

**ASSEMBLY, No. 998**

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**STATE OF NEW JERSEY**

**219th LEGISLATURE**

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PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

**Sponsored by:**

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**District 11 (Monmouth)**

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**District 11 (Monmouth)**

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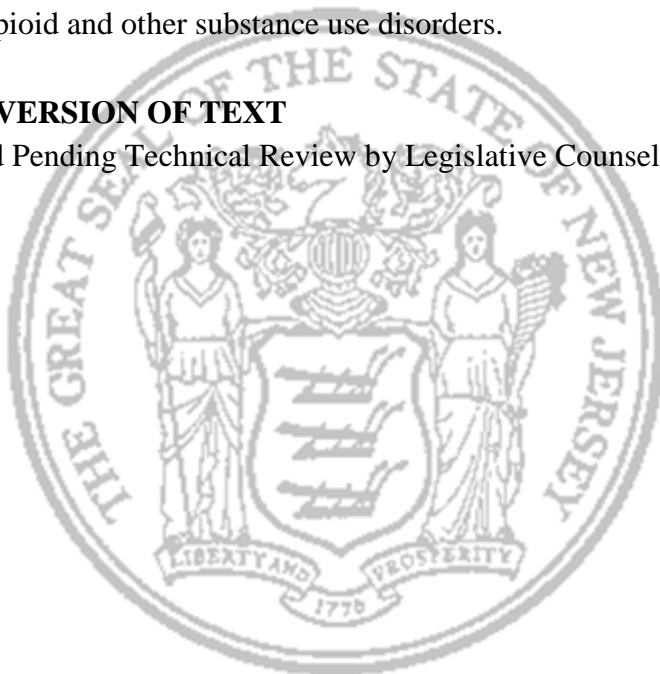
**Assemblyman Chiaravalloti**

**SYNOPSIS**

Establishes social innovation loan guarantee pilot program and study commission within New Jersey Health Care Facilities Financing Authority concerning opioid and other substance use disorders.

**CURRENT VERSION OF TEXT**

Introduced Pending Technical Review by Legislative Counsel.



1 AN ACT establishing a social innovation loan guarantee pilot  
2 program concerning opioid and other substance use disorders and  
3 supplementing Title 26 of the Revised Statutes.  
4

5 **BE IT ENACTED** *by the Senate and General Assembly of the State*  
6 *of New Jersey:*  
7

8 1. As used in P.L. , c. (C. ) (pending before the  
9 Legislature as this bill):

10 “Authority” means the New Jersey Health Care Facilities  
11 Financing Authority established pursuant to section 4 of P.L.1972,  
12 c.29 (C.26:2I-4).

13 “Eligible organization” means a nonprofit organization that is  
14 exempt from federal taxation pursuant to section 501(c)(3) of the  
15 federal Internal Revenue Code (26 U.S.C. s.501(c)(3)) that has  
16 applied for participation in the social innovation loan guarantee  
17 pilot program established pursuant to section 2 of  
18 P.L. , c. (C. ) (pending before the Legislature as  
19 this bill), and is selected by the study commission as qualified to  
20 receive a loan guarantee from the “social innovation loan guarantee  
21 fund” established pursuant to section 4 of P.L. , c. (C. )  
22 (pending before the Legislature as this bill).

23 “Pilot program” means the social innovation loan guarantee pilot  
24 program established pursuant to section 2 of P.L. , c. (C. )  
25 (pending before the Legislature as this bill).

26 “Social innovation loan guarantee fund” or “fund” means the  
27 fund established pursuant to section 4 of P.L. , c. (C. )  
28 (pending before the Legislature as this bill).

29 “Study commission” means the New Jersey Social Innovation  
30 Study Commission established pursuant to section 3 of  
31 P.L. , c. (C. ) (pending before the Legislature as this  
32 bill).

33 “Treatment and prevention services” means the treatment and  
34 prevention of opioid and other substance use disorders.  
35

36 2. a. There is established a five-year social innovation loan  
37 guarantee pilot program within the New Jersey Health Care  
38 Facilities Financing Authority to administer and determine the  
39 effectiveness of a social innovation loan guarantee pilot program.  
40 The pilot program shall concern nonprofit health care services that  
41 provide for the treatment and prevention of opioid and other  
42 substance use disorders with the purpose of encouraging private  
43 investment in those treatment and prevention services to lower  
44 federal, State, and municipal expenditures related to those services.  
45 The pilot program shall assess the feasibility of expanding a social  
46 innovation loan guarantee pilot program Statewide and expanding  
47 the scope of social impact loan guarantees, made pursuant to  
48 subsection b. of this section, beyond the health care sector.

