



Joint Subcommittee On Postsecondary Education Policy and Budget (PEPB)

60TH Montana Legislature

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HJR 22 WORKING GROUP (DENTAL STUDY)

CREATING A STUDENT SERVICE PAYBACK PROGRAM FOR MONTANA

Wednesday, June 11, 2008

At the March 2008 meeting of the HJR 22 working group, members charged staff with providing a follow-up report on student service payback as a possible additional component of the professional student exchange program (PSEP) in Montana.

Student service payback would require students to repay the state support subsidy fee they receive in the PSEP either by returning to Montana to practice their profession or by reimbursing the state general fund subsidy payment.

The primary objective of this student service payback proposal is to attract Montana resident healthcare professionals who received state support for their professional education to return to Montana so that critical healthcare needs in many health professions may be alleviated in communities across the state. For the purposes of the HJR 22 Dental Study Working Group, it is the return of dental students to practice as dentists in Montana that is the primary objective in considering a student service payback program.

This report is intended to address additional issues that the working group discussed at the March meeting and to list the specific decision points for the working group's consideration and action at the June meeting.

Introduction

Professional student exchange programs (WICHE, WWAMI, and MN Dental)¹ provide students in Montana with access to programs of study in health care fields that are not offered at higher education institutions in Montana. In return for a State of Montana subsidy payment or "support fee," select Montana students are allowed resident or reduced tuition rates at out-of-state institutions, to make these programs more affordable for students to attend.

The Montana PSEP emphasizes two primary public policy goals that drive the program and the state expenditures, including:

- To expand postsecondary educational opportunities for Montana resident students in professional education fields that are not available through the Montana University System. This has been

considered to be more cost effective than state government building a medical school, a dental school, a veterinary school, or other healthcare related higher education institutions

- To increase the number of professional practitioners in critical health care professions who practice in Montana communities, where many underserved areas have a shortage of accessible care, including in the dental field. This is achieved if the students who complete the PSEP return to Montana to practice their new professions

Service Payback Options and Student Return Rates for PSEP Programs

In the WICHE region, six of the twelve states require a service payback from the professional students that they subsidize with support fees. Those states include Arizona, Colorado, Hawaii, Nevada, New Mexico, and Washington. While the specific payback terms vary in each state, most require that students return to their home state for one year of professional practice for each year they received a state subsidy. If those students do not return for the required time, then they must pay back some or the entire support fee paid by state government on their behalf.

Five WICHE states do not require a service payback: Idaho, Montana, North Dakota, Utah, and Wyoming.

Alaska is unique in that it only provides the state support fee as a loan that each student must pay back upon graduation, regardless of where they practice their chosen profession.

According to survey research conducted by WICHE in all PSEP health professions, the average return rate of students to their home states in those states that require a service payback is 74 percent, with the highest return rate being 94 percent. Those states that do not require a service payback report an overall student return rate of 39 percent, with Montana slightly higher than the average at 48 percent.

Therefore, there is WICHE survey research data that correlates the service payback component with a significantly higher student return rate for all health professions in PSEP's in the region.

Best Practice Dental Return Rate State: New Mexico

Specific to dental professionals, the highest return rate is in New Mexico, a state that requires a service payback of one year of practice in New Mexico for each year of subsidized support fee and, if the student fails to return for this service, the support fee must be paid back at three-times the actual support fee plus 18 percent interest.

Under this system, New Mexico has a 92 percent return rate for dentists over the past five years, with 24 out of 26 dentists returning to practice their profession in their home state. New Mexico supports 10 resident student slots each year through the state support fee subsidy.

In addition to the service payback requirement, New Mexico also has the following incentive programs for attracting dentists to practice in the state. Priority for these program opportunities are given to New Mexico students, including those returning for their student service payback requirement:

- Health Professional Student Loan Repayment Program that will provide up to \$35,000 per year to health professionals, including dentists, who make a two-year commitment to practice full-time in a designated medical/dental shortage area, and up to \$25,000 per year for those that practice in non-shortage parts of the state. These funds must be used to make professional student loan repayments. The New Mexico legislature recently increased funding for this program to \$1.3 million.
- New Mexico Health Services Corps that provides stipends to health professionals, including dentists, during their last two years of training or residency in return for at least 1,600 hours per

year of service for at least two years in an underserved community. The annual stipend for dentists is \$20,000 and in some situations an additional year of stipend funding has been extended in return for an additional year of service. PSEP students from New Mexico who participate in this program during their health professional training, moreover, do not incur a service payback obligation for those years that they are part of this Health Services Corps.

