



Economic Impact Analysis Virginia Department of Planning and Budget

12 VAC 5-520 – Regulations Governing the Dental Scholarship and Loan Repayment Programs

Department of Health

July 31, 2009

Summary of the Proposed Amendments to Regulation

The State Board of Health (Board) proposes the following changes to the Regulations Governing the Dental Scholarship and Loan Repayment Programs : 1) substantial amendments to the definitions of "Loan repayment award" and "Interest at the prevailing bank rate for similar amounts of unsecured debt," 2) an extension of the application time limit for specialists, allowing them to apply up to five years after completion of residency training, 3) limiting scholarship awards eligibility to junior and senior dental students, except in cases of extreme need in underclassmen, 4) elimination of the criteria that loan repayment awards be based on financial need, and 5) clarifications and some additional minor changes.

Result of Analysis

The benefits likely exceed the costs for all proposed changes.

Estimated Economic Impact

The current regulations define "Dentist loan repayment award" as "an amount repaid to a dentist for dental school loans in an amount equivalent to one year in-state tuition at Virginia Commonwealth University School of Dentistry *for the year in which the loan was acquired* and for which the dentist is under a contractual obligation to repay through practice in an underserved area or designated state facility." The Board proposes to redefine the amount of the "loan repayment award" to be "an amount equivalent to the *current* in-state tuition and mandatory fees at Virginia Commonwealth University School of Dentistry ... This amount may be capped at the discretion of the commissioner." The proposed change makes the amount awarded consistent between recipients and makes planning much easier. The proposed ability to

cap the amount awarded per recipient is a useful tool particularly when the available funds are low and it is deemed to make sense to grant awards to a somewhat larger number of qualified recipients than to limit the number of qualified recipients who receive awards.

The Current regulations define "Interest at the prevailing bank rate for similar amounts of unsecured debt" as "the prime lending rate as published in the Wall Street Journal on the *last day of the month* in which the decision to repay is communicated to the commissioner by the recipient, plus two percentage points." The Board proposes to change the definition to refer to the *first day of the month* rather than the last day of the month. This is beneficial in that it will allow the Board and Department of Health staff to take action sooner.

Under the current regulations all applicants for the Virginia Dentist Loan Repayment Program must be within five years of graduation from an accredited undergraduate dental program in order to be eligible. The Board proposes to extend the application time limit for specialists, allowing them to apply up to five years after completion of residency training. The current regulations in practice leave very little time for specialists to apply for the program after the completion of their studies. The proposal is beneficial in that it increases the likelihood that specialists will be encouraged by the program to serve underserved areas.

According to the Department of Health, the default rate for scholarship recipients is an ongoing problem and was particularly high in fiscal year 2008. After consultation with Virginia Commonwealth University School of Dentistry staff, the Board believes that if scholarship awards were to be essentially limited to upper classmen, students would be selected who were most likely to fulfill the terms of their obligation upon graduation. Consequently, the Board proposes to add the following text to the regulations: "Scholarship awards will be made annually by October 30 to third and fourth year dental students. First and second year students will be considered for an award only in the event of extreme financial need."

Scholarship award recipients are considered in default if they fail to fulfill their contractual obligations, which include: 1) pursuing the dental course of Virginia Commonwealth University until graduation and 2) upon graduation or upon graduation from an accredited residency program that does not exceed four years, continuously engage in full-time dental practice in a dental underserved area of Virginia or in a designated state facility for a period of years equal to the number of annual scholarships received.

The Board proposes to eliminate the current criteria that loan repayment awards be based on financial need. If the primary goal of the loan repayment program is to encourage dentists to serve underserved areas, then this proposed change can potentially aid in achieving that goal. Dentists who are not in financial need can potentially be encouraged to serve underserved areas with the help of financial incentives such as the loan repayment program. Also, eliminating this criterion will reduce administrative costs for the Department of Health.

Businesses and Entities Affected

Annually, approximately 15-17 dentists receive direct benefit from a scholarship or loan repayment award.¹ All dental practices would likely qualify as small businesses.

Localities Particularly Affected

These regulations particularly affect localities which have been determined to be underserved by dentists. According to Department of Health calculations, all localities *except the following* are at least partially underserved: Albemarle/Charlottesville, Alexandria, Arlington, Chesapeake, Chesterfield/Colonial Heights, Essex, Fairfax County/Fairfax City/Falls Church, Grayson/Galax, Hanover, Henrico, James City/Williamsburg, Lancaster, Loudoun, Lynchburg, Middlesex, Nottoway, Petersburg, Richmond City, Roanoke County/Roanoke City/Salem, Stafford/Fredericksburg and Virginia Beach.

Projected Impact on Employment

The proposed amendments do not significantly affect the quantity of employment.

Effects on the Use and Value of Private Property

The proposal to extend the application time limit for specialists, allowing them to apply up to five years after completion of residency training, may moderately increase the likelihood that specialists set up practices in underserved areas.

Small Businesses: Costs and Other Effects

The proposal to extend the application time limit for specialists, allowing them to apply up to five years after completion of residency training, can reduce the net costs of specialists

¹ Source: Virginia Department of Health

serving in underserved areas. Thus their practices, which would be small businesses, would have reduced net costs.

Small Businesses: Alternative Method that Minimizes Adverse Impact

The proposed amendments do not adversely affect small businesses.

Real Estate Development Costs

The proposed amendments are unlikely to significantly affect real estate development costs.

Legal Mandate

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.04 of the Administrative Process Act and Executive Order Number 36 (06). Section 2.2-4007.04 requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.04 requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.