

18A:72D-1 to 18A:72D-11

LEGISLATIVE HISTORY CHECKLIST

~~18A:72D-1~~ ~~18A:72D-11~~

USDA 18A:72D-1 to 18A:72D-11 (Physician - Dentist Loan Redemption Program
--Establish student loan program)

LAWS OF 1979 CHAPTER 272

Bill No. A263

Sponsor(s) Martin

Date Introduced Pre-filed

Committee: Assembly Education

Senate Education

Amended during passage according to Governor's recommendations Yes

Amendments denoted by asterisks

Date of Passage: Assembly June 18, 1979

Senate Sept. 10, 1979

Date of approval Jan. 3, 1980

Following statements are attached if available:

| | | |
|----------------------|-------------------------------------|---|
| Sponsor statement | Yes | <input checked="" type="checkbox"/> |
| Committee Statement: | Assembly | Yes <input checked="" type="checkbox"/> |
| | Senate | Yes <input checked="" type="checkbox"/> |
| Fiscal Note | <input checked="" type="checkbox"/> | No |
| Veto message | Yes | <input checked="" type="checkbox"/> |
| Message on signing | <input checked="" type="checkbox"/> | No |

Following were printed:

| | | |
|----------|-----|-------------------------------------|
| Reports | Yes | <input checked="" type="checkbox"/> |
| Hearings | Yes | <input checked="" type="checkbox"/> |

974.90 N.J. Commission on Professional Health Services.
H434 Final report: Background policy options and
1979m recommendations for the solution of the foreign
medical graduate problem in New Jersey, July, 1979.

(Includes hearings: Exhibit E-2)

2/3/78

(over)

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

272
1-3-80 1979
[FOURTH OFFICIAL COPY REPRINT]

ASSEMBLY, No. 263

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1978 SESSION

By Assemblyman MARTIN

AN ACT establishing a Physician-Dentist Loan Redemption Program for students of the College of Medicine and Dentistry of New Jersey and the Fairleigh Dickinson University School of Dentistry and making an appropriation therefor.

1 BE IT ENACTED *by the Senate and General Assembly of the State*
2 *of New Jersey:*

1 1. This act shall be known and may be cited as the "Physician-
2 Dentist Loan Redemption Program Act."

1 2. The Legislature finds:

2 a. Some communities and institutions in New Jersey currently
3 face serious problems in attracting and ****[maintaniing]****
4 ****maintaining**** sufficient medical and dental manpower par-
4A ticularly in the area of primary care and family medicine.

5 b. That there is a serious shortage of primary care physicians
6 and dentists to satisfy the demands for health services of the
7 populations of such areas.

1 3. As used in this act:

2 **[a. "Designated underserved areas" means those areas or in-
3 stitutions in New Jersey in which it has been established by the
4 Commissioner of Health either that there exists a shortage of
5 physicians, and dentists or both or that, where after reasonable
6 effort an institution or community has been unable to attract or
7 maintain adequately trained physicians or dentists.]**

8 **[b.]** **a.** "Physician-Dentist Loan Redemption Program"
9 means a program which shall provide for the redemption of a
10 portion of the indebtedness of its participants, which has been in-
11 curred through programs operated under authority granted to the
12 New Jersey Higher Education Assistance Authority pursuant to
13 N. J. S. 18A:72-10, and including those loans for students in

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

14 medicine or dentistry for which the Federal Government has pro-
15 vided a loan insurance program.

16 ****[c.]**** ****b.**** “Resident” means a person who resides or has
17 resided in New Jersey at such time or for such period of time as
18 defined by the New Jersey Higher Education Assistance Au-
18A thority.

19 ****[d.]**** ****c.**** “Primary care” includes the practice of family
20 medicine, general internal medicine, general pediatrics, and general
21 **obstetrics, gynecology and other areas of medicine which the*
22 *Commissioner of Health may define as primary care. Primary care**
23 also includes the practice of general dentistry and pedodontics.

