

**SENATE COMMITTEE SUBSTITUTE FOR
SENATE, Nos. 3144 and 1534**

**STATE OF NEW JERSEY
219th LEGISLATURE**

ADOPTED JUNE 15, 2021

Sponsored by:

Senator M. TERESA RUIZ

District 29 (Essex)

Senator JAMES BEACH

District 6 (Burlington and Camden)

Senator TROY SINGLETON

District 7 (Burlington)

Co-Sponsored by:

Senators Cruz-Perez, Greenstein and Pou

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 Senate Economic Growth Committee.



(Sponsorship Updated As Of: 12/20/2021)

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. , c.
33 (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:

- 1 (1) The economic feasibility of the project;
- 2 (2) The degree to which the project will advance Statewide and
3 regional strategies and objectives;
- 4 (3) The degree to which the project maximizes the leverage of
5 other State funds; and
- 6 (4) The factors listed in paragraph (1) of subsection e. of section
7 4 of P.L. , c. (C.) (pending before the Legislature as this
8 bill).
- 9 e. A lender or nonprofit or for-profit organization seeking to
10 participate in the social innovation loan pilot program shall submit
11 an application in a form as the authority shall require. The
12 application shall include any information the authority shall
13 determine is necessary in consideration of the provisions of
14 P.L.2011, c.123 (52:14B-21.1 et seq.).
- 15 f. A loan guarantee agreement entered into pursuant to
16 subsection b. of this section shall provide that any loan guaranteed
17 by the authority shall:
 - 18 (1) be for a loan having a fair effective interest rate as
19 determined by the authority; and
 - 20 (2) contain other terms and conditions considered appropriate by
21 the authority that are consistent with the purposes of P.L. , c.
22 (C.) (pending before the Legislature as this bill) and with rules
23 and regulations promulgated by the authority, pursuant to section 8
24 of P.L. , c. (C.) (pending before the Legislature as this bill),
25 to implement P.L. , c. (C.) (pending before the Legislature
26 as this bill).
- 27 g. (1) Consistent with federal law, rule, or regulation, each
28 eligible organization that receives a loan guarantee under P.L. ,
29 c. (C.) (pending before the Legislature as this bill) shall
30 undergo an audit, at the organization's own expense, at least once
31 every two calendar years. The authority shall designate an
32 independent auditor to conduct the audit.
- 33 (2) If an audit is performed under a requirement of federal law,
34 rule, or regulation, the authority shall waive the audit required
35 pursuant to this subsection with respect to all issues addressed by
36 the federally required audit. However, the authority may require an
37 audit of matters that are not, in the authority's judgment, addressed
38 by the federally required audit including, but not limited to,
39 measurement and verification of health care intervention activities,
40 and public sector savings.
- 41 h. A loan guarantee agreement made pursuant to subsection b.
42 of this section shall provide that any loan guarantee issued by the
43 authority shall be voided if the terms and conditions of the
44 agreement are violated by any party to that loan securitization
45 agreement.
- 46 i. The authority shall solicit grants from interested public or
47 private sources for the establishment and administration of the pilot
48 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 30th 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.