

P.L. 2021, CHAPTER 434, *approved January 18, 2022*
Assembly Committee Substitute (*First Reprint*) for
Assembly, Nos. 998 and 2349

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.

EXPLANATION – Matter enclosed in bold-faced brackets **[thus]** in the above bill is
not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.
Matter enclosed in superscript numerals has been adopted as follows:
¹ Senate floor amendments adopted January 10, 2022.

1 3. a. There is established a five-year social innovation loan
2 pilot program within the New Jersey Economic Development
3 Authority to administer and determine the effectiveness of a social
4 innovation loan pilot program. The pilot program shall concern
5 nonprofit health care services with the purpose of encouraging
6 private investment in 'public health care services, including but not
7 limited to,' treatment and prevention services ' , and' to reduce
8 federal, State, and municipal expenditures related to those services.
9 The pilot program shall assess the feasibility of expanding a social
10 innovation loan pilot program Statewide and expanding the scope of
11 social impact loan guarantees, made pursuant to subsection b. of
12 this section, beyond the health care sector.

13 b. Under the pilot program established pursuant to subsection
14 a. of this section, the authority shall guarantee loans issued to
15 eligible organizations for the provision of public health care
16 services which generate positive social outcomes and public sector
17 cost savings. Each loan shall be facilitated by the study commission
18 established pursuant to section 4 of P.L. , c. (C.) (pending
19 before the Legislature as this bill) and shall consist of:

20 (1) a lending agreement between an eligible organization, a
21 lender, and a public sector entity which shall include terms that
22 provide:

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

25 (b) the public sector entity with public health care services in
26 exchange for defined payments to the lender in an amount
27 proportional to the amount of public sector savings generated by the
28 provision of those services; and

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

31 (2) a loan guarantee agreement between the authority and all
32 parties to the lending agreement authorized pursuant to paragraph
33 (1) of this subsection which shall require the terms of the lending
34 agreement to conform to any loan requirements established pursuant
35 to P.L. , c. (C.) (pending before the Legislature as this bill)
36 or by the authority; and

37 (3) an agreement between the authority, the public sector entity
38 making performance payments, the eligible organization, and the
39 lender which includes terms that require a method of measurement
40 and verification of the public health care services to be performed,
41 how the public sector savings are to be calculated, how the interest
42 rate will be determined, and how funds shall flow between the
43 parties according to each of the agreements made pursuant to this
44 subsection.

45 c. Up to 100 percent of the value of a loan agreement entered
46 into pursuant to subsection b. of this section may be guaranteed by
47 the authority, provided that the total amount in the aggregate of all
48 loans guaranteed under the social innovation loan pilot program

- 1 established pursuant to P.L. , c. (C.) (pending before the
2 Legislature as this bill) shall not exceed \$15,000,000.
- 3 d. The authority, in cooperation with the study commission and
4 the Department of Human Services, shall offer to guarantee loans
5 made pursuant to subsection b. of this section utilizing funds from
6 the social innovation loan fund established pursuant to section 5 of
7 P.L. , c. (C.) (pending before the Legislature as this bill) to
8 finance a project undertaken for the purposes of subsection b. of
9 this section. The authority shall consider the following factors:
- 10 (1) The economic feasibility of the project;
- 11 (2) The degree to which the project will advance Statewide and
12 regional strategies and objectives;
- 13 (3) The degree to which the project maximizes the leverage of
14 other State funds; and
- 15 (4) The factors listed in paragraph (1) of subsection e. of section
16 4 of P.L. , c. (C.) (pending before the Legislature as this
17 bill).
- 18 e. A lender or nonprofit or for-profit organization seeking to
19 participate in the social innovation loan pilot program shall submit
20 an application in a form as the authority shall require. The
21 application shall include any information the authority shall
22 determine is necessary in consideration of the provisions of
23 P.L.2011, c.123 (52:14B-21.1 et seq.).
- 24 f. A loan guarantee agreement entered into pursuant to
25 subsection b. of this section shall provide that any loan guaranteed
26 by the authority shall:
- 27 (1) be for a loan having a fair effective interest rate as
28 determined by the authority; and
- 29 (2) contain other terms and conditions considered appropriate by
30 the authority that are consistent with the purposes of P.L. ,
31 c. (C.) (pending before the Legislature as this bill) and with
32 rules and regulations promulgated by the authority, pursuant to
33 section 8 of P.L. , c. (C.) (pending before the Legislature as
34 this bill), to implement P.L. , c. (C.) (pending before the
35 Legislature as this bill).
- 36 g. (1) Consistent with federal law, rule, or regulation, each
37 eligible organization that receives a loan guarantee under P.L. ,
38 c. (C.) (pending before the Legislature as this bill) shall
39 undergo an audit, at the organization's own expense, at least once
40 every two calendar years. The authority shall designate an
41 independent auditor to conduct the audit.
- 42 (2) If an audit is performed under a requirement of federal law,
43 rule, or regulation, the authority shall waive the audit required
44 pursuant to this subsection with respect to all issues addressed by
45 the federally required audit. However, the authority may require an
46 audit of matters that are not, in the authority's judgment, addressed
47 by the federally required audit including, but not limited to,