24 ****[e.]**** ****d.**** “Eligible indebtedness” means all or part of the
25 debt incurred by students to meet expenses associated with their
26 undergraduate years of medical or dental education at the College
27 of Medicine and Dentistry of New Jersey, or the Fairleigh Dickin-
28 son University School of Dentistry, the repayment of which has
29 been guaranteed by the State or Federal Government. The
30 Chancellor of Higher Education may ***[established]*** ***establish***
31 a limit on the total amount of eligible indebtedness which may be
32 redeemed for participants under the benefits of the program, pro-
33 vided that the total redemption of eligible indebtedness does not
33A exceed \$30,000.00.

34 ****[f.]**** ****e.**** “Undergraduate medical and dental education”
35 means the period of time between entry into medical or dental
36 school and the award of the medical (M.D., D.O.) or dental
36A (D.M.D.) degree.

37 ****[g.]**** ****f.**** “Board eligible” means that a physician or
38 dentist has successfully fulfilled the requirements for taking the
39 certifying examinations of recognized specialty boards.

40 ****[h.]**** ****g.**** “Board certified” means that a physician or
41 dentist has passed the qualifying exam of the specialty board and
42 has fulfilled all the requirements leading to the formal certification
43 of the physician or dentist by the specialty board and is so certified.

44 ****[i.]**** ****h.**** “Fifth Pathway” means a program approved
45 by the Board of Higher Education for foreign medical graduates
46 who completed their pre-medical training in an accredited United
47 States college or university to assist them in gaining access to
48 American Medical Association approved internships and resi-
48A dencies.

49 ****[j.]**** ****i.**** “Net income” means income from salaries ***[of]***
50 ***or*** fees charged for services less expenses incurred in the delivery
51 of these services.

1 4. a. There is hereby created a Physician-Dentist Loan Redemp-
 2 tion Program within the Department of Higher Education for
 3 students of the College of Medicine and Dentistry of New Jersey
 3A and the Fairleigh Dickinson University School of Dentistry.

4 b. Medical students of the College of Medicine and Dentistry of
 5 New Jersey who are eligible and interested in participating in the
 6 loan redemption program shall sign a non-binding agreement with
 7 the Department of Higher Education upon completion of the final
 8 year of medical undergraduate training. At the end of their second
 9 year of residency training the participating physician shall be re-
 10 quired to enter into contractual agreement with the Department of
 11-12 Higher Education. Dental students shall be requested to sign a
 13 non-binding agreement at the end of the third year or sixth semester
 14 of their undergraduate training and a binding agreement during
 15 their seventh semester of undergraduate training. This agreement
 16 shall specify the length of service and the total amount of the debt
 17 to be redeemed by the State in return for said services.

18 c. Maximum redemption of loans as provided under the loan
 19 redemption program shall amount to 30% of principal and interest
 20 of maximum eligible indebtedness, as defined by the Chancellor of
 21 Higher Education in return for 1 full year of service in a desig-
 22 nated underserved area, an additional 30% for a second full year
 22A of service, and an additional 25% for a third full year of service
 22B for a total redemption of eligible indebtedness of up to, but not to
 22C exceed, 85% or a maximum of \$30,000.00.

22D d. The percentage of the maximum redemption of loans as
 22E defined by this section to be repaid in any one year on behalf of
 22F a participant in this program shall be contingent upon the net
 22G income of the participant in the same year. The annual amount
 22H of the loan to be redeemed will be determined on the basis of criteria
 22I set forth below:

22J (1) A participant with a net income of less than \$30,000.00
 22K will be entitled to 100% of the annual amount eligible for
 22L redemption.

22M (2) A participant with a net income of \$30,000.00 but less
 22N than \$35,000.00 will be entitled to 75% of the annual amount
 22O eligible for redemption.

22P (3) A participant with a net income of \$35,000.00 but less
 22Q than \$40,000.00 will be entitled to 50% of the annual amount
 22R eligible for redemption.

22S (4) A participant with a net income of \$40,000.00 but less
 22T than \$45,000.00 will be entitled to 25% of the annual amount
 22U eligible for redemption.

