loans" are Government and commercial loans for actual costs paid for tuition, reasonable educational expenses, and reasonable living expenses relating to the graduate or undergraduate education of a health professional;

(3) assignment of participating health professionals only to public and nonprofit private entities located in and providing primary health services in federally designated HPSAs; and

(4) participant contracts which provide remedies for any breach of contract by participating health professionals.

Contract Requirements

Contracts provided by a State are not to be on terms that are more favorable to health professionals than the most favorable terms the Secretary is authorized to provide for contracts under the Federal NHSC Loan Repayment Programs under Section 338B of the PHS Act, including terms regarding:

(1) The annual amount of payments provided on behalf of the professionals regarding educational loans; and

(2) The availability of remedies for any breach of the contracts by the health professionals involved.

States are required to develop contracts that reflect a minimum of 2 years of obligated full-time clinical service. The annual amount of payments under a contract may not exceed \$35,000, unless (1) this excess amount is paid solely from non-Federal contributions, and (2) the contract provides that the health professional involved will satisfy the requirement of full-time clinical service under the contract solely through the provision of primary health services in a federally designated HPSA that is receiving priority for the purposes of section 333A(a)(1), and is authorized to receive assignments of individuals who are participating in the NHSC Scholarship Program.

No loan repayments will be made for any professional practice performed prior to the effective date of the health professional's State Loan Repayment Program contract, and no credit will be given for any practice done while the provider is in a professional school or graduate training program. Any individual who previously incurred an obligation for health professional service to the Federal Government, a State Government, or other entity is ineligible to participate in the State LRP unless such obligation will be completely satisfied prior to the beginning of service under this Program. Any individual who has breached an obligation for health professional service to the Federal Government, a State Government or other entity is

ineligible to participate in the State LRP. Any individual who has a judgment lien against his or her property for a debt to the United States is ineligible to participate in the State LRP until the judgment is paid in full or otherwise satisfied.

Program Requirements

States seeking support under this notice for the cost of State LRPs must provide adequate assurances that:

- (1) With respect to the costs of making loan repayments under contracts with health professionals, the State will make available (directly or through donations from public or private entities) non-Federal contributions in cash in an amount equal to not less than \$1 for each \$1 of Federal funds provided in the grant. The Federal grant funds and the State matching funds will be used only for loan repayments to health professionals who have entered into contracts with States. In determining the amount of non-Federal contributions in cash that a State has to provide, no other Federal funds may be used.
- (2) The State will assign health professionals participating in the program only to public and nonprofit private entities located in and providing primary health services in federally designated HPSAs, and identify each site available for placement.
- (3) Applications must identify the State entity and key personnel who will administer the grant.
- (4) With respect to contracts between the State and the health professional, all contract breaches, by either party, will be reported regularly.

Future Support

The Secretary must determine that the State has complied with each of the agreements of the grant in order for funding to continue. Before making a grant for a subsequent year of State LRP support, the Secretary will, in the case of a State with one or more initial breaches by health professionals of the repayment contracts, reduce the amount of a grant to the State for the fiscal year involved. The grant will be reduced by an amount equal to the sum of the expenditures of Federal funds made regarding the State LRP contracts involved, including interest on the amount of such expenditures, determined on the basis of the maximum legal rate prevailing for loans made during the time amounts were paid under the contract, as determined by the Treasurer of the United States. The Secretary may waive the reduction in the subsequent grant award if the Secretary determines that a health professional's breach was attributable solely to the professional having a serious illness or has died.

Evaluation Criteria

For new and competing continuation grants the following criteria will be used to evaluate State applications to determine which States are to be supported under this notice: (a) the extent of State's need for health professionals consistent with the health professions and specialties identified later in this notice; (b) the extent to which special consideration will be extended to federally designated HPSAs with large minority populations; (c) the number and type of providers the State proposes to support through this program; (d) the appropriateness of the proposed placements of State LRP recipients (e.g., consistency and coordination with State-based plans to improve access to primary health services for the underserved communities and individuals): (e) the appropriateness of the qualifications, the administrative and managerial ability of the staff to implement the proposed project; (f) the suitability of the State's approach and the degree to which the plan of a State is coordinated with Federal, State, and other programs for meeting the State's health professional needs and resources, including mechanisms for ongoing evaluation of the program's activities; (g) the source and plans for the use of the State match (the degree to which the State match exceeds the minimum requirements or has increased over time, the amount of the match relative to the needs and resources of the State, and the adequacy and appropriateness of the proposed budget).

For competing continuation applicants only, the following criteria will be used: (a) the grantee's progress in achieving stated goals and objectives for the previous year's grant including the impact the State LRP placements have had on the State's short-term and long-term health professional needs; (b) an assessment of the number of and the reasons for initial breaches by health professionals of repayment contracts; and (c) the grantee's history of compliance with reporting requirements including goals, objectives, evaluation plans, organizational structure, financial management, and personnel changes.

Professions and Specialties Needed

To be supported under this program, the State Program must establish State priorities for the selection of health professionals consistent with the NHSC LRP. At this time the Secretary has determined that priority will be given to the following health professionals: physicians (M.D.s and D.O.s) who are certified or eligible to sit for the