

ASSEMBLY, No. 3120

STATE OF NEW JERSEY 221st LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2024 SESSION

Sponsored by:

Assemblyman **CRAIG J. COUGHLIN**

District 19 (Middlesex)

Assemblyman **ROBERT J. KARABINCHAK**

District 18 (Middlesex)

Co-Sponsored by:

Assemblyman **Auth**, Assemblywomen **Dunn**, **Reynolds-Jackson**,
Assemblymen **Freiman**, **Conaway**, **Atkins** and Assemblywoman **Speight**

SYNOPSIS

Establishes NJ Non-Profit Loan Guarantee Pilot Program within EDA.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 AN ACT establishing the New Jersey Non-Profit Loan Guarantee
2 Pilot Program within the New Jersey Economic Development
3 Authority and supplementing P.L.1974, c.80 (C.34:1B-1 et seq.).
4

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

7
8 1. As used in P.L. , c. (C.) (pending before the
9 Legislature as this bill):

10 “Authority” means the New Jersey Economic Development
11 Authority established pursuant to section 4 of P.L.1974, c.80
12 (C.34:1B-4).

13 “Guarantee fund” or “fund” means the “New Jersey Non-Profit
14 Loan Guarantee Fund” established pursuant to section 3 of
15 P.L. , c. (C.) (pending before the Legislature as this
16 bill).

17 “Participating bank” means a State- or federally-chartered bank,
18 savings bank or savings and loan association, or a bank organized
19 under the laws of a foreign government, deemed eligible by the
20 authority for participation in the program.

21 “Program” means the “New Jersey Non-Profit Loan Guarantee
22 Pilot Program” established by the authority pursuant to section 2 of
23 P.L. , c. (C.) (pending before the Legislature as this bill).
24

25 2. a. The New Jersey Economic Development Authority shall
26 establish and maintain a “New Jersey Non-Profit Loan Guarantee
27 Pilot Program” for the purpose of providing financial assistance
28 from the “New Jersey Non-Profit Loan Guarantee Fund,”
29 established pursuant to section 3 of P.L. , c. (C.) (pending
30 before the Legislature as this bill), in the form of loan guarantees
31 for non-profit organizations established in the State.

32 b. Applications for loan guarantees shall be submitted by non-
33 profit organizations in a form and manner determined by the
34 authority. In addition to any other information that the authority
35 may deem appropriate, the application shall require the non-profit
36 organization to submit proof that the non-profit organization has:

37 (1) been determined by the federal Internal Revenue Service to
38 be a tax-exempt organization pursuant to section 501(c)(3) of the
39 Internal Revenue Code of 1986, 26 U.S.C. s.501(c)(3);

40 (2) been in existence for 10 years prior to the effective date of
41 P.L. , c. (C.) (pending before the Legislature as this bill);
42 and

43 (3) received financial assistance from the State, including
44 grants, loans, or any other form of assistance, prior to the effective
45 date of P.L. , c. (C.) (pending before the Legislature as this
46 bill).

1 c. In evaluating an application submitted by a non-profit
2 organization pursuant to subsection b. of this section, the authority
3 may only approve the application if the authority determines:

4 (1) that the loan for which the application for a loan guarantee
5 has been submitted is expected to result in the creation of 10 or
6 more full-time jobs upon completion of construction of a new
7 physical space financed pursuant to P.L. , c. (C.) (pending
8 before the Legislature as this bill);

9 (2) based on projections submitted by the non-profit
10 organization, including the data and assumptions forming the basis
11 thereof, of the profitability and financial stability over the term of
12 the loan guarantee, that the loan for which the application for a loan
13 guarantee has been submitted will support the construction of a new
14 physical space that is capable of generating income sufficient to
15 repay the loan through box office sales, private donations,
16 sponsorships, or any other source of revenue; and

17 (3) that the non-profit organization has a record of financial
18 stability, good reputation, and credit worthiness.

19

20 3. a. To implement the program, the authority shall establish
21 and maintain a special revolving fund to be known as the “New
22 Jersey Non-Profit Loan Guarantee Fund,” which shall be credited
23 with:

24 (1) any amounts from the “Economic Recovery Fund,”
25 established pursuant to section 3 of P.L.1992, c.16 (C.34:1B-7.12),
26 that the authority determines are necessary to effectively implement
27 the program, within the limits of funding available from the
28 “Economic Recovery Fund”;

29 (2) any moneys that shall be received by the authority from the
30 repayment of the moneys in the guarantee fund used to provide loan
31 guarantees pursuant to P.L. , c. (C.) (pending before the
32 Legislature as this bill) and interest thereon; and

33 (3) any other moneys of the authority, including but not limited
34 to, any moneys available from other business assistance programs
35 administered by the authority that are authorized and determined by
36 the authority to be deposited in the guarantee fund.