It should be noted that the HJR 22 working group is considering programs very similar to these two New Mexico programs as part of the June 2008 meeting considerations and final recommendation. These program options are described in detail in two separate reports, one titled *Dental Student Loan Repayment Option Proposal for Legislation for the 2009 Session* and *Options to Expand the Capacity of Dental Clinics at Community Health Centers (CHC) in Montana*. Both reports are available on the working group website at http://leg.mt.gov/css/fiscal/PEPB_Subcommittee.asp

New Mexico has also worked to increase the number of pre-professional students who would be interested in pursuing dental education by organizing a pre-dental club at the undergraduate level in educational units across their higher education system. The state dental association also got involved with an aggressive mentoring program for students considering dentistry. The New Mexico legislature provides \$28,000 per year to fund the pre-dental society, which also receives funding from a private dental insurance company.

As a result, in just over two years, the number of New Mexico students interested in pursuing a professional student exchange program slot at a dental school increased by 69 percent and the number of students receiving offers from dental schools has increased by 62 percent.

Fiscal Projections for Cost of Student Service Payback Program

Creating a service payback program would require additional administrative costs to the lead agency, which in Montana is the Office of the Commissioner of Higher Education (OCHE). The additional administrative responsibilities would include:

- Tracking professional graduates after they leave school to determine where they establish a practice
- Ongoing verification that each professional remains in practice in Montana for the duration of their service payback obligation
- For those who do not return to Montana or who leave before completing their service payback, setting up some type of repayment process that would likely operate similar to a loan repayment
- Creating a debt collection mechanism to track and secure payback from those who default on their repayment plan
- Additional legal staff expertise related to debt collection, including knowledge of the collections regulations in other states

According to OCHE staff projections, the administrative cost to set up and manage a student service payback program would include the following:

- \$50,000 one-time-only start-up costs to establish staffing, equipment, and materials
- Ongoing costs in year one starting at \$54,224 that would increase incrementally each year as more students enter the program, reaching \$155,000 by year twenty²

Of course, if there would be an expansion of student slots for the professional student exchange program, these costs would increase.

It is important to note that during the special session of the legislature in May of 2007, SB 2 created a teacher loan forgiveness program that included a 0.50 FTE to manage that program. Up to 400 teachers

are projected to participate in the loan forgiveness program by the fourth year. Given some of the similarities between that program and the proposed student service payback program, there may be opportunities to combine these responsibilities and staffing to reduce total costs.

Looking at other state programs, the director of the State of Arizona PSEP reports that the administration of their program, which has included a student service payback component since its inception in 1953, operates with a total of 1.50 FTE. The Arizona office tracks students for up to 21 years, funds 68 new student slots each year (Montana funds 44 new slots each year), allows a one year grace period for students to return to the state after completing their professional school and residency, places all non-returnees on an automatic contractual repayment schedule (at 50 percent of the support fee plus interest), and all default accounts are forwarded to the Attorney General's office for collection (at a rate of 35 percent of collections). In summary, Arizona reports an 80 percent dental student return rate and their entire PSEP program, including service payback, is managed by 1.50 FTE. The Arizona Professional Student Exchange Program informational brochure is attached as Appendix One.

Given the number of states that now include a service payback option as part of the PSEP, WICHE is considering creation of a regional administrative service program to provide these services for WICHE member states that have a service payback option. While WICHE officials are unable to provide a definitive cost projection, their preliminary survey indicates a potential contract cost of \$52 per student per month. This estimate is comparable to the costs currently charged by a private company called ECSI³. Therefore, based upon both the WICHE and the ECSI information, a projected contract cost per year if Montana were to create a student service payback would be (based upon the current number of PSEP student slots):

- \$27,456 starting in program year five, when the first payback tracking would begin with 44 students
- \$27,456 per year increase for the 44 additional students entering payback each year for 15 years
- \$439,296 total annual cost going forward starting in year 20 of the program

Therefore, the working group has a range of fiscal cost projections to consider for a service payback program, ranging from the lowest cost model in Arizona that includes 1.50 FTE staffing, the OCHE cost projections as a middle range (with the potential of maximizing staffing related to the teacher loan forgiveness program), and the WICHE/ECSI projections at the high end of the range.

