

LEGISLATIVE FISCAL ESTIMATE

[Second Reprint]

ASSEMBLY, No. 3979

STATE OF NEW JERSEY 221st LEGISLATURE

DATED: JUNE 26, 2025

SUMMARY

- Synopsis:** Requires certain providers of substance or alcohol use disorder treatment, services, or supports to be assessed for conflicts of interest prior to receiving State funds, licensure, or certification.
- Type of Impact:** Annual net impact on State expenditures; increase in local expenditures.
- Agencies Affected:** Various State entities including Department of Human Services, Department of Health, and Department of Community Affairs. Certain local entities.

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
State Expenditure Increase – Conflict of Interest Assessments	Indeterminate
State Expenditure Decrease – Providers Ineligible for State Funds	Indeterminate
Local Expenditure Increase – Conflict of Interest Assessments	Indeterminate

- The Office of Legislative Services (OLS) concludes that this bill would have indeterminate countervailing effects on State expenditures. First, annual State costs would increase, primarily in the form of salary and benefits expenditures, in order to assess certain providers of substance use disorder or alcohol use disorder treatment, services, and supports for conflicts of interest, as described under the bill. Conversely, annual State costs would decrease as certain existing providers with a conflict of interest identified during these assessments would be ineligible to receive State funds.
- To the extent that the bill’s provisions apply to local entities, local costs would increase as well.

BILL DESCRIPTION

This bill requires any department, agency, bureau, board, commission, authority, or other entity of the State, or of any county or municipality, that provides State funds to provider of substance use disorder or alcohol use disorder treatment, services, or supports, or that licenses or certifies a provider of this type that accepts client referrals from a State-funded entity, to assess the provider for conflicts of interest prior to the distribution of State funds or the approval of any applicable licensures or certifications. A reviewing entity is not required to administer a conflict of interest assessment on the same provider more frequently than once every 365 days, except under certain situations in which a conflict of interest has been identified. Under the bill, “conflict of interest” means any circumstance that creates a risk that the judgment or action by any individual or entity having a financial interest in, employed by, or otherwise affiliated with a provider will be unduly influenced by a secondary, outside interest. A “conflict of interest” does not include an individual’s or an entity’s ownership, in whole or in part, of more than one facility or program that provides substance use disorder or alcohol use disorder treatment, services, or supports.

A conflict of interest assessment under the bill is required to include, at a minimum, a review of the following information submitted by the provider to the reviewing entity: 1) a financial statement; 2) a list of all board members; 3) a list of all stakeholders, investors, owners, or any other individuals or entities that hold a financial interest in the provider, identifying those that also have a financial interest in a secondary entity and the name of the secondary entity; and 4) a list of all staff members, identifying those that hold outside employment.

If the reviewing entity determines that a conflict of interest exists, the reviewing entity is to notify the provider that the provider will be ineligible to receive State funds, or licensure or certification approval, unless the provider remedies the conflict within 90 days of receipt of the notification. Upon receipt of documentation from the provider that the conflict of interest has been remedied, these actions are to be reversed. After the provider has remedied the identified conflict of interest, the reviewing entity will be required to reassess the provider for conflicts of interest twice in the next calendar year.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that this bill would have indeterminate countervailing effects on State expenditures. First, annual State costs would increase, primarily in the form of salary and benefits expenditures, in order to assess certain providers of substance use disorder or alcohol use disorder treatment, services, and supports for conflicts of interest, as described under the bill. Assessments are required to be performed at least once every 365 days unless a conflict of interest has been previously identified. To the extent that the bill’s provisions apply to local entities, local costs would increase as well. Conversely, annual State costs would decrease as certain existing providers with a conflict of interest identified during these assessments would be ineligible to receive State funds under the bill until such conflicts are remedied.

Under the bill, various State entities would incur costs to perform the conflict of interest assessments; such as: the Division of Mental Health and Addiction Services in the Department of Human Services, which is responsible for contracting with community providers to implement the Statewide network for addiction and substance use disorder services; the Division of Certificate of Need and Licensing in the Department of Health, which licenses substance use disorder treatment providers; and the Bureau of Rooming and Boarding House Standards in the Department of Community Affairs, which oversees the licensing and inspection of cooperative sober living residences. In their existing roles, these divisions collect information from providers via applications and other documents.

Under the bill, affected State entities would be required to expand the information collected from providers, as listed in the bill, prior to issuing State funds or State licenses, and to review that information for conflicts of interest. State costs under this bill would be incurred due to the additional staff required to review this information, and to perform follow up evaluations on any providers identified to have a conflict of interest. The OLS notes that certain providers would require a conflict of interest assessment under multiple State entities. To the extent the assessment is streamlined across State entities, State costs would be minimized.

For reference, the Department of Health projects that 2,147 licenses will be distributed in FY 2026 to substance use disorder providers. Additionally, according to a February 2024 report by the New Jersey State Commission of Investigation, there are approximately 210 licensed cooperative sober living residences in the State. The OLS cannot determine the number of these providers that receive State funds or that accept client referrals from a State-funded entity, and therefore would be subject to a conflict of interest assessment under the bill.

The amount of cost savings realized under the bill, due to certain existing providers being determined ineligible to receive State funds, would be affected by several unknown variables; for example: the number of applicable providers with a conflict of the interest that would not be able to remedy the conflict within 90 days, the impact of provider ineligibility under the bill on shifting services and State funds to other eligible providers, and the length of time which provider ineligibility would occur under the bill before the provider remedies the conflict of interest.

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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.).