22v (5) A participant with a net income of \$45,000.00 but less
 22w than \$50,000.00 will be entitled to 12.5% of the annual amount
 22x eligible for redemption.

22y (6) A participant with a net income of \$50,000.00 or more
 22z will not be entitled to the annual amount eligible for
 23 redemption.

23A e. Prior to repayment of the annual amounts of eligible indebted-
 23B ness, participants in the program shall be required to submit proof
 23C of net income **to the Chancellor of Higher Education**.

23D f. Service in an underserved area shall begin immediately upon
 24 graduation in the case of dentists who are participating in the
 25 loan redemption program or after residency if such training is
 26 required in a primary care dental specialty.

27 g. Service in an underserved area shall begin immediately after
 28 completion of residency in the case of physicians who are partici-
 29 pating in the loan redemption program.

30 h. Physicians or dentists who have previously entered into
 31 contracts with the Department of Higher Education may nullify
 32 their agreement by notifying in writing the Department of
 33 Higher Education and assuming full responsibility for repayment
 34 of principal and interest at the appropriate market rate of the
 35 full amount of their eligible indebtedness or that portion of the
 36 loan which has not been redeemed by the State in return for
 37 partial fulfillment of the contract. In no event shall service in an
 38 underserved area for less than the full calendar year of each period
 39 of service entitle the participant to any benefits under the loan
 40 redemption program. The participant seeking to nullify the con-
 41 tract shall be required to pay the unredeemed portion of indebted-
 42 ness in not ~~**less than 5 nor~~** more than 10 years following
 43 termination of the contract minus the years of service already
 43A served under the contract.

44 i. In case of a program participant's death, total or permanent
 45 disability, the Chancellor of Higher Education shall nullify the
 46 service obligation of the student, thereby terminating the student's
 47 obligation to repay the unpaid balance of the redeemable portion
 48 of the loan and the accrued interest thereon, or where continued
 49 enforcement of the contract may result in extreme hardship, the
 50 chancellor may nullify or suspend the service obligation of the
 50A student.

51 j. In case of a program participant's conviction of a felony or
 52 misdemeanor or an act of gross negligence in the performance of
 53 service obligations or where the license to practice has been revoked,
 54 the chancellor shall have the authority to terminate the partici-

55 pant's service in the program and request repayment of the
55A outstanding debt.

56 k. Students who are participating in Federal programs of
57 a similar nature, which provide financial support for students
58 in return for service in underserved areas of the Nation, shall
59 not be eligible for participation in this loan redemption
60 program unless after review and consideration, the chancellor
61 finds that the student has extraordinary financial responsibilities
62 making it essential for the student to use the loan resources of
63 both Federal and State programs. Such cases shall be reviewed
64 and approved by the chancellor on an individual basis. In such
65 cases, the period of service to the State of New Jersey may be
66 served simultaneously with the Federal service obligations if that
67 obligation is being discharged by service within this State. Only
68 that portion of the debt which has been guaranteed under the
69 New Jersey Higher Education Assistance Authority or by the
70 Federal Government shall qualify for redemption under the loan
71 redemption program.

1 5. a. The designation of underserved areas shall be the re-
2 sponsibility of the Commissioner of Health with the assistance of
2A the Technical Advisory Committee on Health Data. This com-
2B mittee shall be appointed by the Commissioner of Health and shall
2C as a minimum include representatives from the State Departments
2D of Health, Higher Education, Human ***[Resources]*** **Services**,
2E Law and Public Safety, College of Medicine and Dentistry of New
2F Jersey, Fairleigh Dickinson University—School of Dentistry, New
2G Jersey Medical Society, ****New Jersey Association of Osteopathic*
2H *Physicians and Surgeons,**** New Jersey Dental Association, New
2I Jersey Hospital Association, local health planning agencies, a
2J medical and dental student, and nongovernment experts in the field
2K of health manpower and health services planning.

3 b. An underserved area may be designated as a physician or
4 dentist shortage area.

