



<b>Nursing Education Reimbursement Fund (Board of Nursing)</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Potential increase of up to approximately \$14.5 million to reimburse nurses for cost of pre-licensure education	Potential increase of approximately \$14.5 million or more per year to reimburse nurses for cost of pre-licensure education depending on the number of nurses who meet the reimbursement criteria

Note: The state fiscal year is July 1 through June 30. For example, FY 2008 is July 1, 2007 – June 30, 2008.

- The bill prohibits hospitals from requiring registered nurses and licensed practical nurses to work overtime as a condition of continued employment. If a hospital violates the mandatory overtime provision, the Department of Health must provide the hospital public notice and an opportunity for a hearing. If the hospital fails to request a hearing or the Department determines after conducting a hearing that a violation occurred, the Department must impose a fine of up to \$10,000 per violation. According to the Department of Health's web site, there are 214 hospitals licensed in the State of Ohio and 13 community mental health facilities. The Department of Mental Health operates nine state Behavioral Health Organizations. The number of cases the bill would generate is unknown at this time.
- The Department of Health is required to promulgate rules for the implementation of the nurse overtime provisions. As part of the rulemaking process, the Department is required to provide public notice in the Register of Ohio for a public hearing on proposed rules. A minimal increase in administrative costs for the Department is expected from this provision in the bill.
- According to a spokesperson at the Board of Nursing, 1,832 students graduated from baccalaureate nursing education programs in 2006. The statewide average annual cost for pre-licensure nursing education programs for the 2006-2007 academic year is \$8,050 for undergraduates.<sup>1</sup> The average cost includes the cost of textbooks. The state could incur costs of up to an estimated \$14.5 million in FY 2009 as a result of this provision. The cost in future years will depend on the number of nursing students.
- The tax deduction of 50% of compensation received for services as a nursing aide for tax years starting on or after January 1, 2007 is estimated to reduce personal income tax revenue by \$31.6 million in FY 2008 and \$30.5 million in FY 2009.
- The tax credit will apply to all nurses teaching in a post-secondary educational institution. Eligible nurses would receive a refundable tax credit of \$3,500 for the first four years and \$1,750 for the next two consecutive years for tax years starting on or after January 1, 2007. The credit is estimated to reduce personal income tax revenue by \$8.5 million in FY 2008 and by \$8.7 million in FY 2009.
- The GRF revenue loss is calculated on the basis of the current Revised Code formula for distributing income tax revenue. The GRF receives 89.5% of the personal income tax revenue.

<sup>1</sup> The universities used to calculate the statewide average education cost are: University of Akron, Bowling Green State University, Central State University, University of Cincinnati, Cleveland State University, Kent State University, Miami University, Ohio University, The Ohio State University, Shawnee State University, University of Toledo, Wright State University, and Youngstown State University.

- The Board of Nursing will be required to administer the Nursing Education Reimbursement Program. Based on information provided by the Board of Nursing, implementing this provision of the bill would increase administrative costs. However, a specific cost is unknown at this time. The Board believes these costs would be substantial and would include hiring additional staff. During the first five years, the costs will rise as the number of nurses each year eligible for reimbursement rise. After that time, some nurses will no longer be eligible to receive reimbursement. In addition, nurses with more than two years of full-time employment in an Ohio hospital are eligible for cost reimbursement for additional years.

### ***Local Fiscal Highlights***

<b>LOCAL GOVERNMENT</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>Future Fiscal Years</b>
<b>Local Government Funds (LGF, LGRAF, and LLGSF)</b>			
Revenues	Approximate loss of \$4.2 million; minimal increase depending on the number of injunctions filed	Approximate loss of \$4.1 million; minimal increase depending on the number of injunctions filed	Approximate loss of \$3 million to \$4 million per year; minimal increase depending on the number of injunctions filed
Expenditures	- 0 -	- 0 -	- 0 -
<b>School Districts</b>			
Revenues	Approximate loss of \$1.4 million	Approximate loss of \$1.4 million	Approximate loss of \$1.4 million per year
Expenditures	- 0 -	- 0 -	- 0 -

