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## Study Finds No Evidence that Workforce-Contingent Aid Programs Are Effective

Student loan forgiveness and repayment programs that provide money for college in exchange for a commitment to work in occupations or regions that have difficulty attracting employees "are increasingly popular politically," but a new American Institutes for Research (AIR) report found that "the jury is still out on their effectiveness."

"Despite their worthy goals, virtually no reliable data exist to show the programs actually work," a [news release](#) on the report contends.

[Workforce Contingent Financial Aid: How States Link Financial Aid to Employment](#), released this month and funded by Lumina Foundation, is a state-by-state study of these programs. The authors identified 161 different programs in 43 states, and 100 programs reported participation data for 2001-2002.

"Very little is known about the effects of workforce-contingent financial aid programs on recipients' career plans and activities," Jerry S. Davis, Lumina's vice president for research, wrote in the report's foreword.

Only about 50 programs studied for the report were able to provide data about how many students fulfilled their work commitment. Findings include:

- Three-quarters of the programs examined provide financial aid in the form of loan forgiveness to students while they are still enrolled in school in exchange for a future work commitment. The other one-quarter are repayment programs, which repay existing after-college debt in exchange for specified work.
- Most frequently, workforce-contingent financial aid (WCFA) programs address teaching, nursing, and medical shortages. Thirty-five states (81% of all 50 states that were able to provide work-fulfillment data) supported at least one teaching program, either in-school or on-the-job. Nursing followed: 19 of the 50 states had at least one in-school or on-the-job nursing program.
- Almost half of the programs that reported participation data took academic merit--but not financial need--into account, 20% considered both criteria, 20% took only financial need into account, and the remaining 12 programs did not have explicit financial or academic requirements.
- On-the-job programs are increasing more rapidly than in-school programs, more than doubling between 1998 and 2002.
- On-the-job programs have certain advantages over in-school programs: they are lower risk, as even those who drop out have provided some service. Recipients need only to

be monitored while working, not both as students and employees. Individuals make work decisions after completing a major and are not asked to choose a major and a future career prematurely to receive financial assistance.

WCFA programs are increasingly popular, politically. The House of Representatives [approved](#) on July 9, 2003 the Teacher Recruitment and Retention Act of 2003 ([H.R. 438](#)). The legislation increases from \$5,000 to \$17,500 the maximum amount of student loan forgiveness available to "highly qualified" teachers in math, science, and special education who commit to teaching in needy schools for five years.

"Legislators seem to like these programs because it's assumed they tackle two economic problems simultaneously," said Rita Kirshstein, the report's lead author and a managing director at AIR. "We need far more research to discover whether the programs actually do what they appear to do."

Andrea Berger, a senior researcher at AIR and a co-author of the report, concluded that "No reliable evidence exists that these increasingly popular forms of student financial assistance actually address the problems that make them so appealing."

This study concluded with these questions to be addressed to determine whether WCFA programs should continue to proliferate:

- Do students who are asked early in their education to declare majors and work intent remain in their initial major and field?
- Are WCFA programs attracting individuals who otherwise may not have entered that occupation or specialty?
- Are WCFA programs attracting the "best and brightest" individuals to the occupational areas supported?
- What are the implications of limiting participation to state residents?
- Are WCFA programs excluding individuals?
- What are the administrative costs associated with WCFA programs?
- How effective are WCFA programs relative to other types of financial aid?

*By Elizabeth B. Guerard*

*NASFAA Assistant Director of Communications*

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National Association of Student Financial Aid Administrators  
1129 20th Street, NW, Suite 400, Washington, DC 20036-3453  
Phone: 202-785-0453 Fax: 202-785-1487

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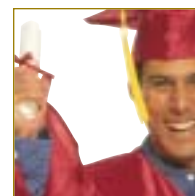
Research Report

LUMINA  
FOUNDATION FOR EDUCATION

# Workforce Contingent Financial Aid:



## How States Link Financial Aid to Employment



Rita J. Kirshstein  
Andrea R. Berger  
Elana Benatar  
David Rhodes



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## Acknowledgments

Without the cooperation of state financial aid administrators, this study would have nothing to report. We thank all of you who completed surveys and who withstood our many e-mails and telephone calls. We hope you find our results helpful in working with your state programs.

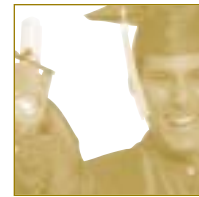
The comments of two reviewers helped take us out of the trees to see the forest. Jane Wellman from the Institute for Higher Education Policy and Cheryl Maplethorpe from the Minnesota Higher Education Services Office provided extremely thoughtful comments. They will recognize their input in many places in this report.

We are also extremely grateful for support from our colleagues at the Lumina Foundation. They agreed with our concern that programs linking financial aid to work requirements need to be examined. We believe that this report is an important first step in understanding these programs.



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# Foreword

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Since the 1970s and the passage of the federal State Student Incentive Grant program, all state governments have funded student financial aid programs. Historically, states have generally funded aid programs to enhance student financial access to postsecondary education, improve student ability to choose among institutions of widely different prices, and increase student graduation rates. However, since the 1980s, states have greatly expanded the goals for funding student aid programs. Many programs now reward students for academic excellence so that they will better prepare for college and graduate sooner, to equalize net prices after aid so that students can better afford to attend private colleges, and to encourage students to prepare for and participate in certain labor-force activities after finishing their studies. These last programs, called workforce-contingent financial aid programs, are growing rapidly, even though the number of students they serve is small relative to other aid programs.

Much is known about the effects of state grant programs on student access to and success in postsecondary education. Policy analysts and researchers have learned a great deal about how aid programs influence student attendance and achievement. But very little is known about the effects of workforce-contingent financial aid programs on recipients' career plans and activities. Moreover, until Dr. Kirshstein and her associates at the American Institutes for Research conducted the survey whose findings are reported on the following pages, no one knew how many states had workforce-contingent aid programs, how much states invested in them, whom the programs served, and what goals they intended to achieve.

State financial resources are limited, and the demands on those resources are growing. Many states face acute shortages of teachers, health service workers, and technical workers. So it is important to know whether workforce-contingent financial aid programs are efficient and effective. Is funding such programs an economical way to address workforce needs? Can the programs reduce workforce shortages? Do the programs help meet the traditional goals of student aid programs?

The results of this research represent very good first steps toward a better understanding of the overall efficacy of the workforce-contingent aid programs. Because Lumina Foundation for Education believes that published research has immediate and long-term beneficial effects on public policy, we are pleased to have supported this research project and publication. We hope that making these results widely available will lead to greater interest in the programs, how they work, and how they might be improved.

**Jerry S. Davis**

Vice President for Research  
Lumina Foundation for Education

## Executive Summary

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A rapidly growing phenomenon, workforce-contingent financial aid (WCFA) programs assist individuals with their education expenses in exchange for work in either specified fields or specified locations. In 2001–2002, 43 states supported programs that either (1) provided financial aid to students while they were enrolled in school in exchange for a future workforce commitment or (2) repaid an existing educational debt in exchange for specified work. Commonly referred to as loan forgiveness and loan repayment programs, respectively, this report introduces the terms "In-School WCFA" and "On-the-Job WCFA." In-School WCFA programs support students while in school and On-the-Job WCFA programs attempt to attract workers by repaying existing student loans. The new terms reflect the importance of the link between financial assistance and a work obligation.

Through a survey of state financial aid administrators and information gleaned from state higher-education Web sites, this study identified 161 different WCFA programs in 43 states. Three states — Maryland, Mississippi, and Texas — had more than 10 programs each. Based on the 100 programs that provided data, over 26,000 individuals received support from In-School or On-the-Job WCFA programs in the 2001–2002 academic year. Teaching, nursing, and medicine were the most frequently supported occupations. In-School programs accounted for about 75 percent of all programs and supported approximately 90 percent of all identified participants. However, between 1998 and 2002, On-the-Job programs appeared to be increasing in number at a faster rate than In-School programs.

Beyond the work requirement imbedded in both In-School and On-the-Job WCFA programs, other aspects of these programs tended to vary widely. Some of this variation is highlighted below:

### In-School WCFA Programs

- **Residency.** 90 percent required participants to be residents of the state.
- **Selection criteria.** States tended to use both academic merit and financial need to select participants, but academic merit was a more common criterion.
- **Years supported.** Most programs supported students for more than one year.
- **Annual support.** Most programs provided between \$2,000 and \$5,000 per year, but support ranged between \$500 and \$25,000 per year.
- **Number of recipients.** The 76 programs that provided data supported about 24,000 students.
- **Workforce requirements.** Beyond working in the funding state and in a specific field, the most common stipulation was the type of employer. Most programs that supported teachers, for example, required employment in a public school. Some programs also required working in specific geographic or high-need areas.

- **Amount of financial assistance forgiven.** Most programs required recipients to work a set amount of time for each period funded (e.g., a year of work for a year of funding). Some required a set number of years regardless of the number of years of financial assistance and others excused a percentage of the total funding amount for each year of work.
- **Failure to complete work obligation.** Recipients who did not complete the required work typically had to repay the support they had received. Interest rates, the time at which programs started applying interest, and the length of time individuals had to make restitution varied considerably.

#### On-the-Job WCFA Programs

- **Workforce Requirements.** To have an existing educational loan repaid, recipients were required to work but typically did not have to be state residents.
- **Continuation.** Most programs required annual employment verification.
- **Length of support.** Most programs granted loan repayment for up to 4 or 5 years.
- **Amount of loan repaid.** Most programs repaid a set amount of educational loans for every year of work. The amount ranged from \$1,000 a year to \$30,000 a year.

Although this study did not intend to determine the effectiveness of WCFA programs, it did ask states about evaluations they had conducted. Very few studies emerged that evaluated either the financial aid or the workforce aspects of these programs. Further, very few studies exist at the national level.

This study concluded with a number of questions that need to be addressed to determine whether WCFA programs should continue to proliferate:

- Do students who are asked early in their education to declare majors and work intent remain in their initial major and field?
- Are WCFA programs attracting individuals who otherwise may not have entered that occupation or specialty?
- Are WCFA programs attracting the "best and brightest" individuals to the occupational areas supported?
- What are the implications of limiting participation to state residents?
- Are WCFA programs excluding individuals?
- What are the administrative costs associated with WCFA programs?
- How effective are WCFA programs relative to other types of financial aid?

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WCFA programs may very well be effective in addressing the escalating price of college and/or workforce shortages. However, the growth of both In-School and On-the-Job WCFA programs cannot be attributed to research. The following statement by a state legislator typifies the political expediency and appearances that drive the growth of these programs:

*What could possibly be wrong with a program that provides financial assistance for students to attend college while also addressing state workforce shortages?*

Given the growing popularity of these programs, strong evaluations of both In-School and On-the Job WCFA are needed to answer questions like this.

# Introduction

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*What could possibly be wrong with a program that provides financial assistance for students to attend college while also addressing state workforce shortages?*

This sentiment, expressed by a state legislator, testifies to the growing popularity of a type of financial aid program that ties assistance in paying for college or graduate school to a commitment to work in specified jobs. Typically referred to as “loan forgiveness” or “loan repayment” programs, this kind of financial assistance has proliferated in many states. In addition, there are a number of similar federal programs. The reason for the political popularity of these programs, especially in states, is relatively transparent: Legislators can take credit for tackling two economic problems simultaneously — helping students and families meet the escalating prices of higher education and supplying workers in needed occupations or geographic areas.

Despite the prevalence of these types of programs — 43 states either provided financial aid or repaid existing loans in exchange for a work commitment in 2001–2002 — almost nothing is known about them. Policy analysts and financial aid administrators have raised a number of questions about these programs: Are they an effective and efficient way to provide financial assistance to students? Do they attract students to work in shortage areas in which they would not have worked without the financial incentive? As this study demonstrates, very few states have examined the effectiveness of these programs, although this lack of research has not stopped the proliferation of programs. While this report does not address questions about the impact of all such programs, it takes a necessary first step by examining the scope and characteristics of state-sponsored programs.

Because all the programs of interest link financial assistance to some type of work, this report uses the term “workforce-contingent financial aid” rather than the more common terms, “loan forgiveness” or “loan repayment.” After a brief overview of the history and origins of these programs, further discussion of the definition of this term is presented, as well as a distinction between programs that provide students with assistance while enrolled in school and those that repay existing loans upon entry into a specified job.

## Origins of Workforce-Contingent Financial Aid Programs

A brief examination of workforce-contingent financial aid programs at the national and state levels provides a context for understanding both their growth and their many forms. One of the first programs in the country appears to have been a state-based program. In 1940, Arkansas provided medical scholarships to individuals willing to work as physicians in the state (Pathman et al., 2000). It was a federal initiative, however, that really put these programs on the map. The National Defense Education Act (NDEA) of 1958 aimed to improve scientific, mathematic, and language literacy by offering public school principals and teachers a 10 percent reduction in their federal loans (Toch, 1983).

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Other federal efforts emerged in the 1970s. The National Health Service Corps gave money to physicians and other healthcare workers employed in shortage areas to help them repay student loans (Burd, 1993). A variant of this program still exists today, providing loan forgiveness to physicians and other medical workers willing to practice in areas that lack adequate medical care. AmeriCorps, the Peace Corps, and Volunteers in Service to America all offer to forgive some portion of volunteers' loans in exchange for service. The exact requirements for these three programs vary, however, and assistance in repaying education loans is not automatically provided to all volunteers. The Army National Guard also offers to repay up to \$10,000 through its student loan repayment program. In addition, there are a number of opportunities for lawyers who work in public interest jobs to have some of their legal education expenses repaid.

In 2003, the House of Representatives passed the Teacher Recruitment and Retention Act by a vote of 417 to 7. This bill will provide up to \$17,500 in loan forgiveness for some mathematics, reading, science, or special education teachers who work in schools where at least 30 percent of the students come from low-income families (Basinger, 2003). The National Institutes of Health has received funding to almost double the size of its loan repayment program, which provides participants up to \$70,000 for two years of clinical research work. In 2002, President Bush signed into law the Nurse Reinvestment Act, which includes loan repayment funds for nurses who work as nursing faculty or in facilities with a nursing shortage (Shoichet, 2002b).

Organizations and associations also sponsor or advocate workforce-contingent financial aid programs. For example, the charitable arm of the California Dental Association is funding a loan repayment program for dentists willing to work in rural, underserved areas (Castro, 2002). A top priority of the American Bar Association focuses on the enactment of legislation to repay the educational loans of lawyers who enter public service (McMillion, 2002).

At the state level, the economic downturn at the beginning of the 21st century has forced cutbacks in states' higher education funding (Selingo, 2002); nonetheless, many states are seeking to add or expand workforce-contingent financial aid programs. Alaska, Connecticut, and Georgia are considering adding programs for teachers and nurses, and Wyoming is considering a program for nurses (Arnone, Hebel, and Schmidt, 2003). These programs may be particularly appealing during an economic downturn owing to their focus on meeting current workforce needs and building the skills of the labor force, two related efforts that can boost a state's overall economy.

### **What are these programs and do they work?**

Whereas a number of issues related to state and federal financial aid routinely receive considerable attention, workforce-contingent financial aid programs tend to be overlooked. However, there have been a few exceptions. In 1986, Spero provided information on state-supported programs for teachers, and the American Medical Association maintains a list of programs for physicians on its Web site. In addition, Pathman and his colleagues (2000) examined the characteristics of programs for physicians.

Despite their proliferation, little research exists on the impacts of workforce-contingent financial aid programs. Almost from their inception, doubts have been expressed about their success in meeting

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workforce needs. A witness to the congressional decision to add loan forgiveness to the NDEA attested to the lack of evidence in its efficacy:

*Its authors could scarcely have believed that the forgiveness of a few hundred dollars in loans, spread over a five-year period, would draw many into teaching who would otherwise have entered more lucrative professions. It can only be explained that this was as close to a grants program as the House would buy (in 1958), and it would be defended by pointing to the shortage of teachers. (Spero, 1986, p. 9)*

As evidence of this statement, a Senate committee later noted that students could easily pay off the loans with a non-teaching position in one year. The committee concluded that the program had no effect on students' career decisions (Toch, 1983). A 1968 study of this program for the U.S. Department of Education found that it had no appreciable effect on the number or quality of teachers (Spero, 1986).

