

Date of Hearing: April 1, 2014

ASSEMBLY COMMITTEE ON HIGHER EDUCATION
Das Williams, Chair
AB 1677 (Gomez) – As Amended: March 17, 2014

SUBJECT: Nursing education: service in public hospitals and veterans' facilities.

SUMMARY: Establishes a loan assumption program for employees of eligible public facilities, as defined; specifies that the California Student Aid Commission (CSAC) shall award no more than the number of warrants that are authorized in the Budget Act for that fiscal year for the assumption of the loans; and, appropriates 48 million dollars from the General Fund (GF) to CSAC to be expended for the purposes of CSAC issuing loan assumption awards beginning with the 2015-2016 fiscal year to the 2021-22 fiscal year, as specified. Specifically, this bill:

- 1) Specifies that any person enrolled in an eligible institution, or any person who agrees to work full time as a registered nurse or a licensed vocational nurse in an eligible public facility that employs registered nurses or licensed vocational nurses, may be eligible to enter into an agreement for loan assumption, to be redeemed, as specified, upon becoming employed as a clinical registered nurse or licensed vocational nurse in an eligible public facility that employs registered nurses or licensed vocational nurses.
- 2) Stipulates that in order to be eligible to enter into an agreement for a loan assumption, an applicant shall satisfy all of the following conditions:
 - a) The applicant has been admitted to, or is enrolled in, or has successfully completed, an accredited program of professional preparation for licensing as a registered nurse or vocational nurse in California;
 - b) The applicant is currently enrolled, or has been admitted to a program in which he or she will be enrolled, on a full-time basis, as determined by the participating institution and the applicant shall agree to maintain satisfactory academic progress and a minimum of full-time enrollment, as defined by the participating eligible institution;
 - c) The applicant has been judged by his or her postsecondary educational institution to have outstanding ability on the basis of criteria that may include, but need not be limited to, any of the following:
 - i) Grade point average;
 - ii) Test scores;
 - iii) Faculty evaluations;
 - iv) Interviews; and
 - v) Other recommendations.

- d) The applicant has received, or is approved to receive, a loan under one or more of the following designated loan programs:
 - i) The federal Family Education Loan Program; and,
 - ii) Any loan program approved by CSAC.
 - e) The Applicant has agreed to work full time for at least four consecutive years as a clinical registered nurse or licensed vocational nurse in an eligible public facility that employs registered nurses or licensed vocational nurses.
- 3) Stipulates that no applicant who has completed few than 60 semester units, or the equivalent, shall be eligible to participate in the loan assumption program as established by this measure.
 - 4) Defines "eligible institution" to mean a postsecondary institution that is determined by CSAC to meet both of the following requirements:
 - a) The institution is eligible to participate in state and federal financial aid programs; and,
 - b) The institution maintains an accredited program of professional preparation for licensing as a registered nurse or vocational nurse in California.
 - 5) Defines "eligible public facility" to mean any of the following:
 - a) A state hospital administered by the State Department of State Hospitals (DSH);
 - b) A state veterans' home, as defined in existing law;
 - c) A public hospital that is a member of the California Association of Public Hospitals and Health Systems (CAPH);
 - d) A facility administered by the federal Veterans Health Administration and located in California; and,
 - e) A health care district located in California.
 - 6) Stipulates that a person participating in the program shall not enter into more than one agreement.
 - 7) Specifies that a person who is currently employed as a registered nurse or licensed vocational nurse in an eligible public facility may be eligible to enter into an agreement for loan assumption under existing law, but is not eligible to enter into an agreement for loan assumption under this measure.
 - 8) Authorizes CSAC to issue loan assumption payments, as specified, upon verification that the applicant has fulfilled all of the following:
 - a) The applicant has become a registered nurse or vocational nurse licensed to practice in California;

