

### Interstate Occupational Licensure Compacts By Elizabeth Raczkowski, Fiscal Analyst

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#### Executive Summary

- An interstate licensing compact facilitates a licensed professional's ability to practice in multiple states.
- Each state must enact a compact into law to participate.
- Michigan currently participates in two licensure compacts: the Interstate Medical Licensing Compact (IMLC) and the Psychology Interjurisdictional Compact (PSYPACT).
- The number of compacts and participating states has grown significantly over the last two decades.

#### Introduction

Interstate occupational licensure compacts are agreements intended to expedite the licensing process for individuals who wish to practice their professions in more than one state. If two states have joined an occupational licensure compact, a professional who is licensed in one state may obtain a license to practice in the other state more easily than if the agreement were not in place. Each compact typically covers only one profession, or a narrow, closely related group of professions.

While a compact must be enacted into law by each state through its normal legislative process, there are quasi-governmental organizations, typically known as commissions, that create rules, oversee membership, and manage certain aspects of interstate relations. Compact commission work can be funded from several different sources. These may include membership fees and money granted from foundations, professional organizations, or the Federal government.

Over a dozen active interstate occupational licensing compacts are currently in effect in the United States.<sup>1</sup> Nearly all of those compacts are related to professions in the health field. Each compact differs in its terms and provisions, with some reflecting a greater degree of reciprocity than others. As of December 2023, Michigan participates in the IMLC and the PSYPACT. Whether a state's membership in a compact affects its numbers of licensees or the level of health care provided is difficult to measure accurately.

#### History and Intended Benefits

Modern occupational licensing in the United States dates to the late 1800s.<sup>i</sup> While licensing is standard practice nationwide, each state determines which specific professions to license, the requirements to obtain a license, and the related regulations, except those determined by Federal law. In most jurisdictions and for most professions, obtaining a license to practice in one state does not permit an individual to practice in another. Instead, individuals who wish to practice in more than one state must apply in each jurisdiction and complete its licensing process in full, including any required background checks. Although most states have similar requirements for educational attainment, exams, and certifications, there are variations that could result in an individual's qualifying for licensure in one state but not another for the same profession.

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<sup>i</sup> For more information on the modern development of occupational licensing and debates over its merits, see *Occupational Licensing in Michigan*, Senate Fiscal Agency, *State Notes*, Summer 2019.



The National Center for Interstate Licensing Compacts, operated by the Council of State Governments, outlines the primary arguments for compacts.<sup>2</sup> The Center cites several barriers to more efficient and effective occupational practices in the United States, including the overall monetary costs for those seeking to enter licensed professions, differing education and training requirements across jurisdictions, and the challenges faced by immigrants with credentials obtained overseas.

The authors of a 1995 Pew Commission report on the state of health care licensing also described some of the inadequacies and barriers it found to be present, specifically within the single-state health care licensing system.<sup>3</sup> Among other recommendations pertaining to health care occupations, it determined that this system was not well-suited to an increasingly mobile populace.<sup>4</sup>

Proponents of interstate licensing compacts cite the growth of telehealth and telemedicine as another motivator for easing the licensing process.<sup>5</sup> This has been particularly true since the COVID-19 pandemic began. The Center cites the value of compacts as a tool to address the strain exhibited upon professionals in the health care field, and the need for additional workers during the pandemic. Telehealth has enabled patients to consult with providers from anywhere with a reliable internet connection. With telehealth and licensure in multiple states, providers can more easily transfer to high-need or high-pay areas as well as reach patients who may be traveling, have moved from their home state, or who need a specialist.

The Pew study influenced the National Council of State Boards of Nursing to develop and introduce the Nurse Licensure Compact (NLC) in 1999.<sup>6</sup> Maryland joined the compact the following year and the NLC became the first health care interstate licensure compact to go into effect in the United States.<sup>7</sup>

### **Compact Commissions**

Compact commissions typically consist of representatives from member states who either are licensed professionals or serve on an occupation-related association or state board. For example, the IMLC Commission consists of two representatives from each participating state. Each must be "a physician-member of a medical or osteopathic physician licensing board, a public member of such a board, or an executive director or administrator of such a board".<sup>8</sup> Each commission has its own membership structure, finances, rules, and governing bylaws that pertain to its particular organization and to the compact it oversees. Its responsibilities may cover the sharing of licensee information or arbitrating disputes that arise between member states. It may receive funds from governments, individual donors, professional associations, foundations, or other nongovernmental organizations.