Spero (1986), after reviewing the evidence available by the early 1980s concerning the effects of these programs on the teaching profession, concluded that individuals who were drawn to the programs were considering teaching anyway. Federal government analyses looking at the National Health Service Corps determined that few people continued to work in the needy employment area after they completed their two-year commitment (Toch, 1983).

Maplethorpe (2001) also acknowledged the lack of research on these programs. She conjectured that these programs might force students to choose career paths before they are knowledgeable enough to make such decisions. Furthermore, these programs may not provide enough incentive to attract people into shortage areas.

Why do these programs continue to be implemented despite a lack of clear evidence of their effectiveness? A report published by the Institute for Higher Education Policy (Wellman, 2002) found that workforce-contingent financial aid types of programs rise from "special interest legislation designed to fund niche purposes" (p. vii). The programs' origin provides enough political capital to allow them to continue "despite weak or nonexistent evidence of their effectiveness."

## Focus of Report

This report takes a necessary first step toward understanding workforce-contingent financial aid programs by describing their scope and characteristics as well as their administration at the state level. This report covers

- the extent to which states are implementing workforce-contingent financial aid programs,
- the types of programs being implemented, and
- the size of these programs.

Although not the primary focus, the report will also provide some indicators of the programs' outcomes. Measures such as the following will be discussed:

- The percentage of participants fulfilling their work obligation
- Program success from the vantage point of the program administrators

Next steps needed to understand the effectiveness of these programs conclude the report.

## Terms Used in This Report

### Workforce-Contingent Financial Aid

As noted, this project focuses on two related types of financial aid programs that we are labeling "workforce-contingent financial aid" (WCFA). We prefer this term to others for several reasons. First, although these programs are more often referred to as either loan repayment or loan forgiveness programs, financial aid analysts and researchers do not consistently apply the distinction that these two designations suggest. Second, states, at times, label a program a scholarship or grant program even though recipients must repay the scholarship or grant if they fail to meet workforce requirements. Finally, we believe it important to highlight the workforce component of these programs. We chose the term "workforce-contingent financial aid" to describe what we see as the two critical elements shared by these programs: (a) support to cover educational expenses in exchange for (b) a workforce commitment.

Programs that do not penalize recipients who fail to work in the designated area are not considered workforce-contingent financial aid programs for the purposes of this study. For example, programs in which students receive financial assistance in exchange for an *intention* to teach in the state upon graduation, but do not penalize students if they fail to teach, are not considered WCFA programs. If there is a penalty for failing to fulfill the workforce obligation, the aid is considered to be contingent on working and is included in this study.

#### WCFA programs

- Provide assistance in covering educational expenses, either during or after schooling.
- Require recipients to work within the state as a condition for receiving assistance.

WCFA programs can generally be sorted into two relatively distinct approaches to providing financial aid. In a recent paper, Maplethorpe (2001) noted these approaches and we have adapted this distinction here. These two types are "In-School" programs and "On-the-Job" programs.<sup>1</sup> These labels designate the point at which individuals begin receiving financial assistance. Recipients of In-School WCFA programs receive financial aid *while enrolled in school* but have a workforce commitment upon graduation. Although On-the-Job WCFA recipients

have borrowed money to assist in paying for educational expenses, the WCFA program does not enter the picture until the individual *begins employment* in a designated job for which the program will repay a designated amount of existing loans. These terms distinguish the point in the educational pipeline at which the assistance begins.

<sup>1</sup> Although Maplethorpe's basic classification is used, her labels are not. In this report, "In-School" programs are equivalent to her "loan forgiveness" programs, and "On-the-Job" programs are equivalent to her "loan repayment" programs.

### In-School Programs

In-School WCFA programs assist students applying to or enrolled in a postsecondary institution. At the time they enter the program, students commit to work in the state after receiving their degree (or training). Often, the aid recipient must meet additional conditions, such as working in a specified occupation and/or in an underserved location within the state. Probably the most famous In-School program was the fictional one featured in CBS's *Northern Exposure*. Joel Fleischman accepted funding from Alaska to pay for medical school. The series took place while he was working in the remote Alaskan town of Cicely for four years to repay his obligation to the state (Teague, 2003).

Two hypothetical examples are presented to clarify the conditions that apply to this type of program. Consider a state program that provides students seeking an undergraduate degree in education up to \$2,500 a year, with a maximum of \$10,000. For each \$2,500 in funds received, the student must work for one year in an urban school district in the state.

**Chris** — Chris used the funds to assist in tuition payments at a private liberal arts college. This funding was not enough to cover all of his educational expenses, so he had federal loans as well. At the end of four years, he received the full \$10,000 from the state workforce–contingent financial aid program. Chris found a position in an urban school that met the employment criteria and worked there for three years. At that point, he took a position at a consulting firm. The state forgave \$7,500 of his \$10,000 loan but he was obligated to repay the state the remaining \$2,500 plus accrued interest. Had he taught for one additional year, he would not have had to repay any funds. The state continued to keep in contact with Chris until the funds were repaid.

**Pat** — Pat received financial assistance from the same In-School WCFA program as Chris. Initially, Pat could not decide whether she should take a part-time job while enrolled in college or apply for assistance from the state In-School WCFA program that would require her to obtain teaching certification. Even though she was not sure about teaching, she decided to enter this program. By the end of her senior year, however, Pat knew that she did not wish to teach. Instead, she applied to attend graduate school in social work. Pat, therefore, was required to repay the entire amount of her loan, plus interest, after graduation. The state tracked Pat until the funds were repaid.

#### In-School Programs

- Students receive assistance while enrolled in school, usually in a designated academic field.
- This assistance, whether labeled a loan, grant, or scholarship, is forgiven only if the individual works in a specified occupation, field, or area upon graduation.

### On-the-Job Programs

On-the-Job WCFA programs provide assistance in repaying existing loans for students who have already received their degree and who agree to work in a specified job. The state begins to assist in repaying educational loans at the time the individual begins working. A student receives no assistance from the program while in school; assistance begins at the time the individual accepts employment in an area designated for loan repayment. As with In-School programs, conditions other than working in the state often must be met. These tend to be requirements related to work in specified occupations or in particular geographic locations.

The two hypothetical scenarios below illustrate this type of workforce-contingent financial aid program. This hypothetical program repays \$2,500 of participants' student loans for each year that they work in an urban school, up to a total of \$10,000 (or until the loan is repaid).

#### On-the-Job Programs

- Programs assist participants in paying *existing* educational debt.
- Usually, participants must complete their education before receiving assistance in repaying the debt.
- In exchange, participants are required to work in a specified occupation, field, or area.

**Sam** – Sam attended college in state A and accumulated \$7,500 in student loans. While looking for a teaching job, he learned that state B would pay \$2,500 of his undergraduate debt each year if he taught in particular districts within state B. State B implemented this On-the-Job WCFA program because it was finding it difficult to recruit teachers. Sam was offered the job and stayed for five years, two years after his educational loans were paid by state B.

**Joan** – Joan was deciding between teaching at either a rural, underserved elementary school or a more prosperous suburban school. Although the pay was lower at the rural school, Joan accepted the job knowing that some of her

educational debt would be repaid. Joan taught at the school for two years before moving out of the state. At the time that she left her teaching position, the state repaid \$5,000 of her federal education loans.

As defined here, both In-School and On-the-Job programs have similar goals, but they attract participants through very different means. In this report, we will explore differences between these two types of programs and the implications of these differences.

## Methodology

### Data Collection

State Web sites were used to identify state programs that met the criteria for either an In-School or On-the-Job program. Given the different nature of these two types of assistance, separate survey forms were developed for these programs. In addition, a brief "Overview Survey" requested verification of the identified programs as well as some information about state financial aid in general. In total, each state received separate survey forms for each identified In-School and On-the-Job program, an overview survey form, and a blank In-School and a blank On-the-Job form to be used for programs not identified through Web sites or for misclassified programs. Appendices A–C contain the three types of surveys.<sup>2</sup>

The surveys were sent electronically to one central contact within the state. Because there were individual forms for each identified program, the surveys could be distributed to appropriate staff members. Surveys were formatted so that respondents could fill them in electronically and email them back when completed. Respondents were also given the option of faxing or mailing hard copies of the survey.

<sup>2</sup> Originally, on the survey forms, the In-School programs were referred to as "Stage 1" programs and the On-the-Job programs were referred to as "Stage 2" programs.

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Respondents were originally given approximately one month to complete and return the surveys. During this time, we followed up with contacts in multiple ways, including email and telephone. In some cases, project staff interviewed state financial aid administrators and filled out surveys on the telephone. The original time frame was extended significantly to accommodate respondents' needs. For the nine states that did not return surveys and did not respond to repeated requests, study staff filled in basic program information available on state Web sites.

### Response Rates

There are a number of ways to calculate response rates to a survey such as this. Forty-one states returned some or all surveys sent to them, an 82 percent overall state response rate. Of these, five completed only a portion of their surveys. Thirty-six states completed all of their surveys for a 72 percent completed response rate. Of the 122 In-School programs identified, states completed surveys for 83 of them, or a 68 percent response rate for In-School programs.<sup>3</sup> Of the 39 On-the-Job programs identified, states completed surveys for 30 of them, or a 77 percent response rate for On-the-Job programs. The response rate for In-School and On-the-Job programs combined was 70 percent. Because we were able to obtain key information from Web sites for all identified In-School and On-the-Job programs, our findings include some information for every program identified.<sup>4</sup>

The response rate affected some types of information more than others. For most programs, we were able to use a combination of information posted on states' higher education Web pages and data provided as part of the annual survey conducted by the National Association of State Student Grant and Aid Programs (NASSGAP, 2002) for key variables such as occupational areas and funding levels. In providing data on several key dimensions for the population of programs, the combination of sources increases confidence in the results. For other variables, non-responses coupled with missing data affected the analysis. Variables related to outcomes (such as the number of students in various repayment options) tended to yield particularly low response rates. This report deals with this issue by noting the total number of responses. However, the high level of missing data is indicative of the lack of data available to the states in thinking about and evaluating their own programs.

The department (or departments) administering WCFA programs varied widely by state. To a large degree, state higher education commissions oversaw programs. These were the departments targeted for the survey. However, many specific programs were assigned to state professional departments (e.g., the Virginia Department of Transportation) and non-profit funding corporations (e.g., the South Carolina Student Loan Corporation). The diversity in administrative oversight may have resulted in a biased count and description of programs. Although some respondents identified programs outside their jurisdiction, other respondents might not have reported on, or might not have known about,

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3 The program response rate was strongly affected by the number of programs in the state of Mississippi, which did not participate. Because Mississippi had the largest number of programs in any state, all of which were classified as In-School, the response rate for In-School programs is very much affected by the non-response of this one state. If the 15 In-School programs in Mississippi were excluded from the calculations, the response rate for In-School programs would be 78 percent.

4 We found that we were able to successfully identify and classify most WCFA programs in the states. A few states reported on additional programs or informed us that programs had been discontinued.

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other programs in their state. On occasion, respondents forwarded surveys to the administering departments or completed the survey for another department. This second situation may also affect the quality of the data. For example, respondents who completed a survey concerning a program that their office did not administer may not have had the most current or complete information about the program.

Although the programs described were operating at the time of the survey, additional programs were being either phased out or implemented.<sup>5</sup> Eleven states reported that at least one WCFA program had been discontinued in the past five years. Several states reported that legislation was pending to create new programs.

This report attempts to paint as accurate a picture as possible of the breadth of programs that operated in all 50 states<sup>6</sup> for the 2001–2002 academic year. However the survey and data limitations should be kept in mind. Certain results will include larger amounts of missing data than others, mainly because some states did not return surveys. These missing responses are not random; therefore, no statistical tests are reported. Instead, descriptive statistics are presented accompanied by the number of programs for which data were available. Given the general lack of information, however, on financial aid programs that link assistance in paying educational expenses to workforce commitments, this report goes far toward illuminating a rapidly growing phenomenon.

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5 Some of the programs reported here are discontinued; however, they are still either funding students who were already in the program or tracking participants who are fulfilling their obligation.

6 Since the District of Columbia did not have any workforce-contingent financial aid programs, it was not surveyed.

# Chapter 1.

## States and Their Workforce-Contingent Financial Aid Programs

### An Overview of In-School and On-the-Job Programs

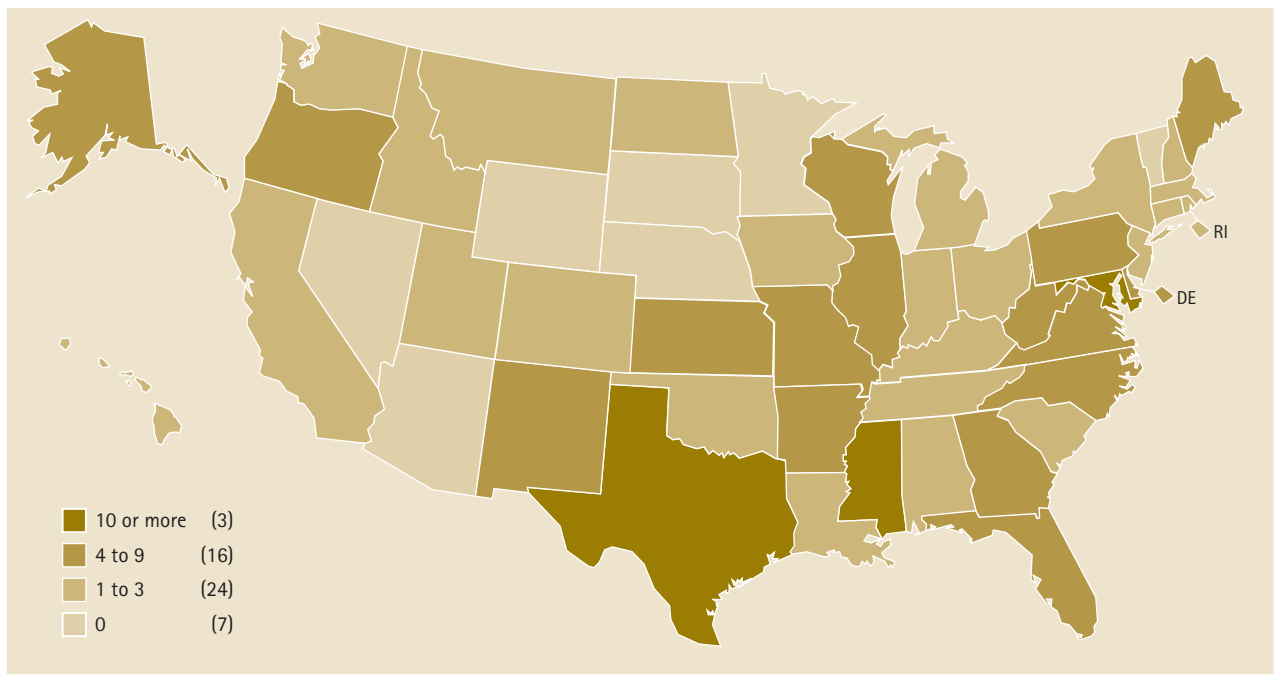
#### How prevalent are workforce-contingent financial aid programs?

For the 2001–2002 academic year, the 50 states supported approximately 161 different workforce-contingent financial aid (WCFA) programs covering a wide range of occupations. Most states, 43, had at least one program that provided some type of financial assistance in exchange for work. Three states had more than 10 such programs: Mississippi had 15 programs, Maryland had 13, and Texas had 12. The programs supported by these three states represented 25 percent of all WCFA programs in the United States. The next two states with the largest number of programs were Delaware and New Mexico, with 7 programs each (see Exhibit 1-1).

In Maryland, approximately 12 percent of the financial aid awards made in 2002 went to participants in WCFA programs. WCFA programs also accounted for about 23 percent of the total allocated funds for state financial aid programs.

