

# SENATE, No. 3144

---

## STATE OF NEW JERSEY 219th LEGISLATURE

---

INTRODUCED NOVEMBER 5, 2020

**Sponsored by:**

**Senator M. TERESA RUIZ**

**District 29 (Essex)**

**Senator TROY SINGLETON**

**District 7 (Burlington)**

**SYNOPSIS**

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

**CURRENT VERSION OF TEXT**

As introduced.



(Sponsorship Updated As Of: 6/10/2021)

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  
33      P.L.     , c.     (C.     ) (pending before the Legislature as this bill).

34

35      3. a. There is established a five-year social innovation loan  
36      pilot program within the New Jersey Economic Development  
37      Authority to administer and determine the effectiveness of a social  
38      innovation loan pilot program. The pilot program shall concern  
39      nonprofit health care services with the purpose of encouraging  
40      private investment in preventive and early intervention health care  
41      to reduce federal, State, and municipal expenditures related to those  
42      services. The pilot program shall assess the feasibility of expanding  
43      a social innovation loan pilot program Statewide and expanding the  
44      scope of social impact loan guarantees, made pursuant to subsection  
45      b. of this section, beyond the health care sector.

46      b. Under the pilot program established pursuant to subsection  
47      a. of this section, the authority shall guarantee loans issued to  
48      eligible organizations for the provision of public health care

1 services which generate positive social outcomes and public sector  
2 cost savings. Each loan shall be facilitated by the study commission  
3 established pursuant to section 4 of P.L. , c. (C. ) (pending  
4 before the Legislature as this bill) and shall consist of:

5 (1) a lending agreement between an eligible organization, a  
6 lender, and a public sector entity which shall include terms that  
7 provide:

8 (a) the eligible organization with direct funding from a lender in  
9 exchange for the provision of public health care services;

10 (b) the public sector entity with public health care services in  
11 exchange for defined payments to the lender in an amount  
12 proportional to the amount of public sector savings generated by the  
13 provision of those services; and

14 (c) the lender with loan repayments in exchange for the  
15 provision of funding to an eligible organization.

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

22 (3) an agreement between the authority, the public sector entity  
23 making performance payments, the eligible organization, and the  
24 lender which includes terms that require a method of measurement  
25 and verification of the public health care services to be performed,  
26 how the public sector savings are to be calculated, how the interest  
27 rate will be determined, and how funds shall flow between the  
28 parties according to each of the agreements made pursuant to this  
29 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 pilot program  
34 established pursuant to P.L. , c. (C. ) (pending before the  
35 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 fund established pursuant to section 5 of  
40 P.L. , c. (C. ) (pending before the Legislature as this bill) to  
41 finance a project undertaken for the purposes of subsection b. of  
42 this section. The authority shall consider the following factors:

43 (1) The economic feasibility of the project;

44 (2) The degree to which the project will advance Statewide and  
45 regional strategies and objectives;

46 (3) The degree to which the project maximizes the leverage of  
47 other State funds; and

1 (4) The factors listed in paragraph (1) of subsection e. of section  
2 4 of P.L. , c. (C. ) (pending before the Legislature as this  
3 bill).

4 e. A lender or nonprofit or for-profit organization seeking to  
5 participate in the social innovation loan pilot program shall submit  
6 an application in a form as the authority shall require. The  
7 application shall include any information the authority shall  
8 determine is necessary in consideration of the provisions of  
9 P.L.2011, c.123 (52:14B-21.1 et seq.).

10 f. A loan guarantee agreement entered into pursuant to  
11 subsection b. of this section shall provide that any loan guaranteed  
12 by the authority shall: (1) be for a loan having a fair effective  
13 interest rate as determined by the authority; and (2) contain other  
14 terms and conditions considered appropriate by the authority that  
15 are consistent with the purposes of P.L. , c. (C. ) (pending  
16 before the Legislature as this bill) and with rules and regulations  
17 promulgated by the authority, pursuant to section 8 of  
18 P.L. , c. (C. ) (pending before the Legislature as this bill), to  
19 implement 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 under  
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 independent auditor to conduct the audit.

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

35 h. A loan guarantee agreement made pursuant to subsection b.  
36 of this section shall provide that any loan guarantee issued by the  
37 authority shall be voided if the terms and conditions of the  
38 agreement are violated by any party to that loan securitization  
39 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 fund" established pursuant to section 5 of  
44 P.L. , c. (C. ) (pending before the Legislature as this bill).

