

Department of Legislative Services
 Maryland General Assembly
 2021 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1215 (Delegate Rosenberg)
 Appropriations and Ways and Means

Internship Programs - Alteration, Creation, and Income Tax Credit

This bill establishes the Maryland Internship Opportunities Program (MIOP) at the University of Maryland Baltimore County (UMBC), as a humanities-based internship program similar to the existing Maryland Technology Internship Program (MTIP). The bill also increases the maximum amount of a stipend award under MTIP. The Governor must include in the annual budget bill an appropriation for (1) the reimbursement of MIOP stipends and (2) for UMBC to administer the program. The authorized uses of the senatorial and delegate scholarships are expanded to include specified expenses related to individuals participating in MIOP or MTIP. An employer participating in MIOP or MTIP may claim a credit against the State income tax equal to \$4,200 for each eligible intern who is employed as a full-time employee within six months after graduating from an eligible institution. The Maryland Department of Labor (MDL) is required to administer the credit and may award a maximum of \$250,000 in credits in each tax year. **The bill takes effect July 1, 2021, and applies to tax year 2021 and beyond.**

Fiscal Summary

State Effect: General fund revenues decrease by \$250,000 annually beginning in FY 2022 due to credits claimed against the income tax. Beginning in FY 2022, general fund expenditures increase by an estimated \$200,200 to administer the tax credit and for MIOP administration and stipends. To the extent State agencies participate in MIOP or MTIP, potential minimal impacts on reimbursable revenues and expenditures (not shown below).

(in dollars)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GF Revenue	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)
GF Expenditure	\$200,200	\$145,900	\$147,700	\$150,500	\$153,400
Net Effect	(\$450,200)	(\$395,900)	(\$397,700)	(\$400,500)	(\$403,400)

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

Local Effect: Local revenues and expenditures may increase minimally beginning in FY 2022, as discussed below.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary:

Senatorial and Delegate Scholarships

In addition to current uses, a senatorial or delegate scholarship may be used for living expenses as defined by the Office of Student Financial Assistance (OSFA) in the Maryland Higher Education Commission (MHEC) to support a student participating in MTIP or MIOP, including expenses for on- or off-campus housing, food, supplies related to the internship, and transportation to and from the internship.

Maryland Technology Internship Program

The maximum annual amount of the MTIP stipend is increased from \$3,000 to \$4,200.

Maryland Internship Opportunities Program

The purposes of MIOP are to:

- connect college and university students, recent graduates, and veterans with small humanities-based businesses through internships;
- encourage high-achieving students at institutions of higher education in the State to remain in Maryland after graduation;
- increase student understanding of employment opportunities in the State;
- create connections between students and community business leaders and entrepreneurs and develop opportunities for student involvement in communities;
- assist small humanities-based businesses in developing internship programs and recruiting future employees; and
- foster business retention and development, job creation, workforce development, and new investment in the State.

To carry out the purposes of the program, UMBC, leveraging the technology systems of MTIP, must utilize an Internet site through which students may learn about humanities-based businesses, humanities-based positions in units of State and local government, and internship opportunities; humanities-based businesses and units of State and local government may register to participate in the program and post information about

internship opportunities on the Internet site. They may also apply for reimbursement of internship stipends on the Internet site.

To qualify for MIOP, an individual must be a student enrolled at a public or private nonprofit institution of higher education in the State or have graduated from such an institution within 12 months before the date of application. In addition, a student enrolled at an out-of-state public or private nonprofit institution may apply if the student graduated from a high school in the State. These individuals must maintain or have maintained a specified grade point average. Further, specified veterans may apply within 18 months of an honorable discharge. A veteran must be a resident of Maryland and have graduated from a public or private nonprofit institution of higher education.

Further, an eligible applicant must (1) commit to working a minimum of 120 hours during a spring, fall, or summer semester; (2) attend an orientation session provided or approved by UMBC; and (3) meet any other criteria established by UMBC.

