



Nevada Governor's Office of the Western Regional Education Compact

for the

Nevada Western Interstate Commission for Higher Education (WICHE)

Commission Meeting Minutes
Monday, September 9, 2019
3:00 p.m. – 3:30 p.m.

In Attendance:

Fred Lokken: Executive Commissioner, Nevada WICHE

Dr. Thom Reilly: Nevada WICHE Commissioner

Dr. Gillian Barclay: Nevada WICHE Commissioner

David Gardner: Senior Deputy Attorney General, Office of the Attorney General

Jennifer Ouellette: WICHE, Director

Colleen Lennox: WICHE Accountant Technician 1

Guests:

Brian L. Mitchell: Governor's Office of Science, Innovation and Technology, Director

1. **Call to order.** The meeting was called to order by Commissioner Lokken. This meeting was posted in accordance with Nevada Revised Statute (NRS) 241, Nevada's Open Meeting Law (OML).
2. **Public Comment.** There was no public comment.
3. **Discussion, recommendations and action regarding the minutes from the June 19, 2019 Nevada WICHE Commission meeting.** Rescheduled to the next meeting.
4. **Discussion of student loan interest rates pursuant to NRS 397.064.** Director Ouellette had a brief presentation for the Commission (Attachment A). Staff prepared 46 contracts in Academic Year 2019-2020 for the regional WICHE Professional Student Exchange Program (PSEP). The second slide had information on the program and how Nevada worked with the Regional WICHE office. The third slide demonstrated the size of Nevada's PSEP program in relation to other participating Western states. Slide 4 showed structure of the Academic Year 2019-2020 student support fee funding amounts prepared by the Nevada office. Nevada supported five of the ten fields Regional WICHE offered. Staff

anticipated preparing 46 contracts this fall, totaling approximately \$890,000. This amount was subsidized by the General Fund and some student derived revenues.

The fifth slide highlighted the traditional structure of the student support fee, which had a 75 percent grant or stipend component. Funds were provided to the student at no cost, if they returned to Nevada to practice in their field. If the student did not return to Nevada to practice, the grant converted to a loan to be repaid at eight percent interest. Twenty five percent of the student support fee was a loan. Repayment with interest was required, regardless of whether the student returned to Nevada. Historically, the interest rate for the loan component was eight percent as well. The next table on this slide outlined the structure of the Health Care Access Program (HCAP), which has a 90 percent grant and 10 percent loan. It was also set at eight percent interest.

The director moved on to the sixth slide, which explained consequences to participants who did not return for their practice obligation. Nevada Revised Statute (NRS) 397.0653, Section 3(a) requires the participant to repay the grant portion of their support fee if they do not fulfill the practice obligation at eight percent interest.

Regarding the loan component, pursuant to NRS 397.064 Section 1, the Commission has the authority to set a competitive interest rate. Historically, the office used eight percent for this loan as well. This rate was the same as the penalty loan interest rate for a participant who did not return to Nevada and fulfill their practice obligation. Nothing was found in statute requiring this loan to be eight percent. A different rate of the Commission's choice could be selected.

The loan component in general has been an administrative burden to the agency. Many students declined funding, because they did not want to have a 25 percent loan component. The impact of the loan component is scheduled to be discussed in the upcoming strategic planning meeting. Changes to the loan would need legislative approval, however, changes to the interest rate could be decided by the Commission. Director Ouellette asked if the Commission was interested in a changed interest rate for these loans.

Commissioner Reilly asked if Nevada's rate was the highest compared to other states, which ranged from 1.88 percent to 7 percent. Director Ouellette answered that with the exception of Alaska, the other states did not have a loan component and did not charge interest. Funding was given as a stipend or grant and interest was only charged interest if the participant did not return to their state of origin to practice medicine. The interest rates shown for other WICHE programs on slide 10 were penalty interest rates.

Commissioner Reilly inquired of Commissioner Lokken if he recommended continuance of the interest rate at eight percent. Commissioner Lokken responded he did not. He went on to say that Margo Colalancia of Regional WICHE informed the Commission that many students passed up Nevada's funding due to its loan component. Commissioner Lokken went on to say the director made a compelling case for interest rate change. He wondered what rate was competitive and if the rate could be part of the barrier problem for students who declined Nevada's funding.