Revenue Projections for Student Service Payback Program

On the other hand, assuming that some percentage of Montana students will choose to make the fiscal payback rather than the service payback, the program will generate payback revenue in the future. Figure 1 below projects the anticipated annual revenue for a service payback program started during the 2011 biennium based upon the following assumptions:

- Fiscal payback would likely begin in year nine of the program with the first student cohort completing their education in four years and then completing their residency in an average of four additional years with an additional year for a deferment (which may not be offered to non-returning students)
- There will be 44 students entering payback status each year, based upon the current PSEP slots for Montana
- The average non-return rate for states that have service payback is 26 percent, so with 44 students per year entering payback, Montana can project 11.4 students choosing fiscal payback per year starting in year nine of the program
- The payback requirement would be the full support fee amount
- The repayment schedule would be over a ten-year period

- No annual interest would be charged during the ten-year payback for this illustration (if interest is to be charged, the figures below would need to be updated accordingly)
- The starting point for calculating the average annual student debt load is FY 2008 support fees adjusted annually with a 4 percent inflation rate per year (the annual inflation rate projected by OCHE)
- That FY 2008 base starting point was established by the total amount of support fees paid divided by the number of student slots funded, multiplied by four years for the average length of PSEP programs for which support fees are paid

Figure 1

Projected Annual Revenue for Service Payback Program		
Program Year	Fiscal Year	Annual Revenue on 10-Yr. Repayment Cycle
Nine	2018	\$157,211
Ten	2019	\$320,711
Eleven	2020	\$490,750
Twelve	2021	\$667,591
Thirteen	2022	\$851,506
Fourteen	2023	\$1,042,777
Fifteen	2024	\$1,241,700
Sixteen	2025	\$1,448,579
Seventeen	2026	\$1,663,733
Eighteen	2027	\$1,887,493
Nineteen	2028	\$1,962,993
Twenty	2029	\$2,041,513
Twenty-one	2030	\$2,123,173
Twenty-two	2031	\$2,208,100
Twenty-three	2032	\$2,296,424

Therefore, based upon an analysis and comparison of the above fiscal projections related to cost and related to revenue, over the long term, starting in year nine of the program, annual revenue would exceed annual administrative costs (even at the high end cost range) and during year eleven the program would have fully paid for itself from its inception **and** be generating an annual revenue surplus. Once again, this projection is based upon the *highest* administrative cost model, projected above, together with the revenue data illustrated in Figure 1.

Funding Options for Service Payback

Based upon the administrative costs for service payback that are projected for at least the first years of the program, if the working group makes a recommendation to create such a program then that recommendation should include the funding mechanism that would meet the cost projections noted above.

Given that there is no federal funding source nor is there any apparent option for ongoing, sustainable funding revenue from the program itself until program year nine, potentially FY 2018, the logical source for program funding would be a general fund appropriation. At that point, the program would likely be fiscally self-sustaining and even generating surplus revenue.

Therefore, in order to fund a start-up student service payback program based upon one of the cost options projected above, the working group should consider including an appropriation for the 2011 biennium, in the bill draft discussed below, to create the service payback program that would become part of the base budget and subsequently appear as part of the House Bill 2 (HB 2) state budget. The working group would need to identify which cost projection to use in this bill draft to determine the funding amount required.

In the event that the working group would like to use the payback revenue that is projected to begin in program year nine (FY 2018) to fund the administrative costs of the program, the statute should include a provision that administrative costs of the statutory program require a review and revision in the 2019 biennium budget, which will include FY 2018 and 2019.

Equity Concerns of PSEP Student Surcharge Under Service Payback Program

At the March meeting, working group members raised concerns about whether it would be fair and equitable to charge Montana resident students a surcharge under the WICHE medical and WWAMI medical programs if the PSEP includes a service payback component. The existing student surcharge, which totals 16 percent of the support fee cost, is used to fund the Montana Rural Physicians Incentive Program (MR PIP), a student loan repayment program for physicians who practice in medically underserved Montana communities.