To qualify for participation in the program, a business or unit of State or local government must (1) commit to hosting an intern for a minimum of 120 hours during a spring, fall, or summer semester; (2) provide a detailed description of the position, as specified; and (3) provide proof that a representative has attended an orientation or training program provided or approved by UMBC. In addition, a business must be located in the State and be humanities-based, as specified.

UMBC must develop a process for tracking and assessing the outcomes of the program, including specified outcomes. UMBC must obtain feedback from program participants as specified, and at specified intervals with the final follow up being three years following the conclusion of the internship.

Money awarded under the program may be used to reimburse a humanities-based business or unit of State or local government up to 50% of a stipend paid to an intern, but no more than \$4,200 each year for each intern. However, the maximum reimbursement amounts may be increased in accordance with changes in employment market conditions as jointly determined by UMBC and the Department of Commerce (Commerce). At least 50% of the internships supported by the program each year must be with businesses that have no more than 150 employees.

At the end of each fiscal year, UMBC must prepare an annual report that includes an accounting of all financial receipts and expenditures that relate to the program. UMBC must submit a copy of the report to the General Assembly.

Tax Credit for Eligible Employers That Hire MTIP or MIOP Graduates

Beginning in tax year 2021, an “eligible employer” (specifically, a business that participates in MTIP or MIOP) may claim a nonrefundable income tax credit in the taxable year in which an “eligible intern” completed an internship with that employer. An “eligible intern” is a student who participated in MTIP or MIOP and is employed by an eligible employer on a full-time basis within six months after graduating (from an eligible institution of higher education). The amount of the tax credit may not exceed \$4,200 for each eligible intern. If the credit exceeds the State income tax imposed in the tax year, any unused amount may be carried forward to subsequent taxable years until the full amount of the excess credit is used.

At least 30 days before employing an eligible intern, the employer must submit an application to MDL. MDL must (1) approve all applications on a first-come, first-served basis; (2) certify the amount of the tax credit; and (3) adopt regulations to implement the bill and to specify criteria and procedures for application for and approval of tax credit certificates for the tax credit.

MDL may issue a maximum of \$250,000 in tax credits in each tax year.

Current Law:

Senatorial Scholarships

Until June 30, 2019, each senator may award \$138,000 in scholarship funds each year. Beginning on July 1, 2019, that amount will grow by the increase in tuition and mandatory fees over the previous year at the University System of Maryland (USM) institution with the highest annual expenses for a full-time resident undergraduate student other than the University of Maryland Global Campus (UMGC) and the University of Maryland, Baltimore Campus (UMB).

To qualify for an award, an individual must be a resident of Maryland and demonstrate a definite financial need. In addition, a senatorial scholarship may be awarded to an individual who is on active duty with the U.S. military and domiciled in the legislative district of the State from which the applicant seeks an award. Each senator must consider an applicant’s financial need. An award under the program may not be less than \$400 and may not exceed the tuition and mandatory fees at the USM institution with the highest annual tuition and fees, not including UMGC and UMB. Except under certain circumstances, a scholarship may be held for up to four years of full-time study or eight years of part-time study.

A senatorial scholarship may be used at any undergraduate, graduate, or professional school in the State or at select in-state private career schools that offer two-year certificate programs that can transfer to a baccalaureate degree, including (1) at a degree-granting institution of higher education, if the curriculum is approved by MHEC; (2) at a hospital diploma school for training registered nurses; or (3) to attend as a full-time student a private postsecondary proprietary institution that is accredited by a national accrediting association approved by the U.S. Department of Education.

Each senator may award at most 10% of scholarship funds to applicants planning to attend accredited undergraduate, graduate, or professional institutions outside of the State. Those students must be studying an academic area that is not available in the State or be a person with a hearing impairment who will be studying at an institution outside the State that makes special provisions for persons with a hearing impairment. A senatorial scholarship may also be used at an out-of-state institution of higher education if the applicant is an individual who is on active duty with the U.S. military and domiciled in the State.

