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LB 374

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FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

Changed to reflect new information

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *

	FY 2007-08		**FY 2008-09**	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS		(See Below)		(See Below)
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		(See Below)		(See Below)

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

This bill requires recipients of medical student loans who 1) are not practicing in a medical shortage area, 2) are not practicing an approved specialty or 3) are not living in the state to repay 150% of the outstanding loan principal and interest at a rate of 6% starting at the date of default. Currently the loan repayment is 100% of the principal at a rate of 24% starting at the date the loan was granted.

The impact of the bill would depend on the amount loaned and the number of buyouts. Current outstanding loans from recent graduates range from $7,500 to $60,000. New loans may be up to $17,500 per year of school or a total of $70,000 for four years. The repayment period for a buyout is twice the length of the original loan. For someone who borrowed loans for two years, the repayment period would be four years for a buyout; for four years of loans, eight years. The loans are also deferred during a student’s residency or other required activity that needs to be completed prior to practicing in their professional area. Based on past experience, on average two medical student loans are bought out each year. The maximum amount of loss per loan using the $70,000 figure and an eight-year repayment schedule would be a reduction of $57,400 per buyout. For the lowest amount of current loans -- $7,500 for two years -- the repayment amount would be reduced by $3,450 under this bill. Loan buyout payments are deposited into a cash fund. Periodically the cash funds are used to offset general fund support for the medical student loans. This would reduce the amount cash funds available in the future to offset general funds.