

ASSEMBLY COMMITTEE SUBSTITUTE FOR  
**ASSEMBLY, Nos. 998 and 2349**

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**STATE OF NEW JERSEY**  
**219th LEGISLATURE**

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ADOPTED MAY 18, 2021

**Sponsored by:**

**Assemblyman WILLIAM F. MOEN, JR.**

**District 5 (Camden and Gloucester)**

**Assemblywoman JOANN DOWNEY**

**District 11 (Monmouth)**

**Assemblyman ERIC HOUGHTALING**

**District 11 (Monmouth)**

**Assemblyman DANIEL R. BENSON**

**District 14 (Mercer and Middlesex)**

**Assemblywoman VALERIE VAINIERI HUTTLE**

**District 37 (Bergen)**

**Co-Sponsored by:**

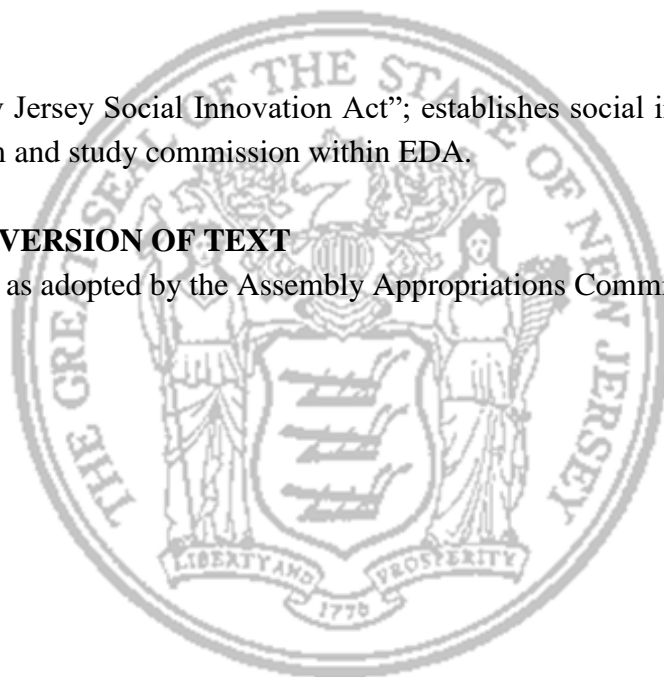
**Assemblymen Chiaravalloti and Mukherji**

**SYNOPSIS**

The “New Jersey Social Innovation Act”; establishes social innovation loan pilot program and study commission within EDA.

**CURRENT VERSION OF TEXT**

Substitute as adopted by the Assembly Appropriations Committee.



**(Sponsorship Updated As Of: 5/20/2021)**

1 AN ACT establishing a social innovation loan pilot program and  
2 supplementing Title 34 of the Revised Statutes.

3

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

6

7 1. This act shall be known and may be cited as the “New Jersey  
8 Social Innovation Act.”

9

10 2. As used in P.L. , c. (C. ) (pending before the  
11 Legislature as this bill):

12 “Authority” means the New Jersey Economic Development  
13 Authority, established pursuant to P.L.1974, c.80 (C.34:1B-1 et  
14 seq.).

15 “Eligible organization” means a nonprofit organization that is  
16 exempt from federal taxation pursuant to section 501(c)(3) of the  
17 federal Internal Revenue Code of 1986, 26 U.S.C. s.501 or a for-  
18 profit organization, that has applied for participation in the social  
19 innovation loan pilot program established pursuant to section 3 of  
20 P.L. , c. (C. ) (pending before the Legislature as this bill),  
21 and is selected by the study commission as qualified to receive a  
22 loan guarantee from the “social innovation loan fund” established  
23 pursuant to section 5 of P.L. , c. (C. ) (pending before the  
24 Legislature as this bill).

25 “Pilot program” means the social innovation loan pilot program  
26 established pursuant to section 3 of P.L. , c. (C. ) (pending  
27 before the Legislature as this bill).

28 “Social innovation loan fund” or “fund” means the fund  
29 established pursuant to section 5 of P.L. , c. (C. ) (pending  
30 before the Legislature as this bill).

31 “Study commission” means the “New Jersey Social Innovation  
32 Study Commission” established pursuant to section 4 of P.L. ,  
33 c. (C. ) (pending before the Legislature as this bill).

34 “Treatment and prevention services” means any early  
35 intervention health care, which shall include but not limited to,  
36 treatment and prevention of opioid and other substance use  
37 disorders.