The scholarship may be used for educational expenses as defined by OSFA within MHEC, including tuition and mandatory fees and room and board. If on-campus housing is available, a senatorial scholarship may not be used to pay for off-campus housing. A recipient of a senatorial scholarship who is currently enrolled, or was enrolled within the last two years, in a certificate or license program, course, or sequence of courses at a community college that leads to certification or licensure may use the scholarship to reimburse specified educational expenses, including tuition, mandatory fees, and room and board.

Delegate Scholarships

During a term in office, each delegate may award the equivalent of four four-year, full-time scholarships or two part-time scholarships for each full-time scholarship available. A delegate may select scholarship recipients on any basis he or she considers appropriate. The annual amount of a scholarship for any one recipient may not exceed the tuition and mandatory fees at the USM institution with the highest annual tuition and fees, not including UMGC and UMB. A scholarship award may be used to pay tuition and mandatory fees at a Maryland institution of postsecondary education or, when the desired program of study or appropriate accommodations are not available in Maryland, an out-of-state institution. Instead of awarding the scholarships himself or herself, a delegate may authorize MHEC to award funding to eligible applicants under the Delegate Howard P. Rawlings Educational Excellence Awards program.

A delegate scholarship may be used at an in-state institution of higher education whose primary campus is located in Maryland and whose authority to grant degrees is conferred in Maryland for a program of undergraduate, graduate, or professional studies. If the

applicant will be studying in an academic area that is not available in the State or under certain circumstances where the applicant is disabled, the scholarship may be used at an accredited undergraduate, graduate, or professional studies institution outside the State. The scholarship may also be used at a private career school within the State that is approved by MHEC and that is accredited by a national accrediting association that is approved by the U.S. Department of Education. A recipient of a delegate scholarship who is currently enrolled, or was enrolled within the last two years, in a certificate or license program, course, or sequence of courses at a community college that leads to certification or licensure may use the scholarship to reimburse specified educational expenses, including tuition, mandatory fees, and room and board.

Maryland Technology Internship Program

Chapter 652 of 2014 created MTIP to increase student understanding of employment opportunities in the State and foster business retention and development, job creation, workforce development, and new investment in the State. UMBC and Commerce must collaborate to utilize an Internet site through which (1) students may learn about technology-based businesses and internship opportunities and (2) technology-based businesses may register, post information about internship opportunities, and apply for reimbursement of internship stipends.

The Governor must include in the State budget funds for the reimbursement of the stipends and for UMBC to administer the program. Money awarded may be used to reimburse a technology-based business, State agency, or local governments up to 50% of a stipend paid to an intern, capped at \$3,000 annually for each intern.

UMBC and Commerce must also (1) develop application and registration requirements; (2) develop orientation and training programs for program participants; (3) review applications and award reimbursements of internship stipends; (4) provide opportunities for students to meet entrepreneurs, visit technology-related industry incubators, and learn about starting a business in the State; (5) provide recruitment and training opportunities and support for participating businesses; and (6) track and assess program outcomes.

Eligibility requirements for individuals generally focus on in-state or out-of-state enrollment in an institution of higher education, GPA, and history of military service. Eligible individuals must commit to working a minimum of 120 hours during a spring, fall, or summer semester; attend an orientation session provided or approved by UMBC; and meet any other criteria established by UMBC.

To qualify for participation in MTIP, a business must (1) be located in the State; (2) be a technology-based business; (3) commit to hosting an intern for a minimum of 120 hours during a spring, fall, or summer semester; (4) provide a detailed description of an intern

position with the business; and (5) provide proof that a representative has attended an orientation or training program provided or approved by UMBC. “Technology-based business” is defined as a commercial or an industrial enterprise that is engaged in the application of scientific knowledge to practical purposes in a particular field. In addition, units of State and local governments may register to participate in the program. At least 50% of the internships supported by the program each year must be with businesses that have no more than 150 employees.

