

SENATE EDUCATION COMMITTEE

STATEMENT TO

SENATE, No. 696

with committee amendments

STATE OF NEW JERSEY

DATED: JANUARY 25, 2018

The Senate Education Committee favorably reports Senate Bill No. 696 with committee amendments.

As amended, this bill establishes a five-year early childhood innovation loan pilot program for the purpose of encouraging private investment in expanded early childhood services, to improve short-term and long-term outcomes for young children, and reduce long-term costs. The early childhood programs and services would include, but not be limited to, preschool education, and child nutrition, health, early intervention, home visitation, and other services.

Under the bill, the New Jersey Economic Development Authority (EDA) is to establish a pilot program to guarantee loan agreements among lenders, eligible nonprofit organizations, and public sector entities. The loan agreements are to: 1) provide an eligible nonprofit organization with direct funding from a lender in exchange for the provision of services to a public sector entity; and 2) require the public sector entity receiving early childhood services to make defined payments to the lender in an amount proportional to the amount of savings generated by the provision of early childhood services. In the event that the anticipated savings are not achieved, the EDA is to provide a loan guarantee to the lender.

The EDA, lender, eligible nonprofit organization, and the public sector entity are to enter into an agreement which establishes a method of measurement and verification of the early childhood services to be performed and child outcomes defined by the method of measurement, how the public sector savings will be calculated, how the eligible organization and public sector entity will ensure compliance with State and federal laws and regulations including those in regard to children with disabilities, how the interest rate will be calculated, and how the funds will flow between the parties. In the event that the Department of Education is the public sector entity that is a party to an agreement for the provision of an early childhood service to a school district, the school district will also be a party to the agreement.

The bill provides that up to 100% of the value of a loan agreement may be guaranteed by the EDA, with loan amounts not to exceed \$3,000,000 per year or \$15,000,000 in the aggregate over the five-year pilot program period.

The bill establishes a non-lapsing, revolving fund called the early childhood innovation loan fund which is to be used to guarantee loans made under the pilot 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 EDA is not to issue a loan guarantee in an amount greater than the available and committed moneys in the loan fund.

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

The bill establishes the New Jersey Early Childhood Innovation Study Commission within the EDA to assist the EDA in administering the pilot program and issue annual reports detailing the progress of the pilot program. The study commission will consist of 15 members including: one representative from each of the Departments of Children and Families, Education, and Human Services; one public member appointed by the President of the Senate and one public member appointed by the Minority Leader of the Senate; one public member appointed by the Speaker of the General Assembly and one public member appointed by the Minority Leader of the General Assembly; and eight members appointed by the Governor upon the recommendation of various educational and social service organizations.

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 committee amended the bill to: specify that in assessing the feasibility of expanding the pilot program, the expansion of the scope of the early childhood innovation loan guarantees will be limited to the early childhood sector; provide that any direct funding from a lender in exchange for the provision of early childhood services may not be used to supplant State or federal funds allocated as of the effective date of the bill to support early childhood services; and specify that of the eight members appointed by the Governor to the New Jersey Early Childhood Innovation Study Commission, one must have demonstrated expertise in early childhood education and one must have demonstrated expertise in special education.

This bill was pre-filed for introduction in the 2018-2019 session pending technical review. As reported, the bill includes the changes required by technical review, which has been performed.