### **Examples of Multi-State Licensure Processes**

The specific structure, requirements, and level of reciprocity for multi-state licensure varies by compact. In general, the licensing process is easier through a compact because, under the agreements, states accept one another's education, training, and other qualification requirements as valid.

This section briefly outlines some differences between two compacts, the IMLC and the PSYPACT, as examples.



### Interstate Medical Licensure Compact

According to the text of the IMLC included in Public Act 563 of 2018, its purpose is "to develop a comprehensive process that complements the existing licensing and regulatory authority of state medical boards, provides a streamlined process that allows physicians to become licensed in multiple states, thereby enhancing the portability of a medical license and ensuring the safety of patients". Under the IMLC, a Michigan-licensed physician who wishes to practice in another compact state must apply for participation online through the Compact Commission. The physician also must pay the Commission a \$700 nonrefundable fee. The application will be forwarded to the specified state and the physician must pay any associated state fees and meet all requirements, including background checks, and follow state and compact rules as applicable.

Physicians whose primary licensure state is not Michigan, but who wish to practice here, must file an application for an expedited license with the Michigan State Medical Board, provide their state of residence and primary licensure, and be members of the IMLC. A physician must apply online as described above after which the application is reviewed by Michigan, which in turn notifies the Commission if all requirements for licensure are met.<sup>9</sup> If qualifications like education and passage of a licensing examination already have been affirmed by the physician's principal state, then the Michigan Board does not need to review them. However, the Board must verify the applicant's eligibility for an expedited license and issue a letter of qualification to the IMLC Commission. The applicant must register with the Commission, and the Board then may issue an expedited license, contingent on the payment of any required fees. The IMLC allows state medical boards to share information through a database that is required to be established under the agreement.

According to the IMLC Commission, 17% of new physician licenses in 2022 were granted through the compact process. Because a new license and the associated fees are required in each state of interest, IMLC participants do not experience cost-savings as significant as those of participants in compacts that do not require separate licenses.

The first compact Michigan joined was the IMLC. Applications for the Compact began in April 2017. Enabling legislation for the IMLC was signed into law in Michigan on December 31, 2018. The original law enacting the compact, Public Act 563 of 2018, included a sunset provision that would have repealed the compact language three years after the effective date of the act, or the end of 2022. Public Act 38 of 2022 revised this date to March 28, 2025.

### Psychology Interstate Compact

In contrast, PSYPACT allows psychologists licensed in a compact state to practice their profession in other compact states without obtaining a new license. Instead, practitioners apply online on the official compact website for an authorization to practice telepsychology (APIT) and/or temporary authorization to practice (TAP). The former permits the psychologist to work with patients out-of-state via telehealth mechanisms while the latter allows an individual to practice in-person in another state for up to thirty days. For telehealth work, the licensee also must obtain what is known as an E. Passport Certificate from the Association of State and Provincial Psychology Boards.<sup>10</sup> Likewise, an individual applying for in-person work under PSYPACT must obtain an Interjurisdictional Practice Certificate from the Association. Both certificates require a separate application and fee.

For Michigan licensees, those communicating with patients outside of their home state must be physically located in Michigan after initiating contact with those patients. Michigan licensees who wish to participate began paying an additional fee of \$20 on October 1, 2023. As with the IMLC,



the PSYPACT Commission provides a database ("Coordinated Licensure Information System") and oversight of the compact rules between states.

In 2020, Governor Gretchen Whitmer vetoed legislation to enact the PSYPACT. In her veto letter, Governor Whitmer stated that the compact would "require Michigan to cede its sovereign interest in regulating health professions to an outside body". She referred to the compact as "[f]orfeiting our prerogative as a state to set the standard of care required or nurses and psychologists in our state". Despite this, Governor Whitmer signed the compact into law two years later as Public Act 255 of 2022.

**Participation**

Table 1 below displays the number of states participating in some of the most popular interstate licensure compacts. Several states, not included in this table, have permitted partial implementation of compacts. Some compacts also are active or partially active in US territories, including Guam and the US Virgin Islands.

**Table 1**

<b>Major Interstate Licensure Compacts</b>	
Compact	Participating States*
Psychology Interjurisdictional Compact .....	40
Interstate Medical Licensure Compact.....	37
Nurse Licensure Compact.....	36
Physical Therapy Compact .....	30
Emergency Medical Technician Compact .....	23

\* Includes states that have enacted a compact which it is not yet effective. As of December 11, 2023.  
 Sources: IMLC Commission; PT Compact; PSYPACT; National Council of State Boards of Nursing; EMS Compact.

