

State of Arizona
Senate
Forty-seventh Legislature
Second Regular Session
2006

SENATE BILL 1441

AN ACT

AMENDING SECTIONS 15-1723 AND 15-1724, ARIZONA REVISED STATUTES; REPEALING SECTIONS 15-1726, 15-1727 AND 15-1728, ARIZONA REVISED STATUTES; 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 15-1723, Arizona Revised Statutes, is amended to
3 read:

4 15-1723. Medical student loans; amount; qualifications;
5 requirements

6 A. The board may grant loans from the medical student loan fund
7 established by section 15-1725 to defray the expenses of the medical
8 education of those students at a public or private school of medicine in this
9 state who intend to enter and complete a residency program approved by the
10 accreditation council for graduate medical education or by the American
11 osteopathic association ~~to become board certified in family practice, general~~
12 ~~pediatrics, obstetrics and gynecology, general internal medicine, or combined~~
13 ~~medicine and pediatrics~~ and who are deemed qualified by the board to receive
14 such loans. Loans shall be granted upon such terms and conditions as may be
15 imposed by the board. One of the qualifications shall be Arizona residency,
16 which shall be determined according to the same criteria prescribed for
17 in-state student status in section 15-1802. ~~The board may grant forty loans~~
18 ~~each year.~~

19 B. The loans granted by the board shall provide for each student
20 tuition plus a living allowance. Beginning in ~~2003-2004~~ 2006-2007 and
21 continuing each year thereafter, the living allowance shall be no more than
22 ~~sixteen~~ TWENTY thousand dollars for each student per year adjusted by the
23 percentage change in the GDP price deflator from the second preceding
24 calendar year to the calendar year immediately preceding the current year.

25 C. The board shall make a full and careful investigation of the
26 ability, character and qualification of each applicant through a written
27 application and interview process and determine the applicant's fitness to
28 become a loan recipient. The investigation of each applicant shall include
29 an examination of the ability of the applicant to pay the expenses of a
30 medical education. The board shall give preference to qualified applicants
31 who are unable to pay the expenses of obtaining a medical education, ~~and to~~
32 ~~qualified applicants~~ WHO DEMONSTRATE A STRONG COMMITMENT TO SEEK A RESIDENCY
33 PROGRAM IN THIS STATE, WHO INTEND TO BECOME BOARD CERTIFIED IN FAMILY
34 PRACTICE, GENERAL PEDIATRICS, OBSTETRICS AND GYNECOLOGY, GENERAL INTERNAL
35 MEDICINE OR COMBINED MEDICINE AND PEDIATRICS AND who demonstrate a commitment
36 to PRACTICE MEDICINE IN THIS STATE AND TO serve in an area listed in
37 subsection E of this section.

38 D. The services to be performed are service to the state by practicing
39 ~~general practice, family practice, general pediatrics, combined medicine and~~
40 ~~pediatrics, obstetrics and gynecology, or general internal~~ medicine in an
41 area listed in subsection E of this section. The service location is subject
42 to approval by the board.

- 43 E. The board may approve service in any of the following locations:
44 1. A rural and medically underserved area of this state.
45 2. A medically underserved area of this state.

1 3. A medically underserved population of this state.

2 4. Any Indian reservation that is located in this state.

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

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

12 H. Private schools of medicine shall reimburse the university of
13 Arizona for any administrative costs related to the processing of loans for
14 students at private schools of medicine pursuant to subsection A of this
15 section.

16 Sec. 2. Section 15-1724, Arizona Revised Statutes, is amended to read:
17 15-1724. Medical student loans; interest; obligations; penalty;
18 authority of attorney general

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

21 B. The loans shall bear interest at the rate of seven per cent per
22 year.

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

40 D. A loan recipient shall begin the service for which the recipient
41 contracted as a condition of the loan within three years of completion of the
42 recipient's undergraduate medical education unless extended to four years by
43 the board OR WITHIN THREE MONTHS OF FINISHING OR LEAVING A RESIDENCY PROGRAM.
44 A recipient who is ordered into military service or for other cause beyond
45 the recipient's control deemed sufficient by the board is unable to commence

1 the required service within three years of such graduation shall begin
2 service within one year after completing military service or the termination
3 of such other cause.

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

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

20 G. On receipt of supporting documentation, the board for good cause
21 shown may defer the loan recipient's service or payment obligation or may
22 enter into repayment arrangements with the loan recipient or allow service
23 that is equivalent to full-time service if the board determines that this
24 action is justified after a review of the individual's circumstances.

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

28 Sec. 3. Repeal

29 Sections 15-1726, 15-1727 and 15-1728, Arizona Revised Statutes, are
30 repealed.

31 Sec. 4. Saving clause

32 A. The repeal of sections 15-1726, 15-1727 and 15-1728, Arizona
33 Revised Statutes, by this act, does not affect any contractual rights,
34 contractual obligations or contractual duties of the board of medical student
35 loans or the recipients of medical student scholarships that were in
36 existence before the effective date of this act pursuant to the medical
37 student scholarship program established by Laws 2005, chapter 330, sections 9
38 and 11.

39 B. Notwithstanding the repeal of sections 15-1726, 15-1727 and
40 15-1728, Arizona Revised Statutes, by this act, the board of medical student
41 loans may distribute a portion of the monies appropriated in fiscal year
42 2006-2007 and in any subsequent fiscal years for medical student loans
43 pursuant to title 15, chapter 13, article 7, Arizona Revised Statutes, to the
44 persons who were awarded medical student scholarships before the effective
45 date of this act for the duration of the contracts entered into between the

1 board of medical student loans and the recipients of medical student
2 scholarships awarded pursuant to Laws 2005, chapter 330, sections 9 and 11.

3 Sec. 5. Transfer of fund monies

4 On the effective date of this act, all monies remaining in the medical
5 student scholarship fund established by section 15-1728, Arizona Revised
6 Statutes, are transferred to the medical student loan fund established by
7 section 15-1725, Arizona Revised Statutes, and may be distributed from the
8 medical student loan fund to persons who were awarded medical student
9 scholarships before the effective date of this act for the duration of the
10 contracts entered into between the board of medical student loans and the
11 recipients of medical student scholarships awarded pursuant to Laws 2005,
12 chapter 330, sections 9 and 11.