

**STATEMENTS OF NEED AND REASONABLENESS**

**PERMANENT RULES RELATING TO FINANCIAL AID**

as administered by

the Minnesota Higher Education Coordinating Board

In the Matter of the Proposed Adoption of the Rule of  
the Minnesota Higher Education Coordinating Board  
Governing Postsecondary Grant Program for Registered Nurses,  
Postsecondary Grant Program for Licensed Practical Nurses,  
Postsecondary Rural Physician Loan Forgiveness Program,  
and Child Care Grant Program.

## **AUTHORITY TO PRESCRIBE RULES**

The Minnesota Higher Education Coordinating Board is authorized by statute to adopt policies and prescribe rules and regulations for student financial aid programs, including the nursing grant program for registered nurses, the nursing grant program for licensed practical nurses, the rural physician loan forgiveness program, and the child care grant program [Minnesota Statutes 136A.04, subd. 1(9), and 136A.1355, Section 7].

The Board is proposing to adopt permanent rules for the nursing grant program for registered nurses, the nursing grant program for licensed practical nurses, and the rural physician loan forgiveness program. These programs become effective July 1, 1991.

The Board is proposing to make changes to the rules governing the child care grant program to include provisions for campuses that contract with counties for program administration. The directive for these changes is specified in Laws of Minnesota for 1990, Chapter 591, Article 1, Subd. 2.

## **BACKGROUND -- RURAL HEALTH PROGRAMS**

The 1990 Legislature created four rural health programs to encourage health care professionals to practice in greater Minnesota. Three of these programs become operational for the 1991-92 academic year: nursing grants for registered nurses, nursing grants for licensed practical nurses, and the rural physician loan forgiveness program.

The Minnesota Higher Education Coordinating Board (MHECB) was designated as the state agency responsible for the administration of these three programs. Annual registration renewal fees paid to the board of nursing by registered nurses and licensed practical nurses shall be transferred to the Higher Education Coordinating Board to fund the two nursing programs. The rural physician loan forgiveness program will be funded through allocated monies. The maximum amount the Board would annually pay on loans for physicians under this program is \$320,000.

The Minnesota Higher Education Coordinating Board is proposing permanent rules for administration of these three rural health programs which will become operational for the 1991-92 academic year.

## **BACKGROUND -- CHILD CARE GRANT PROGRAM**

The Minnesota Higher Education Coordinating Board (MHECB) assumed responsibility for administration of the Child Care Grant Program commencing with the 1989-90 academic year. Prior to that time, the Minnesota Department of Human Services administered the program.

The 1990 Legislature directed the Minnesota Higher Education Coordinating Board to amend its child care grant rules to include provisions for campuses that contract with counties for program administration. The proposed changes reflect the changes necessary to respond to the directives of the 1990 Legislature.

The current rules do not address circumstances where a post-secondary institution contracts with county agencies to administer the (MHECB) child care program for them. The proposed changes assure that students who attend such institutions will be treated equitably when compared to students that attend institutions that administer this program themselves.

## **CHAPTER II: Part-by-Part Explanation/ Rural Health Programs**

This chapter provides an explanation for each part of the rules relating to the nursing grant program for registered nurses, the nursing grant program for licensed practical nurses, and the rural physician loan forgiveness program.

### **Nursing Grant Program for Registered Nurses**

4830.6500 **SCOPE.** This defines the parameters of applicability for the rules that follow.

#### **4830.6510 APPLICATION AND DISTRIBUTION OF FUNDS FOR GRANTS.**

**Subpart 1. Application by schools and programs.** The statutory language governing this program specifies that a school or program of advanced nursing education must apply to the Board for participation in this program by January 1st. The Board felt it necessary to clarify that an application form would be provided and that the school/program of nursing must apply annually.

**Subpart 2. Modification of allocations.** In order to make the most efficient use of program monies, and not allocate excess funds to a school/program of nursing, the school/program will receive the amount of its estimated need for funds if the estimated need is less than the allocation amount calculated by MHECB based upon enrollment data provided by the school/program. This procedure for allocation of funds is consistent with other programs administered by the Board.

**Subpart 3. Requirements for participant institutions.** The language in this subpart is consistent with the statutory language addressing the issue of "responsibility of nursing programs" for this program. In addition to the statutory requirements, the Board felt it necessary to establish a deadline date by which the school/program of nursing must provide enrollment data in order that the MHECB can calculate and disburse nursing grant monies to the schools/programs in a timely manner.

