

LEGISLATIVE FISCAL ESTIMATE

[Second Reprint]

ASSEMBLY, No. 4613

STATE OF NEW JERSEY 220th LEGISLATURE

DATED: MAY 23, 2023

SUMMARY

- Synopsis:** Renames, extends eligibility, and makes various other changes to Primary Care Practitioner Loan Redemption Program; appropriates \$10 million.
- Type of Impact:** Annual State expenditure increase.
- Agencies Affected:** Higher Education Student Assistance Authority; Department of Health.

Office of Legislative Services Estimate

| Fiscal Impact | <u>Year 1 through Year 4</u> |
|----------------------------|-------------------------------------|
| State Cost Increase | Up to \$10.0 million |

- The Office of Legislative Services (OLS) determines that this bill will result in a State expenditure increase of up to \$7.5 million over four years associated with expanding eligibility for the Primary Care Practitioner Loan Redemption Program, renamed the Health Care Professional Loan Redemption Program, and increasing the maximum loan amount eligible for redemption under the program. Additionally, \$2.5 million will be dedicated to the Nursing Faculty Loan Redemption Program, which is unchanged by the bill, and may be used for the Health Care Professional Loan Redemption Program if it exceeds the amount needed to satisfy qualifying applications for the Nursing Faculty Loan Redemption Program.
- Based on current cohort sizes, not taking into account any change in participation that may occur as a result of this bill, and assuming that every participant has the maximum eligible loan amount redeemed, the actual increased costs in each fiscal year are likely to be \$108,000 in the first year, \$264,000 in the second year, \$432,000 in the third year, and \$600,000 in the fourth year and each subsequent year. By the fourth year, inclusive of the incremental spending resulting from this bill, total annual expenditures on the Health Care Professional Loan Redemption Program would be approximately \$1.8 million.

BILL DESCRIPTION

This bill makes various changes to the Primary Care Practitioner Loan Redemption Program, including renaming the program as the Health Care Professional Loan Redemption Program, expanding eligibility for the program, and increasing the maximum eligible loan amount.

The bill expands eligibility for participation in the Health Care Professional Loan Redemption Program to include individuals employed as psychiatrists and certain other health care professionals, in addition to primary care practitioners. The Department of Health, in consultation with the Department of Labor and Workforce Development and the Division of Consumer Affairs in the Department of Law and Public Safety, may designate additional health care fields experiencing critical Statewide labor shortages for inclusion in the program.

The bill increases the maximum amount of eligible qualifying loan expenses from \$120,000 to \$180,000, or the maximum amount authorized by the federal government, whichever is greater, for participants employed at an approved site. The qualifying loan expenses may be State funds or the sum of federal, State, and other non-federal matching funds. Similar to current law, a participant would be able to receive a maximum redemption of 18 percent of principal and interest in return for one full year of service at an approved site, an additional 26 percent for a second full year, an additional 28 percent for a third full year, and an additional 28 percent for a fourth full year.

The bill provides new standards for the prioritization of applicants in the event that there are insufficient funds or approved sites to select all of the applicants who meet the eligibility criteria. The bill also provides that, if the amount of funds dedicated to the Nursing Faculty Loan Redemption Program exceeds the amount needed to satisfy qualifying applications, the excess funds may be reallocated to the Health Care Professional Loan Redemption Program.

The bill requires that the Higher Education Student Assistance Authority annually submit a report on the Health Care Professional Loan Redemption Program to the Governor and the Legislature no later than August 1 of each year. The report is required to include information about the program participants, the loan redemption amounts, and the outcomes of the program.

The bill appropriates \$10 million from the General Fund to the Higher Education Student Assistance Authority, of which no more than three percent may be used for administrative purposes.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS determines that this bill will result in an increase in State expenditures of up to \$7.5 million over four years associated with expanding eligibility to participate in the program and increasing the maximum loan amount eligible for redemption. The bill appropriates \$10 million from the General Fund to the Higher Education Student Assistance Authority, of which no more than three percent (\$300,000) may be used for administrative costs. The remaining \$2.5 million will be dedicated to the Nursing Faculty Loan Redemption Program and may be used for the Health Care Professional Loan Redemption Program if it exceeds the amount needed to satisfy qualifying applications for the Nursing Faculty Loan Redemption Program.

The bill increases the maximum eligible loan amount for a participant from \$120,000 to \$180,000, resulting in a maximum \$60,000 increase per participant in State expenditures. However, this amount is spread out over the course of four years in successively greater amounts. The table below illustrates the maximum redemption amounts for each full year of service under the program, using both the maximum eligible loan amount under current law and the maximum amount under the bill:

| Years of Service | Percentage of Total Loan Amount Eligible for Redemption | Maximum Amount Under Current Law (\$120,000) | Maximum Amount Under A4613 [2R] (\$180,000) | Maximum Annual Increase Per Participant |
|-------------------------|--|---|--|--|
| 1 | 18% | \$21,600 | \$32,400 | \$10,800 |
| 2 | 26% | \$31,200 | \$46,800 | \$15,600 |
| 3 | 28% | \$33,600 | \$50,400 | \$16,800 |
| 4 | 28% | \$33,600 | \$50,400 | \$16,800 |

The current cohorts of the Primary Care Practitioner Loan Redemption Program average 38 total participants in each year, or approximately four cohorts of nine to 10 participants. Not accounting for the expanded eligibility under the bill, and assuming that every participant has the maximum eligible loan amount redeemed, the increased maximum amount of additional eligible loan redemption would total \$1.3 million to \$1.4 million over the course of the first four years. The OLS notes, however, that there may be certain exceptions to this maximum amount, as current law provides that participants may have loans redeemed for up to the maximum amount, or the maximum amount authorized by the federal government, whichever is greater.

The bill also expands eligibility for participation in the program to include psychiatrists and other health care professionals designated by the Department of Health, in addition to primary care practitioners. While the OLS is unable to estimate how many additional participants this expansion may yield, the OLS notes that if the number of psychiatrists participating in the program is proportional to the number of primary care practitioners participating in the program, the number of participants each year could be expected to increase by one or two participants. The number of participants could further increase as a result of the department designating other health care professionals as eligible due to a critical healthcare shortage.

Finally, the bill may result in indeterminate, but likely marginal, increases in expenditures for the Higher Education Student Assistance Authority and the Department of Health, associated with the administrative provisions of the bill, to the extent that existing staff and resources are insufficient to effectuate the provisions of the bill. The Department of Health is required to compile a list of approved sites for participants in the program, and additionally may designate additional healthcare professions for eligibility to participate in the program. The approved sites are based on health professional shortage and medically underserved designations, while the potential eligibility of additional healthcare professions is based on areas of critical shortage in the State. To the extent that this information is not readily available, there may be an additional cost to the Department of Health to collect the information and compile the lists. The bill also requires the Higher Education Student Assistance Authority to annually submit a report to the Governor and the Legislature providing information about participation in the program and loan redemption amounts. To the extent that the authority does not already collect this information, there may be a marginal cost associated the collection of the information and the compilation of the report.

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.).