

Department of Legislative Services
 Maryland General Assembly
 2022 Session

FISCAL AND POLICY NOTE
 Enrolled - Revised

House Bill 1208

(Delegate Kelly, *et al.*)

Health and Government Operations

Budget and Taxation and Education, Health,
 and Environmental Affairs

Health Occupations - Health Care Workforce Expansion

This bill establishes a licensed practical nurse (LPN) and registered nurse (RN) preceptorship income tax credit and creates a stakeholder workgroup to study expanding the State apprenticeship programs to the health care workforce. Furthermore, the bill creates additional responsibilities for the State Board of Nursing (BON) relating to the expansion of the workforce in nursing-related fields, such as requiring an evaluation, establishing standards for online nursing assistant training programs, and allowing on-the-job experience as a nursing assistant to count toward a certification. **The bill generally takes effect June 1, 2022; however, the tax credit provisions take effect July 1, 2022, apply to tax years 2022 through 2024, and terminate June 30, 2025.**

Fiscal Summary

State Effect: No effect in FY 2022. Special fund revenues at the Maryland Department of Health (MDH) and federal fund expenditures may increase by up to \$100,000 annually in FY 2023 through 2025 due to a new preceptorship tax credit. MDH special and general fund expenditures increase by a combined \$444,300 in FY 2023, with ongoing tax credit administration costs through FY 2025 and ongoing personnel costs. General fund expenditures increase by \$53,000 in FY 2023 for the Comptroller’s Office.

(in dollars)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
SF Revenue	\$100,000	\$100,000	\$100,000	\$0	\$0
GF Expenditure	\$98,300	\$36,000	\$37,200	\$0	\$0
SF Expenditure	\$399,000	\$365,600	\$331,600	\$237,700	\$244,100
FF Expenditure	\$100,000	\$100,000	\$100,000	\$0	\$0
Net Effect	(\$497,300)	(\$401,600)	(\$368,800)	(\$237,700)	(\$244,100)

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary:

State Board of Nursing Responsibilities

BON must include in its annual report an evaluation of the State's nursing workforce as specified by analyzing information gathered from renewal applications. The license renewal application that BON requires to practice registered nursing or licensed practical nursing must include workforce data information necessary for BON's annual report.

BON must adopt regulations establishing standards for the online provision of didactic instruction in a nursing assistant training program that meets the requirements established by the board.

BON is required to allow an individual who has been practicing as a temporary nursing assistant, in accordance with a specified waiver, to apply on-the-job experience as a nursing assistant toward the total number of training hours required for certification as a geriatric nursing assistant. BON must adopt regulations to implement this provision by December 31, 2022.

BON must approve the use of a nursing assistant training site by a nursing assistant training program within 45 days after the nursing assistant program applies for approval if the program had previously been approved to use the training site by BON.

Licensed Practical Nurse and Registered Nurse Preceptorship Tax Credit

For the LPN and RN preceptor tax credit, an LPN, advanced practice registered nurse, or RN must serve without compensation as a preceptor in a preceptorship program approved by BON – through which an LPN student or RN student is paired, for purposes of clinical experience, with the LPN, advanced practice registered nurse, or RN – and work (1) at least three rotations with each rotation consisting of 100 hours of community-based clinical training and (2) in an area identified as having a health care workforce shortage.

MDH must issue a credit certificate of \$1,000 for each eligible student rotation for which the applicant served as a preceptor without compensation, not to exceed \$10,000 per applicant for any taxable year.

Tax credit applications are approved on a first-come, first-served basis until the maximum authorized credits are awarded. MDH may issue in each tax year the lesser of \$100,000 in tax credit certificates or the total amount of money in the LPN and RN Preceptorship Tax Credit Fund (which is also established by the bill). If the aggregate amount of tax credit

certificates issued in a year is less than \$100,000, the excess amount may be issued in the next taxable year. The LPN and RN Preceptorship Tax Credit Fund consists of specified federal COVID-19 pandemic relief funding, money appropriated in the State budget to the fund, and any other money accepted for the benefit of the fund.

MDH must (1) report specified information to the Comptroller and the General Assembly by January 31 of each year and (2) in consultation with the Governor's Workforce Development Board, adopt regulations to implement the credit.

Stakeholder Workgroup

MDH must work with the Division of Workforce Development and Adult Learning (DWDAL) in the Maryland Department of Labor to convene a stakeholder workgroup to study expanding the State apprenticeship programs to the health care workforce and make recommendations on related topics, as specified. MDH must report the findings and recommendations of the workgroup to the health policy committees of the Maryland General Assembly by December 1, 2022.

Current Law: Generally, an individual must be licensed and/or certified by BON to practice as a nurse or nursing worker.