5 c. The Commissioner of Health shall be required annually to
6 transmit the list of designated underserved areas and the number
7 of positions needed in each area to the Chancellor of Higher
8 Education, and shall, within the criteria set forth in section 5,
8A subsections d. and e., rank undeserved areas by greatest need.

9 d. For purposes of the loan redemption program, ***a medically***
10 underserved area shall be defined as:

11 (1) an urban or rural area which need not conform to the
12 geographic boundaries of a political subdivision within the
13 State ***[and]*** **but which shall be defined in terms of census*

13A *tracts, if possible,** which is a rational area for the delivery of
 14 health services and **[which]** **whose residents** the Commis-
 15 sioner of Health determines **[has]** **have** a medical ***[or*
 15A dental]** manpower shortage, or;

16 (2) a population group which the commissioner determines
 17 has ***[such]*** a ***medical manpower*** shortage, or;

18 (3) a public or non-profit private health care facility or
 19 other facility which is so designated.

19A ***e. For the purpose of the loan redemption program, a dental*
 19B *designated underserved area shall be defined as a public or non-*
 19C *profit private health care facility or other facility which the Com-*
 19D *missioner of Health determines has a dental manpower shortage.***

20 ***[e.]*** ***f.*** The criteria used by the Commissioner of Health
 21 in designating underserved areas shall include but not be limited
 22 to the following:

23-25 (1) the supply of primary care physicians and dentists by
 26 specialty relative to the population under consideration with
 26A a goal toward meeting current standards for physician and
 26B dentist to population ratios in primary care medical and dental
 26C specialties **[for example, 50 family physicians per 100,000*
 26D *population as recommended by the New Jersey Academy of*
 26E *Family Physicians)]**;

27 (2) the financial resources of the population under con-
 28 sideration;

29 (3) the population's access to medical and dental services;

30 (4) factors indicative of a need for such service with special
 31 consideration to relevant vital statistics;

32 (5) appropriate ***physician and dentist*** staffing ratios of
 33 State, county, municipal and private non-profit health care
 33A facilities;

34 (6) the percentage of physicians and dentists who are not
 35 graduates of American medical schools, Fifth Pathway pro-
 36 grams or are not board eligible or board certified, serving such
 37 areas, population groups or health care facilities; and,

38 ***[f.]*** ***g.*** The Commissioner of Health shall have authority
 39 to establish such regulations as are necessary to assure that partici-
 40 pants in the Loan Redemption Program are being utilized most
 41 effectively to best serve the patients and to enhance the skills of
 42 the participants within health care facilities in underserved areas.

43 ***[g.]*** ***h.*** *Prior to repayment of the annual amount eligible*
 44 *for redemption, program participants who have established or are*
 45 *employed in private practices* ***or institutions*** *within a* ***[phy-*
 46 *sician or dentist]*** *shortage area* ***as defined by sections 5(d) and*
 47 *5(e)*** *must submit evidence to the Chancellor of Higher Educa-*

48 tion that he or she is in fact serving those area residents or that
 49 population having such a shortage as determined by the Commis-
 50 sioner of Health. The Chancellor of Higher Education shall have
 51 the authority to establish regulations to assure the collection of
 52 appropriate data for this purpose.*

1 6. a. The Chancellor of Higher Education shall annually deter-
 2 mine the number of new program positions available on the basis
 3 of:

- 4 (1) the need for physicians, dentists or both in underserved
 5 areas as determined by the Commissioner of Health and,
 6 (2) the fiscal impact on the State of the cost of implement-
 7 ing the program.

8 b. Once the number of positions available in the program for a
 9 given year has been determined the Chancellor of Higher Educa-
 10 tion with the assistance of an advisory committee shall assume
 11 the responsibility for selecting students. The Board of Higher
 12 Education shall determine by regulation the composition of said
 13 advisory committee. A lottery system may be employed to select
 14 program participants after an eligible pool of students has been
 14A determined on the basis of criteria set forth here and in rules
 15 and regulations.