- b) The applicant is working full time as a clinical registered nurse or licensed vocational nurse in an eligible public facility that employs registered nurses or licensed vocational nurses; and,
 - c) The applicant has met the requirements of the agreement and all other pertinent conditions, as specified.
- 9) States the terms of a loan assumption shall be as follows, subject to the specific terms of each agreement:
- a) After a program participant has completed one year of full-time employment, as specified, CSAC shall assume up to \$15,000.00 of the participant's outstanding liability under one or more of the designated loan programs;
 - b) After a program participant has completed two years of full-time employment, as specified, CSAC shall assume up to an additional \$15,000.00 of the participant's outstanding liability under one or more of the designated loan programs, for a total loan assumption of up to \$30,000.00;
 - c) After a program participant has completed three years of full-time employment, as specified, CSAC shall assume up to an additional \$15,000.00 of the participant's outstanding liability under one or more of the designated loan programs, for a total loan assumption of up to \$45,000.00; and,
 - d) After a program participant has completed four years of full-time employment, as specified, CSAC shall assume up to an additional \$15,000.00 of the participant's outstanding liability under one or more of the designated loan programs, for a total loan assumption of up to \$60,000.00.
- 10) Stipulates that if a program participant fails to complete a minimum of four consecutive years of full time employment as required under the terms of the agreement, the participant shall retain full liability for all student loan obligations remaining after CSAC's assumption of loan liability for the last year of qualifying clinical registered nursing or licensed vocational nursing service.
- 11) Specifies that if a program participant becomes unable to complete one of the four consecutive years of qualifying clinical registered nursing or licensed vocational nursing service due to serious illness, pregnancy, or other natural causes, the term of the loan assumption agreement shall be extended for a period not to exceed one year; and, that CSAC shall make no further payments under the loan assumption agreement until the applicable work requirements have been satisfied.
- 12) Specifies that if a natural disaster prevents a program participant from completing one of the required years of work due to the interruption of employment at the employing eligible public facility, the term of the loan assumption agreement shall be extended for the period of time equal to the period from the interruption of employment at the employing eligible public facility until the resumption of employment; and, that CSAC shall make no further payments under the loan assumption agreement until the applicable employment requirements have been satisfied.

- 13) Authorizes CSAC to administer this loan assumption program and to adopt rules and regulations for the purposes of administering the program; and, specifies that the rules and regulations shall include, but need not be limited to, provisions regarding the period of time during which an agreement shall remain valid, the reallocation of resources in light of agreements that are not used by program participants, the failure, for any reason, of a program participant to complete a minimum of four consecutive years of qualifying clinical registered nursing or licensed vocational nursing service, and the development of projections for funding purposes.
- 14) Specifies that if a provision is added to this article and CSAC deems it necessary to adopt a rule or regulation in order to implement the new provision, that CSAC shall develop and adopt that rule or regulation no later than six months after the operative date of the statute that adds the provision.
- 15) Requires CSAC, on or before January 31, 2016, and on or before each January 31 thereafter until, and including January 31, 2020, to report annually to the Legislature regarding both the following, on the basis of sex, age, and ethnicity:
 - a) The total number of program participants and the type of program of professional preparation they are attending or have attended; and,
 - b) The number of participants who complete one, two, three, or four years of qualifying clinical registered nursing or licensed vocational nursing service, respectively.
- 16) Requires the Legislative Analyst's Office, on or before May 1, 2019, to submit a report to the Legislature that includes the finding and recommendations of the Legislative Analyst with respect to the efficacy of the program.
- 17) Specifies that the required reports shall be submitted pursuant to existing law.
- 18) Authorizes CSAC, when selecting participants in this program, to grant priority to applicants who, in the determination of CSAC, are included in any of the following categories:
 - a) Persons who possess a baccalaureate degree at the time of initial application;
 - b) Persons who are enrolled in an accelerated program of professional preparation for licensing as a registered nurse or vocational nurse in California; and,
 - c) Persons who are recipients of federally subsidized student loans or other need-based student loans.
- 19) Specifies that in any fiscal year, CSAC shall award no more than the number of warrants that are authorized in the annual Budget Act for that fiscal year for the assumption of loans.
- 20) Appropriates 48 million dollars from the GF to CSAC to be expended for the purposes of CSAC issuing loan assumption awards beginning with the 2015-16 fiscal year (FY) to the 2021-22 FY, inclusive, as follows:

- a) For the 2015-16 FY, CSAC may expend up to three million dollars to award up to 200 awards as specified;
 - b) For the 2016-17 FY, CSAC may expend up to six million dollars to award up to 400 awards as specified;
 - c) For the 2017-18 FY, CSAC may expend up to nine million dollars to award up to 600 awards as specified;
 - d) For the 2018-19 FY, CSAC may expend up to 12 million dollars to award up to 800 awards as specified;
 - e) For the 2019-20 FY, CSAC may expend up to nine million dollars to award up to 600 awards as specified;
 - f) For the 2020-21 FY, CSAC may expend up to six million dollars to award up to 400 awards as specified; and,
 - g) For the 2021-22 FY, CSAC may expend up to three million dollars to award up to 200 awards.
- 21) Sunsets on July 1, 2022, and, as of January 1, 2023, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2023, deletes or extends the dates on which it becomes inoperative and is repealed.