In general, states were more likely to support programs that provided financial aid to students while in school in exchange for future work commitments (In-School programs) than programs that assisted participants in paying off existing loans in exchange for working in a specified occupation, field, or area (On-the-Job programs; see Table 1-1). Approximately 75 percent of all

**Exhibit 1-1. Number of workforce-contingent financial aid programs in 2001–2002, by state**



**Table 1-1. Number of In-School and On-the-Job workforce-contingent financial aid programs in 2001-2002, by state**

State	In-School	On-the-Job	Total
Alabama	2	0	2
Alaska	4	0	4
Arizona	0	0	0
Arkansas	3	1	4
California	1	2	3
Colorado	1	2	3
Connecticut	2	0	2
Delaware	6	1	7
Florida	2	2	4
Georgia	5	0	5
Hawaii	0	1	1
Idaho	1	0	1
Illinois	3	1	4
Indiana	2	0	2
Iowa	1	0	1
Kansas	4	0	4
Kentucky	3	0	3
Louisiana	1	0	1
Maine	3	1	4
Maryland	11	2	13
Massachusetts	3	0	3
Michigan	1	0	1
Minnesota	0	0	0
Mississippi	15	0	15
Missouri	4	0	4
Montana	0	1	1
Nebraska	0	0	0
Nevada	0	0	0
New Hampshire	3	0	3
New Jersey	0	1	1
New Mexico	6	1	7
New York	2	1	3
North Carolina	6	0	6
North Dakota	0	2	2
Ohio	1	1	2
Oklahoma	0	1	1
Oregon	2	2	4
Pennsylvania	2	4	6
Rhode Island	0	2	2
South Carolina	1	0	1
South Dakota	0	0	0
Tennessee	2	0	2
Texas	4	8	12
Utah	1	1	2
Vermont	0	0	0
Virginia	4	0	4
Washington	2	1	3
West Virginia	4	0	4
Wisconsin	4	0	4
Wyoming	0	0	0
<b>Total Number of Programs</b>	<b>122</b>	<b>39</b>	<b>161</b>

identified programs were classified as In-School (122 programs out of 161). All of Mississippi's 15 programs were In-School, but 8 of Texas's 12 programs were On-the-Job. Nineteen states administered only In-School WCFA programs, and six states administered only the On-the-Job version. States that had both types tended to have more In-School than On-the-Job programs.

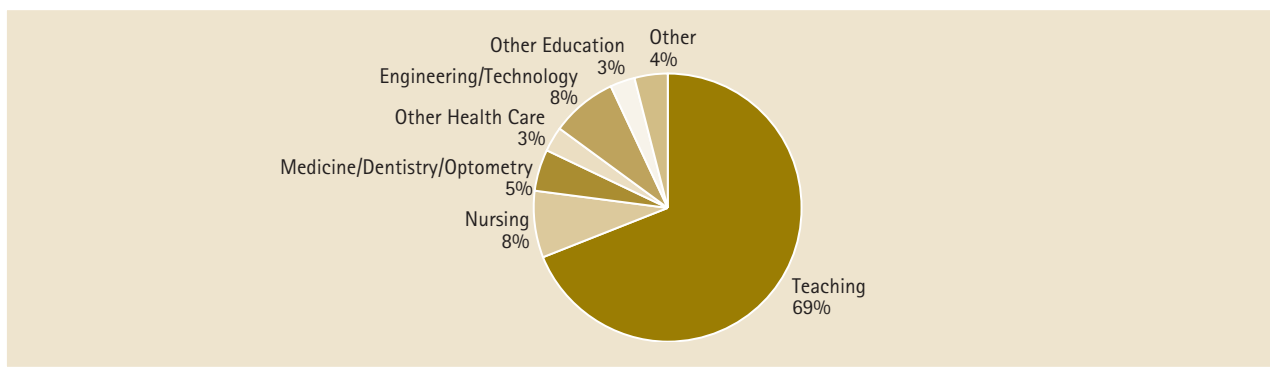
Although In-School programs appeared to be more popular in general, Oregon recently converted one of its In-School programs (The Oregon Nursing Loan Program) to an On-the-Job program (the Nursing Services Program). In the 2002-2003 fiscal year, Oregon more than doubled the amount of funding invested in the On-the-Job version of this program.

**Which occupational areas tend to be supported by workforce-contingent financial aid programs?**

States supported workers in a wide range of occupations through WCFA programs (see Table 1-2). Most frequently covered were teaching, nursing, and medicine. Thirty-five states supported at least one teaching program, either In-School or On-the-Job. Thus, 81 percent of all states that had WCFA programs supported the teaching profession. Nursing followed teaching as the next most common program area: 19 of the 50 states had at least one In-School or On-the-Job nursing program. With extreme shortages in the teaching and health care professions (Viadero, 2002; Shoichet, 2002a), it is likely that programs in these fields will continue to expand or be created in states with a need for such professionals.

The teaching profession not only represented the largest number of WCFA programs but also supported the majority of students who were funded through both In-School and On-the-Job programs. About 69 percent of all WCFA recipients were in teaching programs (see Exhibit 1-2). Another 16 percent of students were in fields related to medicine.

**Exhibit 1-2. Distribution of workforce-contingent financial aid participants in 2001-2002, by occupational area**



Despite the number of programs and students in teaching WCFA programs overall, these programs were not the most common type of On-the-Job program. On-the-Job programs most frequently covered physicians and other medical professionals (31 percent of the 39 programs; see Exhibit 1-3). Nursing represented 13 percent of On-the-Job programs, and other health care professions added another 13 percent. Thus, 57 percent of all On-the-Job programs, compared with 40 percent of all In-School programs, covered health-related fields.

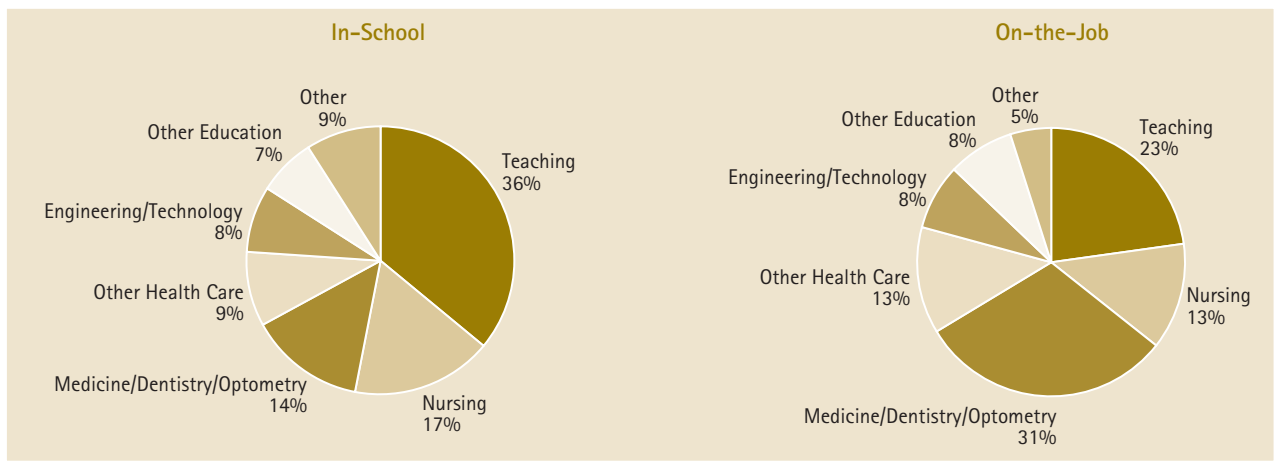
**Table 1-2. Number of workforce-contingent financial aid programs in 2001-2002, by state and by occupational area**

State	Teaching	Other Education	Medicine/Dentistry/ Optometry	Nursing	Other Health Care	Engineering/ Technology	Other
Alabama	1			1			
Alaska	1		1				2
Arizona							
Arkansas	3					1	
California	2	1					
Colorado	1	1		1			
Connecticut	1					1	
Delaware	1	1	3	1	1		
Florida	2				2		
Georgia	3		1			1	
Hawaii	1						
Idaho							1
Illinois	3	1					
Indiana	1			1			
Iowa	1						
Kansas	1		2	1			
Kentucky	1	1	1				
Louisiana	1						
Maine		1	2		1		
Maryland	2	1	3	2	2	1	2
Massachusetts	2						1
Michigan				1			
Minnesota							
Mississippi	3	1	5	2	1	1	2
Missouri	2			1		1	
Montana			1				
Nebraska							
Nevada							
New Hampshire	1			2			
New Jersey			1				
New Mexico	2		2	2	1		
New York			1		1		1
North Carolina		1		3			2
North Dakota	1					1	
Ohio			1	1			
Oklahoma	1						
Oregon	1			2	1		
Pennsylvania	1			1	1	2	1
Rhode Island	1			1			
South Carolina	1						
South Dakota							
Tennessee	2						
Texas	2	2	4	2	1		1
Utah	1					1	
Vermont							
Virginia	1			1		2	
Washington	1				2		
West Virginia	1		1		1	1	
Wisconsin	3			1			
Wyoming							
<b>Total number of programs</b>	<b>53</b>	<b>11</b>	<b>29</b>	<b>27</b>	<b>15</b>	<b>13</b>	<b>13</b>
<b>Total number of states with programs</b>	<b>35</b>	<b>10</b>	<b>15</b>	<b>19</b>	<b>12</b>	<b>11</b>	<b>9</b>

Some states' programs covered a wide variety of occupational areas or did not require employment in a specific field. For example, the New York State Regents Professional Opportunity Scholarship covered a list of professional fields including massage, interior design, architecture, law, medicine, accounting, and athletic training. Maryland's Community College Transfer Student Hope Scholarship had no occupational requirements but did require recipients to work in the state on graduation.

Some less common WCFA programs supported needs unique to the state. Alaska provided funds for students intending to work in fisheries, and Virginia assisted students planning to work in soil sciences. Other less common occupational areas included veterinary medicine, foreign languages, and theology.

**Exhibit 1-3. Distribution of In-School and On-the-Job workforce-contingent financial aid programs in 2001-2002, by occupational area**



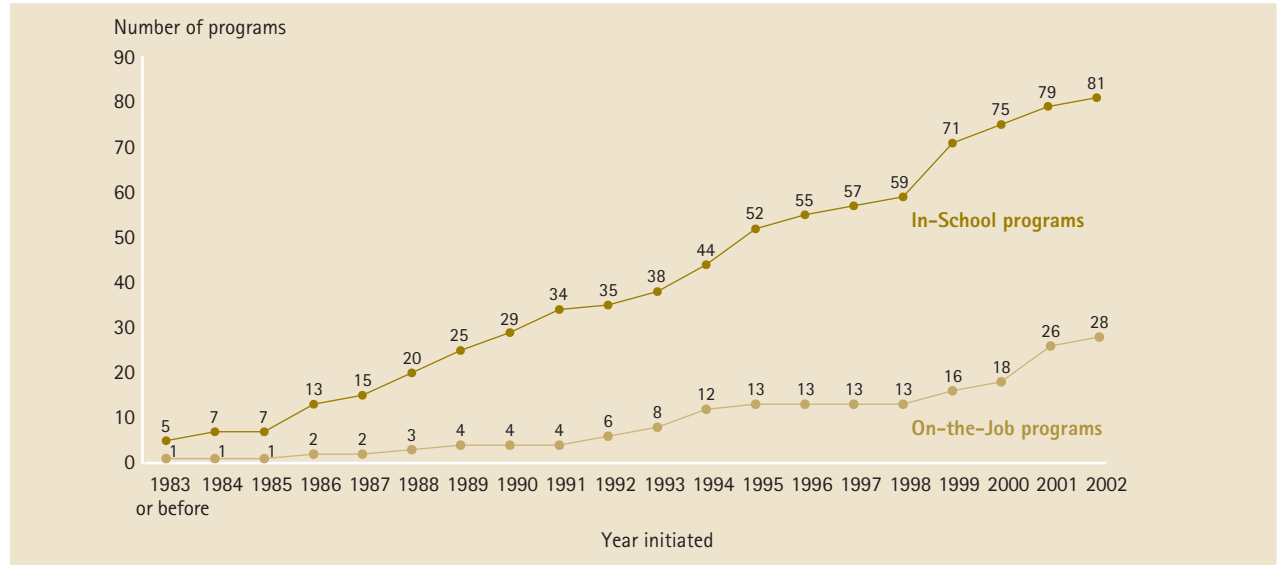
**When did workforce-contingent financial aid programs start?**

WCFA programs expanded considerably in the past decade (see Exhibit 1-4).<sup>7</sup> For those programs for which information was provided (109 programs), the number of In-School programs grew fairly steadily until 1998. On-the-Job programs were relatively rare until the 1990s. As noted in the introduction, the number of programs really began to expand between 1998 and 2002. The number of In-School programs increased about 40 percent (from 59 to 81 programs) during these four years. On-the-Job programs more than doubled in that time, expanding from 13 to 29 programs.

Some states that never had WCFA programs are now creating them. Hawaii implemented an On-the-Job teaching program in the 2002-2003 school year. Michigan recently created an In-School program for nursing students.

7 There is likely to be a bias resulting from missing data. Respondents were more likely to know, and report, the first year of newer rather than older programs. Also, this is a list of programs that are still in existence; we do not know how many programs in the past have been discontinued.

**Exhibit 1-4. Number of workforce-contingent financial aid programs in 2001-2002 (cumulative), by year initiated**



### Additional Program Information

Profiles of WCFA programs in each state can be found through the Lumina Foundation's Web site at [luminafoundation.org](http://luminafoundation.org). These profiles provide basic information about occupational areas covered, the type of program (In-School or On-the-Job), the maximum yearly funding, the maximum number of years funded, the terms for repayment, the size of the program, and the approximate percentage of participants who completed service obligations (for In-School programs).

## Chapter 2.

# In-School Workforce-Contingent Financial Aid Programs: Supporting Students While in School

In-School programs were certainly the predominant type of workforce-contingent financial aid (WCFA) in 2001-2002. Because these programs provide financial support to students while enrolled in school, they are more complex in many ways than On-the-Job programs, which repay existing loans once a student has completed a specified level of education. This chapter explores both sides of In-School programs – the requirements for students who receive funds while in school and the workforce obligations for participants after completing their education.

21

### The Education Component of In-School Programs

#### What level of education was supported?

In-School programs funded both undergraduate and graduate education (see Table 2-1). About 25 percent of the 113 programs that provided information funded only undergraduate programs. A similar proportion supported only graduate education, and about 25 percent funded both undergraduate and graduate education. An additional 21 percent of programs covered associate's degrees as well as other degrees. Only one program, the Teach for Texas Alternative Certification Conditional Grant Program, exclusively funded associate's degrees.

**Table 2-1. Number of In-School workforce-contingent financial aid programs in 2001-2002, by level of postsecondary education covered**

Level of Education Funded	Number of In-School Programs
Both Undergraduate and Graduate	30
Undergraduate	30
Graduate	28
All Three Levels	17
Associate and Undergraduate	7
Associate Only	1
<b>Total</b>	<b>113</b>

#### What were the participation requirements for In-School programs?

Most In-School programs, 90 percent, required that participants be residents of the state (106 of 118 programs). Twelve different programs in eight states allowed non-residents to participate.<sup>8</sup> Only Connecticut allowed non-residents to participate in all of its WCFA programs.

<sup>8</sup> The eight states were Connecticut, Delaware, Maryland, Mississippi, Texas, Virginia, Washington, and West Virginia.

About two-thirds of the programs (75 of 113) required some type of prior educational attainment of applicants. By necessity, programs that funded graduate degrees required participants to be almost or completely finished with their bachelor's degree. More interesting are the requirements for the associate's and bachelor's degree programs. Fifteen programs (of 38) specifically mentioned allowing students not yet attending a postsecondary institution to apply (e.g., high school seniors or individuals with a high school degree or GED). Eleven of these 15 programs funded students interested in pursuing careers in education or childcare. Most of the remaining 19 programs that targeted undergraduates required that students be at least college sophomores before applying.