- 1 measurement and verification of health care intervention activities,
2 and public sector savings.
- 3 h. A loan guarantee agreement made pursuant to subsection b.
4 of this section shall provide that any loan guarantee issued by the
5 authority shall be voided if the terms and conditions of the
6 agreement are violated by any party to that loan securitization
7 agreement.
- 8 i. The authority shall solicit grants from interested public or
9 private sources for the establishment and administration of the pilot
10 program and study commission as well as the capitalization of the
11 “social innovation loan fund” established pursuant to section 5 of
12 P.L. , c. (C.) (pending before the Legislature as this bill).
- 13 j. The pilot program shall expire on the ‘**30th**’ 30th day
14 following the closing of all loans guaranteed pursuant to P.L. , c.
15 (C.) (pending before the Legislature as this bill).
16
- 17 4. a. The authority shall oversee and staff a study commission,
18 entitled the “New Jersey Social Innovation Study Commission,”
19 established for the duration of the pilot program.
- 20 b. The membership and size of the study commission shall be
21 determined by the authority. The authority may consider a variety
22 of professionals, including health care, lending, and social finance
23 experts, for membership on the study commission. The study
24 commission shall organize as soon as practicable after the
25 appointment of the study commission members, shall select a
26 chairperson from among its membership, and shall appoint a
27 secretary who need not be a member of the commission. At least
28 one member of the study commission shall be a representative of
29 the Department of Human Services, one member shall be a
30 representative of the Department of Health, and one member shall
31 be the Executive Director of the Office of Faith-based Initiatives in
32 the Department of State. All members of the study commission
33 shall serve for term concurrent with the effective period of the pilot
34 program.
- 35 c. Any vacancy in the membership of the study commission
36 shall be filled in the same manner in which the original appointment
37 was made.
- 38 d. The study commission may request the assistance and
39 services of employees of any other State department, board, bureau,
40 commission, task force, or agency as it may require and as may be
41 available. Members of the study commission shall serve without
42 compensation, but shall be entitled to employ stenographic and
43 clerical assistance and incur traveling and other miscellaneous
44 expenses as the study commission may deem necessary in order to
45 perform its duties, within the limits of the funds made available to
46 the study commission for its purposes. The study commission may
47 meet at the call of its chairperson at the times and in the places the
48 study commission may deem appropriate and necessary to fulfill its

1 duties, and may conduct public hearings at a place or places as the
2 study commission shall designate. The study commission shall
3 conduct its meetings in accordance with the “Senator Byron M.
4 Baer Open Public Meetings Act,” P.L.1975, c.231 (C.10:4-6 et
5 seq.).

6 e. It shall be the duty of the study commission to aid the
7 authority in the administration of the social innovation loan pilot
8 program and to issue annual reports detailing the progress of the
9 pilot program. Specifically, the study commission, in cooperation
10 with the authority and the Department of Human Services shall:

11 (1) identify the nonprofit and for-profit organizations that will
12 be eligible to receive loan guarantees from the authority. The study
13 commission shall make this determination taking several factors
14 into consideration which shall include, but not be limited to, the
15 size and identity of the target population that benefits from the
16 nonprofit or for-profit organization service provider, the projected
17 financial value of the improvements as a result of the social
18 innovation loan investments, including projected public sector
19 savings, the ability to repay the loan in full, the ease of the
20 measurability of the outcomes, and an analysis of impacts beyond
21 financial savings and returns, such as social outcomes;

