The Senate Budget and Appropriations Committee reports favorably Assembly Bill No. 2771 (1R).

This bill establishes a five-year social innovation loan pilot program (pilot program) for the purpose of encouraging private investment in preventive and early intervention health care to reduce public expenditures related to those services.

The bill directs the New Jersey Economic Development Authority (EDA) to administer the pilot program. The bill authorizes the EDA to guarantee loans issued by private lenders to nonprofit eligible organizations for the purpose of providing public health care services which generate positive social outcomes and public sector cost savings. Under the bill, lenders, eligible organizations, and public sector entities would enter into lending agreements providing for:

- the provision of public health care services by an eligible organization;
- payment from a lender to an eligible organization which provides public health care services; and
- payment from a public sector entity to the lender proportionate to the public sector savings resulting from the eligible organization’s provision of health care services.

The bill requires the EDA, and the lender, eligible organization, and public sector entity to agree to a method of measurement and verification of the public health care services performed and calculation of the public sector savings resulting from those services.

The bill directs the EDA to establish a non-lapsing, revolving loan fund called the “social innovation loan fund” (loan fund) which is to be used to guarantee pilot program loans to fund the loan program and to pay for expenses related to the administration of the loan guarantees. The loan fund may be credited with monies from State appropriations, public or private donations, grant funding, and loan guarantee program fees. The bill allows the EDA to guarantee up to 100 percent of the value of a loan agreement, but limits the overall amount EDA may guarantee to $3,000,000 per year or $15,000,000 over the five-year pilot program period. The bill prohibits the EDA
from issuing a loan guarantee in an amount greater than the available and uncommitted moneys in the loan fund.

The bill requires the EDA to solicit grants from public and private sources for the establishment and administration of the pilot program and capitalization of the loan fund.

The bill establishes the “New Jersey Social Innovation Study Commission” (study commission) within the EDA to assist the EDA in administering the pilot program and issue annual reports concerning the pilot program. The bill requires the EDA to oversee the study commission, determine its membership and size, and to appoint members to it. The Director of the Office of Faith-Based Initiatives in the Department of State, a representative from the Department of Health, and a representative from the Department of Human Services are to be members of the study commission.

The bill directs the study commission to: 1) identify the nonprofit organizations that will be eligible to receive loan guarantees from the EDA; 2) assist the EDA in soliciting donations for the loan fund; 3) help negotiate contract terms and conditions of the loan agreements among lenders, eligible nonprofit organizations, the EDA, and public sector entities; 4) determine the necessity of retaining an independent intermediary to assist the study commission in the performance of its duties or to perform the measurement and verification functions needed to execute the loan guarantees; and 5) assist the EDA, upon request, with any other issues related to the program.

The bill directs the study commission to issue a final report and recommendations for legislative action, which is to include:

- an analysis of the feasibility of implementing a permanent social innovation loan program Statewide,
- the identification of sectors outside of nonprofit health care in which social lending could be successfully applied,
- the estimated costs for the creation and administration of the permanent social innovation loan program,
- the projected State, federal, and municipal savings from administering the permanent program,
- a calculation of the State, federal, and municipal savings accrued through the pilot program,
- a calculation of the loan performance realized from the pilot program, and
- an analysis of non-financial outcomes, such as community impact and preventive results.

As reported, this bill is identical to Senate Bill No. 452 (1R), as reported by the committee.

FISCAL IMPACT:

The fiscal impact of this bill is indeterminate. The program may result in reduced State costs through health care savings to State health programs, but those savings may not be realized if the health care
interventions do not provide the magnitude of savings necessary to generate a return for the lender. The EDA is prevented from using its own funds to capitalize the loan fund and cannot expend any monies not already held in the loan fund, so there is no expected net cost to the EDA. The amount of donations received by the EDA and the details of the loan and loan guarantee agreements that are formed under the program will be significant factors in determining whether State cost savings can be realized.