

Department of Legislative Services
Maryland General Assembly
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FISCAL AND POLICY NOTE
Revised

Senate Bill 511

(Senator Hollinger)

Education, Health, and Environmental Affairs

Ways and Means

Higher Education - Nursing Scholarships

This emergency bill expands eligibility for nursing scholarships to allow qualifying students enrolling in out-of-state institutions of higher education to receive the scholarships. In making the nursing scholarship awards, the Maryland Higher Education Commission (MHEC) must give priority to students enrolling at institutions in Maryland. The bill also alters the service obligation for a nursing scholarship to allow a recipient to fulfill the obligation by working as a faculty member in a Maryland institution of higher education or by working part-time for two years for each year that the scholarship was received.

Fiscal Summary

State Effect: Expanding eligibility for scholarships does not require additional spending. In order for scholarships to be awarded to all applicants on the waiting list and applicants attending out-of-state institutions, general fund expenditures would increase by an estimated \$1.4 million in FY 2006. Future year expenditures would reflect a stable number of additional nursing scholarships granted each year and annualization, regular salary increases, and inflation in the administrative expenses. Revenues would not be affected.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: To qualify for a nursing scholarship to be used at an out-of-state institution, an applicant must provide MHEC with a letter from an in-state institution indicating that the applicant's acceptance was deferred due to a lack of capacity. MHEC must verify the institution's lack of capacity based on information provided by the institution. 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.

In collaboration with the State Board of Nursing, MHEC must review the demand for and capacity of higher education nursing programs in Maryland and the availability of financial aid and other incentives that would encourage individuals to pursue nursing education programs. MHEC must submit recommendations on these issues by June 30, 2006.

Current Law: To be eligible for a nursing scholarship, an applicant must be enrolled or accepted for enrollment at a Maryland 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 a regular nursing 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.

Last year, the *Baltimore Sun* reported 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: 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.

General fund expenditures could increase by an estimated \$1.4 million annually to provide scholarships to approximately 628 additional nursing students per year, including 495 who are currently on the waiting list for nursing scholarships and an estimated 133 who could receive awards if eligibility is expanded to students attending out-of-state institutions. In addition, general fund administrative expenditures at MHEC would increase to provide for an additional half-time position to track the expanded nursing scholarship program. The following information and assumptions were used in calculating this estimate.

- The fiscal 2005 appropriation for nursing scholarships was \$979,294, the same as the proposed fiscal 2006 appropriation. In fiscal 2005, awards that average \$2,226 are being made to 440 nursing students. It is assumed that a similar number of applicants could receive awards in fiscal 2006 with the funding that has been proposed.
- There are 495 eligible nursing scholarship applicants on the waiting list for awards, meaning a total of 935 applicants qualified for nursing scholarships this year under the existing eligibility rules. As required in the bill, all of these individuals would have to receive awards before scholarships are awarded to nursing students enrolling at out-of-state institutions. Assuming an average award amount of \$2,226, the cost to eliminate the waiting list would be approximately \$1.1 million.
- According to the Commission to Study the Crisis in Nursing, expanding eligibility for nursing scholarships to students who attend out-of-state institutions could increase the number of students eligible for the scholarships by up to 400. If one-third of these individuals apply for and receive the scholarships, costs would increase by an additional \$296,000.
- If sufficient funding is included in the budget to be able to award nursing scholarships to students enrolled in out-of-state institutions, one half-time administrative specialist would be needed at MHEC to track additional scholarship applicants and awards. The estimated fiscal 2006 cost for the half-time salary, fringe benefits, one-time start-up costs, and ongoing operating expenses is \$21,297. The estimate assumes an October 1, 2005 start date following the bill's enactment.

Additional Nursing Scholarships	
Eliminate Wait List	\$1,101,870
Provide Out-of-state Scholarships	296,058
Half-time Salary and Fringe Benefits	16,324
Start-up and Operating Expenses	<u>4,973</u>
Total FY 2006 State Expenditures	\$1,419,225

Future year expenditures reflect: (1) a stable number of additional scholarships; (2) 4.6% annual salary increases and 3% employee turnover; and (3) 1% annual increases in ongoing operating expenses.

If eligibility for the nursing scholarship program is expanded without additional funding, the waiting list for the program could grow longer.

The change in the service obligation is not expected to significantly affect repayments to the State. MHEC and the State Board of Nursing could complete the required review of nursing education programs and submit the required recommendations with existing resources.

Additional Information

Prior Introductions: A similar bill was introduced last year as SB 934. The bill passed the Senate but was not reported out of the House Committee on Ways and Means.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene, Maryland Higher Education Commission, Department of Legislative Services

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