

House Engrossed Senate Bill

medical student loan program

State of Arizona
Senate
Fifty-fifth Legislature
First Regular Session
2021

CHAPTER 442

SENATE BILL 1078

AN ACT

AMENDING SECTIONS 15-1722, 15-1723, 15-1724 AND 15-1725, ARIZONA REVISED STATUTES; REPEALING SECTION 41-3021.02, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 27, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-3029.02; RELATING TO MEDICAL STUDENT LOANS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 15-1722, Arizona Revised Statutes, is amended to
3 read:

4 15-1722. Board of medical student loans; members; terms;
5 officers; compensation

6 A. The board of medical student loans is established and consists
7 of the following ~~eight~~ members:

8 ~~1. Two members who are appointed by the chairman of the Arizona~~
9 ~~medical board.~~

10 ~~2.~~ 1. ~~Three~~ TWO MEMBERS who are ~~members~~ appointed by the governor
11 and who are knowledgeable in the problems of health care in Arizona.

12 ~~3. One member who is appointed from the staff of the college of~~
13 ~~medicine of the university of Arizona and who is appointed by the~~
14 ~~president of the university of Arizona.~~

15 ~~4. One member who is licensed pursuant to title 32, chapter 17 and~~
16 ~~who is appointed by the board of osteopathic examiners in medicine and~~
17 ~~surgery.~~

18 ~~5.~~ 2. The director of the department of health services or the
19 director's designee ~~who is the ex officio nonvoting eighth member of the~~
20 ~~board.~~

21 3. ONE REPRESENTATIVE FROM EACH ACCREDITED MEDICAL SCHOOL IN THIS
22 STATE WHO IS APPOINTED BY THE PRESIDENT OR CHIEF OFFICER OF THAT MEDICAL
23 SCHOOL.

24 B. The terms of members are four years beginning on the third
25 Monday in January.

26 C. The board shall select a chairman and ~~vice-chairman~~ VICE
27 CHAIRMAN and such other officers as it deems necessary.

28 D. Board members shall be compensated as determined pursuant to
29 section 38-611.

30 Sec. 2. Section 15-1723, Arizona Revised Statutes, is amended to
31 read:

32 15-1723. Medical student loans; amount; qualifications;
33 requirements

34 A. The board may grant loans from the medical student loan fund
35 established by section 15-1725 to defray the expenses of the medical
36 education of those students at a public or private school of medicine in
37 this state who intend to enter and complete a residency program approved
38 by the accreditation council for graduate medical education or by the
39 American osteopathic association and who are deemed qualified by the board
40 to receive such loans. Loans shall be granted ~~upon~~ ON such terms and
41 conditions as may be imposed by the board and shall be distributed on a
42 first-come, first-served basis. One of the qualifications shall be
43 Arizona residency, which shall be determined according to the same
44 criteria prescribed for in-state student status in section 15-1802. ~~At~~

1 ~~least fifty per cent of the monies shall be apportioned for students~~
2 ~~attending private medical schools.~~

3 B. The loans granted by the board shall provide for each student
4 tuition plus a living allowance. Beginning in 2006-2007 and continuing
5 each year thereafter, the living allowance shall be ~~no~~ NOT more than
6 ~~twenty thousand dollars~~ \$20,000 for each student per year adjusted by the
7 percentage change in the GDP price deflator from the second preceding
8 calendar year to the calendar year immediately preceding the current year.

9 C. The board shall make a full and careful investigation of the
10 ability, character and qualification of each applicant through a written
11 application and interview process and determine the applicant's fitness to
12 become a loan recipient. The investigation of each applicant shall
13 include an examination of the ability of the applicant to pay the expenses
14 of a medical education. The board shall give preference to qualified
15 applicants who demonstrate a strong commitment to seek a residency program
16 in this state, who intend to become board certified in family practice,
17 general pediatrics, obstetrics and gynecology, general internal medicine
18 or combined medicine and pediatrics or any other specialty approved by the
19 board and who demonstrate a commitment to practice medicine in this state
20 and to serve in an area listed in subsection E of this section.