37 b. The authority shall use the moneys in the guarantee fund to:

38 (1) enter, within six months of the effective date of P.L. ,
39 c. (C.) (pending before the Legislature as this bill), into
40 loan guarantee agreements with participating banks and non-profit
41 organizations, which meet the requirements set forth in subsections
42 b. and c. of section 2 of P.L. , c. (C.) (pending before the
43 Legislature as this bill), to guarantee a portion of the loans or lines
44 of credit provided by participating banks, in accordance with
45 section 4 of P.L. , c. (C.) (pending before the Legislature
46 as this bill); and

1 (2) defray the administrative expenses of the authority in
2 carrying out the purposes and provisions of P.L. , c. (C.)
3 (pending before the Legislature as this bill).

4 c. Moneys in the guarantee fund may be invested in such
5 obligations as the authority may approve and, except as otherwise
6 provided in section 4 of P.L. , c. (C.) (pending before the
7 Legislature as this bill), net earnings received from the investment
8 or deposit of moneys in the guarantee fund by the authority shall be
9 redeposited in the guarantee fund for use for the purposes of P.L. ,
10 c. (C.) (pending before the Legislature as this bill).

11
12 4. a. After approving an application submitted pursuant to
13 section 2 of P.L. , c. (C.) (pending before the Legislature
14 as this bill), the authority shall enter into an agreement with a
15 participating bank and the non-profit organization to use the
16 moneys from the guarantee fund to guarantee a direct loan or
17 revolving line of credit provided by the participating bank to
18 finance the construction of a new physical space by the qualified
19 non-profit organization, pursuant to paragraph (2) of subsection c.
20 of section 2 of P.L. , c. (C.) (pending before the Legislature
21 as this bill). Each loan guarantee agreement that the authority shall
22 enter into with a participating bank and non-profit organization
23 shall not exceed \$15 million per qualified applicant.

24 b. No loan guarantee agreement entered into pursuant to this
25 section shall be for a period of more than 20 years. Upon expiration
26 of the period of all loan guarantees entered into pursuant to P.L. ,
27 c. (C.) (pending before the Legislature as this bill), all
28 repayments, and interest thereon, and all moneys remaining in the
29 guarantee fund shall be credited to and deposited in the "Economic
30 Recovery Fund," established pursuant to section 3 of P.L.1992, c.16
31 (C.34:1B-7.12) for any of the purposes thereof.

32 c. The loan guarantee agreements shall provide that the loans
33 or lines of credit for financing the costs of qualified non-profit
34 organizations shall come from participating banks. The agreements
35 may also provide for any other terms or conditions that the
36 authority and the participating banks determine as being necessary
37 or desirable to effectuate the purpose of the program.

38 d. The authority shall establish sufficient reserves and liquid
39 reserves to provide a sufficient and actuarially sound basis for its
40 pledges contained in any loan guarantee agreement entered into
41 pursuant to P.L. , c. (C.) (pending before the Legislature as
42 this bill).

43
44 5. a. Within 24 months following the effective date of P.L. ,
45 c. (C.) (pending before the Legislature as this bill), and on or
46 before February 15 of each year thereafter in which a loan
47 guarantee agreement entered into under of P.L. , c. (C.)
48 (pending before the Legislature as this bill) is in effect, the

1 authority shall prepare a report on the program. The report may be
2 issued separately, or in combination with any reports required by
3 any law concerning financial assistance to non-profit organizations
4 in this State.

5 b. The report shall include, but need not be limited to, a
6 description of the demand for the program from qualified non-
7 profits and participating banks, the efforts made by the authority to
8 promote the program, the total amount of loan guarantees approved
9 by the authority under the program, and an assessment of the
10 effectiveness of the program in meeting the goals of P.L. ,
11 c. (C.) (pending before the Legislature as this bill). The
12 authority shall submit its report to the Governor and, pursuant to
13 section 2 of P.L.1991, c.164 (C.52:14-19.1), to the Legislature,
14 including therein any recommendations for legislation to improve
15 the effectiveness of the program.