### What criteria were used to select participants?

In-School programs frequently considered academic merit, financial need, or both in award decisions. About 20 percent of the 99 programs reporting considered both criteria. Most commonly, programs took academic merit, but not financial need, into account (46 programs). However, another one-fifth of the programs took only financial need into account (21 programs). The remaining 12 programs did not have explicit financial or academic requirements.

Programs used a variety of criteria to determine academic merit. Some programs used specific academic criteria such as SAT/ACT scores, grade point average, or class rank. Many programs simply required that students be in good academic standing at their current institution.

Sometimes, the source of the funding influenced the criteria for choosing participants. Some programs in several states were funded, either completely or partially, by an outside organization. Examples include the Michael Murphy Education Loan and the A. W. "Winn" Brindle Memorial Education Loan Program. In both cases, preference was given to applicants recommended by the donors.

In considering students' financial need, most In-School programs used the traditional formula for determining unmet need (i.e., total expenses minus expected family contribution as calculated with the federal methodology). Some programs had an established income cap for applicants. Maryland had two programs, the General Hope Scholarship and the Community College Transfer Student Hope Scholarship, with an income cap for student eligibility. In both programs, annual family income could not exceed \$95,000. In a few decentralized programs, each administering institution set financial criteria for participation.

### What must participants do to continue to receive support?

Only six programs limited funding to just one academic year. About 30 percent of the programs that funded students for multiple years did not require recipients to reapply. Sixty percent of programs (64 of 105) required that students reapply or provide updates yearly. A few programs required updates every term or semester. In the case of programs that individual institutions rather than the state financial aid office administered, each institution determined the frequency and content of the updates.

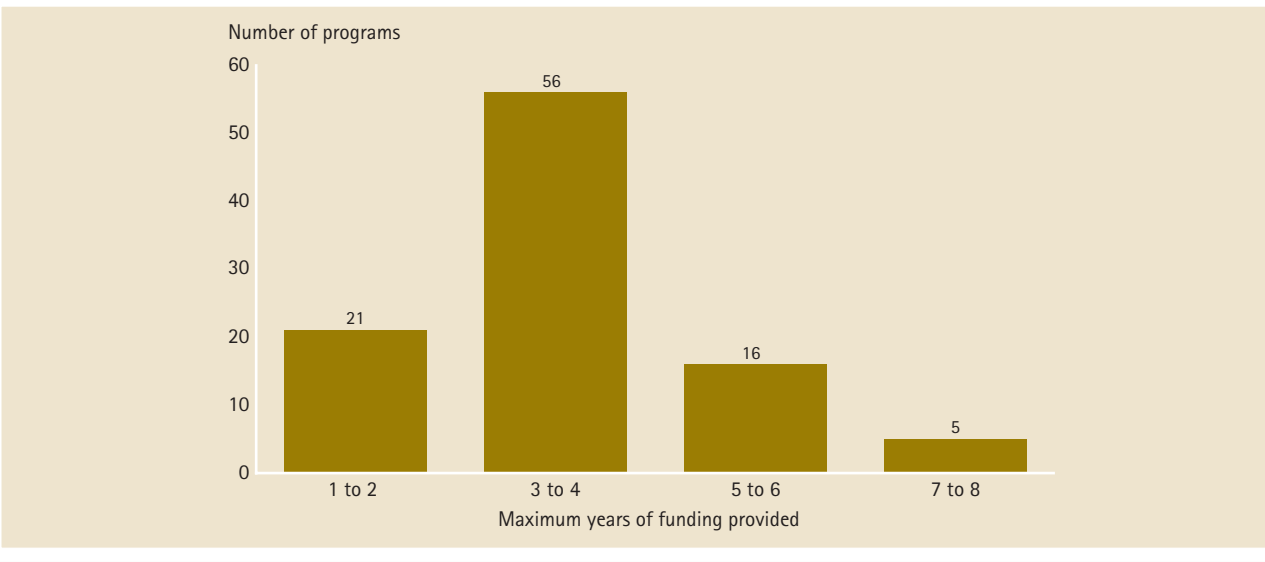
As part of the reapplication process, students sometimes had to meet established academic and enrollment requirements. Over half of the programs (53 of 94) imposed a minimum required grade point average, usually 2.5 or 3.0. Also, more than one-half of the programs (56 of 97) had enrollment

requirements; about one-quarter of these programs required students to be enrolled at least half time, and about one-half of these programs required students to be enrolled full time. Some programs reduced the enrollment requirements for graduate students.

**How many years could participants receive support?**

On average, 98 programs provided funding for a maximum of 3.8 years. Most programs funded students for three or four years, but there was a range from one to eight years (see Exhibit 2-1). Some programs provided different limits for different situations. Alaska's A. W. "Winn" Brindle Memorial Education Loan Program provided five years of funding for undergraduate work and five years for graduate work, but only eight years total. Pennsylvania's New Economy Technology Scholarship Program-Sci-Tech Scholarship provided students with three years of funding, but students enrolled in a qualifying five-year baccalaureate program could receive up to four years of funding.

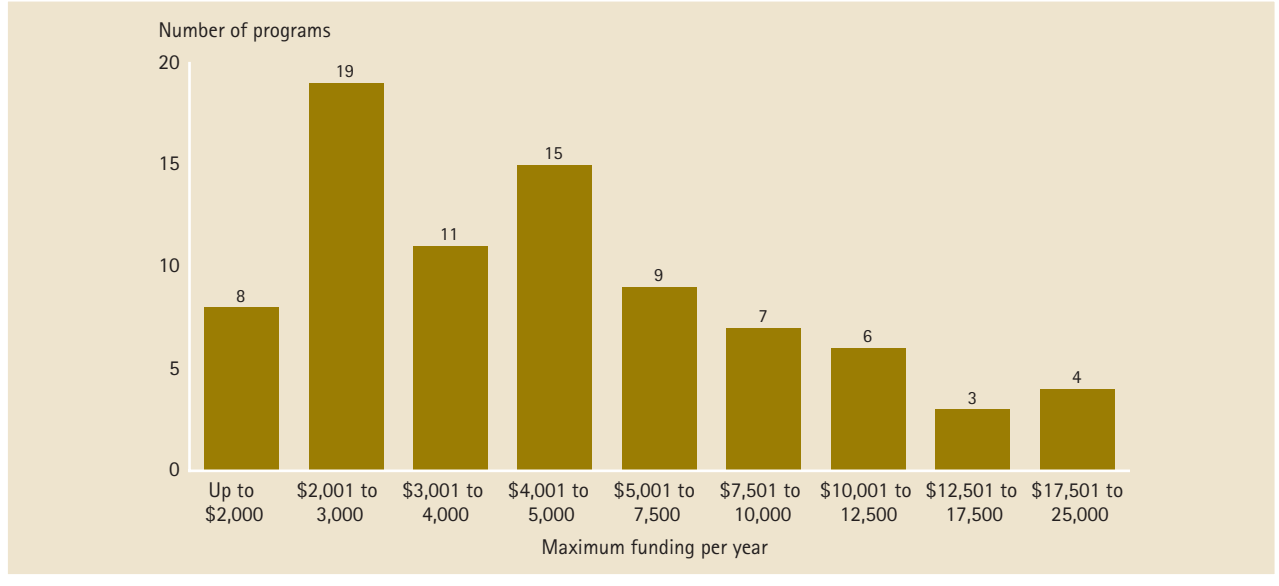
**Exhibit 2-1. Distribution of In-School workforce-contingent financial aid programs in 2001-2002, by the maximum number of years of funding**



**How much support could participants receive per year?**

On average, 82 In-School programs provided students \$6,209 a year, ranging from \$500 to \$25,000. Most programs provided between \$2,000 and \$5,000 a year (see Exhibit 2-2). The funding available per year varied by occupational area (see Table 2-2). Physicians and other medical professionals received more funding than students in other occupational areas. Programs providing support to students wanting to become teachers averaged about \$5,016 in aid a year; programs supporting future physicians averaged over double that amount, about \$11,734 a year. Many programs provided additional types of information about funding, some examples of which follow:

**Exhibit 2-2. Distribution of In-School workforce-contingent financial aid programs, by the maximum funding available per year**



**Table 2-2. Average maximum amount of available funding per year for In-School workforce-contingent financial aid programs in 2001-2002, by occupational area**

Occupational Area	Average Maximum Funding per Year	Number of Programs
Medicine/Dentistry/Optomety	\$11,734	14
Other Health Care	\$6,833	6
Other Education	\$5,480	5
Teaching	\$5,016	31
Other	\$4,750	6
Engineering/Technical	\$4,722	9
Nursing	\$4,545	11
<b>All Programs</b>	<b>\$6,209</b>	<b>82</b>

- **Funding limits that are dependent on individuals' expenses.** In Alaska, the A. W. "Winn" Brindle Memorial Education Loan Program provided funding up to "the cost of tuition and required fees, loan guarantee funds, books and educational supplies, room and board, and transportation for two round trips between the recipient's home and school each year."
- **Funding limits that are determined annually but are set for all participants.** In Maryland, funds for the Sharon Christa McAuliffe Teacher Education Award were determined annually and based on the tuition at the most expensive University System of Maryland institution.

- **Funding limits that depend on the educational level.** Fifteen programs based funding amounts on participants' education level. For example, Kentucky's KHEEA Teacher Scholarship provided \$12,500 for undergraduates and \$7,500 for graduate students. Mississippi's William Winter Teacher Scholarship Loan provided \$1,000 for freshman and sophomores and \$3,000 for juniors and seniors.

A small number of specialized programs based funding limits on the difference between in-state tuition and out-of-state or private tuition. For instance, Kentucky's Osteopathic Medical Scholarship awarded the difference between tuition at a state institution and tuition at the Pikeville College School of Osteopathic Medicine.

### What was the total available support?

The average maximum funding available to any one student across all funded years was approximately \$21,000 (based on 78 programs). Total maximum funding ranged from \$1,000 to \$100,000. For most programs, the maximum funding available was the maximum yearly funding multiplied by the maximum number of years of participation. However, nine programs capped their maximum funding below this amount. For example, the Educators for Maine program allowed up to \$3,000 a year for up to six years, but the funding maximum was \$12,000 (rather than \$18,000). For the Advantage Missouri program, students received up to \$2,500 a year for up to seven years, but the funding maximum was \$10,000 (rather than \$17,500).

### How many students participated?

In the 2001–2002 academic year, In-School programs funded approximately 24,000 students (in the 76 programs that provided data on the number of participants).<sup>9</sup> Individual programs ranged in size from no participants to 2,768 participants for a large teacher program in Maryland.<sup>10</sup> The number of students supported depended, to some degree, on the number of years that programs fund participants.

Delaware's Optometric Institutional Aid Program funded only one participant in the 2001–2002 school year, whereas the Maryland Teacher Scholarship Program funded 2,768 students.

Of the 24,000 reported participants, approximately 10,700 were funded for the first time by the WCFA program in 2001–2002. As noted, the average number of years of funding available is about four. This suggests that each year, about a quarter of the students in each program should be new; however, this was not the case. Rather, almost half of the participants were new in 2001–2002, which suggests that many students do not remain in the program or that programs are new. The extent to which students drop out of these programs is an important issue to explore. Do students discover that a required major does not suit them? Do students perhaps select majors solely for the purpose of receiving financial assistance? Although answers to these questions are beyond the scope of this study, they are important for determining whether In-School WCFA programs are effective ways of providing financial aid and addressing workforce shortages.

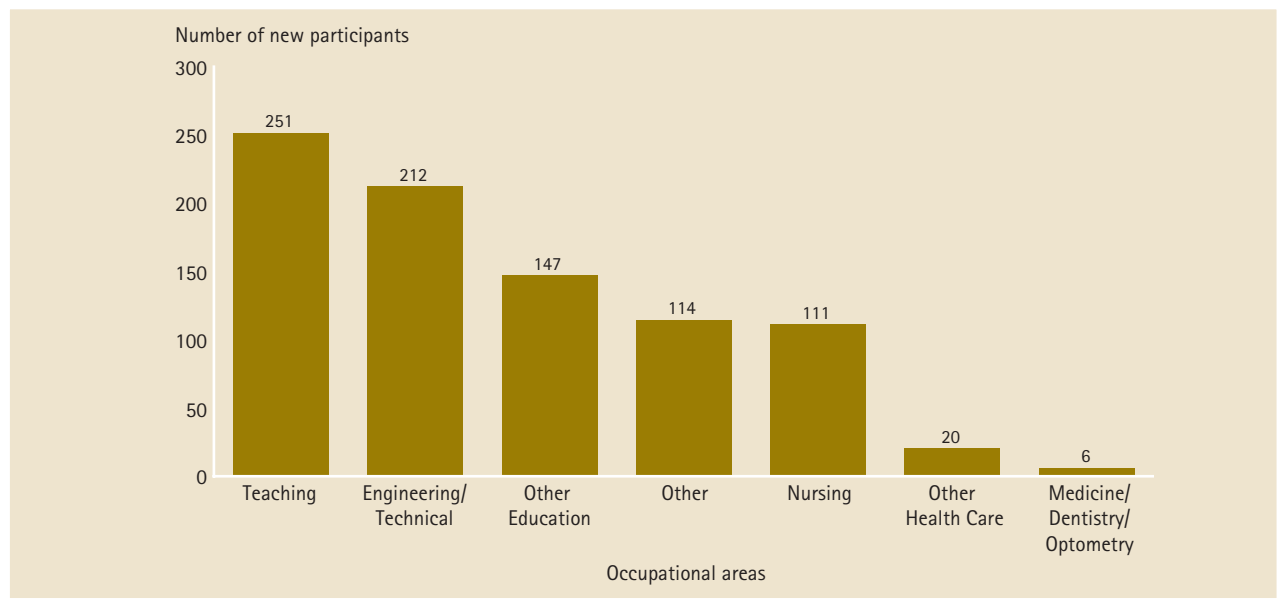
<sup>9</sup> A few programs reported for different time periods (e.g., all of 2001).

<sup>10</sup> Programs had no participants because they were (a) new programs, (b) discontinued programs that were still tracking former participants paying back the loan, or (c) programs with no participants for the reporting year.

The number of new participants for the academic year went as high as 1,487 (in the same Maryland teacher program that supported the highest total number of participants). Delaware had smaller programs; the largest of its six programs supported 18 new participants. North Carolina also had six programs but these ranged in size: Two programs each had more than 200 new participants and four programs had fewer than 100 new participants each. Illinois, in contrast, had three relatively large programs, each with between 200 and 300 new participants.

The size of the program was related to the occupational area supported (see Exhibit 2-3). Health care programs were smaller than education and technical and engineering programs. Of the six programs with more than 1,000 participants, four supported prospective teachers. It should be noted that three of these four programs were in Georgia. However, North Carolina had a nursing program that funded more than 1,000 participants. The final program with more than 1,000 participants was also in Maryland; this program focused on science and technology. The current teacher shortages in many areas of the country (RNT, 2000) might readily explain the relatively large size of In-School WCFA teacher programs, whereas the expense of training health care workers, particularly physicians, could explain why fewer programs are willing to invest up front in the costs of medical training.

**Exhibit 2-3. Average number of new participants in In-School workforce-contingent financial aid programs in 2001-2002, by occupational area**



## The Workforce Component of In-School Programs

### What were the requirements for the workforce position?

All programs required that workforce service be completed in the state and in the occupational area for which funding was received. About one-third of the programs imposed no additional requirements (39 out of 118 programs). The most common stipulation beyond residency and occupational area was

the type of employer (46 programs). In-School WCFA programs that funded future teachers, for example, frequently required recipients to fulfill their workforce obligation in a public school system (32 programs). Some other requirements included working for a sponsoring organization, such as in the Kansas Nursing Scholarship program, or for a public or non-profit organization, such as in the North Carolina Social Work Education Loan Fund.