16 c. Minimum criteria for student selection should where applicable
 16A include:

- 16B (1) That the student is a resident of the State of New Jersey;
 17 (2) Graduation from the College of Medicine and Dentistry
 18 of New Jersey or Fairleigh Dickinson University School of
 18A Dentistry;
 19 (3) Financial need;
 20 (4) Demonstrated interest in serving in underserved areas
 20A of the State;
 21 (5) Demonstrated interest in the practice of primary care
 21A medicine;
 22 (6) Demonstrated interest in the practice of general
 23 dentistry and pedodontics.
 24 (7) ***First*** *In those specialties where residency training*
 24A *is required, first** priority in student selection shall be given to
 25 students who serve in ******an****** **American Medical**
 26 **Association approved residency training program in New**
 26A **Jersey****** *New Jersey residency programs approved by*
 26B *the Liaison Committee on Graduate Medical Education or the*
 26C *Office of Education of the American Osteopathic Associa-*
 26D *tion*****.

27 d. The combined maximum number of program positions shall
 28 not exceed **240** **135** in any 1 year.

1 7. The chancellor with the advice of the Commissioner of Health
 2 is authorized to match program participants to underserved areas
 3 based upon the ranking of underserved areas established by the
 4 Commissioner of Health and on the basis of participant preference.

1 8. The Chancellor of Higher Education is authorized to receive
 2 contributions from communities, public and non-profit health care
 3 agencies or individuals who benefit from the program, which con-
 4 tributions shall be turned over to the general fund to help defray
 5 the costs of the program.

1 9. The impact of the Physician-Dentist Loan Redemption Pro-
 2 gram on the manpower needs and the health status of the State's
 3 population shall be evaluated by the Chancellor of Higher Educa-
 4 tion and the Commissioner of Health.

1 10. The Chancellor of Higher Education and the Commissioner
 2 of Health may promulgate such rules and regulations as are
 3 necessary to carry out the purposes of this act.

1 11. Appropriations under this act shall not exceed
 2 **~~[\$2,500,000.00]~~** **\$1,400,000.00** in any year.

1 12. There is appropriated *~~[\$20,000.00]~~* ***~~[\$55,000.00]~~***
 2 ***\$30,000.00*** for administrative costs for the fiscal year
 3 *~~[1978]~~* **~~[1979*]~~** **1980**.

1 13. This act shall take effect immediately.

17 (2) Graduation from the College of Medicine and Dentistry
 18 of New Jersey or Fairleigh Dickinson University School of
 18A Dentistry;

19 (3) Financial need;

20 (4) Demonstrated interest in serving in underserved areas
 20A of the State;

21 (5) Demonstrated interest in the practice of primary care
 21A medicine;

22 (6) Demonstrated interest in the practice of general
 23 dentistry and pedodontics.

24 (7) First priority in student selection shall be given to
 25 students who serve in an American Medical Association
 26 approved residency training program in New Jersey.

27 d. The combined maximum number of program positions shall
 28 not exceed 240 in any 1 year.

1 7. The chancellor with the advice of the Commissioner of Health
 2 is authorized to match program participants to underserved areas
 3 based upon the ranking of underserved areas established by the
 4 Commissioner of Health and on the basis of participant preference.

1 8. The Chancellor of Higher Education is authorized to receive
 2 contributions from communities, public and non-profit health care
 3 agencies or individuals who benefit from the program, which con-
 4 tributions shall be turned over to the general fund to help defray
 5 the costs of the program.

1 9. The impact of the Physician-Dentist Loan Redemption Pro-
 2 gram on the manpower needs and the health status of the State's
 3 population shall be evaluated by the Chancellor of Higher Educa-
 4 tion and the Commissioner of Health.

1 10. The Chancellor of Higher Education and the Commissioner
 2 of Health may promulgate such rules and regulations as are
 3 necessary to carry out the purposes of this act.

1 11. Appropriations under this act shall not exceed \$2,500,000.00
 2 in any year.

1 12. There is appropriated \$20,000.00 for administrative costs for
 2 the fiscal year 1978.

1 13. This act shall take effect immediately.

