

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 934

(Senator Hollinger)

Education, Health, and Environmental Affairs

Ways and Means

Higher Education - Nursing Scholarships

This emergency bill expands eligibility for nursing scholarships to allow students at out-of-state institutions of higher education to receive the scholarships. To be eligible, an applicant must provide the Maryland Higher Education Commission (MHEC) with a rejection letter from an in-state institution that has notified MHEC that it has rejected qualified nursing applicants due to a lack of capacity. In addition, the out-of-state institution that an applicant attends must be recognized by MHEC as a regionally accredited institution offering an equivalent and nationally accredited nursing program. The bill also alters the service obligation for a nursing scholarship to allow a recipient to work for two years as a half-time nurse to fulfill the obligation.

Fiscal Summary

State Effect: General fund expenditures would increase by an estimated \$25,300 in FY 2005 to provide for additional administration of the expanded scholarship program. Future year expenditure increases would reflect regular salary increases and inflation. In addition, scholarship funding could increase by approximately \$302,000 to award additional scholarships to students attending out-of-state institutions. Revenues would not be affected.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	25,300	21,200	22,500	24,000	25,500
Net Effect	(\$25,300)	(\$21,200)	(\$22,500)	(\$24,000)	(\$25,500)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: To be eligible for a nursing scholarship, an applicant must be enrolled or accepted for enrollment at an institution of postsecondary education that is approved by MHEC and awards nursing degrees or diplomas. An applicant must also be a Maryland resident, have a grade point average of at least 3.0, and agree to work in Maryland in a nursing shortage area as a full-time nurse for one year for each year that the scholarship is received. A scholarship award is for the cost of tuition and fees up to \$3,000 for regular program or \$4,500 for an accelerated program. A scholarship may be renewed annually, up to a maximum of \$12,000 in total scholarship funding for any one recipient. If a scholarship recipient fails to perform the required service obligation, the scholarship funds must be repaid.

Background: Maryland and the rest of the U.S. are experiencing a nursing shortage that is expected to intensify as a significant number of existing nurses reach retirement age over the next 15 years and as the overall population ages and needs additional health care services. It has been estimated that the ratio of potential caregivers to the people most likely to need care, the elderly, will decrease 40% by 2030. Compounding these problems are faculty shortages at nursing colleges and universities. The *Baltimore Sun* reports that more than 400 nursing program applicants per year are being turned away from institutions of higher education in Maryland due to faculty shortages and insufficient clinical space.

State Fiscal Effect: General fund expenditures would increase by an estimated \$25,339 in fiscal 2005, which assumes a July 1, 2004 start for a new half-time position at MHEC that would be needed to track additional scholarship applicants and awards. The estimate includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salary and Fringe Benefits	\$20,384
Start-up and Operating Expenses	<u>4,955</u>
Total FY 2005 State Expenditures	\$25,339

Future year expenditures reflect: (1) a half-time salary with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

In addition, general fund expenditures could increase to meet the demand for additional scholarships. Several reports have estimated that approximately 400 eligible nursing school applicants per year are turned away from institutions of higher education in Maryland. Assuming one-third of these students would attend out-of-state institutions

and would be eligible for scholarships, 132 additional students could receive awards. Using the fiscal 2004 average award amount of \$2,288, the additional cost for new scholarships would be approximately \$302,016.

MHEC notes that there are currently 403 eligible nursing students who are attending institutions of higher education in Maryland and are on the waiting list for nursing scholarships. If this bill passes, MHEC advises that these students would be funded before students in out-of-state institutions could receive scholarships. The cost to fund nursing students already on the waiting list would be approximately \$922,064. It is possible that expanding eligibility for the nursing scholarship program to students at out-of-state institutions would have no real effect until this amount of additional funding is provided for the program.

Funding for nursing scholarships is as provided in the State budget, and therefore any additional scholarship expenditures resulting from this legislation would only be incurred if the annual State budget includes the new funding. If eligibility for the nursing scholarship program is expanded without additional funding, the waiting list for the program could grow longer or the Office of Student Financial Assistance could be more selective when choosing from eligible applicants.

The change in the service obligation is not expected to significantly affect repayments to the State.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Higher Education Commission, Department of Legislative Services

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