ASSEMBLY SCIENCE, INNOVATION AND TECHNOLOGY COMMITTEE

STATEMENT TO

**ASSEMBLY, No. 2349**

# STATE OF NEW JERSEY

DATED: AUGUST 10, 2020

The Assembly Science, Innovation and Technology Committee reports favorably Assembly Bill No. 2349.

As reported, this bill establishes a five-year social innovation loan pilot program (pilot program) for the purpose of encouraging private investment in preventive and early intervention health care to reduce public expenditures related to those services.

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

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

2) require the public sector entity receiving public health care services to make defined payments to the lender in an amount proportional to the amount of savings generated by the provision of public health care 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 or for-profit organization.

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

The EDA, lender, and eligible nonprofit and for-profit organizations are also required to establish a method of measurement and verification that ensures health care 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 EDA 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 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 fund may be credited with monies from State appropriations, public or private donations, grant funding, federal funds, and loan guarantee program fees. The EDA is not to issue a loan guarantee in an amount greater than the available and committed monies in the loan fund.

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

The bill establishes within the EDA a study commission to assist the EDA in administering the pilot program and issue annual reports concerning the pilot program. The bill requires the EDA to oversee and staff the study commission, to determine the membership and size of the study commission, and to appoint members to the study commission. The Executive 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 requires the study commission to annually submit to the Governor and to the Legislature a report containing a study and evaluation of the pilot program. The report is to include, but not be limited to, a description of any eligible organizations funded by the social innovation loans, State, federal, and municipal financial savings related to the issuance of social innovation loans, including Medicaid savings, the expected loan performance and projected payment schedule, the number of people serviced by the eligible organization, a comparison of the population serviced by the eligible organization and a similarly situated control group, and any community impact related to the pilot program. The study commission is to submit its fifth and final report to the Governor and to the Legislature, within 90 days of the expiration date of the pilot program, including any recommendations for legislation it deems appropriate.

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