**Subpart 4. Delay.** The statutory language specifies a date by which the Board should distribute program monies to the school/program of nursing. The Board felt it necessary to caution schools/programs of nursing that if the MHECB does not receive enrollment data by the specified deadline date, notification and/or disbursement of program monies by the Board to the school/program of nursing may be delayed. Since the possible delay(s) would be caused by the school/program of nursing, the Board would not assume responsibility for delay(s) in such cases.

**Subpart 5. Accountability.** By signing the application to participate in the program, the school/program of nursing recognizes its accountability for nursing grant monies disbursed to its students. This accountability ensures the integrity of the program and the use of program monies to assist only those students who meet the eligibility requirements for participation in the program.

Subpart 6. **Unused funds.** This requirement of a school/program of nursing to report on its use of funds and to return unused program monies is consistent with the procedure used for reallocation of program monies during the academic year in other state financial aid programs administered by the Board. This is an attempt by the Board to monitor the use of program monies, and assure that monies are made available to students throughout the academic year.

#### 4830.6520 **REPORTS OF DATA.**

Subpart 1. **Annual reports.** The reporting requirements specified in this section attempt to clarify the statutory requirements for reporting. The deadline date for submission of such reports is consistent with the reporting requirements of schools participating in other state financial aid programs administered by the Board. In order to analyze program operations and provide statistical reports to the Governor and Legislature, the Board felt it necessary to specify the reporting requirements, the specific data required of schools/programs of nursing participating in this program, and the deadline date for submission of such data. This ensures efficient program operations, and provides the Board with data necessary for policy planning and implementation as required by statute.

Subpart 2. **Additional information.** While an attempt has been made to specify the types of information the Board may need for operational, statistical, and reporting purposes, at some point time it may be necessary to request additional data from schools/programs of nursing, or grant applicants in order to fulfill Legislative reporting requirements, program operational changes, or statistical data bases. This language provides for data collection pertinent to the program which is unforeseen now.

#### Nursing Grant Program for Licensed Practical Nurses

4830.7000 **SCOPE.** This defines the parameters of applicability for the rules that follow.

#### 4830.7010 **APPLICATION AND DISTRIBUTION OF FUNDS FOR GRANTS.**

Subpart 1. **Application by schools and programs.** The statutory language governing this program specifies that a school or program must apply to the Board for participation in this program by January 1st. The Board felt it necessary to clarify that an application form would be provided and that the school/program must apply annually.

Subpart 2. **Modification of allocations.** In order to make the most efficient use of program monies, and not allocate excess funds to a school/program, the school/program will receive the amount of its estimated need for funds if the estimated need is less than the allocation amount calculated by MHECB based upon enrollment data provided by the school/program. This procedure

for allocation of funds is consistent with other programs administered by the Board.

**Subpart 3. Requirements for participant institutions.** The language in this subpart is consistent with the statutory language addressing the issue of "responsibility of nursing programs" for this program. In addition to the statutory requirements, the Board felt it necessary to establish a deadline date by which the school/program of nursing must provide enrollment data in order that the MHECB can calculate and disburse nursing grant monies to the schools/programs in a timely manner.

**Subpart 4. Delay.** The statutory language specifies a date by which the Board should distribute program monies to the school/program. The Board felt it necessary to caution schools/program that if the MHECB does not receive enrollment data by the specified deadline date, notification and/or disbursement of program monies by the Board to the school/program may be delayed. Since the possible delay(s) would be caused by the school/program, the Board would not assume responsibility for delay(s) in those cases.

**Subpart 5. Accountability.** By signing the application to participate in the program, the school/program recognizes its accountability for nursing grant monies disbursed to its students. This accountability ensures the integrity of the program and the use of program monies to assist only those students who meet the eligibility requirements for participation in the program.

**Subpart 6. Unused funds.** This requirement of a school/program to report on its use of funds and to return unused program monies is consistent with the procedure used for reallocation of program monies during the academic year in other state financial aid programs administered by the Board. This is an attempt by the Board to monitor the use of program monies, and assure that monies are made available to students throughout the academic year.

#### 4830.7020 REPORTS OF DATA.

**Subpart 1. Annual reports.** The reporting requirements specified in this section attempt to clarify the statutory requirements for reporting. The deadline date for submission of such reports is consistent with the reporting requirements of schools participating in other state financial aid programs administered by the Board. In order to analyze program operations and provide statistical reports to the Governor and Legislature, the Board felt it necessary to specify the reporting requirements, the specific data required of school/programs of nursing participating in this program, and the deadline date for submission of such data. This ensures efficient program operations, and provides the Board with data necessary for policy planning and implementation as required by statute.