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

- 1       4. a. The authority shall oversee and staff a study commission,  
2 entitled the “New Jersey Social Innovation Study Commission,”  
3 established 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 commission. At least  
12 one member of the study commission shall be a representative of  
13 the Department of Human Services, one member shall be a  
14 representative of the Department of Health, and one member shall  
15 be the Executive Director of the Office of Faith-based Initiatives in  
16 the Department of State. All members of the study commission  
17 shall serve for 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 stenographic and  
27 clerical assistance and incur traveling and other miscellaneous  
28 expenses as the study commission may deem necessary in order to  
29 perform its duties, within the limits of the funds made available to  
30 the study commission for its purposes. The study commission may  
31 meet at the call of its chairperson at the times and in the places the  
32 study 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 pilot  
40 program and to issue annual reports detailing the progress of the  
41 pilot program. Specifically, the study commission, in cooperation  
42 with the authority and the Department of Human Services shall:
- 43       (1) identify the nonprofit and for-profit organizations that will  
44 be eligible to receive loan guarantees from the authority. The study  
45 commission shall make this determination taking several factors  
46 into consideration which shall include, but not be limited to, the  
47 size and identity of the target population that benefits from the  
48 nonprofit or for-profit organization service provider, the projected

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

6 (2) assist the authority in soliciting donations from philanthropic  
7 organizations and other private sources to capitalize the loan fund;

8 (3) negotiate contract terms and conditions between social  
9 innovation loan recipients and any public entity for whom the  
10 recipient is performing health care intervention services, including  
11 the development of metrics to project and measure both financial  
12 and social outcomes, and the identification of independent third  
13 parties to measure and evaluate outcomes;

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

24 (5) any other purposes related to the pilot program for which the  
25 authority requests assistance.

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

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

1 which social lending could be successfully applied, the estimated  
2 costs for the creation and administration of the permanent social  
3 innovation loan program, the projected State, federal, and municipal  
4 savings from administering the permanent program, a calculation of  
5 the loan performance realized from the pilot program, a calculation  
6 of the State, federal, and municipal savings accrued through the  
7 pilot program, and an analysis of non-financial outcomes, such as  
8 community impact and preventive results. The study commission  
9 shall expire on the 30th day after the date of the issuance of its final  
10 report, or upon the expiration of the pilot program, whichever  
11 occurs later.

12

13 5. a. To implement the social innovation loan pilot program,  
14 the authority shall establish and maintain a special non-lapsing,  
15 revolving fund called the “social innovation loan fund” which may  
16 be credited with:

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

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

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

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

28 b. Loan funds may be used by the authority for the following  
29 purposes:

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

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

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

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

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

46 e. The authority may charge fees in connection with  
47 applications for participation in the social innovation loan pilot

1 program as it deems reasonable to cover authority expenses in  
2 administering the pilot program and issuing loan guarantees.

3  
4 6. The authority shall appoint a director to manage the  
5 activities associated with the "social innovation loan fund"  
6 established pursuant to section 5 of P.L. , c. (C. ) (pending  
7 before the Legislature as this bill). The director shall receive  
8 compensation as determined by the authority.

9  
10 7. 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 5 of P.L. , c. (C. )  
16 (pending before the Legislature as this bill), undertaken with  
17 monies from the "social innovation loan fund." The initial report  
18 and each annual report required pursuant to this section shall  
19 include the number of eligible organizations receiving loan  
20 guarantees from the fund, the name of each eligible organization  
21 receiving loan guarantees from the fund, the amount of money each  
22 eligible organization receives from the fund, a description of each  
23 pilot program funded by loans issued to eligible organizations, and  
24 a detailed analysis of the consideration given to the factors set forth  
25 in subsection d. of section 3 of P.L. , c. (C. ) (pending before  
26 the Legislature as this bill).

27  
28 8. The authority shall adopt, pursuant to the "Administrative  
29 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), any rules or  
30 regulations necessary to effectuate the purposes of this act.

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

#### 36 37 38 STATEMENT

39  
40 This bill establishes a five-year social innovation loan pilot  
41 program (pilot program) for the purpose of encouraging private  
42 investment in preventive and early intervention health care to  
43 reduce public expenditures related to those services.