Slightly fewer than one-third of the programs restricted the type of work within the field (35 of 118). In general, these requirements specified an area or areas with particular shortages. Teachers may have been required to work in secondary schools, to teach mathematics or languages, or to focus on special populations. Engineers may have had to work in certain subspecialties, such as transportation or soil sciences. Programs for physicians and other medical professionals were more likely to impose this type of requirement (7 of 17 programs). For example, physicians were often required to work in primary care. Nursing programs, however, were less likely to restrict the type of nursing that participants must practice to have their loan forgiven (only 4 of 16 programs).

Mississippi's Graduate and Professional Degree Loan Scholarship Program required participants to work in the fields of chiropractic medicine, orthotics/prosthetics, or podiatric medicine.

In addition to requiring participants to work in the funding state, some programs required them to work in certain geographic areas of the state (27 of 118). These programs usually sent participants to rural or economically disadvantaged areas. Some programs simply required participants to work in areas with a high need for that occupation. However, the high-need areas were likely to be economically disadvantaged or rural. Once again, programs for physicians were more likely to have geographic restrictions than were nursing programs (7 of 17 programs for physicians and 4 of 16 programs for nurses). This difference in field and geographic restrictions for nurses and physicians was likely related to the general nationwide shortage of nurses, which meant that nurses were needed in most fields and areas. The emphasis for physicians on specific fields and in certain geographic areas was most likely related to specific shortages within each state rather than to a general shortage of physicians.

Texas and Alaska had programs in which participants were nominated and sponsored by organizations in rural communities. These participants then committed to return to the sponsoring community to provide service upon completion of a specified degree.

The three types of restrictions listed above are not mutually exclusive. Two teacher programs (one in South Carolina and one in Texas) required participants to work in either a high-need geographic area or a high-need discipline. The Missouri Professional and Practical Nursing Student Loan Program imposed an area requirement only if the participant was working in a non-profit facility; if the participant was employed at a public agency, he or she could work in any location within the state. Only one program, The North Carolina Student Loan Program for Health, Science and Math, imposed all three restrictions simultaneously. For this program, participants were required to work in (a) a shortage area of the state, (b) an approved field, and (c) a state facility or educational system.

### How much of the financial assistance received was forgiven each year?

Just as programs vary in the amount of funding that students receive, they also vary in the length and the nature of the service obligation. States usually set service or workforce obligations in three major ways:

- A **set amount of time** in service is required and is based on the number of years funded.
- A **uniform length of service** is required of all participants.
- A **set amount of funding** is forgiven per period of service employment.

**Set amount of time.** By far the most typical workforce requirement was a set amount of service employment for each period that a recipient was funded. Approximately 70 programs (of 110) imposed this type of requirement on financial aid recipients. About one-half of these programs required one year of employment for each year of funding.<sup>11</sup> Eight programs required two years of employment for each year of funding. Washington state's Health Professional Scholarship Program represented one of the less common service obligation terms: three years of employment for each year of funding. However, participants could fulfill their obligation for five years of funding with only five years of service. The New York State Regents Health Care Scholarship required one year of employment for each year of funding, but all participants were required to work for at least two years, even if they received only one year of funding.

**Uniform length of service.** The second most common approach to fulfilling a workforce obligation was a uniform length of employment, which about 25 programs required. The uniform service requirement could be achieved in two ways: set years and set percentages.

Programs with set years required a certain number of years of service regardless of the number of years of funding that the participant received. For example, a program may fund students for one or two semesters, but students would be required to work for one year regardless of the number of semesters that they were funded. Five of the set year programs required two years of employment, and four programs required five years of employment. In some cases, students could receive funding for more years than they were required to work; in other cases, the reverse was true. Of the programs that required two years of employment, most offered four years of funding, but one offered only one year of funding. For the programs that required five years of employment, the incentive ranged from one to four years of funding. Two programs in Mississippi provided a variant. For the state's Counseling and School Administration Summer Loan/Scholarship and Graduate Teacher Summer Loan Scholarship, participants received funding for summer coursework. In return, a participant was required to remain employed as a classroom teacher for the school year and for one school year after completing the degree.

Programs with set percentages did not consider the dollars distributed or the number of years; instead, they excused a set percentage of the total funding amount for each year of service. For example, a program might forgive 25 percent of the funding amount for each year in service regardless of whether the student received one year or four years of funding. Of the set percentage programs, the percentage of the funding forgiven each year ranged from 20 to 50 percent. Set percentage programs often had complicated structures. For example, the Wisconsin Teacher of Visually Impaired Program forgave 25 percent of the funding for the first two years of employment and the remaining 50 percent after the third year. In Alaska, the A. W. "Winn" Brindle Memorial Education

<sup>11</sup> For ease of reporting, the employment and funding periods were translated into years.

Loan program forgave 10 percent of the funding amount per year but only up to 50 percent (or five years).

**Set amount of funding.** The least common arrangement (10 programs) was a set amount of funding forgiven for each set amount of time in service employment. In these programs, each year of service was linked to a dollar value. Recipients who received less funding (regardless of over how many years) had less of a service obligation. Each year of service was valued from \$1,000 to \$5,000; the average was about \$2,500.

Virginia's Teaching Scholarship Loan Program required one semester of teaching service for every \$1,000 of funding received.

### Could the amount of service ever be reduced?

Some programs reduced service requirements if participants worked in a particularly needy position or location. For example, Louisiana's TOPS – Teacher program forgave two years of funding for each year of employment in an economically disadvantaged school district. In Arkansas's Minority Masters Fellow Program, the service requirement was reduced from five years to three years if participants worked in specific counties or if participants were African American males employed in elementary instruction.

### What were the consequences for failing to complete the service obligation?

An important and unique aspect of the In-School WCFA programs is the "disincentive" component for leaving the program before completing the workforce service. In almost all cases, recipients who do not complete the service obligation must repay all or some of the financial aid they received while in school.<sup>12</sup>

**Interest rates.** States set interest rates for loan payments in essentially three ways: (a) fixed rates, (b) rates linked to federal student loan programs, and (c) variable rates. More than one-half of the reporting programs (44 of 80) imposed a fixed rate for repaying the funds. On average, the interest was 7.6 percent. Six programs had zero interest. One program, the West Virginia Health Sciences Scholarship Program, had a rate set at 15 percent. Twenty-four programs linked their interest rates to federal student loan program rates. Most of these programs matched federal loan program interest rates, either the Stafford or PLUS loan rates. The other programs set their rate a certain percentage above the federal loan interest rate. These interest rates ranged from 0.5 to 3 percent above the federal student loan rates. The remaining nine programs determined their rates annually on the basis of various criteria such as the prime interest rate or a Federal District Reserve interest rate.

One program actually had an interest rate above 100 percent. For the NYS Regents Health Care Opportunity Scholarships, participants who did not work in a designated shortage area within one year of completing their studies must repay "twice the amount of all scholarship monies received plus interest."

**Interest accrued.** Sixteen programs (of 77) started calculating interest at the time participants received their award. Another 18 programs started to calculate interest at graduation. Twenty programs started calculating interest within one year after recipients completed their educational programs. Finally, 15 programs did not begin to calculate interest until participants failed to meet the terms of the workforce agreement.

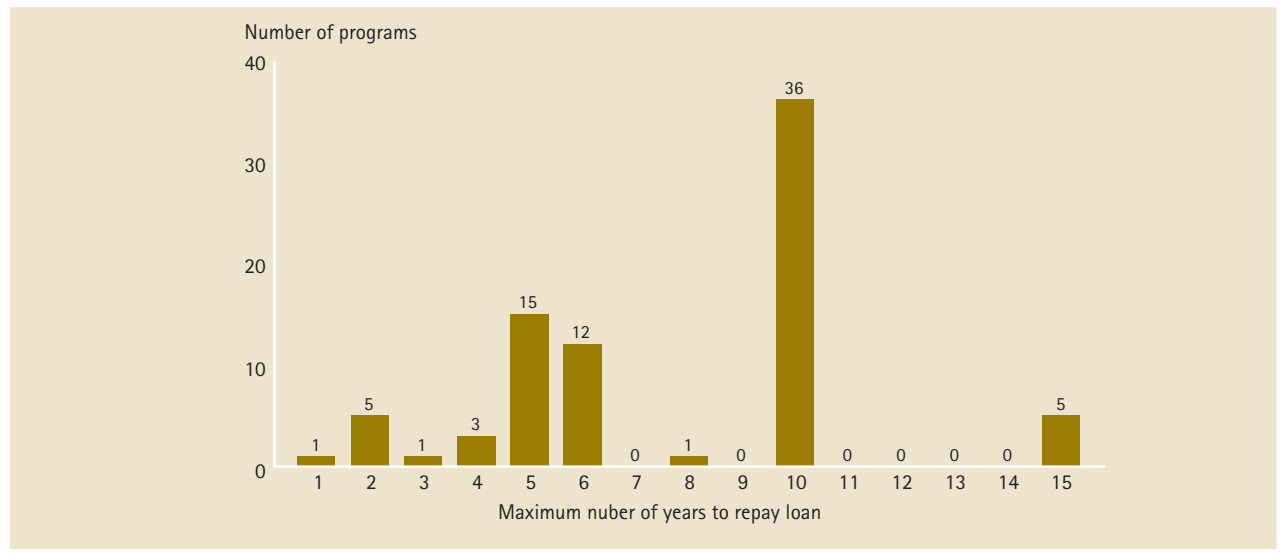
<sup>12</sup> In some circumstances, participants may not have to repay the funding. Although these circumstances vary by state, most include exemptions for death and severe illness. Some particular exemptions include inability to pass licensing exams or lack of qualifying employment available in the state.

Some programs employed a combination of these strategies. For example, in the Louisiana TOPS – Teacher program, interest began to accrue when (a) workforce requirements could not be met within the required timeframe, (b) the recipient indicated that she or he would not complete the workforce requirements, or (c) six months after the recipient changed to an unapproved degree program.

**Length of time allowed for reimbursing funds.** The 79 programs reporting these data allowed an average of 7.6 years for participants who did not fulfill workforce obligations to pay the loan. Ten programs required that the loan be paid within 4 years (see Exhibit 2-4). Twenty-eight programs allowed from 5 to 9 years for paying back the loan. Most programs (41 programs) allowed 10 to 15 years for paying back the loan, although 10 years was much more common than 15 years.

**Penalties for defaulting on loan payments.** The penalties for defaulting on workforce-contingent financial aid funds by not meeting workforce requirements or not making payments were similar to the penalties for most other loans. Programs turned cases over to a collection bureau, garnished wages, imposed penalty interest, and subjected the defaulting participants to litigation.

**Exhibit 2-4. Distribution of In-School workforce-contingent financial aid programs in 2001-2002, by the maximum number of years allowed to repay the loan without workforce service**



### In-School WCFA Program Impacts

This description of In-School WCFA programs illustrates the many ways that these programs have emerged within states. Although 37 of the 50 states have adopted at least one such program, the variations in program size, occupational areas supported, and service requirements suggest a strong need to understand how workforce-contingent financial aid affects both the students who receive support and the program administrators within the state.

One of the more telling survey findings is the lack of information that states had about various participant outcomes. Some programs knew the number of participants with current obligations but could not separate those meeting the workforce obligation from those repaying the financial assistance. Other programs could not distinguish the number of students who completed their service obligation from the number of students who completed only partial service. Only about 50 programs were able to provide relevant outcome information.<sup>13</sup> A summary of the limited information that respondents were able to provide about program outcomes follows.

### What did states report about how recipients meet their workforce obligations?

A logical indicator of success for an In-School WCFA program is the degree to which aid recipients fulfill the required workforce obligation. Forty-eight programs were able to report the approximate percentage of their participants who completed their obligation with at least some service in the history of the program. These 48 programs reported that on average, 63 percent of program participants completed at least some workforce service.

Some programs also provided the status of participants who have completed their education but have remaining obligations to the state (see Table 2-3). For programs able to provide information, about 57 percent of participants, on average, were working in required service employment. Approximately 8 percent of participants had fulfilled some of their work requirement but were currently repaying the program with cash. About one-quarter of participants had not worked in service employment and were repaying the program with cash. Finally, about 11 percent of program participants defaulted on their obligations.<sup>14</sup>

**Table 2-3. Status of repayment obligations for In-School workforce-contingent financial aid participants in 2001-2002**

	Average Percentage	Number of Programs
<b>Overall Success Rate:</b> In the history of the program, the average percentage of participants who have fulfilled their obligation with service.	63%	48
Of the participants with a remaining obligation, the average percentage working in required employment.	57%	51
Of the participants with a remaining obligation, the average percentage paying back after having worked at least in part in required employment.	8%	46
Of the participants with a remaining obligation, the average percentage paying back without working in required employment.	24%	52

13 Respondents were unable to provide data for 12 programs because they were new and did not have any participants in the payment phase yet. For several other programs, respondents indicated that they were unable to provide information owing to the timing of the survey (e.g., they were in the middle of their funding cycle).

14 Nationally, about 6 percent of students default on their federal student loans.

When asked to report about how the state tracks students in these programs, 83 percent of respondents stated that the program office or agency does the tracking. As already noted, once a program determines that a student is delinquent in payments, the case may be turned over to a collection bureau. However, we suspect that there are few resources or incentives for programs to vigorously track students who do not complete their workforce obligation. As a result, it is likely that the penalty lacks strong enforcement in many cases.

### **What did states know about program outcomes?**

Respondents reported that studies had been conducted on 10 In-School WCFA programs. In reporting on the results of a new program, Iowa found that the number of new teachers certified in shortage area subjects doubled in each of the first three years of the program. Delaware conducted an in-depth evaluation of its Christa McAuliffe Incentive Program (for teachers) from its inception in 1986 through 2000 and found that 72 percent of program participants completed at least some service. In an important measure of program success, Delaware found that 80 percent of participants who completed some service continued to teach after their service obligation was fulfilled. However, the report does not provide information on whether the funding itself influenced individuals who may not have considered teaching as a profession to enter teaching, an important yet generally unanswered issue surrounding In-School WCFA programs.<sup>15</sup>

Although it is likely that research exists that respondents did not report, it is safe to say that not enough states are investigating either program outcomes or participant characteristics. This finding is supported by case studies of 11 states conducted by the Institute for Higher Education Policy (Wellman, 2002) that found that "there is little evidence that categorical programs are evaluated systematically for effectiveness (by any definition of effectiveness) once in place" (p. 9). Particularly in a time when states are facing serious budget crises, studies of programs' effectiveness are important for determining priorities. If WCFA programs do not attract students to professions experiencing shortages, or if students who accept assistance from the program do not enter the required profession, the costs of In-School WCFA may need to be reconsidered. This is particularly the case given that students who accept assistance but do not fulfill their workforce obligation must repay the aid and the state (or at times, the institution) must collect the loan repayments from the student. This effort can be costly.

### **What did financial aid administrators think about In-School programs?**

Although states had little data, administrators expressed opinions about two important program goals. About 75 percent of 69 respondents thought that their program was effective in meeting workforce needs. About 85 percent of 77 respondents thought that the program was effective in meeting students' needs for financial aid. Table 2-4 presents a sample of respondents' statements about their programs.

<sup>15</sup> Louisiana indicated that it was attempting to address this question for its teaching program.