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- The bill allows the Director of Health, through the Attorney General's Office or an appropriate prosecuting attorney, to apply to the court of common pleas of the county where the hospital is located for a temporary or permanent injunction to restrain a hospital's violation of the overtime prohibition. The number of cases the bill would generate is unknown at this time.
- The tax deduction of 50% of compensation received for services as a nursing aide for tax years starting on or after January 1, 2007 is estimated to reduce personal income tax revenue by \$31.6 million in FY 2008 and \$30.5 million in FY 2009.
- The tax credit will apply to all nurses teaching in a post-secondary educational institution. Eligible nurses would receive a refundable tax credit of \$3,500 for the first four years and \$1,750 for the next two consecutive years for tax years starting on or after January 1, 2007. The credit is estimated to reduce personal income tax revenue by \$8.5 million in FY 2008 and by \$8.7 million in FY 2009.
- The losses to the local government funds are calculated on the basis of the current Revised Code formula for distributing income tax revenue. The Library and Local Government Support Fund (LLGSF) receives 5.7%, the Local Government Fund (LGF) receives 4.2%, and the Local Government Revenue Assistance Fund (LGRAF) receives 0.6% of income tax revenue.
- The tax deduction for nursing aides will reduce the tax base for school district income taxes, resulting in a decrease in revenue from these taxes.

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## ***Detailed Fiscal Analysis***

### **Nurse overtime**

The bill prohibits hospitals from requiring registered nurses and licensed practical nurses to work overtime as a condition of continued employment. If a hospital violates the mandatory overtime provision, the Department of Health must provide the hospital public notice and an opportunity for a hearing. If the hospital fails to request a hearing or the Department determines after conducting a hearing that a violation occurred, the Department must impose a fine of up to \$10,000 per violation. In addition, the Department of Health may request the Attorney General's Office take civil action to collect the fine. According to the Department of Health's web site, there are 214 licensed hospitals and 13 community mental health facilities statewide. The Department of Mental Health operates nine state mental health hospitals. If any hospitals violate this provision of the bill, the Department of Health would incur additional administrative costs for public hearing notices and administrative hearing fees. According to a spokesperson at the Department of Health, the cost of an administrative hearing averaged \$567 in FY 2006. At this time, it is unknown how many hospitals might violate this provision in the bill and the fine the Department would impose. County courts of common pleas may also experience a minimal increase in administrative costs depending on the number of temporary or permanent injunctions the Department requests.

The Department of Health is required to promulgate rules for the implementation of the nurse overtime provisions. As part of the rulemaking process, the Department is required to provide public notice in the Register of Ohio for a public hearing on proposed rules. A minimal increase in administrative costs for the Department is expected from this provision in the bill.

### **Tax deduction for nursing aides**

The bill proposes to allow a 50% deduction of the compensation received for personal services rendered in Ohio by the taxpayer as a nurse aide, to the extent such compensation is not otherwise deducted or excluded in computing federal or Ohio adjusted gross income for the taxable year.

According to the Ohio Department of Job & Family Services, Office of Workforce Development, in 2005 there were 75,459 nursing aides, orderlies and attendants. For 2007 and beyond, the number of nursing aides was projected to grow at a 20% growth rate, as reflected by data from the Ohio Board of Nursing. The average annual income for this group of taxpayers is assumed to grow at 3% per year. The bill applies to taxable years beginning January 1, 2007, and hence the fiscal effects of the proposals would be felt starting in FY 2008. Using tax rates under House Bill 66 of the 126th General Assembly for projections, the revenue loss for FY 2008 and beyond was estimated as detailed in Table 1. The loss to income tax revenue is estimated at \$31.6 million for FY 2008 and \$30.5 million for FY 2009.