1       b. Under the pilot program established pursuant to subsection  
2 a. of this section, the authority shall guarantee loans issued to  
3 eligible organizations for the provision of treatment and prevention  
4 services that generate positive social outcomes and public sector  
5 cost savings. Each loan guarantee shall be facilitated by the study  
6 commission established pursuant to section 3 of  
7 P.L. , c. (C. ) (pending before the Legislature  
8 as this bill) and consist of:

9       (1) A lending agreement between an eligible organization, a  
10 lender, and a public sector entity which provides: (a) the eligible  
11 organization with direct funding from a lender in exchange for the  
12 provision of treatment and prevention services; (b) the public sector  
13 entity with treatment and prevention services in exchange for  
14 defined payments to the lender in an amount proportional to the  
15 amount of public sector savings generated by the provision of those  
16 services; and (c) the lender with loan repayments in exchange for  
17 the provision of funding to an eligible organization.

18       (2) A loan guarantee agreement between the authority and all  
19 parties to the lending agreement from paragraph (1) of this  
20 subsection which shall require the lending agreement to conform to  
21 the requirements established pursuant to P.L. , c. (C. )  
22 (pending before the Legislature as this bill) or by the authority; and

23       (3) An agreement between the authority, the public sector entity  
24 making performance payments, the eligible organization, and the  
25 lender which agrees to a method of measurement and verification of  
26 the public health care services to be performed, how the public  
27 sector savings are to be calculated, how the interest rate will be  
28 determined, and how funds shall flow between the parties according  
29 to each of the agreements made pursuant to this subsection.

30       c. Up to 100 percent of the value of a loan agreement entered  
31 into pursuant to subsection b. of this section may be guaranteed by  
32 the authority, provided that the total amount in the aggregate of all  
33 loans guaranteed under the social innovation loan guarantee pilot  
34 program established pursuant to P.L. , c. (C. ) (pending  
35 before the Legislature as this bill) shall not exceed \$15,000,000.

36       d. The authority, in cooperation with the study commission and  
37 the Department of Human Services, shall offer to guarantee loans  
38 made pursuant to subsection b. of this section utilizing funds from  
39 the social innovation loan guarantee fund established pursuant to  
40 section 4 of P.L. , c. (C. ) (pending before the Legislature  
41 as this bill) to provide a loan guarantee for the purposes of  
42 subsection b. of this section. The authority shall consider the  
43 following factors:

44       (1) The economic feasibility of the treatment and prevention  
45 services;

46       (2) The degree to which the treatment and prevention services  
47 will advance Statewide and regional treatment and prevention  
48 services strategies and objectives;

1 (3) The degree to which the treatment and prevention services  
2 maximizes the leverage of other State funds; and

3 (4) The factors listed in paragraph (1) of subsection e. of section  
4 3 of P.L. , c. (C. ) (pending before the Legislature as this  
5 bill).

6 e. A lender or nonprofit organization seeking to participate in  
7 the social innovation loan guarantee pilot program shall submit an  
8 application in a form as the authority shall require. The application  
9 shall include any information the authority shall determine is  
10 necessary.

11 f. A loan guarantee agreement entered into pursuant to  
12 subsection b. of this section shall provide that any loan guaranteed  
13 by the authority shall: (1) be for a loan having a fair effective  
14 interest rate as determined by the authority; and (2) contain other  
15 terms and conditions considered appropriate by the authority that  
16 are consistent with the purposes of P.L. , c. (C. ) (pending  
17 before the Legislature as this bill) and with rules and regulations  
18 promulgated by the authority pursuant to section 5 of  
19 P.L. , c. (C. ) (pending before the Legislature as  
20 this bill).

21 g. (1) Consistent with federal law, rule, or regulation, each  
22 eligible organization that receives a loan guarantee pursuant to  
23 P.L. , c. (C. ) (pending before the Legislature as this bill)  
24 shall undergo an audit, at the organization's own expense, at least  
25 once every two calendar years. The authority shall designate an  
26 auditor to conduct the audit.

27 (2) If an audit of an eligible organization is performed pursuant  
28 to a requirement of federal law, rule, or regulation, the authority  
29 shall waive the audit required pursuant to this subsection with  
30 respect to all issues addressed by the federally required audit report.  
31 However, the authority may require an audit of matters that are not,  
32 in the authority's judgment, addressed by the federally required  
33 report including, but not limited to, measurement and verification of  
34 treatment and prevention service intervention activities, and public  
35 sector savings.

