

**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES
BOARD OF MEDICAL STUDENT LOANS**

GENERAL FUND

FY 2010 General Fund Budget 866,900

AGENCY REDUCTION TARGET - GENERAL FUND \$130,000

Priority	Issue Title¹	Reductions Amount
1	Medical Student Loan Reductions	\$130,035
	Issue Total	\$130,035
	Fund Total as a Percentage of General Fund Reduction Target	100%

¹ Please complete the attached Description and Impact Statement for each issue.

**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES
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ALL NON-GENERAL FUNDS

FY 2010 All Non-General Funds Budget (less Federal Funds) **47,000**

AGENCY REDUCTION TARGET - ALL NON-GENERAL FUNDS (w/o Federal Funds) **\$7,100**

Fund	Reductions Amount	Percent Reductions
Medical Student Loan Fund	<u>\$7,050</u>	99.3%
Issue Total	<u>\$7,050</u>	
All Non-General Funds Total as a Percentage of Agency Non-GF Reduction Target		99%

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**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES
BOARD OF MEDICAL STUDENT LOANS**

MEDICAL STUDENT LOAN FUND

FY 2010 All Non-General Funds Budget (less Federal Funds) 47,000

AGENCY REDUCTION TARGET - ALL NON-GENERAL FUNDS (w/o Federal Funds) \$7,100

Priority	Issue Title¹	Reductions Amount
2	Medical Student Loan Reductions	\$7,050
	Issue Total	\$7,050
	Fund Total as a Percentage of Non-General Fund Reduction Target	99%

¹ Please complete the attached Description and Impact Statement for each issue.

STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS

Board of Medical Student Loans

Issue Title: Medical Student Loan Reductions

Issue Priority: 1

Reduction Amounts:

1000 Fund: \$ 130,035

Total: \$ 130,035

Issue Description and Statement of Effects

The Board of Medical Student Loans provides financial assistance to medical students in Arizona, including tuition and a living allowance, through the Arizona Medical Student Loan Program under A.R.S. §§ 15-1721 to 15-1725. **A reduction in the funds this fiscal year would effectively devastate the program**, and for all intents and purposes, eliminate the ability of this program to function. Students sign contracts to provide medical care as physicians in eligible service areas in return for financial assistance to meet educational expenses during medical school. Service is provided to rural and other medically underserved areas, medically underserved populations, and Indian reservations in Arizona. All appropriated funds are used to provide student loans and the statutes do not provide for operating expenses. The Board serves with no compensation. Support services are provided free of charge to the Board by the University of Arizona College of Medicine, Midwestern University, and A. T. Still University. Vital to the success of the program is the cooperation and assistance provided by the Arizona Department of Health Services.

There are no other funds available for this program besides the General Fund Appropriation and the Medical Student Loan Fund. Reduction in loans for the 2009-2010 academic year for current students would interfere with their plans to fund their education. If the General Fund appropriation was reduced by 15% or \$130,035, it would jeopardize the Spring 2010 enrollment for medical students on the program. The Spring semester registration charges are billed in December for students at the University of Arizona and A. T. Still University and their final payment of the Arizona Medical Student Loan for 2009-2010 is made at that time. Three of the four quarters at Midwestern University are paid before December with one quarter remaining. **A reduction in January 2010 would result in non-payment for the last quarter of the funds expected by three students at Midwestern University in the amount of \$49,101. Two of these students are scheduled to graduate in May 2010.**

After tuition charges are paid, students use the rest of the payment for registration fees, health insurance, and other living expenses including food, rent, books, and transportation to hospitals and clinics. Students must complete their medical education to meet the contract provisions they have signed with the State of Arizona.

A funding reduction would also make it almost impossible to recruit students to participate in the future, as the funding needs to be reliable in return for the signed commitment students make to the State of Arizona. The contracts restrict their future choices as physicians. In addition, if funds are reduced, do the students have a reduction in the time owed to the State, and if so, by how much? This is particularly complex if they are on the quarter system. Any reduction in this program at this point in time will result in a need to review the statutory requirements regarding repayment by service.

\$29,444 is available from the General Fund. Due to the revenue shortfall, only medical students who already had previous contracts with Arizona are being funded in 2009-2010. There are no alternative ways to fund this program. If it is cut this year, the effect will be to end the ability of the program to function.

This program to date has produced 74 physicians who practiced in rural and urban underserved areas, with 33 of those still practicing in eligible service areas in 2008-2009 after their service commitment was complete. This current year, 16 additional physicians are meeting their service commitment, with 27 more due to provide care after completion of their residency. From the Arizona medical schools whose students receive these funds, the current graduating class of 2010 will produce 10 new physicians to work in the medically underserved parts of Arizona. The net loss will be more than simply the un-funded students. It will spill over into a reduction in physicians serving in areas of critical need in Arizona.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Board of Medical Student Loans

Issue Title: Medical Student Loan Reductions

Issue Priority: 2

Reduction Amounts:

3306 Fund: \$7,050

Total: \$7,050

Issue Description and Statement of Effects

The Medical Student Loan Fund was established under A.R.S. §15-1725 and all payments received by the Board are deposited in this fund. Payments are received in lieu of service. Most loan recipients who have signed contracts with the Board of Medical Student Loans since 1993 repay their loans in service as physicians to rural and other medically underserved areas, medically underserved populations, and Indian reservations in Arizona. In FY 2006 the Medical Student Scholarship Program was established and was in existence one year. Remaining funds were transferred into the Medical Student Loan Fund to support scholarship recipients on loans until they graduated. One former scholarship student is being paid out of the Medical Student Loan Fund in FY 2010 in the amount of \$42,384. A loan payment for her expenses in the amount of \$22,640.00 is pending in December 2009. A reduction of \$7,050.00 will leave sufficient funds for this student. She is expected to graduate in May 2010.

The Board of Medical Student Loans can only spend cash available. All funds go to make medical student loans and the statutes do not provide for operating expenses. The Board serves with no compensation. The University of Arizona College of Medicine, Midwestern University, and A. T. Still University provide support services with no charge to the Board. Vital to the success of the program is the cooperation and assistance provided by the Arizona Department of Health Services. A reduction of 15% or \$7,050.00 will result in less funding available for medical student loans.