

LEGISLATIVE FISCAL ESTIMATE

[Second Reprint]

ASSEMBLY, No. 3607

**STATE OF NEW JERSEY
218th LEGISLATURE**

DATED: DECEMBER 19, 2018

SUMMARY

- Synopsis:** Requires Department of Community Affairs to approve credentialing entity to develop and administer a voluntary recovery residence certification program.
- Type of Impact:** Expenditure increase, General Fund.
- Agencies Affected:** Department of Community Affairs.

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
State Expenditure Increase	Indeterminate
State Revenue Increase	Minimal

- The Office of Legislative Services (OLS) finds that this bill will result in an indeterminate increase in State costs for the New Jersey Department of Community Affairs (DCA) to provide funding to a nonprofit credentialing entity that would develop and administer a voluntary certification program for recovery residences and recovery residence administrators in the State.
- Due to the lack of centralized data regarding the number of recovery residences and recovery residence administrators in the State, the OLS does not have a sufficient evidentiary basis to accurately determine the increase in State costs under this bill. Fiscal impact estimates from other states that have enacted substantively similar legislation, however, indicate cost increases of at least \$100,000 each year.
- A small State revenue increase would result from penalties collected pursuant to this bill. The bill establishes a civil penalty of up to \$1,000 for falsely advertising, representing, or implying to the public that a recovery residence is a certified recovery residence or that a residence’s administrator is properly certified.



BILL DESCRIPTION

This bill would require the DCA to approve a nonprofit credentialing entity to develop and administer a voluntary certification program for recovery residences and recovery residence administrators in the State. Recovery residences are professionally-managed or peer-run facilities that provide housing and a sober living environment to individuals with substance use disorders or co-occurring mental health and substance use disorders. A recovery residence administrator is defined as the owner or operator of a recovery residence who is responsible for the residence's overall management.

The credentialing entity would establish all requirements for the voluntary certification program, and would administer all aspects of the program, including facilitating the application, certification, and annual recertification of recovery residences and administrators receiving certificates of compliance and professional certifications. The requirements adopted under the program are to be consistent with applicable standards adopted by the National Alliance for Recovery Residences. The bill requires that the credentialing entity establishes and regularly updates an Internet website listing all certified residences. The DCA is required to notify all health care practitioners and substance use disorder treatment providers about the availability of a list containing certified recovery residences and about the bill's requirements regarding professional referrals to recovery residences.

Under the bill, a recovery residence that is professionally managed by an uncertified administrator will not be eligible to obtain a certificate of compliance, until the administrator obtains a professional certification. The bill also states that a health care practitioner or substance use disorder treatment provider referring a patient to a recovery residence will be prohibited from referring the patient to a recovery residence that is not a certified recovery residence or that is not owned or operated by a licensed or certified substance use disorder treatment provider.

The bill establishes a civil penalty of up to \$1,000 for a recovery residence administrator or other recovery residence employee or volunteer that falsely advertises, represents, or implies to the public that the recovery residence is a certified recovery residence or that the residence's administrator is certified.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that this bill will result in an indeterminate increase in State costs for the DCA to provide funding to a credentialing entity that would develop and administer a voluntary certification program for recovery residences and recovery residence administrators in the State.

While the OLS lacks sufficient information to accurately quantify costs to New Jersey under the bill, the experience of other states that have enacted similar legislation can offer a sense of costs the State may incur. For example, a fiscal analysis conducted by the Maryland Department of Legislative Services on a substantively similar bill concluded that annual expenditures would increase by at least \$100,000 annually to continually provide funding to a credentialing entity to

certify all recovery residences in that state. The estimate was based on an annual grant amount that the Maryland Behavioral Health Administration had previously provided to the Maryland State Association for Recovery Residences to only certify the association's member properties, of which there were approximately 200. A later regulatory impact analysis conducted by the Maryland Department of Health concluded that, to contract a credentialing entity to establish a credentialing program for all recovery residences in the state, Maryland's general fund costs would increase by at least \$271,534 annually. This amount factors in the costs of hiring five additional staff to conduct field inspections and installing a computerized system to process and track certifications of new and existing recovery residences. The OLS notes that Maryland's certification program specifies mandatory certification for all recovery residences rather than voluntary certification, which is enumerated under this bill.

The OLS lacks the informational basis for predicting the amount of recovery residences or recovery residence administrators that would voluntarily become certified under this bill. However, it is likely that a large percentage of recovery residences and administrators will apply for certificates of compliance and professional certifications because the bill provides incentives to do so. Specifically, the bill requires that a recovery residence is not eligible for a certificate of compliance unless it is managed by a certified residence administrator. Furthermore, health care practitioners and substance use disorder treatment providers would be prohibited from referring discharged patients to recovery residences that are not listed as a certified recovery residence or are not owned or operated by a licensed or certified substance use disorder treatment provider.

The OLS lacks sufficient information to precisely determine the number of recovery residences in the State that may qualify for voluntary credentialing under the bill as there are no comprehensive, centralized data regarding the number of recovery homes in each state. However, a March 2018 study conducted by the Government Accountability Office notes that Oxford House, Inc. maintains a directory of its properties, while the National Alliance of Recovery Residences collects information on recovery homes that seek certification from one of its state affiliates that certify homes. There are currently 143 Oxford Houses in New Jersey. Oxford Houses are peer-managed residences that are cooperatively operated by residents who have rented a single-family home from a landlord under a single rental agreement. As of the writing of this analysis, the New Jersey Alliance for Recovery Residences does not maintain a directory listing recovery residences in the State that the organization has certified.

Lastly, a small increase in State revenue would occur, resulting from civil penalty collections for entities that falsely advertise, represent, or imply to the public that a recovery residence is a certified recovery residence or that a residence's administrator is properly certified. The OLS lacks the evidentiary basis to project the potential future incidence of such violations and the resulting revenue gained by the State.

Section: Human Services

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