44 Under the bill, the New Jersey Economic Development Authority  
45 (EDA) is to establish a pilot program to guarantee loan agreements  
46 among lenders, eligible nonprofit and for-profit organizations, and  
47 public sector entities. The loan agreements are to:



1 (1) provide an eligible nonprofit or for-profit organization with  
2 direct funding from a lender in exchange for the provision of public  
3 health care services to a public sector entity;

4 (2) require the public sector entity receiving public health care  
5 services to make defined payments to the lender in an amount  
6 proportional to the amount of savings generated by the provision of  
7 public health care services; and

8 (3) authorize the lender to receive loan repayments from the  
9 public sector entity in exchange for the provision of funding to an  
10 eligible nonprofit or for-profit organization.

11 The EDA, in cooperation with the “New Jersey Social  
12 Innovation Study Commission” (study commission), established  
13 pursuant to the bill, and the Department of Human Services, is to  
14 offer to guarantee loans utilizing funds from the social innovation  
15 loan fund, also established pursuant to the bill.

16 The EDA, lender, and eligible nonprofit and for-profit  
17 organizations are also required to establish a method of  
18 measurement and verification that ensures health care services were  
19 performed, calculating any public sector savings resulting from  
20 those services, and determining any interest rates or payments  
21 applicable to the agreements. The bill allows the guarantees issued  
22 by the EDA to be up to 100 percent of the value of the loan  
23 agreements, with loan amounts not to exceed \$3,000,000 per year or  
24 \$15,000,000 in the aggregate over the five-year pilot program  
25 period.

26 The bill establishes a non-lapsing, revolving fund called the  
27 “social innovation loan fund” (loan fund) which is to be used to  
28 guarantee pilot program loans to fund the loan program and to pay  
29 for expenses related to the administration of the loan guarantees.  
30 The loan fund may be credited with monies from State  
31 appropriations, public or private donations, grant funding, federal  
32 funds, and loan guarantee program fees. The EDA is not to issue a  
33 loan guarantee in an amount greater than the available and  
34 committed monies in the loan fund.

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

39 The bill establishes the within the EDA a study commission to  
40 assist the EDA in administering the pilot program and issue annual  
41 reports concerning the pilot program. The bill requires the EDA to  
42 oversee and staff the study commission, to determine the  
43 membership and size of the study commission, and to appoint  
44 members to the study commission. The Executive Director of the  
45 Office of Faith-based Initiatives in the Department of State, a  
46 representative from the Department of Health, and a representative  
47 from the Department of Human Services are to be members of the  
48 study commission.

1       The bill requires the study commission to annually submit to the  
2 Governor and to the Legislature a report containing a study and  
3 evaluation of the pilot program. The report is to include, but not be  
4 limited to, a description of any eligible organizations funded by the  
5 social innovation loans, State, federal, and municipal financial  
6 savings related to the issuance of social innovation loans, including  
7 Medicaid savings, the expected loan performance and projected  
8 payment schedule, the number of people serviced by the eligible  
9 organization, a comparison of the population serviced by the  
10 eligible organization and a similarly situated control group, and any  
11 community impact related to the pilot program. The study  
12 commission is to submit its fifth and final report to the Governor  
13 and to the Legislature, within 90 days of the expiration date of the  
14 pilot program, including any recommendations for legislation it  
15 deems appropriate.

16       The bill directs the study commission to:

17       (1) identify the nonprofit and for-profit organizations that will  
18 be eligible to receive loan guarantees from the EDA;

19       (2) assist the EDA in soliciting donations for the loan fund;

20       (3) help negotiate contract terms and conditions of the loan  
21 agreements among lenders, eligible nonprofit and for-profit  
22 organizations, the EDA, and public sector entities;

23       (4) determine the necessity of retaining an independent  
24 intermediary to assist the study commission in the performance of  
25 its duties or to perform the measurement and verification functions  
26 needed to execute the loan guarantees; and

27       (5) assist the EDA, upon request, with any other issues related  
28 to the program.

29       The bill requires the EDA to issue a report six months after the  
30 effective date of the bill, and annually thereafter not later than  
31 September 15, to the Governor and to the Legislature concerning  
32 the financing of the pilot program undertaken with monies from the  
33 loan fund.