That equity argument is based upon the assertion that a student service payback program establishes the PSEP as a quid pro quo program whereby students who receive the state support fee subsidy to attend professional schools would be obligated for some type of payback. Therefore, it would be creating an additional fiscal burden on top of that service payback requirement to add an additional 16 percent student surcharge.

Therefore, if the working group considers the student surcharge to be an equity problem with the creation of a student service payback program, the working group may want to consider a recommendation to eliminate that surcharge in statute, contained at 20-26-1502, MCA.

In that case, the working group may want to consider an additional recommendation of an annual HB 2 general fund appropriation of approximately \$500,000 per year, which is the projected FY 2009 revenue from the student surcharge, in order to continue funding for MR PIP at current levels.

Working Group Options – Action Item

Given the policy goal of increasing student return rates of professional student exchange program participants, in particular dentists, the working group may want to consider action on the following options (for additional guidance in selecting these options, please note Appendix Two, attached, that includes service payback components from seven WICHE states that may provide guidance based upon current practices):

1. Request a bill to amend Section 20-25-804, MCA, and any sections related to the Western Regional Higher Education Compact, to create a student service payback contractual requirement as part of the professional student exchange program. That bill draft may want to address the following questions related to program options:
 - Is repayment required for all professions or dentists only - _____
 - If students do not return to practice in Montana, the program will require a payback at the full support fee level (projected to be an average of \$137,422/student by first student cohort) _____, or partial payback level of _____, or more than full payback level of _____

- If students do not return to practice in Montana and choose the financial payback option, will annual interest be charged during the payback period _____, if yes at what interest rate - _____ and when does interest begin to accrue (at completion of school, during residency, etc) _____
 - Define any deferment period before payback is due (e.g. during medical residency program, during military or other governmental service obligations, etc.)
 - What should be the payback term (e.g. 10 years) _____
 - How and where are the repaid funds to be used/deposited (projected to begin in FY 2018):
 - i. back to general fund _____
 - ii. to fund a related program in this area (e.g. dental student loan payment incentive) - _____
 - iii. used to offset the ongoing administrative costs of the service payback program - _____
 - What number of years will be required to practice in Montana to complete service payback _____
 - When must students return to Montana to begin their professional practice:
 - i. immediately upon graduation _____
 - ii. deferment allowed during residency program _____
 - Are students allowed to return to practice anywhere in Montana _____ or is service required in a medically underserved area - _____
 - i. If so, how is “medically underserved area” defined _____
2. Should the program be managed by OCHE _____ or through a contract for services with WICHE or ECSI _____
 3. As part of the bill draft, include an appropriation section for funding in the 2011 biennium budget that is sufficient to meet the fiscal cost projections based upon the selected administrative management option [subsequent to the 2011 biennium, this funding will become part of the base budget in HB 2]
 4. Recommend elimination of the student surcharge as part of the PSEP at Section 20-26-1502, MCA, contingent upon passage and approval of a student service payback program
 - Contingent upon this recommendation, also consider recommendation of an additional HB 2 annual general fund appropriation of \$500,000 to replace the elimination of funding from the student surcharge

Attachments:

- Appendix One – Arizona Professional Student Exchange Program, published by the Arizona Board of Regents
- Appendix Two – WICHE Payback States Survey Results

Respectfully submitted:

Alan Peura
 Fiscal Analyst II
 Legislative Fiscal Division

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Updated: Monday, May 19, 2008

¹ WICHE is the Western Interstate Commission for Higher Education;

WWAMI is the medical program and University of Washington Medical School that involves the states of Washington, Wyoming, Alaska, Montana, and Idaho;

MN Dental is the program affiliated with the University of Minnesota Dental School