<b>Table 1. Fiscal effects of tax deduction for nursing aides (\$ in millions)</b>		
<b>Fiscal Year</b>	<b>2008</b>	<b>2009</b>
Number of nursing aides	130,533	156,640
Annual income	\$1,853	\$1,908
Income tax revenue loss	\$31.6	\$30.5
Loss to GRF	\$28.3	\$27.3
Loss to local government funds	\$3.3	\$3.2
Loss to School Districts	\$1.4	\$1.4

**Local impact statement**

Distributions to the local government funds will change as revenues from the personal income tax change. Based on the current Revised Code formula for the distribution of income tax revenue, the LGF receives 42% of income tax revenues, the LGRAF receives 0.6%, and the LLGSF receives 5.7%. Using these percentages, the aggregate effect on local governments of the tax deduction for nursing aides will be an approximate loss of \$3.3 million in FY 2008 and \$3.2 million in FY 2009.

The deduction also reduces the tax base for the school district income tax, so there will be an impact on their revenue as well. Calculating on the basis of 2006 school district income tax data, it is estimated that those school districts that levy a tax account for about 10.47% of federal adjusted gross income (FAGI) in the state and the average tax rate is 1.44%. Applying these ratios to 50% of computed income of the nursing aides, the approximate loss of school district income tax revenue is estimated at \$1.4 million in both FY 2008 and FY 2009.

**Tax credit to nursing professors**

The bill proposes a refundable tax credit for a nursing professor teaching in a post-secondary educational institution in Ohio. The credit is \$3,500 for four consecutive years and thereafter a tax credit of \$1,750 for the next two consecutive years. The tax credit program starts with taxable year 2007 and is to end in taxable year 2020.

According to the Ohio Department of Job and Family Services' Office of Workforce Development there were 2,200 nursing professors in the state of Ohio in 2005. This number is expected to grow by 27% by the end of 2014. There is no employment growth data available past 2014, so for the purposes of this analysis, the growth for nursing professor employment is assumed to remain constant through 2020.

Nursing professors in the state of Ohio had an average annual income of \$54,170 in 2005, and their average annual tax liability was \$1,710 (based on the average effective rate of 3.16% for the

\$40,000 - \$80,000 income bracket). For the purposes of this analysis it is assumed that incomes will increase by 3.5% per year.<sup>2</sup> Since this is a refundable credit, part of the credit will cover the tax liability and any difference between the tax liability and the eligible credit amount will be refunded to the taxpayer. However, for calculating the revenue loss the total amount of credit, obtained by multiplying the eligible number of taxpayers and the applicable tax credit amount is appropriate.

For FYs 2008 through 2020 the tax credit for nursing professors will result in an estimated revenue loss of \$44.5 million. Loss to the General Revenue Fund (GRF) is approximately \$39.9 million over this period. Table 2 shows yearly estimates of the number of individuals that would be eligible for the credit for FYs 2008 through 2020 and the loss of revenue to the GRF and the local government funds. The analysis assumes that all individuals eligible for the credit take the credit. There is a significant drop in the number of individuals taking the credit and the revenue loss due to the credit in FY 2014. This is due to the large number of nursing professors who claimed the credit starting in the first year that will no longer be eligible to claim the credit, since they will have already claimed it in the first six years.

**Table 2. Fiscal effects of tax credit to nursing professors (in \$ millions)**

Fiscal Year	2008	2009	2010	2011	2012	2013	2014
Number of eligible nursing professors	2,436	2,495	2,554	2,613	2,672	2,731	354
Loss in income tax revenue	\$8.5	\$8.7	\$8.9	\$9.1	\$5.1	\$5.2	\$1.0
Loss to GRF	\$7.6	\$7.8	\$8.0	\$8.2	\$4.6	\$4.6	\$0.9
Loss to local government funds	\$0.9	\$0.9	\$0.9	\$1.0	\$0.5	\$0.5	\$0.1

Fiscal Year	2015	2016	2017	2018	2019	2020	Totals
Number of eligible nursing professors	354	354	354	354	354	354	<b>17,979</b>
Loss in income tax revenue	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	<b>\$52.9</b>
Loss to GRF	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	<b>\$47.3</b>
Loss to local government funds	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	<b>\$5.5</b>

**Local impact statement**

The distribution to the local government funds will change as revenues from the personal income tax change. Based on the current Revised Code formula for distribution of income tax revenue, the LGF receives 4.2% of income tax revenues, the LGRAF receives 0.6%, and the LLGSF receives 5.7%. Using these percentages, the annual revenue loss to local government funds is less than \$1 million and the aggregate effect of the credit on local governments for FY 2008 through FY 2020 will be a loss of \$4.7 million.