Commissioner Reilly asked about the recommended reduction to the rate. Director Ouellette responded that slide 10 presented relevant competitive interest rates. For instance, Alaska is the only other state that has a loan component; the interest rate used for the loan component is 6.9 percent. Arizona and Colorado WICHE's interest rates were penalty rates for not fulfilling the practice

obligation. The Director stated there should be an interest rate, because the loan component for the PSEP program is required in statute. If the Commission wanted to minimize the impact, theoretically one percent could be chosen.

The director moved to slide 13 which depicted the overall budget. On slide 14 interest income of \$68,198 was circled, and slide 15 compared the past few years of Nevada WICHE revenue which showed a trend of consistently lower interest revenue. She speculated high staff turnover could be related to lower revenues displayed.

The last consideration on slide 17 referred to NRS 397.064 which mandated \$50 minimum monthly loan payments and the timeline for loan repayment. Director Ouellette informed the Commission that she ran several interest rates through the amortization schedules and in all instances, including one percent interest, a payment greater than \$50 was generated. The director concluded her presentation.

Commissioner Barclay asked if a change in interest rates would be applicable to students in the HCAP program. Director Ouellette recommended any action be applicable to both the PSEP and HCAP programs. The question for consideration was whether the Commission wanted interest rates for the loan component of each program to be set at eight percent or if they wanted to set different rates. It was mentioned that different rates could be set for different locations, but it added complication. Commissioner Barclay remembered the Commission discussed this two prior times and voted against it. Discussion ensued regarding federal and national interest rate changes and the process that would be necessary to eliminate the 25 percent PSEP loan component.

Commissioner Lokken gave his opinion that based upon the information provided, it made sense to start this next round of contracts with a lower interest rate. Commissioner Reilly asked what rate commissioner Lokken suggested. Commissioner Lokken saw a case for zero percent, but recognized the requirement for an interest rate. He mentioned 1.88 percent to 2.25 percent. Commissioner Barclay found herself undecided between the Treasury Bill rate of 1.88 percent and the Federal Reserve Fund rate of 2.25 percent.

Staff recommendation was that zero percent would not work, because the loan component would be eliminated. Director Ouellette recognized that as a goal, but the Commission did not have the power to do that today. Per statute, the Commission had to ensure the minimum \$50 monthly loan payment. A low rate of one percent yielded the minimum required payment. Commissioner Reilly liked one percent as did commissioner Lokken. Commissioner Barclay asked if the Commission wanted to build in a buffer or if it wanted to aim for the \$50 minimum payment. Director Ouellette added that one percent yielded the required minimum across every field supported.

Commissioner Lokken asked the commissioners if they wanted to begin the change with this year's contracts. Commissioner Reilly motioned one percent, starting with this year's contracts. Commissioner Lokken seconded the motion. Commissioners Lokken and Barclay seconded the motion. Commissioner Lokken called for the vote. All voted aye. The motion carried unanimously.

- 5. Highlight of upcoming meetings.** Director Ouellette stated the first of two upcoming strategic planning meetings was scheduled for October 23, 2019 from 1:00 p.m. to 3:00 p.m. and she had booked all commissioners for attendance.

Director Ouellette notified the Commission that she planned to be in Las Vegas on September 19th and 20th. Meetings with Commissioners Reilly and Barclay were scheduled to orient them on the agency and to discuss ideas for the strategic planning meeting. Commissioner Barclay planned to provide introductions to stakeholders and partners in Las Vegas. Commissioner Lokken asked the other commissioners to provide their strategic planning meeting agenda items to Director Ouellette.

Commissioner Lokken informed the Commission that the regional WICHE meeting had been set for November, 2019, in Denver, Colorado. Arrangements were to be made through the regional WICHE office.

6. **Public comment.** There was no public comment.
7. **Adjournment.** Having no further business and receiving no public comment the meeting adjourned at 3:31 p.m.