Registered Nurse

“Practice registered nursing” means the performance of acts requiring substantial specialized knowledge, judgment, and skill based on the biological, physiological, behavioral, or sociological sciences as the basis for assessment, nursing diagnosis, planning, implementation, and evaluation of the practice of nursing to maintain health, prevent illness, or care for or rehabilitate the ill, injured, or infirm.

An applicant for an RN license must complete and meet all requirements for a diploma or degree from a registered nursing education program approved by BON, or an education program in registered nursing in any other state or country that BON finds substantially equivalent to programs in the State. RN applicants must also pass an examination developed by the National Council of State Boards of Nursing, demonstrate English language competency, and be of good moral character.

Preceptorship Tax Credits

Chapters 385 and 386 of 2016 established the physician and nurse practitioner preceptorship tax credits. Chapter 153 of 2021 established a physician assistant preceptor income tax credit and extended the termination dates of the licensed physician and nurse practitioner preceptorship tax credits so that all preceptorship tax credit programs terminate

June 30, 2026. The nonrefundable income tax credits may be claimed by a licensed physician, nurse practitioner, or physician assistant who serves without compensation as a preceptor in an approved preceptorship program. Tax credit applications are approved on a first-come, first-served basis until the maximum limit is reached for each credit.

Licensed Physician Preceptorship Tax Credit: A licensed physician must serve without compensation as a preceptor in a preceptorship program authorized by an accredited medical school in the State and work (1) at least three rotations with each rotation consisting of at least 100 hours of community-based clinical training and (2) in an area identified as having a health care workforce shortage.

Each year, MDH may issue up to \$100,000 in physician preceptorship credits. If the aggregate amount of tax credit certificates issued in a year is less than \$100,000, the excess amount may be issued in the next taxable year.

In each year, up to \$100,000 in unspent Health Personnel Shortage Incentive Grant funds may be transferred or reverted to the general fund to offset the costs of the physician preceptorship tax credit.

Nurse Practitioner Preceptorship Tax Credit: A licensed physician or nurse practitioner must serve without compensation as a preceptor in a preceptorship program approved by BON and work (1) at least three rotations with each rotation consisting of 100 hours of community-based clinical training and (2) in an area identified as having a health care workforce shortage.

Chapters 385 and 386 established a \$15 fee for the renewal of an advanced practice registered nurse certificate of a nurse practitioner and created a Nurse Practitioner Preceptorship Tax Credit Fund. The fee must be distributed to the fund, which is intended to offset the costs of the nurse practitioner preceptor tax credit. Each year, MDH may issue the lesser of \$100,000 in tax credit certificates or the total amount of money in the fund. If the aggregate amount of tax credit certificates issued in a year is less than \$100,000, the excess amount may be issued in the next taxable year.

Physician Assistant Preceptor Tax Credit: For the physician assistant preceptor tax credit, a licensed physician, physician assistant, or nurse practitioner must serve without compensation as a physician assistant preceptor in a preceptorship program approved by MDH and work (1) at least three rotations with each rotation consisting of 100 hours of community-based clinical training and (2) in an area identified as having a health care workforce shortage.

MDH must issue a credit certificate of \$1,000 for each eligible student rotation for which the applicant served as a physician assistant preceptor without compensation, not to exceed \$10,000 per applicant.

MDH may issue in each tax year the lesser of \$100,000 in tax credit certificates or the total amount of money in the Physician Assistant Preceptorship Tax Credit Fund. If the aggregate amount of tax credit certificates issued in a year is less than \$100,000, the excess amount may be issued in the next taxable year.

Apprenticeships

For an overview of registered apprenticeship programs in the State, please see the **Appendix – Apprenticeship**.

State Fiscal Effect:

State Board of Nursing

The bill creates additional responsibilities for BON by requiring it to evaluate the State’s nursing workforce, review curriculum provided online for nursing assistant training programs, approve nursing assistant training programs, and review applications for individuals practicing as temporary nursing assistants. Thus, special fund expenditures for BON increase by \$299,011 in fiscal 2023, which accounts for a one-month start-up delay from the bill’s general June 1, 2022, effective date. This estimate reflects the cost of hiring one administrative officer, one program administrator, one regular administrative specialist, and one contractual administrative specialist to perform these additional responsibilities. The contractual administrative specialist is needed to review certification applications for individuals practicing as temporary nursing assistants and to verify their on-the-job experience for those who were not previously certified to practice. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Regular Positions	3.0
Contractual Position	1.0
Regular Salaries and Fringe Benefits	\$226,006
Contractual Salary and Fringe Benefits	42,573
Operating Expenses	<u>30,432</u>
Total FY 2023 BON Expenditures	\$299,011

Future year expenditures reflect annual salary increases and employee turnover as well as annual increases in ongoing operating expenses and the contractual position terminating at the end of fiscal 2024.