36 h. A loan guarantee agreement made pursuant to subsection b.  
37 of this section shall provide that any loan guarantee shall be voided  
38 if the terms and conditions of the agreement are violated by any  
39 party to that agreement.

40 i. The authority shall solicit grants from interested public or  
41 private sources for the establishment and administration of the pilot  
42 program and study commission as well as the capitalization of the  
43 "social innovation loan guarantee fund" established pursuant to  
44 section 4 of P.L. , c. (C. ) (pending before the Legislature  
45 as this bill).

46 j. The pilot program shall expire on the 30th day following the  
47 closing of all loans guaranteed pursuant to P.L. , c. (C. )  
48 (pending before the Legislature as this bill).

1       3. a. The authority shall oversee a study commission, entitled  
2 the “New Jersey Social Innovation Study Commission,” established  
3 for the duration of the pilot program.

4       b. The membership and size of the study commission shall be  
5 determined by the authority. The authority may consider a variety  
6 of professionals, including health care, lending, and social finance  
7 experts, for membership on the study commission. The study  
8 commission shall organize as soon as practicable after the  
9 appointment of the study commission members, shall select a  
10 chairperson from among its membership, and shall appoint a  
11 secretary who need not be a member of the study commission. At  
12 least one member of the study commission shall be a representative  
13 of the Department of Human Services, one member shall be a  
14 representative of the Department of Health, and one member shall  
15 be the Director of the Office of Faith Based Initiatives in the  
16 Department of State. All members of the study commission shall  
17 serve for a term concurrent with the effective period of the pilot  
18 program.

19       c. Any vacancy in the membership of the study commission  
20 shall be filled in the same manner in which the original appointment  
21 was made.

22       d. The study commission may request the assistance and  
23 services of employees of any other State department, board, bureau,  
24 commission, task force, or agency as it may require and as may be  
25 available. Members of the study commission shall serve without  
26 compensation, but shall be entitled to employ clerical assistance and  
27 incur traveling and other miscellaneous expenses as the study  
28 commission may deem necessary in order to perform its duties,  
29 within the limits of the funds made available to the study  
30 commission for its purposes. The study commission may meet at  
31 the call of its chairperson at the times and in the places the study  
32 commission may deem appropriate and necessary to fulfill its  
33 duties, and may conduct public hearings at a place or places as the  
34 study commission shall designate. The study commission shall  
35 conduct its meetings in accordance with the “Senator Byron M.  
36 Baer Open Public Meetings Act,” P.L.1975, c.231 (C.10:4-6 et  
37 seq.).

38       e. It shall be the duty of the study commission to aid the  
39 authority in the administration of the social innovation loan  
40 guarantee pilot program and to issue annual reports detailing the  
41 progress of the pilot program. Specifically, the study commission,  
42 in cooperation with the authority and the Department of Human  
43 Services shall:

44       (1) Identify the nonprofit organizations that are eligible to  
45 receive loan guarantees from the authority. The study commission  
46 shall make this determination taking several factors into  
47 consideration which shall include, but not be limited to, the size and  
48 identity of the target population that benefits from the organization,

1 the projected financial value of the improvements to treatment and  
2 prevention services as a result of the pilot program, including  
3 projected public sector savings, the ability to repay the loan in full,  
4 the ease of the measurability of the outcomes, and an analysis of  
5 impacts beyond financial savings and returns, such as social  
6 outcomes;

7 (2) Assist the authority in soliciting donations from  
8 philanthropic organizations and other private sources to capitalize  
9 the social innovation loan guarantee fund;

10 (3) Negotiate contract terms and conditions between social  
11 innovation loan guarantee recipients and any public entity for whom  
12 the recipient is performing treatment and prevention services,  
13 including the development of metrics to project and measure both  
14 financial and social outcomes, and the identification of independent  
15 third parties to measure and evaluate social outcomes;

16 (4) Determine whether an independent intermediary with  
17 expertise in the areas of social finance and health care should be  
18 retained to: (a) assist the study commission in the performance of  
19 its duties under this section; (b) perform the measurement and  
20 verification activities required in the agreements entered into  
21 pursuant to paragraph (3) of subsection b. of section 2 of  
22 P.L. , c. (C. ) (pending before the Legislature as this  
23 bill); and (c) to identify appropriate independent intermediaries to  
24 recommend to the authority if the study commission determines that  
25 intermediary services should be retained; and

26 (5) Any other purposes related to the pilot program for which  
27 the authority requests assistance.

