HB

27

HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: January 19, 1999 FURTHER REFERRALS: Finance

Date of Committee Action: 2.4.99

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered: HB 27

HOUSE BILL NO. 27 GRADUATE STUDENT LOANS

"An Act relating to graduate student loans; and providing for an effective date."

recommends it be replaced with the following committee substitute CSHB 27 (HES) [ ] the same title [✓] a new title

[ ] additional referral to _____ Committee
[ ] attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept) APPROVES PREVIOUS: (Dept/Date)

[X] fiscal note(s) ACPE (INDETERMINATE) [ ] fiscal note(s) _____

[ ] zero fiscal note(s) _____ [ ] zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
	✓			
	✓			
	✓			
			✓	

CHAIR'S SIGNATURE _____ _____

FISCAL NOTE

STATE OF ALASKA **BILL NO. HB 27**

1999 LEGISLATIVE SESSION

Revision Date (Note if correction)

Title "An Act relating to graduate student loans; and providing for an effective date."

Sponsor Rep. Mulder

Requester HHESS

Dept. Affected Education

BRU ACPE

Component Student Loan Operations

Component Serial No 213

Expenditures/Revenues (Thousand Of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005
Personal services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants, Claims						
Miscellaneous						
TOTAL OPERATING	*	*	*	*	*	*
CAPITAL EXPENDITURES						
CHANGE IN REVENUE ( )						

FUND SOURCE (Thousand of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type) 1106 P-Sec Rec						
TOTAL	*	*	*	*	*	*

Estimate of any current year (FY 99) cost: _____

POSITIONS

Full-Time						
Part-Time						
Temporary						

ANALYSIS: (*Attach a separate page if necessary*)

It should be noted that inclusion of forgiveness benefits would require a general fund appropriation. The information provided in this fiscal analysis is predicated upon statements that no forgiveness benefits are intended in HB 27, and that the assistance provided to Professional Student Exchange Program participants in the form of support fees are to be incurred under terms and conditions of loans. *Program funds disbursed as student loans are not subject to the Executive Budget Act, therefore an appropriation is not required.

Prepared by Mike Maher, Director of Student Loan Operations Phone 465-6743

Division Student Loan Operations Date/Time 2/1/99 11:59 AM

Approved by Exec. Director Diane Barrans

Agency Alaska Commission on Postsecondary Education Date 2/1/99

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(over)

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. HB 27

ANALYSIS: (continued)
Yearly support fees projected for the '99-'2000 school year range from a low of $4.2 for the Physician Assistant field to a high of $22.8 for Medicine. The cost to the loan fund of Alaska's participation in the program again will vary significantly depending on the number of applicants awarded loans, and the professional fields approved.

In order to determine a reasonable level of participation, the WICHE Administrative Office was asked to review Alaska's historical participation level in the Professional Student Exchange Program (PSEP) as well as state professional workforce projections and provide recommendations regarding the professional fields and number of students. Their analysis is as follows:

	No. of students
Dentistry	3
Physical Therapy	6
Occupational Therapy	4
Optometry	2
Podiatry	1
Physician Assistant	3
Total	19

The cost of this level of participation would be $157,300 in the first year and rise to $530,628 when all fields are fully enrolled.

REPRESENTATIVE ELDON MULDER

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Sponsor Statement

House Bill 27

Graduate Student Loans and the WICHE Program

House Bill 27 will allow post-secondary students to gain affordable access to desired professional programs. Alaska utilizes Western Interstate Commission on Higher Education (WICHE) to take advantage of the reduced tuition (limited to1.5 times the resident rate compared with up to 5 times the resident rate) and class spots which are restricted without our participation in WICHE. Our current budget situation does not allow Alaska to make grants, as we did prior to 1997. This amends statute to allow state student loan monies to be loaned thorough WICHE and repaid to the student loan fund.

The Western Interstate Commission on Higher Education was created to facilitate resource sharing and cost effective services for 15 Western states and their public and private collages and universities. This bill will allow Alaska to renew our participation in the WICHE Professional Student Exchange program. The state can make this change allowing for loans and provide a significant benefit to students.