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State’s implementation of the federal Patient Protection and Affordable Care Act (ACA).

Office of Population Health Improvement

The Office of Population Health Improvement (OPHI) within MDH anticipates administering the LPN and RN Preceptorship Tax Credit and related fund and convening the stakeholder workgroup to study expanding the State apprenticeship programs to the health care workforce. Thus, general fund expenditures for OPHI increase by \$45,330 in fiscal 2023, which accounts for a one-month start-up delay from the bill’s general June 1, 2022 effective date and is concurrent with the effective date for the tax credit. This estimate reflects the cost of hiring one full-time contractual administrative specialist to assist with the apprenticeship workgroup and administer the tax credit. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Contractual Position	1.0
Contractual Salary and Fringe Benefits	\$37,722
Operating Expenses	<u>7,608</u>
Total FY 2023 State Expenditures	\$45,330

Future year expenditures reflect annual salary increases and employee turnover as well as annual increases in ongoing operating expenses and the full-time contractual position terminating at the end of fiscal 2025.

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State’s implementation of the federal ACA.

Preceptorship Tax Credit

Tax credits can be claimed in tax year 2022 through 2024. MDH may issue the lesser of \$100,000 in tax credit certificates or the total amount of money in the fund each year. The LPN and RN Preceptorship Tax Credit Fund may consist of federal COVID-19 pandemic relief funding, so federal fund expenditures increase by up to \$100,000 in fiscal 2023 through 2025. Special fund revenues and expenditures increase by up to \$100,000 annually in fiscal 2023 through 2025. MDH may not issue more tax credit certificates than the total amount of funds in the LPN and RN Preceptorship Tax Credit Fund. Thus, to the extent that less than \$100,000 of federal funding is provided, special fund revenues and expenditures increase by less than \$100,000.

The Comptroller’s Office reports that it will incur a one-time general fund expenditure increase of \$53,000 in fiscal 2023 to add the tax credit to the income tax forms. This

includes data processing changes to the income tax return processing and imaging systems and systems testing.

Maryland Department of Labor

The Governor's Workforce Development Board can provide consultation to MDH to develop regulations for a nursing preceptorship and identify areas that have a health care workforce shortage with existing resources. DWDAL can assist MDH with convening a stakeholder workgroup to study expanding the State apprenticeship programs to the health care workforce with existing resources.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Comptroller's Office; Maryland Higher Education Commission; Maryland Department of Health; Maryland Department of Labor; Department of Legislative Services

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Appendix – Apprenticeship

Generally, apprenticeship is a voluntary, industry-sponsored system that prepares individuals for occupations typically requiring high-level skills and related technical knowledge. Apprenticeships are sponsored by one or more employers and may be administered solely by the employer or jointly by management and labor groups. An apprentice receives supervised, structured, on-the-job training under the direction of a skilled journeyman and related technical instruction in a specific occupation. Apprenticeships are designed to meet the workforce needs of the program sponsor. Many industry sponsors use apprenticeship as a method to train employees in the knowledge necessary to become a skilled worker. This also means the number of apprenticeships available is dependent on the current workforce needs of the industry and the capacity and willingness of employers to supervise them.

Apprenticeships are available to individuals age 16 and older; an employer, however, may set a higher entry age. By law, individuals must be age 18 to apprentice in hazardous occupations. Apprenticeships last from one to six years, although most are three to four years, and involve a minimum of 144 hours of classroom instruction per year and at least 2,000 hours per year of on-the-job training. A national apprenticeship and training program was established in federal law in 1937 with the passage of the National Apprenticeship Act, also known as the Fitzgerald Act. The purpose of the Act was to promote national standards of apprenticeship and to safeguard the welfare of apprentice workers.

Along with [26 other states and the District of Columbia](#), Maryland has chosen to operate its own apprenticeship programs under the federal law. The Division of Workforce Development and Adult Learning (DWDAL) within the Maryland Department of Labor is responsible for the daily oversight of State apprenticeship programs. More specifically, DWDAL approves new apprenticeship programs, changes to current programs, and compliance with State and federal requirements. The approval process involves assessing the appropriateness of an apprenticeship program in a proposed industry, the education that will be provided to the apprentice, the current staffing level of the entity proposing the program to determine whether adequate supervision can be provided, recruitment and retention efforts, and the overall operations of the entity. The Maryland Apprenticeship and Training Council serves in an advisory role for legislation and regulations, recommending changes to update apprenticeship laws.

As of December 2020, there were 11,076 apprentices registered, and there were 3,713 participating employers. During calendar 2020, the State added 25 new apprenticeship programs.