



**House
Legislative
Analysis
Section**

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**NURSING SHORTAGE
SCHOLARSHIP PROGRAM**

House Bill 6054 (Substitute H-2)
Sponsor: Rep. Sandra Caul
Committee: Appropriations

Senate Bill 793 (Substitute H-1)
Sponsor: Sen. John J. H. Schwarz, M.D.
House Committee: Appropriations
Senate Committee: Appropriations

First Analysis: (6-18-02)

THE APPARENT PROBLEM:

There are 1.8 million nurses working primarily in hospitals throughout the nation; 114,758 registered nurses and 28,217 licensed practical nurses are licensed by the Department of Consumer and Industry Services to work in Michigan. Researchers and practitioners at virtually every level of the health care system--and most especially in hospitals where nearly 60 percent of all registered nurses work--report a shortage of nurses and difficulty in recruitment. (Authors of one report note that in a web search for "nursing shortage," they found over 18,000 sites. See *BACKGROUND INFORMATION* below for nine web sites.) The shortage of nurses is a recurring problem in the health care system; however, many predict that this shortage will be more severe and have a longer duration than others. The reasons cited are several: the aging nursing workforce; low unemployment (about one percent among nurses); nurses' job dissatisfaction (including adverse working conditions such as inadequate staffing, heavy workloads, the increased use of overtime, a lack of sufficient support staff, and the inadequacy of wages); and the global nature of this shortage.

Yet another compounding factor is the age of nursing faculty members. In some schools, even if they could recruit more students, they may not have faculty to teach them. According to national reports, approximately one-third of the nursing workforce is over 50 years of age. What's more, the average age of full-time nursing faculty is 49 years. A study published in the July, 2000 issue of the *Journal of the American Medical Association* predicts that 40 percent of nurses by 2010 will be 50 years old or older. These data are confirmed by the Government Accounting Office (GAO) in its July 2001 report *Nursing Workforce: Emerging Nurse Shortage Due to Multiple Factors*. There, the GAO analysts report

demographic trends that illustrate the twinned nature of the policy problem--one of both supply and demand: the serious shortage in the nurse supply due to age and retirement is coupled with demographic pressures influenced by dramatic increases in future demand, as the people in the so-called 'baby boomer' generation reach their 60s, 70s and beyond. The demand-side of the problem is further complicated by the fundamental changes in how patients are cared for in a managed care environment. As this shortage has emerged, nursing itself has changed, compounding the shortage. With decreasing lengths of hospital stays and more acute care in the ambulatory and home settings that results, the need for experienced, highly skilled nurses is unmet.

According to the GAO, the ratio of registered nurses per 100,000 population in Michigan has dropped from 810 in 1996, to 798 in 2000, a reduction of 2.2 percent, slightly larger than the nationwide average of two percent (and far less than in states experiencing significant reductions such as Alaska with a drop of nearly 20 percent, Louisiana at more than 16 percent, Arizona at nearly 13 percent, Delaware and Kentucky at nearly 11 percent, and Nevada and Virginia at 10 percent or more). However, the shortage is likely to accelerate.

In an effort to address one aspect of the supply-side of the policy problem here in Michigan, legislation has been introduced to create a scholarship for nursing students if they promise to work in Michigan.

THE CONTENT OF THE BILLS:

The bills would create a student scholarship for people enrolled in nursing programs if they agreed to serve as nurses in Michigan. The new scholarship

House Bill 6054 and Senate Bill 793 (6-18-02)

would be funded through the Michigan Merit Award Scholarship program. The bills are tie-barred to each other so that neither could become law unless the other also were enacted. A more detailed description of each bill follows.

House Bill 6054 would amend the Michigan Merit Award Scholarship Act (MCL 390.1455) to authorize disbursements from the trust fund to fund the Michigan Nursing Scholarship Program as described in Senate Bill 793. Currently under the law, the trust fund is used for a) Michigan Merit Award Scholarships, b) expenses properly incurred by the commission, c) costs associated with the development, preparation, distribution, and scoring of the Michigan Educational Assessment Program tests and any costs associated with dissemination of results of the assessment test, d) funding of the Tuition Incentive Program, and e) other expenditures determined by law.

Senate Bill 793 would create a new law to be known as the Michigan Nursing Scholarship Act. Under the bill, the Michigan Nursing Scholarship Program would be administered by the Michigan Higher Education Assistance Authority. The bill specifies that the authority could award a scholarship to an individual who met the following requirements: a) was a United States citizen or a permanent resident of the United States; b) had resided in Michigan for the 12 months preceding his or her application and was not a resident of any other state; c) was enrolled or had been accepted into a nursing program; d) had signed a written scholarship agreement stating an intent to pursue nursing as a career, and to serve in "eligible employment" (**see following definition*) in Michigan for a minimum period of one to four years (the period equivalent to the number of years for which the individual received scholarship assistance); e) was in compliance with the act and the rules; f) had not been convicted of a felony involving assault, physical injury, or death; and g) met any other standards established in rules promulgated by the authority.

