



ARIZONA STATE SENATE
Fifty-Fifth Legislature, First Regular Session

FACT SHEET FOR S.B. 1078

medical student loan program

Purpose

Continues the Board of Medical Student Loans (Board) for eight years and modifies Board membership. Outlines penalties for liquidated damages for a loan recipient who fails to fulfill their contract. Appropriates \$2,000,000 from the state General Fund (state GF) in FY 2022 to the Medical Student Loan Fund (Fund).

Background

The Board was established in 1978 and consists of eight members, including: 1) two members appointed by the Chairperson of the Arizona Medical Board (AMB); 2) three members appointed by the Governor who are knowledgeable about health care problems in Arizona; 3) one member appointed by the University of Arizona (UA) President from the staff of the UA College of Medicine; 4) one licensed doctor of osteopathy appointed by the Arizona Board of Osteopathic Examiners in Medicine and Surgery (ABOE); and 5) the Department of Health Services (DHS) Director or their designee, who is an ex officio nonvoting member. Board members serve four-year terms ([A.R.S. § 15-1722](#)). The Board is set to terminate on July 1, 2021 ([A.R.S. § 41-3021.02](#)).

DHS administers the Fund and the Board provides loans from the Fund for medical education expenses of qualified students at public and private schools of medicine in Arizona who intend to enter and complete an approved residency program. The loans must provide for each student's tuition plus a living allowance of up to \$20,000 per year. At least 50 percent of monies in the Fund must be apportioned for students attending private medical schools ([A.R.S. § 15-1723](#)).

Each applicant who is approved by the Board may receive a loan for up to five years and each loan bears an interest rate of seven percent each year. A loan recipient who does not fulfill the condition of providing medical services in an approved service location must repay the full amount borrowed, including tuition, at the seven percent interest rate, in addition to a penalty for liquidated damages in an amount equivalent to the full amount borrowed, including tuition, less the amount credited for time actually served. The Board can waive the payment of principal, interest and liquidated damages if it determines the recipient's failure to fulfill the contract is due to death or permanent physical disability. A recipient who withdraws or is dismissed from medical school is required to repay the loan plus interest with no penalty within one year of withdrawal or dismissal ([A.R.S. § 15-1724](#)).

S.B. 1078 appropriates \$2,000,000 from the state GF in FY 2022 to the Fund.

Provisions

1. Modifies Board membership as follows:
 - a) removes the two members appointed by the AMB Chairperson;
 - b) reduces, from three members to two members, the members appointed by the Governor that are knowledgeable about Arizona health care problems;

- c) removes the member from the UA College of Medicine staff appointed by the UA President;
 - d) removes the appointee from the ABOE;
 - e) grants voting rights for the DHS Director or their designee; and
 - f) adds one representative from each accredited Arizona medical school appointed by the president or chief officer of each medical school.
2. Removes the requirement that at least 50 percent of Fund monies be apportioned for students attending private medical schools.
 3. Requires a loan recipient who does not fulfill the conditions of their contract to pay, in addition to the full amount borrowed and 7 percent interest, penalties for liquidated damages as follows:
 - a) no penalty for a loan recipient who withdraws from the Medical Student Loan Program (Program) while in medical school;
 - b) 10 percent of the loan amount for a recipient who withdraws from the Program during residency; or
 - c) 25 percent of the loan amount for a recipient who withdraws from the Program while serving as a physician in the area listed in the recipient's contract.
 4. Removes DHS from being the administrator of the Fund.
 5. Repeals statutory repayment for withdrawing from the Program.
 6. Requires all appropriated monies and penalties received by the Board to be deposited in the Fund.
 7. Allows, in addition to new members, current Board members to complete their normal terms, upon the general effective date.
 8. Continues, retroactive to July 1, 2021, the Board until July 1, 2029.
 9. Repeals the Board on January 1, 2030.
 10. Appropriates \$2,000,000 from the state GF in FY 2022 to the Fund.
 11. Exempts the appropriation from statutory requirements relating to lapsing.
 12. Contains a purpose statement.
 13. Makes technical and conforming changes.
 14. Becomes effective on the general effective date, with a retroactive provision as noted.