<sup>2</sup> Based on data from the Ohio Department of Job and Family Services - Ohio Office of Workforce Development

### **Nursing Education Reimbursement Program**

The bill establishes the Nursing Education Reimbursement Program to be administered by the Board of Nursing. Under the program, the Board would reimburse registered nurses who meet certain conditions for post-secondary education costs. In order to be eligible for reimbursement under the program, a nurse must meet three conditions: (1) complete an Ohio Board of Nursing approved pre-licensure nursing education program from an Ohio private or public institution after July 1, 2007, (2) hold a valid license to practice as a registered nurse in Ohio, and (3) complete at least two years of full-time employment in an Ohio hospital. According to the Board of Nursing, 1,832 students were eligible to take the nursing licensing examination in 2006.

According to a spokesperson at the Board of Nursing, administering the Nursing Education Reimbursement Program would require additional funds be appropriated to the Board. In addition, the Board would need to hire additional staff as the requirements of the program could not be absorbed by existing staff. The Board would propose to raise licensing fees to cover the increased administrative costs of administering the program. Any license fee increase up to 50% of the limits established in section 4723.08 of the Revised Code would require Controlling Board approval. Any fees that would exceed 50% of the limits established in section 4723.08 of the Revised Code would require legislative action. In addition, the Board would have to establish new accounting and tracking systems. From information obtained from the Board, a similar system exists at the Ohio Board of Regents for the Nurse Education Assistance Loan Program. At this time, the costs associated with administering the program are unknown. However, the costs to the Board could be substantial.

The bill stipulates the amount an eligible registered nurse can receive under the program is the lesser of: (1) the average annual cost of the nurse's pre-licensure nursing education program, or (2) the statewide average nursing education instructional costs for state universities that offer such programs, as calculated for the year the nurse completed the pre-licensure nursing education program. The average annual actual costs of pre-licensure nursing education include the annual cost of instructional and general fees for enrollment and an estimated amount for necessary textbooks. For the 2006-2007 academic year, the statewide average annual actual cost for pre-licensure nursing education at Ohio public universities is approximately \$8,050 for baccalaureate programs. The amount includes \$800 for the average cost of textbooks.

Based on 2006 graduation statistics, the cost to implement the reimbursement in FY 2009 for the 1,832 students that graduated in 2006 would be up to approximately \$14.5 million. If Ohio public institutions defer tuition rate increases until 2009 as is being considered in the budget bill, average costs in future fiscal years for reimbursement would increase. At this time it is unknown what the costs for the reimbursement program would be in future years. Several factors have to be considered: the change in pre-licensure nursing education graduation rates, tuition increases at Ohio public and private colleges and universities with pre-licensure nursing education programs, and the number of nurses that practice in Ohio for two years or more.

The bill states that a registered nurse with more than two years of full-time employment in an Ohio hospital is eligible for cost reimbursement for additional years. However, no registered nurse may

be reimbursed for more than the lesser of: (1) the number of years enrolled as a full-time student in a pre-licensure nursing education program, or (2) five years. The average length of a pre-licensure nursing education program is four years for an undergraduate degree. The average total cost of reimbursement per nurse with an undergraduate degree would be \$32,200.

Nurses with more than two years of full-time employment in an Ohio hospital would be eligible for cost reimbursement for additional years up to five years. In FY 2006, there were 151,136 registered nurses according to data reported in the 2006 annual report issued by the Board of Nursing. An estimate for the cost of reimbursement is not available at this time, as the number of nurses eligible for reimbursement is unknown. In addition, the Board of Nursing does not track employment data for nurses who practice in Ohio at this time. To implement this provision, the Board would have to verify employment and education credentials for nurses, which would increase administrative costs and require additional staff, according to a spokesperson at the Board.

The Board is required to promulgate rules for the nursing education reimbursement program provision of the bill. As part of the rule-making process, the Department is required to provide public notice in the Register of Ohio for a public hearing on proposed rules. A minimal increase in administrative costs for the Board is expected from this provision in the bill.

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