*Under the bill, "eligible employment" would be defined to mean a registered nurse or licensed practical nurse providing full-time nursing care in a ward, emergency department, emergency room, operating room, or trauma center of a hospital licensed under the Public Health Code, or in a nursing home or hospice licensed under the Public Health Code, or as an employee of a home health care agency providing home patient care.

The bill specifies that each scholarship recipient would receive a \$4,000 scholarship for full-time enrollment, or a partial scholarship for part-time enrollment. (The partial scholarship, determined by the authority, would be calculated by multiplying \$4,000 by the number of credit hours for which a student enrolled in the academic year, and then dividing that product by 30 if the nursing program used semester credits, or by 45 if the nursing program used term credits.) Under the bill, the scholarship would be adjusted in an amount equal to the recipient's eligible costs minus any other grants or scholarships the recipient received, whichever was less, for each academic year in a nursing program. However, an individual could not receive assistance for more than four academic years.

Further, the bill specifies that scholarship recipients would have to be enrolled either full-time or part-time in a nursing program, and maintain satisfactory academic progress as determined by the eligible institution. In order to receive a nursing scholarship, an individual would enter into a written agreement with the Michigan Higher Education Assistance Authority. The written agreement would require an individual to a) obtain a license from the state as a registered professional nurse or licensed practical nurse within one year after completing the nursing program; b) serve for the appropriate employment period (depending of the number of years the scholarship had been awarded); c) provide to the authority evidence of enrollment and satisfactory progress; and if these conditions were not satisfied, d) repay all or part of a scholarship award plus interest and, if applicable, reasonable collection fees.

Senate Bill 793 also describes a number of instances in which a recipient would not be in violation of the scholarship agreement and during which any repayment obligation would be deferred, including pursuing a full-time course of study related to the field of nursing at an eligible institution, serving as a member of the armed services for a period of three years or less, or temporary disability for a period of three years or less.

Further, the bill specifies that a recipient would not be in violation of the agreement if he or she provided part-time nursing care and all of the following were met: a) the department, by rule, established a minimum average number of hours per week that a recipient could be employed to qualify as providing part-time nursing, and then the recipient met that requirement; b) the recipient was engaged in eligible employment in the state; and, c) the recipient provided part-time nursing care for one of the

following periods: i) two years if the recipient received a \$4,000 scholarship for one academic year of full-time enrollment; or, if a partial scholarship for one academic year of part-time enrollment, then this two-year time period would be reduced to a time period that would be determined by multiplying two years by a fraction, the numerator of which would be the dollar amount of the partial scholarship and the denominator of which would be \$4,000; ii) four years if the recipient received two \$4,000 scholarships for two academic years of fulltime enrollment; or, if partial scholarships for two academic years of part-time enrollment, then this four-year time period would be reduced to a time period that would be determined by multiplying four years by a fraction, the numerator of which would be the dollar amount of the partial scholarship and the denominator of which would be \$8,000; iii) six years if the recipient received three \$4,000 scholarships for three academic years of fulltime enrollment; or, if partial scholarships for three academic years of part-time enrollment, then this six-year time period would be reduced to a time period that would be determined by multiplying six years by a fraction, the numerator of which would be the dollar amount of the partial scholarship and the denominator of which would be \$12,000; or, iv) eight years if the recipient received four \$4,000 scholarships for four academic years of full-time enrollment; or, if partial scholarships for four academic years of part-time enrollment, then this eight-year time period would be reduced to a time period that would be determined by multiplying eight years by a fraction, the numerator of which would be the dollar amount of the partial scholarship and the denominator of which would be \$16,000.

Under the bill, a recipient would not be in violation of the agreement entered into, and could be excused from repayment of any scholarship assistance, if the recipient met *both* of the following: a) received one or more partial scholarships for part-time enrollment; and b) was engaged in full-time, eligible employment for not less than one of the following time periods: i) if the recipient received a partial scholarship for one academic year of part-time enrollment, a time period determined by multiplying one year by a fraction, the numerator of which would be the dollar amount of the partial scholarship and the denominator of which would be \$4,000; ii) if the recipient received partial scholarships for two academic years of part-time enrollment, a time period determined by multiplying two years by a fraction, the numerator of which would be the dollar amount of the partial scholarships and the denominator of which would be \$8,000; iii) if the recipient received partial scholarships for three academic years of part-time enrollment, a time period

determined by multiplying three years by a fraction, the numerator of which would be the dollar amount of the partial scholarships and the denominator of which would be \$12,000; and, iv) if the recipient received partial scholarships for four academic years of part-time enrollment, a time period determined by multiplying four years by a fraction, the numerator of which would be the dollar amount of the partial scholarships and the denominator of which would be \$16,000.

The bill also specifies that a recipient would be excused from repayment of any scholarship assistance, if the he or she became permanently and totally disabled as established by sworn affidavit of a qualified physician, or if the recipient died, or if circumstances occurred that the authority considered a compelling reason to excuse repayment.