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Annual Administrative Costs for Student Service Payback Program				
Program Year	Number of Students	Annual Cost (\$96/student)	3% Annual Inflation	Total Annual Cost
Year One	44	\$4,224	\$4,224	\$54,224
Year Two	88	\$8,448	\$8,701	\$58,701
Year Three	132	\$12,672	\$13,444	\$63,444
Year Four	176	\$16,896	\$18,463	\$68,463
Year Five	220	\$21,120	\$23,771	\$73,771
Year Six	264	\$25,344	\$29,381	\$79,381
Year Seven	308	\$29,568	\$35,306	\$85,306
Year Eight	351	\$33,720	\$41,471	\$91,471
Year Nine	395	\$37,872	\$47,975	\$97,975
Year Ten	430	\$41,232	\$53,798	\$103,798
Year Eleven	462	\$44,304	\$59,541	\$109,541
Year Twelve	494	\$47,376	\$65,579	\$115,579
Year Thirteen	526	\$50,448	\$71,927	\$121,927
Year Fourteen	558	\$53,520	\$78,596	\$128,596
Year Fifteen	569	\$54,576	\$82,551	\$132,551
Year Sixteen	577	\$55,416	\$86,336	\$136,336
Year Seventeen	585	\$56,160	\$90,120	\$140,120
Year Eighteen	593	\$56,904	\$94,054	\$144,054
Year Nineteen	601	\$57,648	\$98,142	\$148,142
Year Twenty	608	\$58,392	\$102,391	\$152,391
Subsequent Years	608	\$58,392	\$105,462	\$155,462

³ ESCI website is located at <http://www.ecsi.net/prospects2/about.html> (accessed on May 6, 2008) and they describe their services as follows:

Since 1972, ECSI has been the most responsive, stable and cost-effective company in the student loan management industry, with hundreds of colleges and universities as ongoing clients.

WHAT IS WICHE?

Over five decades ago, the governors and legislators of the 15 western states created WICHE, the Western Interstate Commission for Higher Education, to help them provide high-quality, cost-effective education in their states. Toward this end, WICHE enables states to share cooperatively their higher education programs and facilities for training new professionals, conducting research, and sponsoring continuing education to sharpen the skills of current professionals.

WICHE's goals are to increase the availability of higher education in the West, to assist states to have the professionally and technically trained persons they require, and to help states increase the effectiveness and efficiency of their higher education programs. Member states include Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington and Wyoming. The governors of the 15 states each appoint three Commissioners to direct this nonprofit public organization.

THE PROFESSIONAL STUDENT EXCHANGE PROGRAM (PSEP)

This program, sponsored by WICHE and administered by the Arizona Board of Regents, enables a limited number of Arizona students to enroll in one of six professional programs in other states, or at in-state private institutions, since these programs are not available at Arizona's public universities. Through the exchange, the student receives preference in admission and pays only the resident tuition fee at a public institution, or the difference between the WICHE support fee and standard tuition at a private school. The student also pays for books, supplies, meals, lodging and other personal expenses.

The State of Arizona pays a support fee to the school receiving the student to help cover the cost of education. This arrangement provides Arizona students with increased access to professional programs at reduced tuition rates, while saving the State millions of dollars by avoiding duplication of costly programs already available in the West.

FIELDS OF STUDY AND PARTICIPATING INSTITUTIONS

Arizona, through the WICHE PSEP, provides opportunities for a limited number of qualified legal residents to obtain training and education in six fields of professional studies.

Dentistry

Arizona School of Dentistry and Oral Health
Loma Linda University
Oregon Health Sciences University
University of California, Los Angeles
University of California, San Francisco
University of Colorado Health Sciences Center
University of Nevada, Las Vegas
University of the Pacific
University of Southern California
University of Washington

Occupational Therapy

Arizona School of Health Sciences, A.T. Still University
Eastern Washington University
Idaho State University
Loma Linda University
Midwestern University - Glendale, AZ
Pacific University
Samuel Merritt College - Oakland, CA
University of New Mexico
University of North Dakota
University of Puget Sound - Tacoma
University of South Dakota
University of Southern California
University of Utah
University of Washington

Optometry

Pacific University
Southern California College of Optometry

Osteopathy

Arizona College of Osteopathic Medicine
Kirksville College of Osteopathic Medicine*
Touro University, Henderson NV
Touro University, Vallejo, CA
Western University of Health Sciences

Physician Assistant

Arizona School of Health Sciences, A.T. Still University
Idaho State University
Loma Linda
Midwestern University, Glendale, AZ
Oregon Health Sciences University
Pacific University
Samuel Merritt College - Oakland, CA
University of Colorado Health Sciences Center
University of Southern California
University of Utah
University of Washington
Western University of Health Sciences

Veterinary Medicine

Colorado State University
University of California, Davis
Oregon State University
Washington State University

*Under a separate bilateral contract. Missouri campus only.

