plus a living allowance. Medical students must sign a contract obligating them to practice in the state’s medically underserved areas 1 year for each year of scholarship support, but at least 2 years. Borrowers not meeting the service requirement must repay

<b>Table 1</b>		
<b>Differences Between the Loan and Scholarship Program</b>		
<b>Criteria</b>	<b>Medical Student Loan Program</b>	<b>Medical Student Scholarship Program</b>
<b>Selection Process</b>	<ul style="list-style-type: none"> <li>• Arizona Resident</li> <li>• All students attending AZCOM<sup>1/</sup> or UofA Medical School</li> </ul>	<ul style="list-style-type: none"> <li>• Arizona Resident</li> <li>• Only first year students attending AZCOM or UofA Medical School</li> </ul>
<b>Student Preference</b>	<ul style="list-style-type: none"> <li>• Financially Needy</li> </ul>	<ul style="list-style-type: none"> <li>• Extracurricular/academic Merit</li> <li>• In interview process, preference given to those who want to complete residency in Arizona</li> </ul>
<b>Tax Implications</b>	<ul style="list-style-type: none"> <li>• Loan not taxable as income while in medical school.</li> </ul>	<ul style="list-style-type: none"> <li>• Living allowance portion of scholarship taxable while in medical school.</li> </ul>

<sup>1/</sup> The Arizona College of Medicine at Midwestern University.

the entire amounts of their scholarships, plus 7% interest and additional penalties.

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Unlike medical student loans, which the board distributes based on need, statute directs the board to award medical student scholarships based on merit. In addition, statute requires the scholarships to be distributed only to first year medical students. The board must use at least half of its appropriation to provide scholarships for students at private medical schools. Like the loan program, only students entering into Family Practice, Obstetrics/Gynecology, General Internal Medicine, General Pediatrics, or combined Medicine and Pediatrics, are considered for scholarships.

Currently, the board plans to provide 22 scholarships totaling \$1,078,800 in FY 2007. These students will be funded out of the new Medical Student Financial Assistance Special Line Item.

**JLBC RECOMMENDED FORMAT** — Special Line Items by Agency

**JLBC RECOMMENDED FOOTNOTES**

*Deletion of Prior Year Footnotes*

The JLBC recommends deleting the footnote related to Arizona Medical Board funding.

**JLBC RECOMMENDED STATUTORY CHANGES**

The JLBC recommends that the Legislature consider whether to retain distinct loan and scholarship programs, or combine them into one program.

<b>SUMMARY OF FUNDS</b>	<b>FY 2005 Actual</b>	<b>FY 2006 Estimate</b>
<b>Arizona Medical Board Fund</b> (MEA2038/A.R.S. § 32-1406)		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies collected by the Arizona Medical Board from the examination and licensing of physicians. The board retains 90% of these monies and deposits 10% in the General Fund.		
<b>Purpose of Fund:</b> To examine, license, investigate and regulate physicians, and for board administration costs. The Legislature has also allocated funding to the Board of Medical Student Loans for the Medical Student Loan Program.		
<b>Funds Expended</b>	283,400	283,400
<b>Year-End Fund Balance</b>	0	0
<b>Medical Student Loan Fund</b> (MSA3306/A.R.S. § 15-1725)		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies from legislative appropriations, and loan repayments of principal, interest, and penalties received by the board. These monies are exempt from lapsing.		
<b>Purpose of Fund:</b> To provide loans to defray the medical education expenses of Arizona resident students attending medical school, in return for a service commitment to the state.		
<b>Funds Expended</b>	13,200	13,200
<b>Year-End Fund Balance</b>	25,700	43,500
<b>Medical Student Scholarship Fund</b> (MSA2512/A.R.S. § 15-1728)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations and penalty payments.		
<b>Purpose of Fund:</b> To provide scholarships to defray the medical education expenses of resident students attending medical school, in return for a service commitment to the state.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0