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Memorandum

Date: January 31, 1999

To: Diane Barrans

From: Dewayne Matthews

Re: PSEP participation

I am pleased that the Alaska Legislature is considering renewing the state's participation in the Professional Student Exchange Program (PSEP). To try to determine a reasonable level of participation, I have reviewed such data as Alaska's historical level of participation and state professional workforce projections. I would recommend that the following fields and number of students per year would be a reasonable level of participation (also shown on the attached Table 1):

	No. of students
Dentistry	3
Physical Therapy	6
Occupational Therapy	4
Optometry	2
Podiatry	1
Physician Assistant	3

As detailed on Table 1, the cost of this level of participation would be $157,300 in the first year and rise to $530,628 when all fields are fully enrolled. This cost projection assumes that all graduates return to Alaska – any funds repaid by students who choose not to return would offset these costs. It is also very likely that it will not be possible to fill all available slots in the first year or two of the program since prospective students would not be fully aware of the availability of support.

I have enclosed a table (Table 2) showing the number of first-year students that Alaska historically supported in PSEP, and a brief report with information on three relevant issues: 1. projections for Alaska's professional workforce; 2. the availability of positions for out-of-state students in professional schools in the WICHE region; and 3. the student debt levels of recent professional school graduates.

I was able to find two reports on professional graduate indebtedness: Graduating into Debt: The Burdens of Borrowing for Graduate and Professional Students by the Education Resources Institute and the Institute for Higher Education Policy, and the proceedings of the symposium Critical Challenges in Financing Graduate and Professional Degrees. I have cited some data from these reports in the my attached report.

Please let me know if I can provide any other information.

Table 1

Projected cost of Alaska participation in Professional Student Exchange Program

	No. of students	Support fee 1999-2000	Length of program in years	Year 1 cost*	Year 2 cost*	Year 3 cost*	Year 4 and beyond cost*
Dentistry	3	14,300	4	42,900	88,374	136,538	187,512
Physical Therapy	6	7,200	2.67	43,200	88,992	122,216	125,882
Occupational Therapy	4	7,600	2	30,400	62,624	64,503	66,438
Optometry	2	9,300	4	18,600	38,316	59,198	81,299
Podiatry	1	9,600	4	9,600	19,776	30,554	41,961
Physician Assistant	3	4,200	2	12,600	25,956	26,735	27,537
				157,300	324,038	439,743	530,628

* support fee for Year 2 and beyond increased by projected 3% per year.

Table 2

Participation by Alaska in the Professional Student Exchange Program

First-time students by year and averages

	Dentistry	Physical Therapy	Occupational Therapy	Optometry	Podiatry	Medicine	Veterinary Medicine	Osteopathic Medicine
1979-80	5	2	1	2	1	1	0	
1980-81	4	2	2	1	0	1	1	
1981-82	7	4	0	1	1	6	3	3
1982-83	2	5	2	0	0	5	6	2
1983-84	5	0	2	1	0	1	5	4
1984-85	5	0	2	3	0	6	6	4
1985-86	10	6	2	2	0	1	5	1
1986-87	6	2	0	0	0	1	5	0
1987-88	9	6	5	3	0	7	5	5
1988-89	7	5	2	1	1	2	6	0
1989-90	3	10	4	3	0	5	9	1
1990-91	1	6	4	3	1	2	4	1
1991-92	0	3	3	2	0	4	4	1
1992-93	1	2	2	1	0	2	2	1
1993-94	2	8	4	0	0	3	3	1
Last fifteen year average	4	4	2	2	0	3	4	2
Last ten year average	4	5	3	2	0	3	5	2
Last five year average	1	6	3	2	0	3	4	1
1987-92 five year average	4	6	4	2	0	4	6	2

Alaska's Participation in WICHE's Professional Student Exchange Program

Background Information

Overview

For over 40 years, the State of Alaska has used the student exchange programs of the Western Interstate Commission for Higher Education to help meet its needs for professional and other postsecondary education. Alaska's participation in WICHE's Professional Student Exchange Program began shortly after its ratification of the Western Higher Education Compact in 1953, and lasted until financial pressures forced a suspension of participation in 1997. Since 1953, Alaska supported a total of 1,136 students in professional degree programs in the health professions, veterinary medicine, and other professional fields. Just under half of them (46.5%) returned to the state of Alaska to practice.

