

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 4399
STATE OF NEW JERSEY
220th LEGISLATURE

DATED: JUNE 29, 2022

SUMMARY

Synopsis: Establishes Behavioral Healthcare Provider Loan Redemption Program within Higher Education Student Assistance Authority; appropriates \$5 million.

Type of Impact: State expenditure increase. Minor State revenue increase.

Agencies Affected: Higher Education Student Assistance Authority.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Cost Increase	\$5 million	Indeterminate	Indeterminate
State Revenue Increase	Indeterminate	Indeterminate	Indeterminate

- The Office of Legislative Services (OLS) finds that first year costs to the State for implementing the Behavioral Healthcare Provider Loan Redemption Program will be \$5 million due to the bill’s appropriation in that amount. The appropriation would provide first year funding for loan redemption payments to eligible program participants and for incentive grants to a subset of program participants. However, the bill does not specify the amount of the appropriation that would be designated for each the loan redemption payments and the incentive grants.
- The bill provides to each program participant the redemption of principal and interest on student loans for two-year periods of service, up to three such periods, for a maximum of \$150,000 in total loan redemption. The bill also requires the Executive Director of the Higher Education Student Assistance Authority to award incentive grants, not to exceed \$5,000 per grant, to eligible program participants who work primarily with children and adolescents.
- Costs following the first year of enactment are indeterminate and would be dependent on the number of program participants in each year as well as the participants’ eligible qualifying loan expense amounts and the number of program participants receiving incentive grants.
- The State would also experience minor revenue increases to the extent that program participants nullify their contracts for the redemption of loans under the program and are

required to repay the State for the full amount of the participant's loan or the portion of the loan that has not been redeemed by the State in return for partial fulfillment of a service contract.

BILL DESCRIPTION

This bill establishes a Behavioral Healthcare Provider Loan Redemption Program within the Higher Education Student Assistance Authority and appropriates \$5 million from the State General Fund for the bill's purposes.

The program will provide for the redemption of a portion of the eligible qualifying loan expenses of program participants for each period of service at an approved site identified by the Higher Education Student Assistance Authority, in consultation with the Department of Health, for inclusion in the program. Program participants under the loan redemption program would include "eligible behavioral healthcare providers," namely psychiatrists, psychologists, licensed clinical social workers, psychiatric nurse mental health clinical specialists, board certified behavior analysts; licensed clinical alcohol and drug counselors; and any other professionals identified by the executive director of the authority for inclusion in the program.

The program will provide loan redemption of up to \$50,000 of principal and interest of eligible student loan expenses following the completion of two full years of service satisfactorily completed by the program participant. A program participant who completes four full years of service satisfactorily would be eligible to receive a second redemption amount of \$50,000 at the completion of the fourth year. A program participant who completes six full years of service satisfactorily would be eligible to receive a third and final redemption amount of \$50,000 at the completion of the sixth year. The total loan redemption amount for a program participant, for six years of service, would not exceed \$150,000.

Under the bill, a program participant who has entered into a redemption contract with the authority may nullify the contract by submitting written notification to the authority and assuming full responsibility for repayment of the full amount of the participant's loan or that portion of the loan that has not been redeemed by the State in return for partial fulfillment of the contract.

Under the bill, the executive director of the authority is directed to annually award incentive grants, within the limits of available State appropriations, to program participants who work primarily with children and adolescents. An incentive grant would be capped at \$5,000.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that first year costs to the State for implementing this program will be \$5 million due to the bill's appropriation in that amount. Outside of the maximum eight percent (\$400,000) that the bill specifies may be used for administrative expenses, the appropriation would provide first year funding for loan redemption payments to eligible program participants and for incentive grants to eligible program participants who work primarily with children and adolescents.

However, the bill does not specify the amount of the appropriation that would be designated for each the loan redemption payments and the incentive grants.

Costs following the first year of enactment are indeterminate and would be dependent on the number of program participants in each year as well as the participants' eligible qualifying loan expense amounts and the number of program participants receiving incentive grants under the bill. In the event that appropriations in any fiscal year are not sufficient to provide full loan redemption payments for all eligible individuals applying for the program, it is possible that the Higher Education Student Assistance Authority would place certain individuals on a waiting list for inclusion in the program in a later fiscal year, although the bill does not explicitly authorize a waiting list or the prioritization of certain participants for selection.

The OLS does note, however, that current law establishes a fairly similar program known as the Primary Care Practitioner Loan Redemption Program, which may be useful for the purposes of comparison to the Behavioral Healthcare Provider Loan Redemption Program established under this bill. Under the Primary Care Practitioner Loan Redemption Program, a primary care provider working in a medically underserved community in the State may have up to \$120,000 in student loans repaid by the State. Eligible primary care providers under the program include State-licensed or certified health care professionals who have obtained a degree in allopathic or osteopathic medicine, dentistry, or another primary care profession. The purpose of the program is to improve access to primary health care services for underserved populations by encouraging physicians, dentists, certified nurse midwives, certified nurse practitioners and physician assistants to practice in State designated underserved areas and Health Professional Shortage Areas. With certain exceptions, the State has historically expended \$1.1 million annually on the Primary Care Practitioner Loan Redemption Program. From FY 2010 to FY 2021, participation in the program has ranged between approximately 40 and 80 individuals.

Hypothetical Cost Estimate Model

Even though the OLS finds that costs following the first year of implementation would be indeterminate, the office employed broad participation assumptions to craft a hypothetical cost estimate. The OLS cautions that this estimate is crafted for the purposes of illustration and employs assumptions that will likely differ from actual participation or from actual appropriations made for the program.

Using the information currently available for the Primary Care Practitioner Loan Redemption Program, it may be reasonable to assume participation in the Behavioral Healthcare Provider Loan Redemption Program at 100 individuals. A higher participation level may be assumed since it appears as though the universe of eligible individuals under the bill would be broader than the universe of eligible individuals under the Primary Care Practitioner Loan Redemption Program. Assuming that each of the 100 individuals receives a maximum annual loan redemption amount of \$25,000, then appropriations for the loan redemption portion of the program may be \$2.5 million.

The OLS then used other sources of publicly available information to estimate a potential number of individuals who would receive incentive grants under the bill. Using data from the May 2021 State Occupational Employment and Wage Estimates for New Jersey, the OLS identified at least 24,510 individuals who are employed in eligible job titles identified by the bill. Analyzing this sample of eligible individuals, approximately 30 percent appear to be in job titles that work primarily with children and adolescents. Applying this 30 percent to the assumed participation number of 100 individuals and further assuming that the estimated number of individuals each receives the maximum \$5,000 incentive grant amount, then appropriations for the incentive grants may be \$150,000.

Under this hypothetical cost estimate, total State costs stemming from the program would be \$2.7 million.

Section: Education

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).