STATEMENT

Many communities and publicly supported health and correc-
 tional facilities in New Jersey currently face serious problems in
 attracting and maintaining sufficient primary care physicians and
 dentists to satisfy the health services needs of their populations.
 Since many of these communities and institutions rely on foreign-

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born foreign medical school graduates for the bulk of their physician manpower, their physician shortages will be worsened by new federal regulations which now restrict the immigration of alien physicians into the country.

In order to attract more New Jersey-trained physicians and dentists to practice in these medically underserved areas and institutions, this act establishes a Physician-Dentist Loan Redemption Program within the Department of Higher Education for students of the College of Medicine and Dentistry of New Jersey and Fairleigh Dickinson University School of Dentistry who are also residents of the State. In return for practicing a primary care medical or dental specialty in an area or facility in New Jersey designated as underserved by the Commissioner of Health, the program provides for State assumption of 30% of a student's educational indebtedness (principal and interest) in return for 1 year of service, an addition 30% for 2 years of service, and, finally, a further 25% reduction of the debt for a third year of service in an underserved area.

The Federal government has also established a program which would provide financial assistance to the student in exchange for service in a medical or dental manpower shortage area. Therefore, it is the intent of this bill to provide a program solely as a back up to the federal program. Thus the Loan Redemption Program would only become operational when and if all the positions available to New Jersey under the Federal program have been filled, and a need for physicians or dentists still exists.

The costs of this program will vary depending on the level of student participation, need for physicians and dentists and budgetary considerations. The bill provides a number of provisions to contain the size and cost of the program. The Chancellor of Higher Education can limit the number of positions available under the Loan Redemption Program if this is made necessary by the budget situation. There is a cap of 240 on the number of medical and dental students who can participate in the program in any one year and a cap limiting annual appropriations to a maximum of \$2.5 million. The bill provides a \$30,000 limit on the total amount of a student's educational indebtedness that can be redeemed through participation in the program and an income-related redemption provision which will further reduce the amount of indebtedness which can be redeemed each year by a program participant as the size of his or her net taxable income increases.

ASSEMBLY EDUCATION COMMITTEE

STATEMENT TO

ASSEMBLY, No. 263

STATE OF NEW JERSEY

DATED: MARCH 2, 1978

PROVISIONS:

Under this bill, graduates of the College of Medicine and Dentistry of New Jersey or Fairleigh Dickinson University Dental School would have up to 85% of their student loans forgiven in exchange for serving in an underserved area of this State as designated by the Commissioner of Health.

1. Limitations on the program:

a. Only loans guaranteed by the State or Federal Government can be forgiven (sec. 3b).

b. Although the chancellor determines "eligible indebtedness", there is a maximum redemption of \$30,000.00 (sec. 3e) and thus a maximum "eligible indebtedness" of approximately \$35,300.00.

c. The amount of loan is contingent upon income. Anyone with a net income of \$50,000.00 or more would not be eligible (sec. 4d).

d. A participant must serve one full year to be eligible (sec. 4h).

e. The maximum number of participants in any one year is 240 (sec. 6d).

2. The Commissioner of Health annually designates the underserved areas with the assistance of a Technical Advisory Committee on Health Data (sec. 5a).

3. The commissioner determines the number of positions needed and so informs the Chancellor of Higher Education (sec. 5c).

4. The chancellor determines the number of new positions available based on need and cost (sec. 6a) and selects the students.

Medical students who wish to participate sign a non-binding agreement when they graduate from medical school and enter into a contract at the end of their second year of residency.

Dental students sign a non-binding agreement at the end of their third year of dental school, and a contract in the middle of their fourth and final year.

FISCAL IMPLICATIONS:

This bill, as amended, appropriates \$55,000.00 for FY 1979. The maximum appropriation in any one year is \$2,500,000.00. The exact cost of this program would be very difficult to determine for the following reasons:

1. The need and the number of positions available must be determined annually by the Commissioner of Health and the Chancellor of Higher Education.

2. The chancellor may limit the number of positions available if the budgetary situation required it.

3. The chancellor may limit the amount of indebtedness eligible for redemption. In other words, the student cannot redeem 85% of his/her total indebtedness, but rather 85% of a specific amount of "eligible indebtedness" as determined by the chancellor.