During the fiscal crisis years of the early 1990s, Alaska dropped support of PSEP students. Now, however, may be a good time to review this decision to determine whether PSEP can make a cost-effective contribution to Alaska's higher education system. Alaska could use PSEP to meet several ongoing needs:

1. Provide a long-term professional workforce, especially in the health professions.

2. Assure state residents access to professional education programs.

3. Make professional education more affordable to students, and in particular reduce student debt burdens..

The data in this report should be helpful to Alaska in evaluating the effectiveness of PSEP and determining how best to utilize the program in meeting state professional workforce needs. The report suggests ways that Alaska can use the Professional Student Exchange Program more effectively to meet critical state needs, especially in the health professions. As the data show, WICHE remains a cost-effective alternative for Alaska in meeting its professional workforce needs.

1. Alaska workforce projections

The most recent report on Alaska workforce trends is the Alaska Industry-Occupation Outlook prepared for the Alaska Human Resources Investment Council by the Alaska Department of Labor, Research and Analysis Section (October 1996). The report projects employment by major occupational category, identifies both the fastest growing and declining Alaska occupations, and projects annual job openings by occupational training level among other analyses.

The report documents the employment shifts which are occurring in the Alaska economy. Natural resources will continue to account for a large share of total employment in the state, but industries like petroleum, fishing, and timber represent a declining share relative to a variety of service industries. The report notes particular growth in the healthcare industry of Alaska, much caused by expected increases in the elderly population.

Service-producing industries are projected to contribute over 30,000 additional jobs to the Alaska economy by 2005, with the greatest growth occurring in the healthcare industry:

Leading the service industries in employment growth will be the healthcare industry. While population gains in general will increase the demand for healthcare services, it is the projected increase in the number of older Alaskans who choose to remain in the state that will affect employment levels. Over the forecast period, the number of Alaskans 65 years and older is expected to increase by 50 percent. *Alaska Industry-Occupation Outlook, Alaska Department of Labor, Research and Analysis Section (October 1996).*

The report projects workforce needs for Alaska in several of the fields available through WICHE's Professional Student Exchange Program. The report identifies the following needs for professionals in PSEP fields:

Table 1

Alaska Employment Projections: 1995-2005

	1995 employment	2000 employment	2005 employment	annual openings
Architects	234	228	237	4
Dentists*	438	500	519	23
Librarians	426	422	411	9
Occupational therapists*	111	134	162	7
Optometrists*	54	63	67	3
Pharmacists	226	242	275	6
Physical therapists*	174	225	297	13
Physician assistants*	180	214	246	10
Physicians and surgeons*	868	1,032	1,169	46
Veterinarians*	112	131	151	6

* occupations with faster than average annual growth rate

Source: Alaska Industry-Occupation Outlook, Alaska Department of Labor, Research and Analysis Section (October 1997).

Several of the fields included in the Professional Student Exchange Program are among the fastest growing occupations in Alaska (those marked with an asterisk above).

To assess the current utilization of health professionals in Alaska, this report includes data on the numbers of professionals practicing in each field relative to Alaska's population. Based on this data, it is possible to compare Alaska's supply of professionals with national averages, and to rank the state in each profession. The rankings within and between states allow for some conclusions to be made about the pattern of utilization of health professionals in individual states. For example, states that rank high in the number of primary care physicians and relatively low in the use of nurse practitioners and physician assistants may have a regulatory environment that discourages the use of mid-level providers and is more reliant upon traditional delivery through primary care physicians.

The next table shows the ratio of professionals to Alaska's population for the most important fields included in the Professional Student Exchange Program. Data for medical doctors is shown in several ways: "All MDs and DOs" refers to all practicing physicians, both

allopathic and osteopathic and including specialists; and "Primary care MDs and DOs" refers to internists and pediatricians as well as family and general practitioners. Data for osteopaths is also shown separately.