State Revenues: Tax credits may be claimed beginning in tax year 2021. As a result, general fund revenues decrease by \$250,000 annually beginning in fiscal 2022. This estimate assumes that MDL awards the maximum authorized amount of credits in each tax year and tax credits are claimed against the personal income tax. To the extent tax credits are claimed against the corporate income tax, a portion of tax credits claimed will decrease Transportation Trust Fund and Higher Education Investment Fund revenues.

To the extent State agencies participate in MIOP, revenues increase minimally from internship stipend reimbursements from UMBC. Likewise, to the extent the stipend reimbursement under MTIP is increased due to the higher maximum under the bill, State agencies already participating in MTIP benefit.

State Expenditures: The Comptroller’s Office incurs a one-time general fund expenditure of \$60,000 in fiscal 2022 to add the tax credit to the personal income tax forms, which includes data processing changes to the income tax return processing and imaging systems and systems testing.

MDL advises that it requires two full-time staff to administer the tax credit, based on the department’s experience with the federal work opportunity tax credit. MDL further advises that its staff assigned to the federal tax credit cannot work on the tax credit created by the bill. The Department of Legislative Services advises that, given the \$250,000 cap, only approximately 60 full tax credits could be issued a year. Therefore, only a half-time clerk is necessary.

UMBC advises that it requires a part-time administrative staff to manage MIOP and \$75,000 annually for MIOP stipends, which will support 20 to 70 interns each year depending on the amount of stipends paid by employers (the program will reimburse up to 50% of each stipend to a maximum of \$4,200).

Thus, general fund expenditures increase by \$200,181 in fiscal 2022 for MDL to administer the tax credit and for UMBC to administer MIOP and for stipends under MIOP. This estimate reflects a 90-day start-up delay following the bill’s July 1, 2021 effective date. It includes a half-time salary and fringe benefits for an office clerk to certify the tax credits, a half-time administrator to administer MIOP, one-time costs for the Comptroller to modify

tax forms, and \$75,000 annually for MIOP stipends. It also includes one-time start-up costs, and other ongoing operating expenses.

MDL Position	0.5
UMBC Position	0.5
Salaries and Fringe Benefits	\$54,510
MIOP Stipends	75,000
Comptroller One-time Costs	60,000
Operating Expenses	<u>10,671</u>
Total FY 2022 Expenditures	\$200,181

Future year expenditures reflect full salaries with annual increases and employee turnover, ongoing operating expenses, and elimination of one-time costs.

Although the bill increases the maximum stipend reimbursement under MTIP, the bill does not require additional spending – either fewer stipends are awarded at higher levels or a lower level of reimbursement is maintained for the same number of intern stipends.

To the extent the bill results in internships at State agencies that otherwise would not have been created, State expenditures (all funds) increase minimally. Those costs are partially offset, as noted above, due to stipend reimbursements.

Local Fiscal Effect: Local revenues increase minimally beginning in fiscal 2022 from stipend reimbursements – the higher maximum for MTIP (if awarded at a higher level) and the newly created MIOP, to the extent local governments participate. Local highway user revenues decrease minimally to the extent tax credits are claimed against the corporate income tax rather than the personal income tax. Local expenditures increase minimally to the extent the bill results in internships that otherwise would not have been created.

Small Business Effect: Eligible humanities-based small businesses may qualify to host eligible interns and receive up to \$4,200 per intern in State funds to be used to pay intern stipends. However, to receive the State funds, the small businesses need to at least match that amount for an intern’s stipend. In addition, meeting the requirements to qualify for MIOP, such as writing a detailed description of intern positions and attending a training session, may increase their expenditures minimally. On the other hand, the participating small businesses may be matched with well-qualified interns who could become future employees, which could reduce recruitment costs.

Small businesses that participate in MTIP may receive slightly more reimbursement due to the higher maximum reimbursement level under the bill, depending on funding available

and the level of participation in the program. Further, small businesses that hire an eligible intern from either MTIP or MIOP may also qualify for the tax credit established by the bill.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

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