4. The implementation of the New Jersey program would be coordinated with the Federal Loan Redemption program.

Thus, there are too many variables to determine the exact cost of the program.

The Department of Higher Education has provided a model which projects the cost of the Loan Redemption Program based upon a number of assumptions including current tuition levels, maximum student borrowing, and participation by 15% of the student body. That model projects a cost of \$183,100.00 in FY 1979, gradually increasing to a cost of \$2,314,600.00 in FY 1989 after which costs would become constant. As indicated above, a number of factors could significantly alter this cost projection.

BACKGROUND:

This program was developed by the Departments of Health, Human Services, and Higher Education and the Governor's Counsel in consultation with the College of Medicine and Dentistry of New Jersey, Fairleigh Dickinson, and the various professional societies.

It was amended and released by the Assembly Education Committee during the last session (Assembly Bill No. 2032). In addition to technical changes, the committee expanded and made more explicit the definitions and criteria for eligibility, provided for a "technical advisory committee on health data" to work with the Commissioner of Health, provided for an advisory committee on student selection to assist the Chancellor of Higher Education, and required that in order to be eligible for participation in this program, a student would have to make an effort to complete his/her residency in the State of New Jersey provided a suitable residency were available.

The bill was considered by the Assembly and amended to place maximums on "eligible indebtedness," the number of grants, the annual appropriation, and the income level a participant can earn and remain eligible.

Assembly No. 263 incorporates these amendments.

COMMITTEE AMENDMENTS:

The Assembly Education Committee adopted a number of technical amendments to clarify and to correct the language of this bill.

In addition:

1. The following language has been deleted:

"(for example, 50 family physicians per 100,000 population as recommended by the New Jersey Academy of Family Physicians)"

This was done since it is an illustration of the section's intent and therefore is inappropriate in statutes.

However, it is the intention of the Assembly Education Committee, as expressed by formal vote on this specific issue, that standards such as those indicated above be used in the designation of underserved areas.

2. An effort has been made to insure that residents of shortage areas are truly being served by

a. Relating the area designated to census tracts where possible; and

b. By requiring that evidence be submitted that a physician or dentist assigned to an underserved area is actually serving an underserved population.

3. The original appropriation was to apply to a portion of the fiscal year 1978. The committee has amended the bill to apply to FY 1979 and adjusted the appropriation to \$55,000.00, which would apply to the entire year.

SENATE EDUCATION COMMITTEE

STATEMENT TO

ASSEMBLY, No. 263

[THIRD OFFICIAL COPY REPRINT]

with Senate committee amendments

STATE OF NEW JERSEY

DATED: AUGUST 6, 1979

PROVISIONS:

Under this bill, graduates of the College of Medicine and Dentistry of New Jersey or Fairleigh Dickinson University Dental School would have up to 85% of their student loans forgiven in exchange for serving in an underserved area of this State as designated by the Commissioner of Health.

1. Limitations on the program:

a. Only loans guaranteed by the State or Federal Government can be forgiven (sec. 3b).

b. Although the chancellor determines "eligible indebtedness", there is a maximum redemption of \$30,000.00 (sec. 3e) and thus a maximum "eligible indebtedness" of approximately \$35,300.00.

c. The amount of loan is contingent upon income. Anyone with a net income of \$50,000.00 or more would not be eligible (sec. 4d).

d. A participant must serve 1 full year to be eligible (sec. 4h).

e. The maximum number of participants in any 1 year is 135 (sec. 6d).

2. The Commissioner of Health annually designates the underserved areas with the assistance of a Technical Advisory Committee on Health Data (sec. 5a).

3. The commissioner determines the number of positions needed and so informs the Chancellor of Higher Education (sec. 5c).

4. The chancellor determines the number of new positions available based on need and cost (sec. 6a) and selects the students.

Medical students who wish to participate sign a non-binding agreement when they graduate from medical school and enter into a contract at the end of their second year of residency.