38

39 3. a. There is established a five-year social innovation loan  
40 pilot program within the New Jersey Economic Development  
41 Authority to administer and determine the effectiveness of a social  
42 innovation loan pilot program. The pilot program shall concern  
43 nonprofit health care services with the purpose of encouraging  
44 private investment in treatment and prevention services to reduce  
45 federal, State, and municipal expenditures related to those services.  
46 The pilot program shall assess the feasibility of expanding a social  
47 innovation loan pilot program Statewide and expanding the scope of

- 1 social impact loan guarantees, made pursuant to subsection b. of
- 2 this section, beyond the health care sector.
- 3 b. Under the pilot program established pursuant to subsection
- 4 a. of this section, the authority shall guarantee loans issued to
- 5 eligible organizations for the provision of public health care
- 6 services which generate positive social outcomes and public sector
- 7 cost savings. Each loan shall be facilitated by the study commission
- 8 established pursuant to section 4 of P.L. , c. (C. ) (pending
- 9 before the Legislature as this bill) and shall consist of:
- 10 (1) a lending agreement between an eligible organization, a
- 11 lender, and a public sector entity which shall include terms that
- 12 provide:
- 13 (a) the eligible organization with direct funding from a lender in
- 14 exchange for the provision of public health care services;
- 15 (b) the public sector entity with public health care services in
- 16 exchange for defined payments to the lender in an amount
- 17 proportional to the amount of public sector savings generated by the
- 18 provision of those services; and
- 19 (c) the lender with loan repayments in exchange for the
- 20 provision of funding to an eligible organization.
- 21 (2) a loan guarantee agreement between the authority and all
- 22 parties to the lending agreement authorized pursuant to paragraph
- 23 (1) of this subsection which shall require the terms of the lending
- 24 agreement to conform to any loan requirements established pursuant
- 25 to P.L. , c. (C. ) (pending before the Legislature as this bill)
- 26 or by the authority; and
- 27 (3) an agreement between the authority, the public sector entity
- 28 making performance payments, the eligible organization, and the
- 29 lender which includes terms that require a method of measurement
- 30 and verification of the public health care services to be performed,
- 31 how the public sector savings are to be calculated, how the interest
- 32 rate will be determined, and how funds shall flow between the
- 33 parties according to each of the agreements made pursuant to this
- 34 subsection.
- 35 c. Up to 100 percent of the value of a loan agreement entered
- 36 into pursuant to subsection b. of this section may be guaranteed by
- 37 the authority, provided that the total amount in the aggregate of all
- 38 loans guaranteed under the social innovation loan pilot program
- 39 established pursuant to P.L. , c. (C. ) (pending before the
- 40 Legislature as this bill) shall not exceed \$15,000,000.
- 41 d. The authority, in cooperation with the study commission and
- 42 the Department of Human Services, shall offer to guarantee loans
- 43 made pursuant to subsection b. of this section utilizing funds from
- 44 the social innovation loan fund established pursuant to section 5 of
- 45 P.L. , c. (C. ) (pending before the Legislature as this bill) to
- 46 finance a project undertaken for the purposes of subsection b. of
- 47 this section. The authority shall consider the following factors:
- 48 (1) The economic feasibility of the project;

