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; APPROPRIATING MONIES; RELATING TO MEDICAL STUDENT LOANS.

(TEXT OF BILL BEGINS ON NEXT PAGE)
Be it enacted by the Legislature of the State of Arizona:

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

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

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

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

2. Three members appointed by the governor and who are knowledgeable in the problems of health care in Arizona.

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

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

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

6. One representative from each accredited medical school in this state who is appointed by the president or chief officer of that medical school.

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

C. The board shall select a chairman and vice-chairman and such other officers as it deems necessary.

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

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

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

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

B. The loans granted by the board shall provide for each student
tuition plus a living allowance. Beginning in 2006-2007 and continuing
each year thereafter, the living allowance shall be \( \text{not} \) more than
twenty thousand dollars $20,000 for each student per year adjusted by the
percentage change in the GDP price deflator from the second preceding
calendar year to the calendar year immediately preceding the current year.

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

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

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

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

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

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

H. Private schools of medicine shall reimburse the university of
Arizona for any administrative costs related to the processing of loans
for students at private schools of medicine pursuant to subsection A of
this section.
Sec. 3. Section 15-1724, Arizona Revised Statutes, is amended to read:

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

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

B. The loans shall bear interest at the rate of seven percent per year.

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

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

E. If a recipient decides not to fulfill the conditions of the contract by serving in an area listed in section 15-1723, subsection E, the contract shall provide that the recipient shall be required to repay the full amount borrowed, including tuition, at the seven percent interest rate plus a penalty for liquidated damages in an amount equivalent to the full amount borrowed, including tuition, less as specified in subsection F of this section, minus the amount credited for time actually served in a site approved by the board, to be calculated on a prorated monthly basis. The board for good reason may provide for extensions of the period of repayment specified in the loan recipient's
contract. The board may waive the payment of principal, interest and
penalty for liquidated damages if it determines that death or permanent
physical disability accounts for the recipient's failure to fulfill the
contract.

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

F. A recipient who does not fulfill the conditions of the contract
shall pay the full amount borrowed and seven percent interest plus the
following penalty for liquidated damages:

1. If the recipient withdraws from the program while in medical
school, there is no penalty for liquidated damages.

2. If the recipient withdraws from the program during residency, an
amount equal to ten percent of the loan amount.

3. If the recipient withdraws from the program while serving as a
physician in the area listed in the recipient's contract, an amount equal
to twenty-five percent of the loan amount.

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

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

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

15-1725. Medical student loan fund; exemption
A. The medical student loan fund is established. The department of
health services shall administer the fund. All monies appropriated to
carry out sections 15-1723 and 15-1724 shall be deposited in the fund and
all payments of principal, interest and penalties received by the
board shall be deposited, pursuant to sections 35-146 and 35-147, in the
fund. Monies in the fund are continuously appropriated for the purposes
prescribed in section 36-2172 of this article.

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

Sec. 5. Repeal
Section 41-3021.02, Arizona Revised Statutes, is repealed.
Sec. 6. Title 41, chapter 27, article 2, Arizona Revised Statutes, is amended by adding section 41-3029.02, to read:

41-3029.02. Board of medical student loans; termination

A. THE BOARD OF MEDICAL STUDENT LOANS TERMINATES ON JULY 1, 2029.
B. TITLE 15, CHAPTER 13, ARTICLE 7 AND THIS SECTION ARE REPEALED ON JANUARY 1, 2030.

Sec. 7. Retention of members

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

Sec. 8. Appropriation; medical student loan fund; exemption

A. The sum of $2,000,000 is appropriated from the state general fund in fiscal year 2021-2022 to the medical student loan fund established by section 15-1725, Arizona Revised Statutes, as amended by this act.
B. The appropriation made in subsection A of this section is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations.

Sec. 9. Purpose

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

Sec. 10. Retroactivity

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