28 f. (1) Not later than one year following the effective date of  
29 P.L. , c. (C. ) (pending before the Legislature as this bill), and  
30 annually for four years thereafter, the study commission shall  
31 submit to the Governor and, pursuant to section 2 of P.L.1991,  
32 c.164 (C.52:14-19.1), to the Legislature, a report containing a study  
33 and evaluation of the pilot program. The report shall include, but  
34 not be limited to, a description of any eligible organizations funded  
35 by the social innovation loans, State, federal, and municipal  
36 financial savings related to the issuance of social innovation loans,  
37 including Medicaid savings, the expected loan performance and  
38 projected payment schedule, the number of people serviced by the  
39 eligible organization, a comparison of the population serviced by  
40 the eligible organization and a similarly situated control group, and  
41 any community impact related to the pilot program.

42 (2) The study commission shall submit its fifth and final report  
43 to the Governor and, pursuant to section 2 of P.L.1991, c.164  
44 (C.52:14-19.1), to the Legislature, within 90 days of the expiration  
45 date of the pilot program, including any recommendations for  
46 legislative action it deems appropriate. The study commission's  
47 final report shall include, but not be limited to, an analysis of the  
48 feasibility of implementing a permanent social innovation loan

1 guarantee program Statewide, the sectors outside of nonprofit  
2 treatment and prevention services in which social lending could be  
3 successfully applied, the estimated costs for the creation and  
4 administration of a permanent social innovation loan guarantee  
5 program, the projected State, federal, and municipal savings from  
6 administering a permanent program, a calculation of the loan  
7 performance realized from the pilot program, a calculation of the  
8 State, federal, and municipal savings accrued through the pilot  
9 program, and an analysis of non-financial outcomes, such as  
10 community impact and preventive results.

11 g. The study commission shall expire on the 30th day after the  
12 date of the issuance of its final report, pursuant to paragraph (2) of  
13 subsection f. of this section, or upon the expiration of the pilot  
14 program, whichever occurs later.

15

16 4. a. To implement the social innovation loan guarantee pilot  
17 program, the authority shall establish and maintain a special non-  
18 lapsing, revolving fund called the “social innovation loan guarantee  
19 fund” which may be credited with:

20 (1) monies appropriated by the State for the purpose of the fund;

21 (2) monies received by the authority from any public or private  
22 donations to guarantee the loans issued pursuant to section 2 of  
23 P.L. , c. (C. ) (pending before the Legislature as this bill);

24 (3) any monies as may be available to the authority from grants  
25 or other forms of assistance established to support treatment and  
26 prevention service intervention activities by the authority or by  
27 other State agencies or authorities; and

28 (4) monies received from eligible organizations in the form of  
29 any applicable fees.

30 b. Monies deposited in the fund may be used by the authority  
31 for the following purposes:

32 (1) guaranteeing loans issued pursuant to subsection b. of  
33 section 2 of P.L. , c. (C. ) (pending before the Legislature  
34 as this bill);

35 (2) reasonable and necessary expenses incurred by the authority  
36 related to the administration of the pilot program and the study  
37 commission; and

38 (3) administrative expenses for the provision of loan guarantees  
39 issued pursuant to subsection b. of section 2 of P.L. , c. (C. )  
40 (pending before the Legislature as this bill).

41 c. The amount of loans guaranteed by the authority pursuant to  
42 subsection b. of section 2 of P.L. , c. (C. ) (pending before  
43 the Legislature as this bill) shall not exceed \$3,000,000 per year or  
44 \$15,000,000 in the aggregate over five years, as determined by the  
45 authority.

46 d. The authority shall not issue a loan guarantee in an amount  
47 greater than the available and uncommitted monies in the fund.

1 e. The authority may charge fees in connection with  
2 applications for participation in the social innovation loan guarantee  
3 pilot program as it deems reasonable to cover authority expenses in  
4 administering the pilot program and issuing loan guarantees.

5 f. The authority shall appoint a director, who is also an  
6 employee of the Health Care Facilities Financing Authority, to  
7 manage the activities associated with the "social innovation loan  
8 guarantee fund" established pursuant to this section. The director  
9 shall receive compensation as determined by the authority.