**Subpart 2. Additional information.** While an attempt has been made to specify the types of information the Board may need for operational, statistical, and reporting purposes, at some point time it may be necessary

to request additional data from schools/programs of nursing, or grant applicants in order to fulfill legislative reporting requirements, program operational changes, or statistical data bases. This language provides for data collection pertinent to the program which is unforeseen at this point in time.

### Rural Physician Loan Forgiveness Program

4810.3000 **SCOPE.** This defines the parameters of the applicability of the rules that follow.

4810.3010 **DEFINITIONS.**

Subpart 1. **Scope.** This defines the parameters of applicability for the definitions that follow.

Subpart 2. **Emergency circumstances.** While the statutory language makes reference to "emergency circumstances", no explanation as to what constitutes such circumstances is included in the statute. In order to avoid any confusion and misunderstanding by applicants, the Board felt it necessary to specifically explain the types of conditions that must exist in order for a participant to claim such circumstances as they relate to fulfillment of the service obligation in an eligible rural service area.

Subpart 3. **Qualified loans.** The statute makes reference to "qualified loans" as they relate to loan forgiveness, however, no explanation or definition of the term "qualified loans" is provided in the statute. In order to administer the program equitably and efficiently, the Board felt obligated to list the specific loans that would be considered to be "qualified loans" under the loan forgiveness condition of this program. It was felt that applicants should know which loans would be considered "qualified" prior to indicating an interest in the program, so the applicant could plan his/her borrowing and repayment obligations; and decide whether this program would meet his/her personal and professional needs.

Subpart 4. **Classification of applicants.** This section explains the criteria that will be used in ranking applicants for participation in this program. The Board felt that it is likely that the number of applicants for this program will exceed the number of participants permitted to enter the program annually. (The level of participation is defined in statute-- maximum of 8 applicants per year.) By creating a ranking system for applicants, the integrity of the selection process is preserved, and the method of selection by the executive director is simplified. Also, applicants will know how applicants will be ranked for program participation, which may be an important factor when selecting an area to establish medical practice.

Subpart 5. **Insufficient award availability.** This section explains what will happen should the number of eligible applicants exceed the number of participants the executive director can select. The process explained in this

section ensures the integrity of the program and the equitable treatment of applicants.

#### 4810.3030 APPLICATION PROCESS.

Subpart 1. **Acknowledgment letter.** This procedure of acknowledging the applicant's interest in the program and providing more detailed information concerning the terms and obligations of a participant in the program should give the applicant sufficient information to make an informed decision as to whether he/she wishes to participate in the program should he/she be selected for participation. The Board felt it useful to provide the applicant with as much information as possible as soon as possible in order to avoid delays in acceptance should an applicant be chosen for participation.

Subpart 2. **Application form.** Since a student can indicate interest in the program when first starting to attend medical school, the Board felt it was important to provide the applicant with an application form during the student's fourth year of medical school. The applicant may have changed his/her mind about wishing to participate in the program since his/her initial indication of interest in the program. This application form will provide the executive director with basic information about the applicant, and will permit the applicant to express his/her continued interest in program participation.

Subpart 5. **Contract.** According to the statutes governing this program, a student or resident must sign a contract agreeing to serve at least three of the first five years following residency in a designated rural area. The Board felt it necessary to reiterate this requirement as part of the Application Process section of these rules to provide continuity in this section and avoid possible confusion.

Subpart 6. **Notification of service.** The Board felt it necessary to specify that it is the obligation of the applicant/prospective physician to notify the executive director upon serving as a physician in a designated rural area. This clarifies the reporting obligation of the applicant to the program concerning employment, and provides the executive director with information necessary for verifying the applicant's eligibility.

Subpart 6. **Agreement or promissory note.** Because the Board is making a monetary commitment of program funds for payment of the applicant's qualified loans, and the applicant has certain obligations that must be fulfilled in order for such payments to be made by the executive director, the Board felt it necessary to specify the exact terms of the agreement between the Board and the physician. This agreement will be legally binding for both parties, and therefore must contain the terms and conditions of the contractual relationship. It is essential that the physician understand and agree to the conditions of the promissory note prior to entering this agreement. The agreement/promissory note will protect the rights of the physician and the Board which is essential in order to maintain the integrity of the program.



#### 4810.3040 LOAN PAYMENT

Subpart 1. **Designation of loans.** This section protects the rights of the participant to select which loan(s) the executive director shall make payments on within the parameters specified under 4810.3010, subpart 3, and the statutory limitations for payment amounts specified in 136A.1355, subdivision 3.

Subpart 2. **Payment billings.** This section is included in order to provide the executive director with the information necessary to carry out the obligations of the Board as they relate to payments on a physician's qualified loans. The Board felt it necessary to specify the documents the physician must provide to the executive director in order to avoid confusion and delay of payments on the physician's loans.