- 1       (2) The degree to which the project will advance Statewide and  
2 regional strategies and objectives;
- 3       (3) The degree to which the project maximizes the leverage of  
4 other State funds; and
- 5       (4) The factors listed in paragraph (1) of subsection e. of section  
6 4 of P.L.     , c.     (C.     ) (pending before the Legislature as this  
7 bill).
- 8       e. A lender or nonprofit or for-profit organization seeking to  
9 participate in the social innovation loan pilot program shall submit  
10 an application in a form as the authority shall require. The  
11 application shall include any information the authority shall  
12 determine is necessary in consideration of the provisions of  
13 P.L.2011, c.123 (52:14B-21.1 et seq.).
- 14       f. A loan guarantee agreement entered into pursuant to  
15 subsection b. of this section shall provide that any loan guaranteed  
16 by the authority shall:  
17       (1) be for a loan having a fair effective interest rate as  
18 determined by the authority; and  
19       (2) contain other terms and conditions considered appropriate by  
20 the authority that are consistent with the purposes of P.L.     ,  
21 c.     (C.     ) (pending before the Legislature as this bill) and with  
22 rules and regulations promulgated by the authority, pursuant to  
23 section 8 of P.L.     , c.     (C.     ) (pending before the Legislature as  
24 this bill), to implement P.L.     , c.     (C.     ) (pending before the  
25 Legislature as this bill).
- 26       g. (1) Consistent with federal law, rule, or regulation, each  
27 eligible organization that receives a loan guarantee under P.L.     ,  
28 c.     (C.     ) (pending before the Legislature as this bill) shall  
29 undergo an audit, at the organization's own expense, at least once  
30 every two calendar years. The authority shall designate an  
31 independent auditor to conduct the audit.
- 32       (2) If an audit is performed under a requirement of federal law,  
33 rule, or regulation, the authority shall waive the audit required  
34 pursuant to this subsection with respect to all issues addressed by  
35 the federally required audit. However, the authority may require an  
36 audit of matters that are not, in the authority's judgment, addressed  
37 by the federally required audit including, but not limited to,  
38 measurement and verification of health care intervention activities,  
39 and public sector savings.
- 40       h. A loan guarantee agreement made pursuant to subsection b.  
41 of this section shall provide that any loan guarantee issued by the  
42 authority shall be voided if the terms and conditions of the  
43 agreement are violated by any party to that loan securitization  
44 agreement.
- 45       i. The authority shall solicit grants from interested public or  
46 private sources for the establishment and administration of the pilot  
47 program and study commission as well as the capitalization of the

1 “social innovation loan fund” established pursuant to section 5 of  
2 P.L. , c. (C. ) (pending before the Legislature as this bill).

3 j. The pilot program shall expire on the 30<sup>th</sup> day following the  
4 closing of all loans guaranteed pursuant to P.L. , c. (C. )  
5 (pending before the Legislature as this bill).

6  
7 4. a. The authority shall oversee and staff a study commission,  
8 entitled the “New Jersey Social Innovation Study Commission,”  
9 established for the duration of the pilot program.

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

25 c. Any vacancy in the membership of the study commission  
26 shall be filled in the same manner in which the original appointment  
27 was made.

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

44 e. It shall be the duty of the study commission to aid the  
45 authority in the administration of the social innovation loan pilot  
46 program and to issue annual reports detailing the progress of the  
47 pilot program. Specifically, the study commission, in cooperation  
48 with the authority and the Department of Human Services shall:

- 1       (1) identify the nonprofit and for-profit organizations that will  
2       be eligible to receive loan guarantees from the authority. The study  
3       commission shall make this determination taking several factors  
4       into consideration which shall include, but not be limited to, the  
5       size and identity of the target population that benefits from the  
6       nonprofit or for-profit organization service provider, the projected  
7       financial value of the improvements as a result of the social  
8       innovation loan investments, including projected public sector  
9       savings, the ability to repay the loan in full, the ease of the  
10      measurability of the outcomes, and an analysis of impacts beyond  
11      financial savings and returns, such as social outcomes;
- 12      (2) assist the authority in soliciting donations from philanthropic  
13      organizations and other private sources to capitalize the loan fund;
- 14      (3) negotiate contract terms and conditions between social  
15      innovation loan recipients and any public entity for whom the  
16      recipient is performing health care intervention services, including  
17      the development of metrics to project and measure both financial  
18      and social outcomes, and the identification of independent third  
19      parties to measure and evaluate outcomes;
- 20      (4) determine whether an independent intermediary with  
21      expertise in the areas of social finance and health care should be  
22      retained to:
- 23      (a) assist the study commission in the performance of its duties  
24      under this section; or
- 25      (b) perform the method of measurement and verification  
26      activities required in the agreements entered into pursuant to  
27      paragraph (3) of subsection b. of section 3 of P.L.     , c. (C.     )  
28      (pending before the Legislature as this bill), and to identify  
29      appropriate independent intermediaries to recommend to the  
30      authority if the study commission determines that intermediary  
31      services should be retained; and
- 32      (5) any other purposes related to the pilot program for which the  
33      authority requests assistance.
- 34      f. Not later than one year following the effective date of  
35      P.L.     , c. (C.     ) (pending before the Legislature as this bill),  
36      and annually for four years thereafter, the study commission shall  
37      submit to the Governor and, pursuant to section 2 of P.L.1991,  
38      c.164 (C.52:14-19.1), to the Legislature, a report containing a study  
39      and evaluation of the pilot program. The report shall include, but  
40      not be limited to, a description of any eligible organizations funded  
41      by the social innovation loans, State, federal, and municipal  
42      financial savings related to the issuance of social innovation loans,  
43      including Medicaid savings, the expected loan performance and  
44      projected payment schedule, the number of people serviced by the  
45      eligible organization, a comparison of the population serviced by  
46      the eligible organization and a similarly situated control group, and  
47      any community impact related to the pilot program.