10 g. The authority shall issue a report six months after the  
11 effective date of P.L. , c. (C. ) (pending before the Legislature  
12 as this bill), and annually thereafter not later than September 15, to  
13 the Governor and, pursuant to section 2 of P.L.1991, c.164  
14 (C.52:14-19.1), to the Legislature concerning the financing of the  
15 pilot program as described in section 2 of P.L. , c. (C. )  
16 (pending before the Legislature as this bill), undertaken with  
17 monies from the "social innovation loan guarantee fund." The  
18 initial report and each annual report required pursuant to this  
19 section shall include a description of the pilot program funded by  
20 loans guaranteed to eligible organizations and a detailed analysis of  
21 the consideration given to the factors set forth in subsection d. of  
22 section 2 of P.L. , c. (C. ) (pending before the Legislature as this  
23 bill).

24  
25 5. The authority shall adopt, pursuant to the "Administrative  
26 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), any rules or  
27 regulations necessary to effectuate the purposes of P.L. , c. (C. )  
28 (pending before the Legislature as this bill).

29  
30 6. This act shall take effect on the first day of the fourth month  
31 following the date of enactment, but the authority may take  
32 anticipatory administrative action in advance thereof as shall be  
33 necessary for the implementation of this act.

#### 34 35 36 STATEMENT

37  
38 This bill establishes a five-year social innovation loan guarantee  
39 pilot program (pilot program) for the purpose of encouraging  
40 private investment in health care services for the treatment and  
41 prevention of opioid and other substance use disorders (treatment  
42 and prevention services) to lower public expenditures related to  
43 those services.

44 Under the bill, the New Jersey Health Care Facilities Financing  
45 Authority (HCFFA) is to establish a pilot program to guarantee loan  
46 agreements among lenders, eligible nonprofit organizations, and  
47 public sector entities. The loan agreements are to: 1) provide an  
48 eligible nonprofit organization with direct funding from a lender in



1 exchange for the provision of treatment and prevention services; 2)  
2 require the public sector entity receiving funds for treatment and  
3 prevention services to make defined payments to the lender in an  
4 amount proportional to the amount of savings generated by the  
5 provision of treatment and prevention services; and 3) authorize the  
6 lender to receive loan repayments from the public sector entity in  
7 exchange for the provision of funding to an eligible nonprofit  
8 organization. In the event that the anticipated savings are not  
9 achieved, the HCFFA is to provide a loan guarantee for the lender.

10 The HCFFA, lender, and eligible nonprofit organizations are also  
11 required to establish a method of measurement and verification that  
12 ensures treatment and prevention services were performed,  
13 calculating any public sector savings resulting from those services,  
14 and determining any interest rates or payments applicable to the  
15 agreements. The bill allows the guarantees issued by the HCFFA to  
16 be up to 100 percent of the value of the loan agreements, with loan  
17 amounts not to exceed \$3,000,000 per year or \$15,000,000 in the  
18 aggregate over the five-year pilot program period.

19 The bill establishes a non-lapsing, revolving fund called the  
20 “social innovation loan guarantee fund” (loan fund) which is to be  
21 used to guarantee pilot program loans to fund the loan program and  
22 to pay for expenses related to the administration of the loan  
23 guarantees. The loan guarantee fund may be credited with monies  
24 from State appropriations, public or private donations, grant  
25 funding, and loan guarantee program fees. The HCFFA is not to  
26 issue a loan guarantee in an amount greater than the available and  
27 committed monies in the loan guarantee fund.

28 The bill requires the HCFFA to solicit grants from philanthropic  
29 organizations or other private sources for the establishment and  
30 administration of the pilot program and capitalization of the loan  
31 guarantee fund.

32 The bill establishes the “New Jersey Social Innovation Study  
33 Commission” (study commission) within the HCFFA to assist the  
34 HCFFA in administering the pilot program and issue annual reports  
35 concerning the pilot program. The bill requires the HCFFA to  
36 oversee the study commission, to determine the membership and  
37 size of the study commission, and to appoint members to the study  
38 commission. The Director of the Office of Faith-Based Initiatives in  
39 the Department of State, a representative from the Department of  
40 Health, and a representative from the Department of Human  
41 Services are to be members of the study commission.

42 The bill directs the study commission to: 1) identify the  
43 nonprofit organizations that will be eligible to receive loan  
44 guarantees from the HCFFA; 2) assist the HCFFA in soliciting  
45 donations for the loan guarantee fund; 3) help negotiate contract  
46 terms and conditions of the loan agreements among lenders, eligible  
47 nonprofit organizations, the HCFFA, and public sector entities; 4)  
48 determine the necessity of retaining an independent intermediary to

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- 1 assist the study commission in the performance of its duties or to
- 2 perform the measurement and verification functions needed to
- 3 execute the loan guarantees; and 5) assist the HCFFA, upon request,
- 4 with any other issues related to the program.