Further, the bill would require the Department of Treasury to establish and administer a restricted account in the general fund for the program, and to credit money appropriated from the Michigan Merit Award Trust Fund, or money received from any other source including amounts repaid on scholarships, in the account. The money could be used only to provide scholarship funds to the authority, and if there were money in the account at the end of a fiscal year, it would not revert to the general fund, but instead be carried over in the account to the next fiscal year.

Finally, the bill specifies that not later than November 1, the authority would be required annually to submit a report to the state budget director, the House and Senate appropriations subcommittees on higher education, and the House and Senate Fiscal Agencies for the preceding fiscal year on the nursing scholarship program. The report would be required to include, but would not be limited to, the number of full and partial scholarships, the total dollar amount of the nursing scholarships awarded, the type of eligible institutions in which the scholarship recipients enrolled, and the number of scholarships, if any, that were converted to loans.

BACKGROUND INFORMATION:

The following web sites (and many others) address the nursing shortage:

* American Nurses Association -
www.nursingworld.org

* Nurses for a Healthier Tomorrow -
www.nursesource.org

- * Nursing Economics - www.ajj.com
- * The Forum on Health Care Leadership - www.healthcareforum.org
- * National League of Nursing - www.nln.org
- * Bureau of Labor Statistics - www.bls.gov
- * American Hospital Association - www.aha.org
- * American Organization of Nurse Executives - www.aone.org
- * American Association of Colleges of Nursing - www.aacn.nche.edu

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, Senate Bill 793 creates a restricted account in the state treasury for the nursing scholarship program, and allows that account to accept appropriations from the Michigan Merit Award Trust Fund or any other source. Public Act 144 of 2002, the fiscal year 2002-2003 higher education appropriations bill, includes \$4 million from the Merit Award Trust Fund for the scholarship program. If each scholarship recipient received \$4,000, a total of 1,000 scholarships could be awarded in the 2002-2003 academic year. (6-12-02)

In addition, the Senate Fiscal Agency noted in an earlier analysis of the bill that Senate Bill 793 would allow each scholarship recipient to receive up to \$4,000 annually for a maximum of four academic years. Eligible costs would include tuition and fees, room, board, books, supplies, transportation, and day care. Further, the agency notes that there are registered nurse baccalaureate degree programs at 15 post-secondary institutions and associate degree programs at 21 post-secondary institutions. [Note: In contrast, the House Fiscal Agency says 17 baccalaureate degree programs, and 32 associate degree programs, although not all lead to a license or certificate.] The Senate Fiscal Agency notes that in academic year 2000-2001, there were approximately 1,988 fiscal-year-equated undergraduate nursing students at 12 of Michigan's public universities. If all of these students had received a \$4,000 nursing scholarship, the annual cost for nursing students at four-year public universities would have been \$7,952,000. At Michigan's public community colleges, there were approximately 3,196 fiscal-year-equated nursing students during academic year 1999-2000, the most recent year for which data is available. (5-6-02)

According to the House Fiscal Agency, there is no fiscal impact from House Bill 6054, since it does not directly appropriate funds for a nursing scholarship program. (5-15-02)

ARGUMENTS:

For:

According to the results of an annual survey released by the American Association of Colleges of nursing, enrollments in entry-level baccalaureate programs in nursing increased in fall 2001 ending a six-year period of decline. Though this increase ends a downward trend, the number of students in the educational pipeline is still insufficient to meet the projected demand for a million new nurses over the next 10 years. The survey found that total enrollment in all nursing programs (with 81 percent of the nation's nursing schools responding to the survey) was 106,557 in 2001 compared to the total enrollment of 127,683 in 1995 when enrollments began to dip. The data show that nursing school enrollments are up in all regions of the United States (although Indiana and Texas report they cannot serve all who now apply, due to a shortage in nursing faculty). In the Midwest, nursing school enrollments were up by 3.5 percent.

These bills will enable Michigan nursing programs to grow, strengthening the trend toward increased enrollment that is now apparently underway, a reversal likely spurred by the downturn in the economy. According to committee testimony, the nursing shortage in Michigan stands at between 15,000 and 25,000 nurses. This scholarship program would serve as an incentive for 1,000 new nursing students, if they agreed to work in jobs where the shortage is most severe.

Against:

The American Association of Colleges of Nursing reports, in a provocative paper published in 1994 called "Nursing Studies Laid End to End Form a Circle" by L. Friss, that most efforts to deal with nursing shortages over time focus on recruitment programs or image campaigns and do not get at core problems that have plagued nursing for decades. These include employment arrangements and practices that hinder nurses' autonomy over their own practice; compressed salary ranges; and salaries, licensure, and entry-level practice roles that have been largely unrelated to nursing education. Friss' analysis fits with the perception that many young people now have regarding the relative

noncompetitive position nursing holds as an attractive professional career option.

Until policymakers and the health and medical practitioners at many levels of the health care system create practice environments that are supportive of professional nursing practice and of nurses, piecemeal supply efforts like the scholarship proposed by this legislation will fall far short as solutions to this social problem.

POSITIONS:

The Michigan Nurses Association supports the bills.
(6-18-02)

Analyst: J. Hunault

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.