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

24 (3) negotiate contract terms and conditions between social
25 innovation loan recipients and any public entity for whom the
26 recipient is performing health care intervention services, including
27 the development of metrics to project and measure both financial
28 and social outcomes, and the identification of independent third
29 parties to measure and evaluate outcomes;

30 (4) determine whether an independent intermediary with
31 expertise in the areas of social finance and health care should be
32 retained to:

33 (a) assist the study commission in the performance of its duties
34 under this section; or

35 (b) perform the method of measurement and verification
36 activities required in the agreements entered into pursuant to
37 paragraph (3) of subsection b. of section 3 of P.L. , c. (C.)
38 (pending before the Legislature as this bill), and to identify
39 appropriate independent intermediaries to recommend to the
40 authority if the study commission determines that intermediary
41 services should be retained; and

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

44 f. Not later than one year following the effective date of
45 P.L. , c. (C.) (pending before the Legislature as this bill),
46 and annually for four years thereafter, the study commission shall
47 submit to the Governor and, pursuant to section 2 of P.L.1991,
48 c.164 (C.52:14-19.1), to the Legislature, a report containing a study

1 and evaluation of the pilot program. The report shall include, but
 2 not be limited to, a description of any eligible organizations funded
 3 by the social innovation loans, State, federal, and municipal
 4 financial savings related to the issuance of social innovation loans,
 5 including Medicaid savings, the expected loan performance and
 6 projected payment schedule, the number of people serviced by the
 7 eligible organization, a comparison of the population serviced by
 8 the eligible organization and a similarly situated control group, and
 9 any community impact related to the pilot program.

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

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30 5. a. To implement the social innovation loan pilot program,
 31 the authority shall establish and maintain a special non-lapsing,
 32 revolving fund called the "social innovation loan fund" which may
 33 be credited with:

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

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

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

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

45 b. Loan funds may be used by the authority for the following
 46 purposes:

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

4 (2) reasonable and necessary expenses incurred by the authority
5 related to the administration of the pilot program and the study
6 commission; and

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

10 c. The amount of loans guaranteed by the authority pursuant to
11 subsection b. of section 3 of P.L. , c. (C.) (pending before
12 the Legislature as this bill) shall not exceed \$3,000,000 per year or
13 \$15,000,000 in the aggregate over five years, as determined by the
14 authority.

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

17 e. The authority may charge fees in connection with
18 applications for participation in the social innovation loan pilot
19 program as it deems reasonable to cover authority expenses in
20 administering the pilot program and issuing loan guarantees.

21 ¹f. The activities required pursuant to P.L. , c. (C.)
22 (pending before the Legislature as this bill) shall only be paid from
23 monies deposited into the “social innovation loan fund,” established
24 pursuant to subsection a. of this section.¹

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26 6. ¹a. The authority shall appoint a director to manage the
27 activities associated with the “social innovation loan fund”
28 established pursuant to section 5 of P.L. , c. (C.) (pending
29 before the Legislature as this bill). The director shall receive
30 compensation as determined by the authority.

31 ¹b. Except as provided in subsection a. of this section, the
32 activities required pursuant to P.L. , c. (C.) (pending before
33 the Legislature as this bill) shall only be staffed from existing authority
34 staff resources.¹

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36 7. The authority shall issue a report six months after the
37 effective date of P.L. , c. (C.) (pending before the Legislature
38 as this bill), and annually thereafter not later than September 15, to
39 the Governor and, pursuant to section 2 of P.L.1991, c.164
40 (C.52:14-19.1), to the Legislature concerning the financing of the
41 pilot program as described in section 5 of P.L. , c. (C.)
42 (pending before the Legislature as this bill), undertaken with
43 monies from the “social innovation loan fund.” The initial report
44 and each annual report required pursuant to this section shall
45 include the number of eligible organizations receiving loan
46 guarantees from the fund, the name of each eligible organization
47 receiving loan guarantees from the fund, the amount of money each

1 eligible organization receives from the fund, a description of each
2 pilot program funded by loans issued to eligible organizations, and
3 a detailed analysis of the consideration given to the factors set forth
4 in subsection d. of section 3 of P.L. , c. (C.) (pending before
5 the Legislature as this bill).

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

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11 9. This act shall take effect on the first day of the fourth month
12 following the date of enactment, but the authority may take any
13 anticipatory administrative action in advance thereof as shall be
14 necessary for the implementation of this act.

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19 The "New Jersey Social Innovation Act"; establishes social
20 innovation loan pilot program and study commission within EDA.