Table 2

Ratio of Professionals to Population, Alaska

	Number of professionals	Alaska professionals per 10000 population	National professionals per 10000 population	National rank of Alaska ratio
All MDs and DOs	707	12.04	20.15	50
Primary care MDs and DOs	370	6.30	9.10	47
Osteopaths	46	0.78	1.17	22
Dentists	371	6.32	6.13	18
Physical Therapists	261	4.45	4.53	25
Occupational Therapists	105	1.79	1.64	18
Physician Assistants	114	1.94	0.73	2
Nurse Practitioners	167	2.84	1.07	2
Veterinarians	155	2.64	2.16	18

Source: State Health Personnel Handbook, Pew Health Professions Commission, March 1995
Veterinary Demographic Annual Reports, American Veterinary Medical Association, 1996

These population ratios for professionals are one indicator of each state's likely need for new training in the various professions. The data also indicate differences between states in the pattern of utilization of healthcare professionals. Readers are cautioned, however, that the ratios do not take into account possible differences in demographics or economic activity between states.

2. Access to professional education

A traditional reason for Alaska and other states to support WICHE programs has been to assure the availability of professional training for state residents. Even as states place more emphasis on meeting professional workforce needs and assuring access to undergraduate education, access to professional education remains an important priority for most WICHE states. The data reported in the following tables indicate that there is continuing reason for states to be concerned about the availability of professional training and access to these programs.

One of the original rationales for WICHE was that professional training in a number of fields is not generally available to non-residents in public institutions. WICHE annually gathers application and enrollment data from professional schools to determine in which fields access is difficult. Access-restricted fields are placed into a category called Group A. Since the costs to states of creating and operating professional schools are extremely high, they are usually very reluctant to offer scarce training slots to non-residents. WICHE overcomes this barrier because regional cooperation helps states gain access to professional schools in other states.

The following table shows that access to professional education remains problematic in a number of fields, demonstrating a continuing need for regional approaches to professional education. The vast majority of students enrolled in public professional schools are residents of the state in which the school is located. For example, only 4.5 percent of students in western-state public medical schools come from outside the WICHE region. Figures are similar in the other fields. If an in-state program is not available, the only reliable way for WICHE-state students to gain access to public institutions in the Group A fields is through the Professional Student Exchange Program.

Table 3
Professional School Applications and Entering Enrollment, Fall 1996
Public Institutions in the WICHE Region

	Completed Applications	Total Entering	Residents Entering	WICHE Entering	Out-of-region Entering	% out-of-region of Total Entering
Medicine	15,785	968	859	65	44	4.5
Dentistry	3,883	254	213	28	13	5.1
Occupational Therapy	922	164	107	22	35	21.3
Physical Therapy	1,205	198	140	40	18	9.0
Optometry	370	60	48	5	7	11.6
Veterinary Medicine	2,772	352	237	74	41	11.6

The table shows the number of applicants and total entering students for the public professional schools in each of the Group A fields. Also shown is the breakdown of students between residents, WICHE students, and out-of-region students.

The table shows that access to professional education is a continuing problem for WICHE states. In the Group A fields, very few students gain admission to professional schools that are not either residents or WICHE students.

3. The debt burden of professional education graduates

The cost of professional education is a growing concern, especially because of the large debt burdens of recent professional graduates. Unfortunately, good data on professional student indebtedness is only available for the fields of medicine and dentistry, but the trends in these fields are so similar that it can be assumed that similar trends are affecting students in other professional fields.

The debt burden of recent professional graduates has grown significantly from already high levels. A 1996 study reported that the average debt for medical school graduates was $64,059 and for dental graduates was $67,772. Borrowing by professional school students has grown faster than total student borrowing (74% vs. 54%). 81 percent of all medical school students and 94% of dental school students borrowed to pay for their education.

These large student debt burdens translate into high average monthly loan payments for recent graduates. According to a recent report by the Institute for Higher Education Policy, these high payments are not fully offset by higher average salaries in professional fields. Medical graduates face an average monthly payment of $777, while dental school graduates

must pay $822 per month on average. Graduates of private dental schools face an even more daunting average payment of $1,206 per month. On average, dental graduates must pay 15% of their income to pay off student loans. This problem is exacerbated by the fact that dental graduates typically face large expenses for setting up their practice early in their career.