**Table 2-4. Sample of survey respondents’ opinions concerning In-School workforce-contingent financial aid programs**

*Is the program effective in providing financial aid?<sup>16</sup>*

Yes or No	Area	Response
No	Nursing	The program has been underfunded. This makes the awards too small to have much of an impact on financial need.
No	Nursing	Since this program is underfunded, it does not touch too many students.
No	Teaching	The cost of education increases at least every other year, but the amount of the scholarship does not.
No	Teaching	The eligible population is limited
No	Teaching	The loan amounts from this program are very small in comparison to a great deal of federal loans available.
Yes	Eng/Tech	This is a high-tuition state. Any additional source of funds, particularly in the form of grants, improves the ability of students to efficiently pay for higher education.
Yes	General	It is an easily obtainable low-interest loan with potential to have some of it forgiven.
Yes	General	This scholarship targets a non-traditional population. In so doing, it allows students to continue their education with a reduced financial burden.
Yes	General	This award represents a significant portion of in-state tuition at public institutions. It also assists in defraying the higher costs of our private colleges and universities.
Yes	Nursing	A loan that becomes a grant and pays full tuition makes a substantial difference in affordability. However, cash repayment is fairly high in this program, so many students are taking out a higher-rate loan.
Yes	Nursing	Many recipients tell us they would not have been able to attend nursing school without this loan.
Yes	Other Education	This full-tuition grant substantially reduces cost of attendance, especially for graduate students where most aid is loans.
Yes	Other education	Many of the individuals pursuing degrees in this field are low-income students. The financial incentive allows them to begin or continue study when they may have been unable to do so otherwise.
Yes	Other health care	This program offers financial assistance to students who otherwise might not qualify for any other type of financial assistance to complete a college education.
Yes	Physician	Graduate students have very few non-loan options in financing their education.
Yes	Physician	This program provides access to a program not available in state, but pays only a portion of tuition if the borrower returns to work in the state. There were approximately 90 applicants for 10 available slots.
Yes	Physician	\$20,000 per year is slightly less than half the cost of medical school, which substantially reduces a student’s need to borrow.
Yes	Teaching	This program pays full tuition, which makes a substantial impact on affordability.
Yes	Teaching	This program gives a small amount of financial aid, but it should be increased.
Yes	Teaching	This is better than a student loan, especially if the student plans to teach in the state.
Yes	Teaching	It’s always difficult to get money for graduate school.
Yes	Teaching	The program supplements other financial aid programs and makes loans available to everyone without regard to need.
Yes	Teaching	All recipients receive the maximum allowable amount, which in most cases exceeds the cost of their program.
Yes	Teaching	Generally, the recipients of this program are not typical college-aged individuals. They tend to be older individuals who do not have traditional sources of gift assistance readily available to them.

<sup>16</sup> Respondents were assured that their personal responses would be kept confidential; therefore, we do not report information that would identify a particular program or state. Also, responses have been edited.

**Table 2-4. Sample of survey respondents’ opinions concerning In-School workforce-contingent financial aid programs—Continued**

*Is the program effective in meeting workforce needs?*

Yes or No	Area	Response
No	Nursing	The number of nurses produced is insufficient to ensure that the state-owned hospitals maintain their accreditation easily.
No	Nursing	The program should be partnered with a referral system. Many of our graduates are leaving the state.
No	Nursing	This program has historically been underfunded. In order to make awards to all eligible students, the amount of the award has not been large enough to be an incentive.
No	Nursing	Only one-third of all recipients have practiced in a qualifying rural area. Students consider it as simply another loan.
No	Physicians	It appears that the percentage of graduates that return to the state (from an out-of-state program) to practice medicine is the same as for recipients of this program. In addition, there appears to be no shortage of primary care physicians now, as there was perceived to be when the program was established. Shortages in obstetrics and child psychiatry exist, but...the long pipeline in this program makes it an inefficient way to meet the need.
No	Teaching	There is no referral or recruitment system in place to help scholars locate teaching positions within the state.
No	Teaching	Given the cumbersome statutory eligibility criteria and the administrative burden necessary to track students through the education phase, grace period, and forgiveness period, along with the costs of collecting funds from those in repayment, this program does not serve the state’s needs. The state would be better off offering direct loan repayment to teachers already in service, or better yet offer “no strings attached” scholarships and grants to encourage students to enter the profession.
Yes	General	This program provides the state’s brightest students with an incentive for remaining in the state for their education and career. The program does not aim to overcome any individual shortage area, but reduces the “brain drain” of individuals leaving the state.
Yes	Nursing	It encourages older people who didn’t attend college when they graduated from high school, due to financial or personal reasons, to go to college. The service obligation is not a deterrent as it is with some younger students.
Yes	Nursing	A total of 73 percent of recipients have or are currently repaying their loan(s) through service. This means that the program is responsible for improving...health care in certain areas.
Yes	Other Education	It is helping to meet some of the need, but nowhere near enough. There is a tremendous shortage of good teachers.
Yes	Other Education	It helps to attract outstanding educators, which prepares them to practice as principals and assistant principals where need exists.
Yes	Other Health Care	The program has been especially effective in recruiting nurse practitioners and physician assistants to rural underserved areas. This year the Legislature increased the amount...to make the program more effective with physician recruitment.
Yes	Physician	The rate of individuals returning to the state (from an out-of-state program) is good.
Yes	Teaching	Information gathered in previous years reflects approximately 45 percent of borrowers earn all five years of eligible forgiveness benefits, meaning they teach for at least five years after earning their teaching certificate.
Yes	Teaching	This program has a 62 percent success rate in attracting minorities into public K-12 classrooms.
Yes	Teaching	Seventy percent of those who receive these funds teach in the state even though other states actively recruit these graduates and offer higher salaries.
Yes	Teaching	The program helps to encourage those individuals who have demonstrated outstanding academic abilities to pursue teaching careers.

Some administrators felt that the program was not successful in meeting workforce needs. A few themes emerged from their critiques:

- The programs need referral systems to help participants find appropriate service employment.
- Participants tend to think of the program as a loan and do not complete service employment.
- Because of the lag time between participants' education and their employment, programs cannot quickly refocus to meet changing employment needs in the state.
- The programs are an administrative burden, particularly in following students into the workforce, and the administrative costs are not an effective use of funds.

Studies focusing on the connection between program characteristics and outcomes would ideally provide information on important issues such as the relationship, if any, between the loan payment environment (such as interest rates) and the percentage of students in service employment. Although some students might use programs with low (or no) interest as a loan source and not necessarily plan to meet the workforce obligation, no research has examined this issue.

Other administrators were more positive about the role that the programs played in meeting state workforce needs:

- The programs help keep talented students in the state.
- The programs are particularly appealing to older students who are more comfortable with the in-state service obligation.
- The programs promote specific, high-need specialties.
- The programs promote specific, high-need geographical areas.

Concerning the impact of the financial aid itself, many administrators felt that any additional funding to help meet the high cost of tuition was an important contribution. However, quite a few administrators felt that their particular programs had award amounts that were too small to provide significant assistance.

### What Do We Know about In-School WCFA Programs?

Several themes emerge from this overview of In-School WCFA programs. The number of programs that provide financial aid to students while in school in exchange for working in specified occupational areas upon graduation has increased. These programs support a variety of occupational areas, although teaching and medical fields were the most common. Programs also supported both undergraduate and graduate degrees. States used a variety of criteria to select participants. There was also considerable variation in the workforce obligations that states impose. Although all programs required recipients to work within the state upon graduation, the calculation of the actual amount of work time, as well as the penalties for failing to fulfill the service obligation, varied considerably. Despite the proliferation in and variety of these programs, however, states have done little research to determine whether these types of financial aid programs are an effective way of either providing financial assistance to students or attracting workers to occupations that are experiencing shortages.

## Chapter 3.

# On-the-Job Workforce-Contingent Financial Aid Programs: Repaying Existing Student Loans

Unlike In-School programs, which provide financial assistance to students who are currently enrolled in postsecondary education, On-the-Job programs assist recipients who have graduated from a postsecondary program in repaying an existing educational loan. Although On-the-Job workforce-contingent financial aid (WCFA) programs were less common than In-School programs, 22 states supported approximately 39 different programs. This chapter describes the structure and size of the various On-the-Job programs.

### Characteristics of On-the-Job Programs

#### What were the participation requirements for On-the-Job Programs?

In-School WCFA programs provide financial aid to individuals who indicate an interest in or a willingness to work in a specified occupation at a future date, typically upon graduation. On-the-Job programs face a much simpler situation: they recruit people who (a) are looking for positions in a specified occupation and (b) have existing educational loans of the type required for the program. Essentially, all programs repaid standard federal education loans obtained to pay tuition and other education-related expenses.

Although most In-School programs required participants to be residents upon entrance to the program, On-the-Job programs merely required individuals to be working in the state upon entering the program.

Some programs verified residency before accepting participants. For example, the Delaware State Loan Repayment Program for Physicians and Dentists requires that participants live 30 minutes from their practice.

#### What criteria were used to select participants?

Primarily, On-the-Job programs recruited recent graduates looking for employment in fields specified by the program. Neither performance in college or graduate school nor standardized test scores were typically considered.

#### What must participants do to continue to receive support?

Most programs that provided support for multiple years required participants to regularly provide verification that they continued to meet the program requirements. About 80 percent of all programs reported requiring participants to reapply yearly. Three programs even required reapplication every six months. Six programs specifically mentioned also verifying participants' loan status with lenders. A few other programs required proof of continued licensure or certification. If participants left positions or repaid their educational loans before receiving the maximum amount of support, further support was not provided.

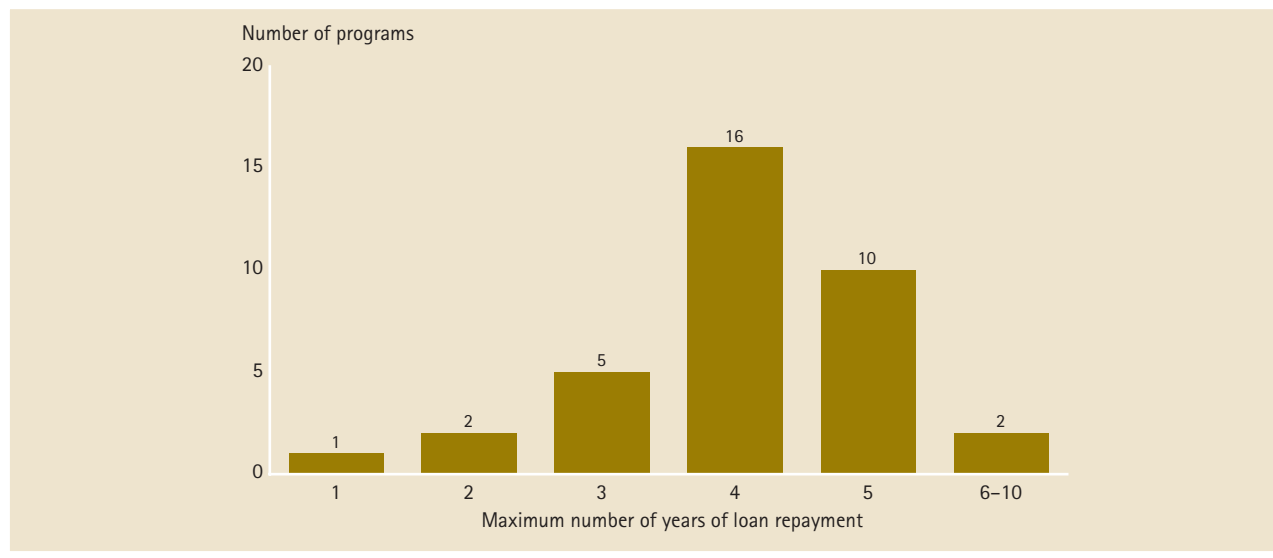
### How many years could participants receive support?

Most of the On-the-Job programs granted loan repayment for up to four or five years (see Exhibit 3-1), and there was little variability across occupational areas in the maximum number of years that programs supported participants (see Table 3-1). There was more variation in the amount funded than the period of time funded. This may indicate an effort to keep people in the field for a significant period of time.

In a deviation from the norm, Texas's Border County Doctoral Faculty Education Loan Repayment Program forgave portions of participants' loans for up to 10 years.

The average maximum number of years to receive funding was 4.2 for On-the-Job programs (of 36 programs). This is close to, but slightly higher than, the number of years of participation for In-School programs. However, these two types of programs provide support during different points in the education pipeline. The maximum number of participation

**Exhibit 3-1. Distribution of On-the-Job workforce-contingent financial aid programs in 2001-2002, by the maximum number of years available for loan repayment**



**Table 3-1. Maximum number of years of loan repayment for On-the-Job workforce-contingent financial aid programs, by occupational area**

Occupational Area	Average Number of Years	Number of Programs
Teaching	3.9	9
Other Education	3.5	2
Physician/Dentist/Optometrlist	4.1	12
Nursing	3.4	5
Other Health Care	4.5	4
Engineering/Technical	4.7	3
Other	10.0	1

years for In-School programs is based on the years required to attain a certain level of education. On-the-Job programs instead base their maximum number of participation years on the states' interest in providing the incentive to retain participants in a particular job.

### How much of the loan was repaid each year?

As noted in the previous chapter, states used three ways to calculate the service obligation for In-School programs. Two of these contingencies are relevant for exploring the workforce contingencies for On-the-Job programs: (a) a set amount of funding for each period of employment and (b) a uniform length of service employment.

**Set amount of funding.** Most programs had one set repayment amount for each year of service. On average, On-the-Job programs repaid participants \$9,146 for each year of service. The amount of loan repayment ranged from \$1,000 a year to \$30,000 a year. In both of Florida's On-the-Job programs, participants received \$5,000 a year for graduate loans and \$2,500 a year for undergraduate loans. Other states increased the amount repaid for each subsequent year of service. For example, Montana's Physician Loan Repayment Program repaid \$7,000 for the first year of service and increased the amount for each successive year; the fifth, and final, year was worth \$11,000.

Oregon's Nursing Services Program adjusted the yearly remittance on the basis of cost-of-living increases.

The yearly repayment amount also varied depending on the occupational area being supported (see Table 3-2). The average yearly loan repayment for the six physician programs was nearly \$19,000. For other health care programs, the average annual repayment was about \$14,000. In contrast, the average for teacher programs was about \$2,500. An interesting comparison can be made between In-School and On-the-Job programs in the average value for one year of service. For health care fields, On-the-Job programs provided more funding per year of work, whereas for all other fields, In-School programs provided more funding per year (see Table 3-3).

In Rhode Island's Nursing Reward Program and Teacher Reward Program, the state paid only the interest on the loan, not the principal.

**Table 3-2. Average yearly loan forgiveness for On-the-Job workforce-contingent financial aid programs in 2001-2002, by occupational area**

Occupational Area	Average Yearly Maximum	Number of Programs
Teaching	\$2,500	5
Other Education	\$2,415	2
Medicine/Dentistry/Optomety	\$18,790	6
Nursing	\$9,092	3
Other Health Care	\$14,167	3
Engineering/Technical	\$1,750	2
Other	\$3,500	2
<b>Overall Average</b>	<b>\$9,146</b>	<b>23</b>

**Table 3-3. Comparison between the average value for one year of employment for In-School and On-the-Job workforce-contingent financial aid programs in 2001-2002, by occupational area**

Occupational Area	Average for In-School Programs	Number of In-School Programs	Average for On-the-Job Programs	Number of On-the-Job Programs
Medicine/Dentistry/Optomety	\$10,400	10	\$18,790	6
Other Health Care	\$6,000	4	\$14,167	3
Nursing	\$4,345	10	\$9,092	3
Engineering/Technical	\$4,938	8	\$1,750	2
Other	\$4,643	7	\$3,500	2
Other Education	\$3,917	4	\$2,415	2
Teaching	\$3,656	25	\$2,500	5

**Uniform length of service.** A few On-the-Job programs repaid a set percentage of students' loans for each year of service rather than a set dollar amount. These programs ranged from 10 to 25 percent of outstanding student loans per year. Most, but not all, of these programs allowed participants to continue receiving payment for the number of years necessary to repay 100 percent of loans. For example, Oregon's Rural Health Services Program repaid 20 percent of participants' loans per year of service for up to five years. Thus, if participants offered the specified services for five years, they had 100 percent of their eligible loans repaid. Texas's Early Childhood Care Provider Student Loan Repayment Program offered participants 15 percent of their loan repaid for each year of service for up to five years. Thus, only 75 percent of participants' loans could be repaid.

Pennsylvania's Primary Health Care Practitioner Loan Repayment Program forgave incremental percentages for participants. For the first year of service, 15 percent of participants' loans was repaid. This percentage increased for each year of service for up to four years (20 percent for their second year, 30 percent for their third year, and 35 percent for their fourth year). After four years of service, 100 percent of participants' outstanding loans was repaid.