1       g. The study commission shall submit its fifth and final report  
2 to the Governor and, pursuant to section 2 of P.L.1991, c.164  
3 (C.52:14-19.1), to the Legislature, within 90 days of the expiration  
4 date of the pilot program, including any recommendations for  
5 legislation it deems appropriate. The study commission's final  
6 report shall include, but not be limited to, an analysis of the  
7 feasibility of implementing a permanent social innovation loan  
8 program Statewide, the sectors outside of non-profit health care in  
9 which social lending could be successfully applied, the estimated  
10 costs for the creation and administration of the permanent social  
11 innovation loan program, the projected State, federal, and municipal  
12 savings from administering the permanent program, a calculation of  
13 the loan performance realized from the pilot program, a calculation  
14 of the State, federal, and municipal savings accrued through the  
15 pilot program, and an analysis of non-financial outcomes, such as  
16 community impact and preventive results. The study commission  
17 shall expire on the 30th day after the date of the issuance of its final  
18 report, or upon the expiration of the pilot program, whichever  
19 occurs later.

20

21       5. a. To implement the social innovation loan pilot program,  
22 the authority shall establish and maintain a special non-lapsing,  
23 revolving fund called the "social innovation loan fund" which may  
24 be credited with:

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

26       (2) monies received by the authority from any public or private  
27 donations to be used to guarantee a loan issued pursuant to  
28 subsection f. of section 3 of P.L. , c. (C. ) (pending before  
29 the Legislature as this bill);

30       (3) any monies as may be available to the authority from grants  
31 or other forms of assistance established to support health care  
32 intervention activities by the authority or by other State or federal  
33 agencies or authorities; and

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

36       b. Loan funds may be used by the authority for the following  
37 purposes:

38       (1) guaranteeing loans issued pursuant to subsection b. of  
39 section 3 of P.L. , c. (C. ) (pending before the Legislature  
40 as this bill);

41       (2) reasonable and necessary expenses incurred by the authority  
42 related to the administration of the pilot program and the study  
43 commission; and

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

47       c. The amount of loans guaranteed by the authority pursuant to  
48 subsection b. of section 3 of P.L. , c. (C. ) (pending before

1 the Legislature as this bill) shall not exceed \$3,000,000 per year or  
2 \$15,000,000 in the aggregate over five years, as determined by the  
3 authority.

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

6 e. The authority may charge fees in connection with  
7 applications for participation in the social innovation loan pilot  
8 program as it deems reasonable to cover authority expenses in  
9 administering the pilot program and issuing loan guarantees.

10  
11 6. The authority shall appoint a director to manage the  
12 activities associated with the "social innovation loan fund"  
13 established pursuant to section 5 of P.L. , c. (C. ) (pending  
14 before the Legislature as this bill). The director shall receive  
15 compensation as determined by the authority.

16  
17 7. The authority shall issue a report six months after the  
18 effective date of P.L. , c. (C. ) (pending before the Legislature  
19 as this bill), and annually thereafter not later than September 15, to  
20 the Governor and, pursuant to section 2 of P.L.1991, c.164  
21 (C.52:14-19.1), to the Legislature concerning the financing of the  
22 pilot program as described in section 5 of P.L. , c. (C. )  
23 (pending before the Legislature as this bill), undertaken with  
24 monies from the "social innovation loan fund." The initial report  
25 and each annual report required pursuant to this section shall  
26 include the number of eligible organizations receiving loan  
27 guarantees from the fund, the name of each eligible organization  
28 receiving loan guarantees from the fund, the amount of money each  
29 eligible organization receives from the fund, a description of each  
30 pilot program funded by loans issued to eligible organizations, and  
31 a detailed analysis of the consideration given to the factors set forth  
32 in subsection d. of section 3 of P.L. , c. (C. ) (pending before  
33 the Legislature as this bill).

34  
35 8. The authority shall adopt, pursuant to the "Administrative  
36 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), any rules or  
37 regulations necessary to effectuate the purposes of this act.

38  
39 9. This act shall take effect on the first day of the fourth month  
40 following the date of enactment, but the authority may take any  
41 anticipatory administrative action in advance thereof as shall be  
42 necessary for the implementation of this act.