EXISTING LAW:

- 1) Establishes CSAC as the primary state agency to administer state-authorized student financial aid programs available to eligible students attending all eligible segments of postsecondary education (Education Code § 69510, et seq.).
- 2) Authorizes CSAC to administer the State Nursing Assumption Program of Loans for Education (SNAPLE); lists specific eligibility requirements for participation in SNAPLE; and, specifies the terms of the loan assumptions granted (EC § 70100, et seq.).

FISCAL EFFECT: Unknown beyond the 48 million dollars appropriated from the GF to CSAC to administer the loan assumption program.

COMMENTS: Background. According to CSAC, recognizing the growing need for new faculty members in the nursing field at California's colleges and universities, the Legislature found that "the rising costs of higher education, coupled with a shift in available financial aid from scholarships and grants to loans, made loan repayment options an important consideration in a student's decision to pursue a graduate degree in nursing education." With that in mind, Senate Bill 63 (Senate Budget and Fiscal Review Committee, Chapter 73, Statutes of 2005), enacted SNAPLE.

This program authorized CSAC to make payments for student loans on behalf of program participants who took out those loans to finance their graduate nursing education. The loan payments would begin only after those program participants obtained their graduate nursing

degrees and after they complete an academic year of full-time, or the part-time equivalent, teaching nursing in an accredited California college or university. The students were obligated to teach for three consecutive academic years of full-time teaching, or five consecutive years of part-time teaching, to receive up to \$25,000 in loan payments. CSAC was required to select participants in the program from nominees submitted by accredited colleges and universities.

SNAPLE went into effect on July 19, 2005 with a January 1, 2013 sunset; the 2012-13 Budget Act did not authorize any new SNAPLE allocations for applicants.

Nursing shortage. The U. S. Department of Health and Human Services has projected that by 2015, 400,000 new nurses will be needed just to fill the vacancies left by retirees. Additionally, by 2020, the U. S. Bureau of Labor Statistics predicts that it will be short between 800,000 and one million new and replacement nurses, including being short close to 117,000 in California alone.

According to a recent study by the University of California, San Francisco, the supply and demand for nurses in California varies by region. The report found that the Inland Empire region is experiencing the hardest difficulties in their ability to hire trained nurses. However, the San Francisco Bay region is expected to have the largest regional decrease in overall hiring of trained nurses. Additionally, the report found that many new nurses in California are finding it more and more challenging to find hospital nursing jobs.

Purpose of the bill. According to the author, veterans return from duty with various needs. Two of the more prevalent needs are access to quality medical care and jobs. The author states, "In California, we have veterans' homes with nursing shortages and, in 2012 California had an unemployment rate for veterans that was 8.9%. With a population of more than 1.7 million veterans in California, we need to increase our efforts to provide quality medical care and jobs for our servicemen."

AB 1677 creates a loan assumption program for licensed registered and vocational nurses who commit to working for four years in a state hospital operated by the DSH, a state operated veterans' home, a public hospital that is a member of CAPH, and/or a California facility operated by the federal Veterans Health Administration.

Eligible health institutions. It is presently unclear as to the exact numbers of nursing shortfalls faced by the eligible health institutions (that licensed registered and vocational nurses would have to commit to four years of full time employment in order to participate in the loan assumption program), but anecdotally, these institutions, which are located throughout the entire state, including rural areas, are experiencing some of the highest demands for licensed registered and vocational nurses.

This measure would allow up to 800 participants in the loan assumption program.

Related legislation. AB 697 (Gomez of 2013), which died in the Assembly Health Committee, was similar in nature to this measure.

SB 63 (Senate Budget and Fiscal Review Committee), Chapter 73, Statutes of 2005, as described in the "background" section of this analysis.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

None on file.

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