Some interesting implications are associated with loan repayment based on percentages. In these cases, the size of the incentive depends on the size of participants' outstanding loans. Physicians, in particular, tend to have extremely large educational debt, and four of the six percentage-based programs were geared toward physicians. Nationally, students who borrow money to attend medical school complete their medical education with an average debt of approximately \$104,000 (AAMC, 2002). Given that the percentage repayment was as high as 30 percent, loan repayment based on percentages could be worth \$31,000 a year for some new physicians. In contrast, the incentive would be significantly less for the individual with \$10,000 in loans, about \$3,000 a year.

**What is the total available support?**

For most programs, the total available support was equal to the maximum number of years multiplied by the maximum amount per year. A few programs had total funding cut-offs lower than this product. The average maximum amount available for a single participant was about \$41,000 (for 29 programs).

Given that the value of one year of work tends to be higher for On-the-Job programs than In-School programs, it follows that the same holds true for the total potential value for full program participation.

The average maximum amount of funding available to participants in In-School programs was only \$21,000. This value is about half that of the On-the-Job programs. This difference is likely due to the relative frequency of On-the-Job programs for physicians (and other health care workers), which tend to provide more funding regardless of the type of program.

### What are the requirements for the workforce position?

For In-School programs, the most common workforce requirement related to the type of employer; for On-the-Job programs, the most common workforce requirement related to the geographical areas of the state in which the work was needed. Nineteen of 38 On-the-Job programs imposed geographical restrictions. These programs tended to repay loans for participants working in disadvantaged areas with a high need for certain professionals. In particular, participants in 10 of 11 physician programs were restricted geographically.

The Ohio Physician Repayment Program granted loan repayment to physicians who agreed to practice in a Health Professional Shortage Area with a certain percentage of Medicaid and Medicare patients. Pennsylvania had a similar program in which participants had to work in a Rural and Urban Health Professional Shortage Area.

The second most common workforce requirement for On-the-Job programs limited participants to work in a specified subspecialty. About 40 percent of all programs imposed such a requirement. These programs required participants to work in certain specialties, such as optometry or teaching English as a second language. In particular, seven of nine teacher programs had field requirements. The Colorado Loan Incentive for Teachers specified that participants must teach mathematics, science, special education, or linguistically diverse education. Other programs, such as California's Assumption Program for Loans in Education, specified only that participants teach in a shortage subject area.

About one-third of On-the-Job programs imposed workforce requirements relating to the type of employer. Six of nine teacher programs placed this type of restriction on recipients. Similar to In-School programs, all of these programs required that teachers work in public schools. No physician programs had employer criteria.

Pennsylvania's Early Childhood Education Professional Loan Forgiveness Program required participants to be employed full time by a childcare provider approved by the Pennsylvania Department of Public Welfare.

### How many participants do On-the-Job programs support?

Twenty-four programs reported the number of participants in On-the-Job programs. In the 2001–2002 academic year, programs funded from 0 to 1,614 participants. The number of new recipients who received assistance in repaying educational loans that year ranged from 0 to 666. Florida's Critical Teacher Shortage Loan Forgiveness Program assisted the largest number of participants in repaying loans, approximately 1,600. This program, in operation since 1983, was also one of the oldest On-the-Job programs identified. Four programs were new for the 2001–2002 year and had not yet begun to repay student loans.

The size of the program related to the occupational area. Similar to In-School programs, teacher programs tended to be large, averaging about 340 participants. Health care programs were significantly smaller, averaging about only 19 participants.

It appeared that most students in In-School programs were not receiving funding for all available years. The same pattern was evident for On-the-Job programs. For example, in Florida's Critical

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Teacher Shortage Loan Forgiveness Program, approximately 600 participants enter the program each year. This program provided up to four years of funding, yet only about 1,600 teachers were in the program – far fewer than the 2,400 predicted on the basis of the number of entering participants. Across all programs providing data, the expected number of participants averaged 217 but the actual average number of participants was 92. It appears that participants are not staying in these programs as long as they could.

### **On-the-Job WCFA Program Impacts**

On-the-Job programs, although fewer in number than their In-School counterparts, appear to be gaining in popularity. As with the In-School programs, states have structured their programs in a variety of innovative ways. And like In-School programs, little is really known about the impact of these programs on recipients.

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The different structures of In-School and On-the-Job workforce-contingent financial aid programs result in different indicators of success. For In-School programs, the number of participants who work in the specified occupational area upon graduation can be viewed as an indicator of program success. Since On-the-Job programs support individuals who have already obtained the educational credentials required for the specific occupation, the main evaluation question becomes: Would participants have worked in these types of positions if their educational loans were not repaid?

Specifically, program success can be measured by whether individuals are more attracted to work in different areas (in either a geographic area or a subspecialty) than they might have been without the loan repayment incentive. An individual graduating from medical school is most likely going to become a doctor but may not consider practicing in an underserved rural area without the inducement of loan repayment. Similarly, an individual with teaching credentials probably will teach, but perhaps the incentive of an On-the-Job WCFA program will influence that person to become a secondary mathematics teacher rather than an elementary teacher.

Another potential indication of an On-the-Job program's success relates to the number of individuals who actually participate in a program relative to the number of individuals for whom the state is willing to repay loans. If, for example, a program has the funds to support 40 physicians to work in underserved areas but only 20 are participating, the program might be viewed as not being as effective as it could be.

A final indicator of effectiveness relates to retention within the workforce. Do participants in On-the-Job programs remain in the specialty or geographic area of need after the loan repayment is complete or maximized? Unfortunately, the scope of this study did not allow answers to these questions, though it does suggest areas for further research. However, this study did determine what states have learned and what administrators believe concerning the success of the programs.

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### What do states know about program outcomes?

Only one state reported that any research had been conducted on an On-the-Job program. Washington state reported that its Health Professional Loan Repayment Program was included in a national study of similar programs. The lack of formal research conducted on this sort of program is indicative of the need to study workforce-contingent financial aid in greater depth.

### What do financial aid administrators think about programs?

Although there are no objective outcome measures of On-the-Job programs, comments from administrators provide a glimpse into some of the perceived pros and cons of the programs. The majority (20 of 24 administrators) reported that they thought the program was effective in meeting workforce needs. The comments fell into a few categories, reflected by the following types of responses:

- Little risk is involved. Even if participants do not stay in the program for the maximum number of years, the state has still gained some service.
- The program provides an incentive to serve in shortage areas.
- On-the-Job programs allow underserved populations to receive affordable services that they otherwise might not have had access to.

Some administrators noted that the program had failed to attract participants.

Administrators were less optimistic about the financial aid utility of On-the-Job programs than about their impact on the workforce needs of the state. About 63 percent of respondents thought that these programs were effective in providing financial assistance. Following are a few examples of common concerns and comments:

- The financial incentive makes it affordable for participants to accept employment in underserved areas.
- The programs provide needed assistance in paying off large amounts of debt.
- The nature of the repayment structure makes for an inadequate incentive.

Administrators sometimes made additional comments about the programs. Although most administrators seemed to express that these programs have been a positive force, some interesting issues were noted:

- Individuals already in the specified field may be resentful because they are not receiving the same loan repayment benefits as individuals who are new to the field.
- On-the-Job programs result in a 100 percent return on the dollar because service is rendered before payment.
- On-the-Job programs are more cost effective than In-School programs because they save the time and money associated with tracking and collections.

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### **What Do We Know about On-the-Job WCFA Programs?**

Despite the relatively small number of programs, feedback on On-the-Job programs was fairly positive. In addition to their perceived impacts on assisting students financially and attracting individuals to workforce shortage areas, these programs are easier to administer than In-School programs. Because On-the-Job programs repay existing loans, monitoring recipients requires only ensuring that they remain employed in acceptable jobs. In-School programs, in contrast, typically require monitoring students while in school as well as their employment upon graduation. Participants who do not fulfill their workforce obligations must repay the loan, which requires additional tracking and monitoring. On-the-Job program recipients who do not continue in acceptable positions simply stop having their existing loans repaid. Perhaps these benefits of On-the-Job programs are contributing to their faster growth relative to their In-School counterparts.

## Chapter 4.

### Summary and Conclusions

A rapidly growing, yet to some degree unrecognized phenomenon, workforce-contingent financial aid (WCFA) programs exist at both the national and state levels. These programs link financial assistance in covering education expenses to some type of workforce obligation. Forty-three states support programs that either (a) provide financial aid to students enrolled in school in exchange for a future workforce commitment or (b) repay an existing educational debt in exchange for specified work. The distinction between these two types of programs indicates not only when an individual must commit to a specific career but also how the state must monitor the program.

Through a survey of state financial aid administrators and information gleaned from state higher education Web sites, this study identified 161 different WCFA programs in 43 states. According to the 100 programs that provided data, more than 26,000 individuals received support from either In-School or On-the-Job WCFA programs in the 2001-2002 academic year. Occupational areas most typically supported are teaching, nursing, and medicine. In-School programs (those that provide financial aid while a student is enrolled in school) accounted for about 75 percent of all programs and supported about 90 percent of all identified participants. However, between 1998 and 2002, On-the-Job programs (those that provide financial assistance in repaying educational loans once the participant is in the workforce) appeared to be increasing in number at a faster rate than In-School programs.

Although this study did not intend to determine the effectiveness of WCFA programs at the state level, it uncovered evaluations that states themselves had conducted. It is surprising that very few studies emerged that evaluated the financial aid or the workforce aspects of these programs. Furthermore, very few studies of WCFA programs exist at the national level. Thus, the growth of these programs seems to be based more on political appeal and appearances (that is, they give the impression of addressing the problems of both escalating college prices and workforce shortages) than on any real data demonstrating their effectiveness in providing financial aid and supplying needed workers in specified occupations.

This situation brings us back to the quotation that introduced this report:

*What could possibly be wrong with a program that provides financial assistance to students to attend college and helps address state workforce shortages?*

The only reasonable response to this somewhat rhetorical question must be: we really do not know whether these programs are the best way to help individuals, whether currently enrolled in school or repaying loans, cover educational expenses. Also, we really do not know whether programs themselves are helping reduce workforce shortages or whether those accepting financial assistance would

have worked in the occupational or geographic areas without the incentive of loan forgiveness or repayment. Thus, to address this legislator's question requires an understanding of workforce-contingent financial aid programs that does not currently exist. Such an understanding would require addressing the following types of questions.

***Do students who are asked early in their education to declare majors and work intent remain in their initial major and field?*** This question relates to In-School programs that require students not only to commit to a major and occupation but also to remain in the state upon graduation. In-School WCFA

A Delaware study found that recipients who entered the Christa McAuliffe Teacher Scholarship Loan Program upon graduation from high school were considerably less likely to complete a workforce obligation than recipients who received financial assistance after entering college (45.8 percent versus 64.5 percent, respectively).

programs vary with regard to when students can apply for and receive assistance, but to receive aid most recipients must make these decisions either while a high school senior or while in college. One could ask whether it is wise or practical to ask students to make commitments to a major, occupation, and place of residence upon graduation at ages when they perhaps have not explored a range of options. A study of more than 8,000 students who entered the State University of New York at Buffalo in 1985, 1986, and 1987 found that only 27 percent of graduates ended up in the same major they declared as freshmen (SUNY-Buffalo, 1994).

***Are workforce-contingent financial aid programs attracting individuals who otherwise may not have entered that occupation or specialty?*** There is some indication that these programs do influence students' course of study, at least when it comes to selecting an area of specialization. A study in Iowa, for example, found that the number of individuals becoming certified in shortage subject areas increased significantly after the implementation of an In-School WCFA program. Another study of 206 participants in the Physician Shortage Area Program of a hospital in Pennsylvania found that graduates of the program were more likely to work in rural and underserved areas of the state than were their classmates who did not participate in this program. Recipients also tended to remain in these areas after fulfilling their workforce commitment (Rabinowitz et al., 1999). Although both of these studies suggest an impact on career decisions, the studies were relatively small and should be replicated across WCFA programs that attempt to attract individuals to a range of different occupations with varying types of incentives. Furthermore, discussions with recipients themselves might shed some light on different programs' impacts.

***Are workforce-contingent financial aid programs attracting the "best and brightest" individuals to the occupational areas supported?*** If, as suggested above, WCFA programs influence people's occupational choices, questions need to be asked: Do these people turn out to be an asset in the workforce? Are the programs recruiting "bodies" into positions or are they attracting dedicated, motivated, and high-quality employees? Consider teaching, the occupational area with the largest number of WCFA programs. Both the need for more teachers and the need to improve teaching and classroom instruction are currently two critical education policy issues (U.S. Department of Education, 2002). An individual who takes advantage of the financial assistance offered through an In-School workforce-contingent financial aid program but who does not really want to teach will probably not make the best teacher. A comprehensive evaluation of WCFA programs therefore needs to go beyond counting the number of recipients and changes in workforce patterns to examine the quality of individuals who end up in the designated occupational areas.

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Furthermore, those who work in occupational areas to fulfill repayment obligations may not always become the most dedicated of employees. It is enormously expensive to hire and train new employees, making it critical to determine whether individuals who participate in WCFA programs tend to leave positions before the end of their obligation (or before the maximum loan repayment amount is reached) or soon after its completion.

All of these questions could be answered by (a) talking to the employers to see whether their experiences show systematic differences in employee performance between WCFA participants and non-participants and (b) compiling data on what positions WCFA program participants take, how often they change positions, and what positions they are in a few years after the program ends. Given the occupations that are most frequently addressed in WCFA programs, teaching, nursing, and medicine, the quality and stability of the staff are critical to providing quality services to states' most vulnerable citizens.

***What are the implications of limiting participation to state residents?*** From a political perspective, it is easy to understand why participation in workforce-contingent financial aid programs is limited to state residents. Policymakers and taxpayers alike typically believe that those who pay the taxes should receive the benefits. If the primary intent of a program is to provide financial assistance, limiting recipients to individuals who live in the state is understandable. If, however, the major intent of the program is to meet urgent workforce needs, where an individual lives or lived becomes less relevant. As noted, very few states allow non-residents to participate in their WCFA programs. It would be useful to consider broadening participation to non-residents when workforce needs drive the program and to investigate whether there are indeed differences between residents and non-residents in terms of fulfilling workforce commitments and remaining in positions upon completion of this commitment.

***Are workforce-contingent financial aid programs excluding individuals?*** From a workforce perspective, one might ask whether individuals who did not need or receive loans to finance their education are being excluded from positions designated as fulfilling workforce obligations. Other individuals who did not borrow money might also be attracted to fill shortage areas with different kinds of incentives. Equity issues thus need to be considered. It is not difficult to envision two new teachers hired by the same school, one having a portion of her undergraduate loans forgiven or repaid and the other who could have borrowed money and did not, wondering why he did not take out a loan.

***What are the administrative costs associated with workforce-contingent financial aid programs?*** The responsibility for administering In-School programs typically requires monitoring not only the recipient's progress through school but also his or her employment for a number of years upon graduation. Thus, tracking participants requires considerable attention. This situation can be a particular burden for programs administered by a state financial aid office, but it can also be a problem for states that decentralize the administration of programs to individual institutions. As the survey results indicated, very few states could report the number of recipients in their In-School programs who completed their service obligations, the number currently fulfilling the workforce requirement, the number who failed to fulfill the workforce requirement and were repaying their loans, and the

number who were in default and could not be located. States should attempt to keep this kind of information so that the costs of operating WCFA programs can be determined and their benefits relative to their costs can be ascertained.

***How effective are workforce-contingent financial aid programs relative to other types of financial aid?***

This broad question suggests a series of related questions regarding WCFA: Do the programs work? Do these programs help students meet their education expenses better than, or at least as well as, other forms of financial aid? Do these programs diminish workforce shortages? Are the costs of administering WCFA programs worth the effort?