Subpart 3. **Terms of payments.** This section clarifies the terms under which the executive director will make payments on a physician's qualified loans, and also clarifies the status of the physician's service obligation while the executive director is making payments on the physician's eligible loans. The Board felt it advisable to further explain the maximum annual payment amount and the service obligation mentioned in the statutes governing this program to avoid misunderstanding or confusion.

Subpart 4. **Additional payment amount.** This section explains the procedures that will be followed if the total of the monthly payment amounts paid by the executive director on the physician's designated loans is less than \$10,000 by the end of a 12 month period. The Board felt it necessary to specify the procedures to be followed in order to protect the rights of the program participant and ensure equitable treatment of all participants. It is also essential to clarify that the payment amount cannot exceed the amount owed on the designated loan to avoid confusion and preserve program integrity.

Subpart 5. **Discontinuation of service.** The language used in this section explains the obligations of the program participant should he/she discontinue service in a designated rural area. The Board felt it necessary to address this circumstance for clarity and to avoid misunderstanding of the program participant's obligations.

#### 4810.3050 PENALTY FOR NONFULFILLMENT

Subpart 1. **Payment amount.** The Board felt it necessary to specify the terms of the repayment obligations of the program participant should he/she not fulfill the service obligations agreed to in the promissory note. While the statutory language mentions the Board's obligation to collect monies from the participant in such cases, more specific language is required to avoid confusion, and misunderstanding. This language also assures equitable treatment of all program participants obligated to repay monies due to failure to fulfill the service commitment.

Subpart 2. **Payment plan.** In order to be responsive to the personal circumstances of program participants who are required to repay monies, the

executive director must be able to work out repayment terms on an individualized basis, while retaining the integrity of the program by setting a reasonable limitation on the number of years by which monies must be repaid by the program participant. The Board felt it necessary to specify the general terms of the payment plan so that the participant knows the consequences of non-fulfillment prior to signing the promissory note. This is an attempt to ensure timely repayment and uniform treatment of all participants required to repay monies, and to provide the efficient handling of payments received by the executive director.

Subpart 3. **Waiver.** The statutes governing this program provide that the Board may grant full or partial waivers. The language in this section attempts to clarify the circumstances under which the executive director will consider such action. This language ensures to equitable treatment of all participants.

Subpart 4. **Release of information.** It is necessary that the program participants realize that the commitment to serve in a designated rural area in return for payment qualified loans is taken very seriously by the Board. The reporting of payment activity to a consumer credit reporting agency is consistent with operating procedures followed in by the Board in another student loan fund administered by the Board. It provides uniform treatment of all participants and attempts to ensure timely payments of participants who are required to repay program monies due to non-fulfillment of service obligations.

#### 4810.3060. **PARTICIPANT RESPONSIBILITIES.**

Subpart 1. **Service status verification.** In order to monitor fulfillment of the physician's rural practice obligation, the Board felt it necessary to require completion and return of a status form on an annual basis. This is an attempt to fulfill the Board's program administration responsibilities in an efficient manner, but not overburden the reporting responsibilities of the program participants.

Subpart 2. **Status change.** This section is an attempt to maintain current data on program participants, and provide efficient monitoring of physician service obligations. It is imperative that address and service location information be kept up-to-date in order to provide the participants with program information pertinent to their obligation. Also, the Board has legislative reporting requirements which necessitate current and correct participant data.

#### 4810.3070 **INFORMATION; FORMS; TERMS.**

Subpart 1. **Additional information.** While an attempt has been made to specify the types of information the Board may need for operational, statistical, and reporting purposes, at some point it may be necessary to request additional data from participants, medical schools, or designated service areas in order to fulfill Legislative reporting requirements, program operational changes, or statistical data bases. This language provides for data collection pertinent to the program which is unforeseen now.

Subpart 2. **Forms.** In order to administer this program efficiently, the Board felt it necessary to specify that the executive director can require the use of forms provided by the MHECB. This requirement should simplify record-keeping and ensure consistent data collection.

### Child Care Grant Program

#### 4830.7400 APPLICATION AND DISTRIBUTION OF FUNDS FOR GRANTS

Subpart 8. **Contract with county.** This subpart was added in an attempt by the Board to be responsive to the directive of the 1990 Legislature to include provisions for post-secondary institutions that contract with county agencies to handle the child care grant program administration. The Board felt it necessary to specify the duties which are to be handled by the county in such cases. Also the added language makes it clear that the same appeal procedure is available to students attending such institutions as if the students were attending institutions that handled program administration themselves. This language is necessary to preserve the integrity of the program, and the equitable treatment of all students receiving such program funds.