The number of students supported in each field is dependent on the funds appropriated annually by the Arizona Legislature. Due to limited State funds, not all certified applicants can be supported.

STUDENT ELIGIBILITY AND PRIORITY

Arizona law requires that an applicant must: (1) be a United States citizen and provide verification of U.S. citizenship, (2) have been a legal resident of Arizona for a minimum of five years prior to the commencement of training, and (3) must have maintained at least average (2.5) grades to be eligible for support under the WICHE program. Each year the Board of Regents requests a specific amount of funds to support continuing students and a specific amount of funds to support new students. As a general policy, funds requested from the Legislature for continuing students will not be used to support new students, and vice versa. The Arizona Board of Regents has adopted the following priorities for funding students who have been certified as eligible for participation:

- a. Continuing students, who were supported during the preceding year, and are making satisfactory progress in their academic programs.
- b. New students who applied for certification prior to October 15, who have been certified, and have been admitted to a participating institution.
- c. New students who applied for certification after October 15, who have been certified, and have been admitted to a participating institution.
- d. Continuing students beyond their first year of professional studies who were eligible for support for an earlier year but were not supported due to a lack of funds.
- e. Continuing students beyond their first year of professional studies, who have not previously applied for support.
- f. Continuing students who previously dropped WICHE support but who continued in their professional studies.
- g. Continuing students who have completed their basic professional training and take additional graduate or specialized training involving formal class and laboratory work.

APPLICATION AND AWARD PROCEDURES

Admissions Application - Students should apply directly to one or more of the participating schools listed above. Information about admissions requirements and procedures must be obtained from the institution. The WICHE Office does not provide that information.

Certification Application - *Students should apply for certification of eligibility between March 15 and October 15 of the year before they plan to begin their professional training. Students who are U.S. citizens, and who have been legal residents of Arizona for at least the past five years may obtain application forms by writing to:*

**WICHE-Professional Student Exchange Program
ARIZONA BOARD OF REGENTS
2020 North Central, Suite 230
Phoenix, AZ 85004
Phone: 602-229-2500**

Also, applicants may access an application, and check on receipt of application, on the web at: azregents.edu. Click on Special Programs, click on WICHE, and click on Professional Student Exchange.

The application deadline is October 15 of the year prior to the commencement of training. Applicants who do not apply until after October 15 will be designated as alternates and will be considered for funding only after all eligible students who applied before October 15 have been funded.

Award Procedure - Students will receive notification regarding their certification as an eligible Arizona candidate after action on their applications in November. No decision will be made about certification prior to that time.

Applicants who are certified by the Arizona WICHE Office and are admitted to a participating institution will be eligible for consideration for support. The amount of funds appropriated by the Legislature to support new students varies each year; therefore, **in an average year funds are not available to support all of the Arizona applicants who are certified and admitted.** Following final action by the Legislature, usually in late Spring, all students will be notified of their funded or non-funded status based on academic rankings provided by the receiving WICHE schools.

Students who are certified, admitted to a participating institution, and supported with Arizona WICHE funds can expect to continue to receive WICHE support as long as they make satisfactory progress in their academic program and the Legislature appropriates adequate funds.

OBLIGATIONS TO ARIZONA AFTER GRADUATION`

Arizona statutes require that students supported by the WICHE program return to the State and spend one year in the practice of their profession for each year they were supported in the program. Students in 3-year accelerated programs must practice in the State for four years since the State spends the same total amount in support of students in 3-year programs as for those in 4-year programs.

Students who practice in an underserved Arizona community, so designated by the appropriate licensing board, will receive one year of state service credit for each six months of practice.

Students who do not discharge their obligations by Arizona practice are required by State law to repay 50% of the funds expended by the State in their support, plus interest. The interest rate for a student's contract is the rate in effect for the fiscal year during which the student begins the approved course of professional study. The Board shall establish the interest rate by November 1 of the current year for the following fiscal year. The Board shall establish a rate equal to the average interest rate of auctioned ninety-one day United States Treasury Bills over the 24-month period ending September 30 of the current year, except that the Board will round the rate to the nearest one-half percent. Accrual of interest charges provided by the contract begins on the first day of the first complete month following graduation of the student or, for students who fail to complete their required course of study, the first day of the first complete month following the date when the student was no longer enrolled. The Board may permit repayments to be extended over a 15-year time period. The obligation may also be fulfilled by a combination of state practice and cash payment.

