

# ASSEMBLY HUMAN SERVICES COMMITTEE

## STATEMENT TO

### ASSEMBLY, No. 998

# STATE OF NEW JERSEY

DATED: FEBRUARY 22, 2021

The Assembly Human Services Committee reports favorably Assembly Bill No. 998.

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

Under the bill, the New Jersey Health Care Facilities Financing Authority (HCFFA) 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 treatment and prevention services; 2) require the public sector entity receiving funds for treatment and prevention services to make defined payments to the lender in an amount proportional to the amount of savings generated by the provision of treatment and prevention services; and 3) authorize the lender to receive loan repayments from the public sector entity in exchange for the provision of funding to an eligible nonprofit organization. In the event that the anticipated savings are not achieved, the HCFFA is to provide a loan guarantee for the lender.

The HCFFA, lender, and eligible nonprofit organizations are also required to establish a method of measurement and verification that ensures treatment and prevention services were performed, calculating any public sector savings resulting from those services, and determining any interest rates or payments applicable to the agreements. The bill allows the guarantees issued by the HCFFA to be up to 100 percent of the value of the loan agreements, 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 “social innovation loan guarantee 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 guarantee fund may be credited with monies from State appropriations, public or private donations, grant funding, and loan guarantee program fees. The HCFFA is not to

issue a loan guarantee in an amount greater than the available and committed monies in the loan guarantee fund.

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

The bill establishes the “New Jersey Social Innovation Study Commission” (study commission) within the HCFFA to assist the HCFFA in administering the pilot program and issue annual reports concerning the pilot program. The bill requires the HCFFA to oversee the study commission, to determine the membership and size of the study commission, and to appoint members to the study commission. 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 HCFFA; 2) assist the HCFFA in soliciting donations for the loan guarantee fund; 3) help negotiate contract terms and conditions of the loan agreements among lenders, eligible nonprofit organizations, the HCFFA, 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 HCFFA, upon request, with any other issues related to the program.

This bill was pre-filed for introduction in the 2020-2021 session pending technical review. As reported, the bill includes the changes required by technical review, which has been performed.