

REFERENCE TITLE: **medical student loan program**

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

## **SB 1078**

Introduced by  
Senator Livingston

### **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)

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. Appropriation; medical student loan fund; exemption

16 A. The sum of \$2,000,000 is appropriated from the state general  
17 fund in fiscal year 2021-2022 to the medical student loan fund established  
18 by section 15-1725, Arizona Revised Statutes, as amended by this act.

19 B. The appropriation made in subsection A of this section is exempt  
20 from the provisions of section 35-190, Arizona Revised Statutes, relating  
21 to lapsing of appropriations.

22 Sec. 9. Purpose

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

26 Sec. 10. Retroactivity

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