Dental students sign a non-binding agreement at the end of their third

year of dental school, and a contract in the middle of their fourth and final year.

FISCAL IMPLICATIONS:

This bill, as amended, appropriates \$30,000.00 for FY 1980. The maximum appropriation in any one year is \$1,400,000. The exact cost of this program would be very difficult to determine for the following reasons:

1. The need and the number of positions available must be determined annually by the Commissioner of Health and the Chancellor of Higher Education.

2. The chancellor may limit the number of positions available if the budgetary situation required it.

3. The chancellor may limit the amount of indebtedness eligible for redemption. In other words, the student cannot redeem 85% of his/her total indebtedness, but rather 85% of a specific amount of "eligible indebtedness" as determined by the chancellor.

4. The implementation of the New Jersey program would be coordinated with the Federal Loan Redemption program.

Thus, there are too many variable to determine the exact cost of the program.

The Department of Higher Education has provided a model which projects the cost of the Loan Redemption Program based upon a number of assumptions including current tuition levels, maximum student borrowing, and participation by 15% of the student body. That model projects a cost of \$202,100.00 in FY 1981, gradually increasing to a cost of \$1,396,000.00 in FY 1988 after which costs would become constant. As indicated above, a number of factors could significantly alter this cost projection.

Presented below is a revised set of cost projections for the Physician-Dentist Loan Redemption Program, based upon a 7% inflation factor for administrative costs.

| <i>Fiscal Year</i> | <i>Partic- ipants</i> | <i>Maximum Loan Redemption Costs</i> | <i>Administ. Costs</i> | <i>Total State Support</i> |
|--------------------|---------------------------|--|----------------------------|------------------------------------|
| 1980 | — | — | \$30,000 | \$ 30,000 |
| 1981 | 10 | \$ 160,000 | 42,100 | 202,100 |
| 1982 | 20 | 212,000 | 60,000 | 272,000 |
| 1983 | 30 | 300,000 | 64,200 | 364,200 |
| 1984 | 35 | 353,000 | 68,700 | 421,700 |
| 1985 | 45 | 459,000 | 73,500 | 532,500 |
| 1986 | 75 | 768,000 | 78,600 | 846,600 |
| 1987 | 105 | 1,077,000 | 84,200 | 1,161,200 |
| 1988 | 130 | 1,306,000 | 90,000 | 1,396,000 |

BACKGROUND:

This program was developed by the Departments of Health, Human Services, and Higher Education and the Governor's Counsel in consultation with the College of Medicine and Dentistry of New Jersey, Fairleigh Dickenson, and the various professional societies.

It was amended and released by the Assembly Education Committee during the last session (Assembly Bill No. 2032). In addition to technical changes, the committee expanded and made more explicit the definitions and criteria for eligibility, provided for a "technical advisory committee on health data" to work with the Commissioner of Health, provided for an advisory committee on student selection to assist the Chancellor of Higher Education, and required that in order to be eligible for participation in this program, a student would have to make an effort to complete his/her residency in the State of New Jersey provided a suitable residency were available.

The bill was considered by the Assembly and amended to place maximums on "eligible indebtedness," the number of grants, the annual appropriation, and the income level a participant can earn and remain eligible.

Assembly No. 263 incorporates these amendments.

The Senate committee amendments are technical in nature.

STATE OF NEW JERSEY

EXECUTIVE DEPARTMENT

January 3, 1980

ASSEMBLY BILL NO. 263 (4th OCR)

To the Assembly:

Pursuant to Article V, Section 1, Paragraph 15 of the Constitution, I am signing Assembly Bill No. 263 (4th OCR) but reducing the fiscal year 1980 appropriation from \$30,000 to \$15,000 because only one-half year of fiscal year 1980 remains.

On Page 8, Section 12, Line 2: \$30,000 for administrative costs for the fiscal year 1980 is reduced to \$15,000.

Respectfully,

/s/ Brendan Byrne

GOVERNOR

Attest:

/s/ Harold L. Hodes

CHIEF OF STAFF, SECRETARY