16

17 6. This act shall take effect immediately.

18

19

20

STATEMENT

21

22 This bill requires the New Jersey Economic Development
23 Authority (“EDA”) to establish and maintain the New Jersey Non-
24 Profit Loan Guarantee Pilot Program (“program”) and the New
25 Jersey Non-Profit Loan Guarantee Fund (“fund”).

26 Under the bill, the authority is required, within six months of the
27 effective date of the bill, to provide financial assistance in the form
28 of loan guarantees to non-profit organizations to support the
29 construction of new physical spaces that are capable of generating
30 income sufficient to repay the loans.

31

Application Criteria

32 The bill requires the EDA to establish an application process. A
33 non-profit organization that seeks a loan guarantee agreement under
34 the program is required to submit an application to the EDA in a
35 form and manner prescribed by the EDA. In addition to any other
36 information that the EDA may deem appropriate, the application is
37 required to request the non-profit organization to submit proof that
38 the non-profit organization has:

39 1) been determined by the federal Internal Revenue Service to
40 be a tax-exempt organization pursuant to federal law;

41 2) been in existence for 10 years prior to the effective date of
42 the bill; and

43 3) received financial assistance from the State, including
44 grants, loans, or any other form of assistance prior to the effective
45 date of the bill.

46 The EDA may only approve the application if the EDA
47 determines:
48

- 1 1) that the loan for which the application for a loan guarantee
2 has been submitted is expected to result in the creation of 10 or
3 more full-time jobs upon completion of construction of a new
4 physical space financed under the provisions of the bill;
- 5 2) based on the projections by the non-profit organization,
6 including the data and assumptions forming the basis thereof, of the
7 profitability and financial stability over the term of the loan
8 guarantee, that the loan for which the application for a loan
9 guarantee has been submitted will support the construction of new
10 physical space that is capable of generating income sufficient to
11 repay the loan through box office sales, private donations,
12 sponsorships, or other sources of revenue; and
- 13 3) that the non-profit organization has a record of financial
14 stability, good reputation, and credit worthiness.

15

16 *Loan Guarantee Agreements*

17 Under the bill, the EDA would enter into an agreement with a
18 participating bank and a non-profit organization qualified pursuant
19 to the bill to use the moneys from the fund to guarantee a direct
20 loan or revolving line of credit provided by the participating bank to
21 finance the construction of a new physical space by the qualified
22 non-profit organization. Each loan guarantee agreement that the
23 EDA enters into with a participating bank and non-profit
24 organization will not exceed \$15 million per qualified applicant or a
25 period of more than 20 years. The agreements are also required to
26 provide for any other terms or conditions that the EDA and the
27 participating banks determine as being necessary or desirable to
28 effectuate the purpose of the program.

29 The EDA is also required to establish sufficient reserves and
30 liquid reserves to provide a sufficient and actuarially sound basis
31 for its pledges contained in any loan guarantee agreement entered
32 into pursuant to the bill.

33

34 *Loan Fund*

35 The bill requires the fund to be credited with:

- 36 1) an amount from the Economic Recovery Fund that the EDA
37 determines is necessary to effectively implement the program,
38 within the limits of funding available from the Economic Recovery
39 Fund;
- 40 2) any moneys received by the EDA from the repayment of the
41 moneys in the guarantee fund used to provide loan guarantees
42 pursuant to the bill and interest thereon; and
- 43 3) any other moneys of the EDA, including but not limited to,
44 any moneys available from other business assistance programs
45 administered by the EDA that are authorized and determined by the
46 EDA to be deposited in the fund.

1 *Report Requirements*

2 Finally, within 24 months following the effective date of the bill,
3 and on or before February 15 of each year thereafter in which a loan
4 guarantee agreement entered into under the bill is in effect, the
5 EDA is required to prepare a report on the program. The report
6 may be issued separately, or in combination with any reports
7 required by any law concerning financial assistance to non-profit
8 organizations in New Jersey.

9 The report is required to include, but need not be limited to, a
10 description of the demand for the program from qualified non-
11 profits and participating banks, the efforts made by the EDA to
12 promote the program, the total amount of loan guarantees approved
13 by the EDA under the program, and an assessment of the
14 effectiveness of the program in meeting the goals of the bill. The
15 EDA is required to submit its report to the Governor and the
16 Legislature, including any recommendations for legislation to
17 improve the effectiveness of the program.