**Compact Legislation in Michigan**

Table 2 below shows the outcomes of interstate occupational licensure compact legislation in Michigan since 2015. The enacted compacts described above are not included.

**Table 2**

Compact	Legislation	Legislative Session	Last Action
Nurse Licensure Compact	HB 4938	2017-2018	Referred to Committee
	HB 4042	2019-2020	Vetoed by Governor
	HB 4046	2021-2022	Referred to Committee
	HB 4935	2022-2023	Referred to Committee
Physical Therapy Licensure Compact	SB 22	2019-2020	Reported by Committee
	SB 18	2021-2022	Referred to Second Reading
	HB 4504	2022-2023	Referred to Second Reading
Occupational Therapy Licensure Compact	HB 6446	2021-2022	Referred to Committee
	HB 4169	2022-2023	Referred to Second Reading
Physician's Assistants Licensure Compact	HB 5117	2022-2023	Referred to Committee



## **Fiscal Impact**

Participation in a compact entails some expenditures for the states involved, including additional staff and resources to verify information and ensure compliance with compact rules. The relative recency of most compacts means that long-term fiscal data are unavailable.

As of December 2023, the Bureau of Professional Licensing within the Department of Licensing and Regulatory Affairs required one a full-time equated position because of the State's compact participation. The cost of the position is an estimated \$131,000 annually. It is possible that additional staff and resources could be required if the number of multi-state licensees increased significantly, or if Michigan joined more interstate licensing compacts. The Department reported that it collected an estimated \$558,000 in revenue because of the IMLC. Revenue estimates for PSYPACT are unavailable.

In Michigan, existing information technology has allowed the processing of compact licensee applicants to be handled with relatively little disruption. Some costs related to information sharing with other states may arise, but typically are not significant. States with more outdated or isolated license tracking systems may face greater difficulty and higher costs when adapting to compact requirements.

Some compacts require payment of a uniform annual fee by all participating states while others vary this annual fee according to various factors. Currently, Michigan pays no annual fee for participation in the IMLC or PSYPACT. However, further growth in compact membership and compact activities could result in an IMLC annual fee in the future, which is permitted under the terms of agreement.

## **Continued Compact Development**

As of December 2023, the Council of State Governments noted that it is working with the United States Department of Defense to fund the development of additional interstate occupational licensure compacts. Compacts have been prepared and finalized for several occupations, including massage therapists, teachers, and dentists. Finalization means that the language of the compacts has been agreed upon and represents the language that would be enacted into law. Additional compacts in development at the time of this writing include those for dietitians and school psychologists.

Current trends suggest that interstate occupational licensure compacts will continue to expand throughout the United States for the foreseeable future. In the long term, it is possible that compacts could affect the geographic distribution of professionals. To remain competitive or facilitate the success of their compacts, states may begin to mirror one another's licensing requirements. The economic effect and direct fiscal impact on states from these changes is unclear because of the complexities of the labor market and the recency of most compacts.

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<sup>1</sup> "Interstate Licensure Compact Chart 2023", National Center for Interstate Compacts. Retrieved January 29, 2024.

<sup>2</sup> National Center for Interstate Compacts and Kyle Doran, "Using Promising Models to Fulfill Occupational Licensure Requirements", National Center for Interstate Compacts and Social Finance, January 13, 2022. Retrieved December 12, 2023.

<sup>3</sup> Milian, Jordan, "A brief history of the Nurse Licensure Compact", *Ascend Magazine*, April 27, 2022. Retrieved December 12, 2023.

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<sup>4</sup> Pew Health Professions Commission, "Reforming Health Care Workforce Regulation", December 1995. Retrieved December 12, 2023.

<sup>5</sup> "Licensure compacts", Health Resources and Services Administration. Retrieved December 12, 2023.

<sup>6</sup> Omobola Awosika Oyeleye, "The Nursing Licensure Compact and Its Disciplinary Provisions: What Nurses Should Know", *The Online Journal of Issues in Nursing*, May 20, 2019. Retrieved January 29, 2024.

<sup>7</sup> American Nurses Association, "Interstate Nurse Licensure Compact". Retrieved December 12, 2023.

<sup>8</sup> "General FAQs About The Compact", Interstate Medical Licensing Compact. Retrieved December 12, 2023.

<sup>9</sup> Michigan Department of Licensing and Regulatory Affairs, "Interstate Medical Licensure Compact Frequently Asked Questions (FAQs)". Retrieved December 12, 2023.

<sup>10</sup> PSYPACT, "Legislative Frequently Asked Questions". Retrieved December 12, 2023.