Involuntary induction into military service or other cause beyond the control of the student that prevents establishment of practice in the State, as determined by the Board of Regents, may postpone the student's obligation until such cause is terminated.

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This document is available in an alternative format, upon request.

Arizona Board of Regents, 602-229-2500

ARIZONA PROFESSIONAL STUDENT EXCHANGE PROGRAM



and the

**WESTERN INTERSTATE
COMMISSION FOR
HIGHER EDUCATION
(WICHE)**

www.azregents.edu

Payback States Survey Results

	Alaska	Arizona	Colorado	Hawaii	Nevada	New Mexico	Washington
PSEP ADMINISTRATION							
Which agency administers program?	Alaska Commission on Postsecondary Education	Arizona Board of Regents	Colorado Dept. of Higher Education	Undetermined	Loan servicing company: ECSI	New Mexico Higher Education Dept.	Was administer by the Washington Higher Education Coordinating Board, now contracted with ECSI (2008).
Estimated FTE for loan forgiveness administration	One staff member handles special programs, with 20% of time on PSEP	Unknown	3 staff assist with the program which is small in scope	Unknown	.25 FTE	Approximately .50 FTE	.10 FTE
Employment verification process	N/A	Graduates submit post graduate status reports.	Graduates must complete a yearly report.	Undetermined	Verified at start of employment; then graduates must submit an annual report.	Six-month grace period. Graduates required to submit approval of service form initially, then submit annual employment verification forms.	Graduates must submit annual employment verification reports.
Collections process	Handled internally	Handled internally, delinquent accts referred to Attorney General's office.	Delinquent accounts are sent to state central collections.	Undetermined	30/60/90 delinquent notices with late fees. Accounts are then referred to Attorney General's office.	In the process of researching collections agencies.	Referred to the Attorney General's office through ECSI
Collections statute of limitations	None, but can garnish wages (statute of limitations for judicial action is 7 years)	7 years	None		6 years	None	None
What provisions for hardship are considered	Enrollment, unemployment, total disability, and active duty.	Hardships and disabilities handled on a case-by-case basis	Deferment offered on case-by-case basis.		Hardship and disabilities are reviewed and may be written-off.	Forbearance and deferment options are available for hardships.	Deferment options available. May allow interest only payments.
Is effectiveness evaluated?	No	Sunset Review every 10 years	No	Repayment requirement to take effect in 2008.	Yes, performed a 10-year assessment in YEAR.	No	No response.
Does state administer other loan forgiveness programs?	No service obligation programs, but loan repayment programs for teachers and WWAMI loans.	Medical Student Loan Program which is administered by University of Arizona.	Teacher forgiveness program through College Invest.		Health Care Access Program (HCAP) provides loan forgiveness for health professionals working in shortage areas.	Teacher, Allied Health, Medical, Nursing, Nurse Educator, and Minority Doctoral	Health Professional Scholarship program, Future Teachers

Payback States Survey Results

	Alaska	Arizona	Colorado	Hawaii	Nevada	New Mexico	Washington
COSTS/REVENUES							
Total estimated cost of administration	Not tracked	No tracked separately	\$26,000 per year	Unknown	\$370,000 annual budget	Not tracked	\$13,300 in FTE costs ECSI \$1 per account Accurint (skip tracing) \$.25 per click
Annual contract costs (if applicable)	N/A	Attorney General charges 35% of collected accounts	N/A	Unknown	N/A	Currently exploring possibility of contracting with ECSI	\$1 per account
Legal counsel costs	Attorney General - costs not tracked	Legal counsel on staff. Pay fee to Attorney General's office	N/A	Unknown	Attorney General's office annual fee of \$290	N/A	\$150 per hour, but rare
Where do collected loan funds go	Asset of Alaska Student Loan Corporation	General fund	General fund	Unknown	State coffers	Program revenue account	WICHE repayment trust
OTHER							
Would your state allow graduates to provide service in region	N/A	Doubt that legislature would provide funds to AZ residents and not expect them to pay back the state	Yes	No	Would consider	Unlikely, legislators are very concerned about New Mexicans returning to the state, especially dentists. Change would require statutory and rule change.	Would require statutory and rule change
Other comments					Review NRS 397 for additional information		