In addition to needing to learn more about the effectiveness of these programs in general, it is also important to determine which type of program — In-School or On-the-Job — might be more effective for meeting a state's needs. Maplethorpe (2001) has provided a thoughtful summary of some of the pros and cons of these two related forms of financial aid. Some of her major points follow:<sup>17</sup>

- In-School programs take several years to produce a qualified employee, whereas On-the-Job programs can draw on any qualified individuals already in or entering the workforce. Also, in the time that In-School participants are in school, workforce needs may change so that positions meeting the requirements are no longer needed (or even available). On-the-Job programs can change requirements as the workforce needs change.
- Tremendous costs are associated with tracking student service or payment in In-School programs. The burden for tracking is on the administrative staff rather than the participants. In addition, tracking must continue even after the program is discontinued. On-the-Job programs place the burden for program participation on the participants, and they do not need to be tracked if they leave the program.
- Although most In-School programs fund students further along their educational career, many programs enroll students as early as high school. In On-the-Job programs, students do not need to commit at these young ages to specific majors and career paths.

Maplethorpe concludes that On-the-Job programs are more effective than In-School programs:

*They allow students to select academic programs based on their aptitude and skills rather than the additional financial aid they may receive. Further, loan repayment [On-the-Job] programs cost less, more precisely target funds, and carry less administrative burden. (p. 43)*

Although more research is certainly needed to back up these conclusions, it does appear that in many situations, On-the-Job programs might be a preferable alternative.

<sup>17</sup> Maplethorpe referred to these two types of programs as "loan forgiveness," which we classify as "In-School," and "loan repayment," which is labeled "On-the-Job" in this report. For purposes of consistency and clarity, this summary of her advantages and disadvantages uses the terms used throughout this report.

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This report has taken a necessary first step in understanding WCFA programs. From a state policy perspective, the issue typically examined is whether aid focuses primarily on financial need or academic merit. However, state aid programs that tie financial assistance in paying higher education expenses to work commitments have been growing rapidly, particularly in some states. By describing the numbers and types of these programs, as well as their common and unique attributes, this report focuses attention on this rapidly growing form of financial aid.

This concluding section has suggested a number of important questions that need to be addressed before existing programs are expanded and new ones are developed. These programs may be very effective both in helping students interested in working in certain occupations and in providing qualified and motivated workers. However, addressing two critical issues at once may not solve either very well. Open debate and additional research can only assist state policymakers and administrators to understand what programs are successful and under what conditions.

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# Appendix A

## State Overview Survey

\_\_\_\_\_  
 Respondent name Title

\_\_\_\_\_  
 Number of years in this position Phone number E-mail address

1. What was the total amount of funds appropriated for **all** state financial aid programs during the 2001–2002 academic year?

\$ \_\_\_\_\_

2. What was the total number of full-time equivalent (FTE) staff working on the administration of **all** state financial aid programs in the 2001–2002 academic year?

Total number of FTE staff: \_\_\_\_\_

It is possible that workforce-contingent financial aid programs (both In-School and On-the-Job) are offered and administered by agencies other than a state financial aid office. For example, a school district may attempt to attract applicants by offering to repay part of their educational loans. An agency might offer a scholarship or a loan to a student in exchange for working in that field in the state. Do you know of any other state or local public agencies that are offering any programs that meet our criteria for workforce-contingent financial aid?

Yes—describe below

No—skip to question 4

Name of public agency	Workforce shortage areas addressed by program

3. How are current or prospective workforce needs identified within your state (if known)?

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4. Have any programs in your state that meet our criteria for either In-School or On-the-Job programs been discontinued in the past five years?

Yes—*answer questions 5a and 5b*

No—*skip to question 6*

5a. If yes, what workforce area(s) did they cover?

5b. If yes, why were these programs discontinued?

6. Are you aware of research in your state that evaluated any of the following: your state's workforce needs, recruitment to meet workforce needs, or the linking of financial aid to meet workforce needs?

Yes

No

If yes, please send us a copy of any reports or tell us how we might obtain copies.

7. Please let us know if you are interested in learning more about participating as a case study state.

Yes, please contact me about doing a case study of the workforce-contingent financial aid programs in my state. (Checking this box does not commit your state to participating, just to learning more about the case study component.)

8. Please feel free to provide us with any additional information about workforce-contingent financial aid programs in your state. Include information not covered by our survey on administering these programs, such as costs, benefits, reactions from institutional financial aid directors, reactions from students, and so on.

# Appendix B

## In-School Survey

_____		_____
Respondent name		Title
_____	_____	_____
Number of years in this position	Phone number	E-mail address

1. In what year did this program begin providing funding for students (i.e., in what year did this program begin)?

\_\_\_\_\_

2. What workforce area or areas does the program cover? Check all that apply.

- |  |  |
|--|--|
| <input type="checkbox"/> No specific workforce area targeted | <input type="checkbox"/> Law enforcement |
| <input type="checkbox"/> Child care                          | <input type="checkbox"/> Medicine        |
| <input type="checkbox"/> Dental                              | <input type="checkbox"/> Nursing         |
| <input type="checkbox"/> Engineering                         | <input type="checkbox"/> Teaching        |
| <input type="checkbox"/> Law                                 |  |
| <input type="checkbox"/> Other area(s)—specify:              |  |

3. Have the areas targeted by this program been identified as experiencing or expected to experience workforce shortages?

- Yes
- No
- Not applicable, no specific workforce area targeted

4. What other criteria must a student meet to complete his or her service commitment? (Check all that apply.)

- No condition beyond specified type of job is imposed on the service commitment.
- Participant must work in specific geographic areas of the state (e.g., rural, urban, certain percentage of low income/welfare individuals).

**Specify:**

- Participant must work in a locale or an institution defined as experiencing a shortage of workers (e.g., specific school districts, hospitals).

**Specify:**

- Participant is limited to a particular type of employer.
  - Public sector
  - Private sector
  - Nonprofit
  - Other—**specify:**

- Other criteria are required of employment in order to fulfill service commitment.

**Specify:**

5. Are the workforce areas targeted by this program, or any of the other program requirements indicated in question 4, re-evaluated and modified on a regular basis?

- Yes—*answer questions 5a-5c*
- No—*skip to question 6*

5a. How often are the workforce areas or program requirements evaluated?

5b. Who re-evaluates the workforce areas or program requirements (e.g., particular committee, group, or individual)?

5c. What is considered during the evaluation?

6. Is participation in this program limited to residents of this state?

- Yes
- No

7. Are recipients required to attend institutions in the state?

Yes

7a. If yes, at what types of higher education institutions may students receive funding?  
(Check all that apply.)

- Public 2-year institutions/Community Colleges
- Public 4-year institutions
- Private not-for-profit 2-year institutions
- Private not-for-profit 4-year institutions
- Career colleges/Proprietary institutions
- Participation limited to specific institution(s)—**specify** the institutions:
- Other—**specify** the institutions:

No

7b. If no, is participation limited to specific states or to specific out-of-state institutions?

- Yes—**specify** the states or institutions:
- No

8. Is financial need considered in determining eligibility for this program?

Yes—*answer question 8a*

No—*skip to question 9*

8a. If yes, **specify** the criteria used for determining need:

9. Is academic merit considered in determining eligibility for this program?

Yes—*answer question 9a*

No—*skip to question 10*

9a. If yes, **specify** the criteria used for determining academic merit:

10. Are initial applications restricted to individuals who are at a particular stage in their educational careers (e.g., high school seniors, college students with at least 32 credit hours, bachelor's degree holders who are seeking graduate/professional training)?

Yes—*answer question 10a*

No—*skip to question 11*

10a. If yes, **specify** the restrictions:

- 
11. What levels of education does this program fund?
- Undergraduate education only
  - Graduate education only
  - Both undergraduate and graduate education
  - Other postsecondary training that leads to certification or a degree
12. Once students receive funding, do they need to re-apply to receive funding for subsequent years?
- Yes, yearly
  - Yes, other—**specify:**
  - No
  - Not applicable, only a single year of funding is available
13. Once students receive funding, which of the following requirements must they satisfy in order to continue receiving funds? (Check all that apply.)
- No specific requirements
  - Not applicable, funding cannot be renewed
  - Remain in the relevant field of study or major
  - Maintain the following grade point average: \_\_\_\_\_
  - Enroll for the following number of credits per year: \_\_\_\_\_
  - Pass the following certification exams: \_\_\_\_\_
  - Other—**specify:**
14. How does participation in this program affect eligibility for other state-funded financial aid programs?
- Recipients remain eligible for all other state-funded programs at least up to remaining financial need
  - Recipients become ineligible for need-based programs (even if they have remaining need)
  - Recipients become ineligible for merit-based programs
  - Recipients become ineligible for other workforce-contingent programs
  - Recipients become ineligible for some state programs—**specify** programs:
15. What is the maximum number of years of postsecondary funding a recipient may receive through this program?
- \_\_\_\_\_
16. What is the maximum amount of money that may be received per year? \$ \_\_\_\_\_

- 
17. What is the maximum amount of money that may be received across all years? \$ \_\_\_\_\_
18. How is the length of workforce service determined? (Check the description that best matches your practice.)
- The length of service commitment is determined by the number of years of education for which a student received financial assistance.  
**Specify** years of service for each year of assistance:
- The length of service commitment is determined by the total dollar amount of aid received.  
**Specify** dollar amount of aid forgiven for each year of service:
- Both number of years of assistance and the dollar amount received are factored into determining the length of service commitment.  
**Specify** how these two factors interact to determine the required number of years of service:
- A uniform length of service is required of all participants in this program regardless of the actual years of assistance or the dollar amount received by an individual.  
**Specify** the length of service required of participants:
- Other—**specify**:
19. Can participants reduce the length of their service by meeting additional criteria?
- Yes—**specify** how:  
 No
20. Are there conditions under which participants can be excused from repayment without completing a service obligation?
- Yes—**specify** how:  
 No
21. If service obligations are not met, please briefly explain the terms of repayment by answering the following questions.
- 21a. What is the interest rate at which participants must repay funds? \_\_\_\_\_
- 21b. When does the recipient start to incur interest? \_\_\_\_\_
- 21c. How long do participants have to repay their obligation? \_\_\_\_\_
- 21d. What consequences are imposed on participants who become delinquent in repayment?

22. Is any of the tracking of students, as they fulfill their service obligations or repayment, contracted out to a different state department or to a private organization?

- Yes, all—**specify** to whom:
- Yes, some—**specify** to whom:
- No, all tracking is done internally
- Other—**specify**:

23. How many individuals received assistance from this program in paying for postsecondary education during the 2001–2002 academic year?

\_\_\_\_\_

24. How many of these individuals received assistance **for the first time** in the 2001–2002 academic year?

\_\_\_\_\_

25. How many individuals **entered the repayment phase** of this program (either through service or by actually remitting payment) in the 2001–2002 academic year?

\_\_\_\_\_

26. In the 2001–2002 academic year, how many participants **with remaining obligations** were in the following categories?

- \_\_\_\_\_ Working in a required field (including those who completed service during this year)
- \_\_\_\_\_ Paying back (**without completing** any of the desired service obligation)
- \_\_\_\_\_ Paying back (**having completed** a portion of desired service obligation)
- \_\_\_\_\_ In default, participant's current location **known**
- \_\_\_\_\_ In default, participant's current location **unknown**
- \_\_\_\_\_ Other—**specify**:

27. Since the inception of the program, approximately what percentage of students who have completed their education have fulfilled their obligation with service?

\_\_\_\_\_%

28. What was the total amount of funds appropriated for this program during the 2001–2002 academic year?

\$\_\_\_\_\_

---

29. What was the total number of full-time equivalent (FTE) staff working on the administration of this program during the 2001–2002 academic year?

Number of FTE staff: \_\_\_\_\_

30. Are you aware of studies that evaluated the program in any way? These could include studies of program effectiveness in recruiting workers into a field, aiding students, addressing shortages, or improving the quality of the workers in the desired occupations.

Yes

No

If yes, please send us a copy of any reports or tell us how we might obtain copies.

31. Given your knowledge of this program, do you think it is effective in helping to meet the workforce needs in your state?

Yes, if yes **specify** why below

No, if no **specify** why below

32. Given your knowledge of this program, do you think it is effective in providing individuals in your state with financial assistance to meet educational expenses?

Yes, if yes **specify** why below

No, if no **specify** why below

33. Please feel free to provide us with any additional information about this program in your state. Include information not covered by our survey on administering this program, such as costs, benefits, reactions from institutional financial aid directors, reactions from students, and so on.

## Appendix C

### On-the-Job Survey

\_\_\_\_\_  
Respondent name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Number of years  
in this position

\_\_\_\_\_  
Phone number

\_\_\_\_\_  
E-mail address

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1. In what year did this program begin repaying student loans (i.e., in what year did the program begin)?

\_\_\_\_\_

2. What workforce area or areas does the program cover? Check all that apply.

- |   |  |
|---|--|
| <input type="checkbox"/> Child care             | <input type="checkbox"/> Law enforcement |
| <input type="checkbox"/> Dental                 | <input type="checkbox"/> Medicine        |
| <input type="checkbox"/> Engineering            | <input type="checkbox"/> Nursing         |
| <input type="checkbox"/> Law                    | <input type="checkbox"/> Teaching        |
| <input type="checkbox"/> Other area(s)—specify: |  |

3. Have the areas targeted by this program been identified as experiencing workforce shortages?

- Yes  
 No

4. In addition to working in a specified field, what other criteria are required of individuals to receive assistance in repaying existing loans? (Check all that apply.)

- No condition beyond specified type of job is imposed on the service commitment.
- Participant must work in specific geographic areas of the state (e.g., rural, urban, certain percentage of low income/welfare individuals).

**Specify:**

- Participant must work in a locale or an institution defined as experiencing a shortage of workers (e.g., specific school districts, hospitals).

**Specify:**

- Participant is limited to a particular type of employer.

- Public sector

- Private sector

- Nonprofit

- Other—**specify:**

- Other criteria are required for assistance in repaying loans.

**Specify:**

5. Are the workforce areas targeted by this program, or any of the other program requirements indicated in question 4 above, re-evaluated and modified on a regular basis?

- Yes—*answer questions 5a-5c*

- No—*skip to question 6*

5a. How often are the workforce areas or program requirements evaluated?

5b. Who re-evaluates the workforce areas or program requirements (e.g., particular committee, group, or individual)?

5c. What is considered during the evaluation?

- 
6. What types of loans are eligible for repayment?
  
  7. What is the maximum repayment amount OR loan percentage repaid per year?  
 \$ \_\_\_\_\_ OR \_\_\_\_\_%
  
  8. What is the maximum number of years a participant can receive repayment assistance?  
 \_\_\_\_years
  
  9. What is the maximum amount of money that can be repaid across all years?  
 \$ \_\_\_\_\_
  
  10. What documentation must a participant provide to certify ongoing eligibility?  
  
 10a. How often is this documentation required?
  
  11. How many individuals received assistance from this program in repaying an educational debt during the 2001–2002 academic year?
  
  12. How many of these individuals received assistance for the first time in the 2001–2002 academic year?
  
  13. Is any of the tracking of students, as they fulfill their service obligations or repayment, contracted out or assigned to a different state department or to a private organization?
    - Yes, all—**specify** to whom:
    - Yes, some—**specify** to whom:
    - No, all tracking is done internally
    - Other—**specify**:
  
  14. What was the total amount of funds appropriated for this program during the 2001–2002 academic year?  
 \$ \_\_\_\_\_
  
  15. What was the total number of full-time equivalent (FTE) staff working on the administration of this program during the 2001–2002 academic year?  
 Number of FTE staff: \_\_\_\_\_

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16. Are you aware of studies that evaluated the program in any way? These could include studies of program effectiveness in recruiting workers into a field, aiding students, addressing shortages, or improving the quality of the workers in the desired occupations.

Yes

No

If yes, please send us a copy of any reports or tell us how we might obtain copies.

17. Given your knowledge of this program, do you think it is effective in helping to meet the workforce needs in your state?

Yes, if yes **specify** why below

No, if no **specify** why below

18. Given your knowledge of this program, do you think it is effective in providing individuals in your state with financial assistance to meet educational expenses?

Yes, if yes **specify** why below

No, if no **specify** why below

19. Please feel free to provide us with any additional information about this program in your state. Include information not covered by our survey on administering this program, such as costs, benefits, reactions from institutional financial aid directors, reactions from students, and so on.