21 D. The services to be performed are service to the state by
22 practicing general practice or any specialty approved by the board in an
23 area listed in subsection E of this section. Service by practicing
24 another specialty of recognized need in this state ~~shall be~~ IS allowed
25 only following written approval by the board. The service location is
26 subject to approval by the board.

27 E. The board may approve service in any of the following locations:

- 28 1. A rural and medically underserved area of this state.
- 29 2. A medically underserved area of this state.
- 30 3. A medically underserved population of this state.
- 31 4. Any Indian reservation that is located in this state.

32 F. The board may specify an area listed in subsection E of this
33 section in the student's contract to ~~permit~~ ALLOW the student to seek
34 employment in that area as a physician. After the area is specified by
35 the board, that area shall be designated in the student's subsequent
36 contracts as an approved area and as an approved service location.

37 G. The board shall collect and maintain data on the retention of
38 doctors who practice in an area listed in subsection E of this section.
39 The board shall collect this data for at least ten years after each loan
40 recipient completes the recipient's service commitment.

41 H. Private schools of medicine shall reimburse the university of
42 Arizona for any administrative costs related to ~~the~~ processing ~~of~~ loans
43 for students at private schools of medicine pursuant to subsection A of
44 this section.

1 Sec. 3. Section 15-1724, Arizona Revised Statutes, is amended to
2 read:

3 15-1724. Medical student loans; interest; obligations;
4 penalties; authority of attorney general

5 A. Each applicant who is approved for a loan by the board may be
6 granted a loan for a period of up to five years.

7 B. The loans shall bear interest at the rate of seven ~~per cent~~
8 PERCENT per year.

9 C. Each loan shall be evidenced by a contract between the student
10 and the board, acting on behalf of this state. The contract shall provide
11 for the payment by the state of a stated sum or sums defraying the costs
12 of a medical education at a public or private school of medicine in this
13 state and shall be conditioned ~~upon~~ ON the contractual agreement by the
14 recipient of such loan to complete the service required by section
15 15-1723. The contract shall provide that the recipient serving as a
16 physician in an area listed in section 15-1723, subsection E may receive
17 compensation from the board for such service and other services designated
18 in the contract. This compensation shall be credited against amounts due
19 under the loan and shall not exceed the amount of the loan and any
20 interest accrued on the loan. Such service shall be full time as
21 determined by the board and shall be for two years or one year of service
22 for each year of loan support, whichever is longer. A loan and the
23 interest accrued ~~thereon~~ ON THE LOAN may be fully paid with compensation
24 received for services as required by the contract or at the option of the
25 recipient by payment of all monies, interest and penalties for failure to
26 fulfill the contract.

27 D. A loan recipient shall begin the service for which the recipient
28 contracted as a condition of the loan within three years ~~of completion of~~
29 AFTER COMPLETING the recipient's undergraduate medical education unless
30 extended to four years by the board or within three months ~~of~~ AFTER
31 finishing or leaving a residency program. A recipient who is ordered into
32 military service or for other cause beyond the recipient's control deemed
33 sufficient by the board is unable to commence the required service within
34 three years ~~of~~ AFTER such graduation shall begin service within one year
35 after completing military service or the termination of such other cause.

36 E. If a recipient decides not to fulfill the conditions of the
37 contract by serving in an area listed in section 15-1723, subsection E,
38 the contract shall provide that the recipient ~~shall~~ be required to repay
39 the full amount borrowed, including tuition, at the seven ~~per cent~~ PERCENT
40 interest rate plus a penalty for liquidated damages ~~in an amount~~
41 ~~equivalent to the full amount borrowed, including tuition, less~~ AS
42 SPECIFIED IN SUBSECTION F OF THIS SECTION, MINUS the amount credited for
43 time actually served in a site approved by the board, to be calculated on
44 a prorated monthly basis. The board for good reason may provide for
45 extensions of the period of repayment specified in the loan recipient's

1 contract. The board may waive the payment of principal, interest and
2 **PENALTY FOR** liquidated damages if it determines that death or permanent
3 physical disability accounts for the recipient's failure to fulfill the
4 contract.

