

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 230

(The President, *et al.*)

(By Request – Administration)

Education, Health, and Environmental Affairs

Appropriations and Health and
Government Operations

Higher Education - Nurse Support Program Assistance Fund - Hospital Rates

This Administration bill establishes a Nurse Support Program Assistance Fund in the Maryland Higher Education Commission (MHEC) that consists of funds generated by an increase in hospital rates approved by the Health Services Cost Review Commission (HSCRC). Expenditures from the fund must be made by an appropriation in the annual State budget or by an approved budget amendment. The funds must be used for grants that will help to increase the number of bedside nurses in Maryland hospitals in accordance with guidelines established by MHEC and HSCRC. The guidelines must also provide that a portion of the competitive grants must be used to attract and retain minorities in the nursing and nursing faculty fields.

The bill takes effect June 1, 2006.

Fiscal Summary

State Effect: Special fund revenues would increase by an estimated \$2.2 million in FY 2006 due to the incorporation of collections from increased hospital rates into the State budget. FY 2007 revenue estimates reflect additional FY 2006 collections and all of the revenue generated in FY 2007. Special fund expenditures of \$5.6 million are included in the FY 2007 State budget and are contingent on the enactment of this legislation. However, it is assumed that FY 2007 special fund expenditures would equal the available special fund revenues and would be brought into the budget during the fiscal year by approved budget amendment. Beginning in FY 2008, revenue estimates reflect inflation and projected increases in hospital services. Future year special fund expenditures of approximately \$250,000 to \$300,000 annually would support program administration. Future year special fund expenditures for grants, stipends, and scholarships are assumed

to equal the available special fund balance.

(\$ in millions)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
SF Revenue	\$2.2	\$16.1	\$10.3	\$11.2	\$12.2
SF Expenditure	0	16.1	10.3	11.2	12.2
Net Effect	\$2.2	\$0	\$0	\$0	\$0

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

Local Effect: None.

Small Business Effect: A small business impact statement was not provided by the Administration in time for inclusion in this fiscal note. A revised fiscal note will be issued when the Administration's assessment becomes available.

Analysis

Current Law: Although the revenue source for the Nurse Support Program Assistance Fund has been identified and implemented, a means for transferring the funds into the State budget has not been codified. With a few exceptions, HSCRC sets the rates charged for hospital services.

Background: According to a 2003 report by the University of Maryland, Center for Health Workforce Development, the State's nursing shortage could reach 11,000 to 20,000 nurses by 2012 when the baby boomer generation begins to require chronic care. The nursing shortage has been attributed to a number of factors, including retention of nurses in hospitals and the number of nurses educated.

In 2001, Nurse Support Program I (NSP1) was established by HSCRC to fund individual nurse retention strategies in hospitals through a 0.1% increase in the rates for hospital services. Nurse Support Program II (NSP2) is a new HSCRC initiative that began in July 2005 and is designed to increase the number of nurses and nurse educators. This bill codifies the special fund established through NSP2, which is supported with another 0.1% increase in hospital rates. NSP2 has two components: competitively awarded grants to fund innovative nurse education collaborations between nursing schools and hospitals; and statewide stipends and scholarships to support nurse educators and, to a lesser degree, service-obligated bedside nurses. In Maryland, there are 24 higher education institutions with nursing programs that educate students to become registered nurses.

State Revenues: The 0.1% increase in hospital rates that will fund this program has already been implemented. However, the revenues have not yet been incorporated into

the State budget. This bill establishes the special fund into which the revenues will be deposited. Annualized fiscal 2006 revenues are projected at \$8.8 million, and the first payment of \$2.2 million is expected to be transferred to MHEC in June 2006. The remaining funds generated in fiscal 2006 (approximately \$6.6 million) and an estimated \$9.5 million generated in fiscal 2007 will be paid to the fund in fiscal 2007, increasing special fund revenues by approximately \$16.1 million.

After fiscal 2007, annual payments to the fund will increase by an estimated 8.5% per year. The high rate of growth is driven by inflation and projected increases in the volume and intensity of hospital services.

State Expenditures: The fiscal 2007 State budget includes \$250,000 in special fund expenditures for MHEC administration of NSP2 and \$5.35 million in special fund expenditures for grants under the program. These expenditures are contingent on the enactment of this bill or the cross file, SB 230. The \$250,000 for MHEC administration of the program will support salaries and fringe benefits for 3.5 additional positions, as well as other associated operating costs. With respect to NSP2 grants, MHEC has released a request for proposals, and the deadline for submission of grant applications was March 7, 2006. MHEC advises that initial grant awards are scheduled for disbursement on July 1, 2006.

After fiscal 2007, administrative expenditures are estimated at approximately \$250,000 to \$300,000 annually. The pattern of grant expenditures, however, is less clear. Assuming \$5.35 million for grant expenditures in fiscal 2007, as adopted in the State budget, there would be approximately \$12.7 million in NSP2 special fund revenues that could be expended by approved budget amendment in fiscal 2007. It is assumed that special fund expenditures will equal available special fund revenues in future fiscal years.

Additional Information

Prior Introductions: None.

Cross File: HB 322 (The Speaker, *et al.*) (By Request – Administration) – Appropriations and Health and Governmental Operations.

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

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