5 ~~F. If a recipient withdraws or is dismissed from medical school,~~
6 ~~the recipient shall be required to repay the loan to the board with~~
7 ~~interest with no penalty within one year of withdrawal. The board may for~~
8 ~~good reason provide for extensions on the period of repayment.~~

9 **F. A RECIPIENT WHO DOES NOT FULFILL THE CONDITIONS OF THE CONTRACT**
10 **SHALL PAY THE FULL AMOUNT BORROWED AND SEVEN PERCENT INTEREST PLUS THE**
11 **FOLLOWING PENALTY FOR LIQUIDATED DAMAGES:**

12 **1. IF THE RECIPIENT WITHDRAWS FROM THE PROGRAM WHILE IN MEDICAL**
13 **SCHOOL, THERE IS NO PENALTY FOR LIQUIDATED DAMAGES.**

14 **2. IF THE RECIPIENT WITHDRAWS FROM THE PROGRAM DURING RESIDENCY, AN**
15 **AMOUNT EQUAL TO TEN PERCENT OF THE LOAN AMOUNT.**

16 **3. IF THE RECIPIENT WITHDRAWS FROM THE PROGRAM WHILE SERVING AS A**
17 **PHYSICIAN IN THE AREA LISTED IN THE RECIPIENT'S CONTRACT, AN AMOUNT EQUAL**
18 **TO TWENTY-FIVE PERCENT OF THE LOAN AMOUNT.**

19 **G.** On receipt of supporting documentation, the board for good cause
20 shown may defer the recipient's service or payment obligation or may enter
21 into repayment arrangements with the recipient or allow service that is
22 equivalent to full-time service if the board determines that this action
23 is justified after a review of the individual's circumstances. At the
24 discretion of the board, the board may allow service by practicing another
25 specialty of recognized need in this state that is not specified in the
26 student's contract, but only following prior written approval by the
27 board.

28 **H.** The attorney general may commence whatever actions are necessary
29 to enforce the contract and achieve repayment of loans provided by the
30 board pursuant to this article.

31 **Sec. 4.** Section 15-1725, Arizona Revised Statutes, is amended to
32 read:

33 **15-1725. Medical student loan fund; exemption**

34 **A.** The medical student loan fund is established. ~~The department of~~
35 ~~health services shall administer the fund.~~ **ALL MONIES APPROPRIATED TO**
36 **CARRY OUT SECTIONS 15-1723 AND 15-1724 SHALL BE DEPOSITED IN THE FUND AND**
37 **all payments of principal, and interest AND PENALTIES RECEIVED BY THE**
38 **BOARD shall be deposited, pursuant to sections 35-146 and 35-147, in the**
39 **fund. Monies in the fund are continuously appropriated for the purposes**
40 ~~prescribed in section 36-2172 OF THIS ARTICLE.~~

41 **B.** Monies in the medical student loan fund are exempt from the
42 provisions of section 35-190 relating to lapsing of appropriations.

43 **Sec. 5. Repeal**

44 Section **41-3021.02**, Arizona Revised Statutes, is repealed.

1 Sec. 6. Title 41, chapter 27, article 2, Arizona Revised Statutes,
2 is amended by adding section 41-3029.02, to read:

3 41-3029.02. Board of medical student loans; termination
4 July 1, 2029

5 A. THE BOARD OF MEDICAL STUDENT LOANS TERMINATES ON JULY 1, 2029.

6 B. TITLE 15, CHAPTER 13, ARTICLE 7 AND THIS SECTION ARE REPEALED ON
7 JANUARY 1, 2030.

8 Sec. 7. Retention of members

9 In addition to the members of the board of medical student loans who
10 are appointed pursuant to section 15-1722, Arizona Revised Statutes, as
11 amended by this act, all persons serving as members of the board of
12 medical student loans on the effective date of this act may continue to
13 serve until the expiration of their normal terms. All subsequent
14 appointments shall be as prescribed by statute.

15 Sec. 8. Purpose

16 Pursuant to section 41-2955, subsection B, Arizona Revised Statutes,
17 the legislature continues the board of medical student loans to administer
18 loans from the medical student loan fund.

19 Sec. 9. Retroactivity

20 Sections 5 and 6 of this act are effective retroactively to from and
21 after July 1, 2021.

APPROVED BY THE GOVERNOR JULY 10, 2021.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JULY 10, 2021.