

**CALIFORNIA HEALTH FACILITIES AUTHORITY
STAFF SUMMARY AND RECOMMENDATION**

**Cedillo-Alarcón Community Clinic Investment Act of 2000
Grant Program Permanent Regulations**

March 28, 2002

Resolution Number: 2002-04

Introduction

The emergency regulations implementing the Cedillo-Alarcón Community Clinic Investment Act of 2000 are due to expire in October 2002. Staff is seeking Board approval to file with the Office of Administrative Law (“OAL”) documentation necessary to obtain permanent regulations.

Background

The Authority was statutorily charged with implementing a \$50 million grant program, when Assembly Bill 2875 became law on January 1, 2001. The California Legislature recognized the need for immediate action to promulgate regulations and authorized CHFFA, pursuant to Section 2 of Chapter 801 of the Statutes of 2000, to adopt emergency regulations for the purpose of implementing the grant program. The Authority staff completed the necessary filing procedures and were successful in obtaining adopted emergency regulations with the OAL on April 12, 2001.

The implementation of the grant program by CHFFA resulted in allocations of all but approximately \$8 million available as grants to eligible primary care and Indian clinics. In order to allocate the remaining \$8 million as grants, staff redrafted the emergency regulations, completed the necessary filing procedures and achieved adoption of the revised emergency regulations on October 9, 2001.

Attached is a copy of the proposed permanent regulations with text marked to show changes from existing emergency regulations on file with the Secretary of State. Since demand by eligible clinics for the remaining \$8 million available for grants exceeded available funds by approximately 2.5 times, Authority staff does not anticipate any future amendments to these regulations to allow for the allocation of any unused funds available for grants.

Summary of Changes

The proposed permanent regulations are similar to the emergency regulations the Authority adopted but have been amended with slight technical changes. The individual amendments are as follows:

Section 7000. Community Clinic Investment Act Definitions. The definition of “Indigent” has been amended to reflect the updated Federal Poverty Guideline reference. In addition, the definition of “Second Funding Round” has been updated to reflect when the applications were due.

Section 7001. Eligible Clinic. A new section has been added to clarify that if a clinic proposes to use grant funds on construction or renovations on a certain property, the clinic must provide evidence it owns the property or has a lease that extends at least five years from the date of final grant allocation. This requirement was previously addressed only in Section 7014 of the regulations that pertains to documents necessary for release of grant funds. However, the intent of the requirement was to determine eligibility and has therefore been added to the Eligible Clinic portion of the regulations.

Section 7006. Content of Application Form. A grammatical amendment has been made to 7006 (b)(1). The meaning of this section has not changed.

Section 7008. Selection Criteria. A grammatical amendment has been made to section 7008 (d)(3). The meaning of this section has not changed.

Section 7009. Initial Allocation. The Second Round allocation schedule has been amended to add clarity. The regulation was initially written to address scenarios involving excess demand for the grant program funding available. The regulation did not clearly address scenarios involving successful appeals.

Section 7013.5. Approval of Grant Use Change. This section has been amended to clarify that the Authority staff, in addition to the Authority, may approve a change in the use of the grant if the applicant demonstrates the change is consistent with the original intent and that financial or operational savings will be realized.

Section 7014. Release of Funds. Section 7014 (e) has been amended to clarify that the Authority staff, in addition to the Authority, may extend the project completion date for extraordinary or unavoidable delays where the grantee can demonstrate that it occurred through no fault of the grant recipient.

Board Request

Staff is requesting the Authority authorize staff to obtain public comment for the attached regulations, distribute any changes or additions to the regulations as a result of public comments, and proceed with all other OAL procedure in order to obtain permanent regulation status.

The following is the anticipated timeline for the adoption of regulations:

March 29, 2002	File Notice of Proposed Rulemaking with OAL. Mail Notice to clinic mailing list.
April 12, 2002	Notice of Proposed Rulemaking is published in the California Register.
June 28, 2002	Public comment period closes. Public Hearing, if requested. -Revise regulations as needed and re-notice a 15-day period, if necessary.
July 25, 2002	Return to Authority with amended regulations for Authority approval.
July 26, 2002	Submit Rulemaking File to OAL.
September 6, 2002	OAL approves Permanent Regulations and files permanent regulations with the Secretary of State.
October 18, 2002	Permanent Regulations become effective.

As noted in the timeline, staff will return to the Authority in July 2002 to discuss any public comments received and any changes to the proposed permanent regulations.

Adopt
Title 4 Division 10, Chapter 1
The Cedillo-Alarcón Community Clinic Investment Act of 2000

Section 7000. Community Clinic Investment Act Definitions.

Definitions. The following terms, as used in Chapter 1, Division 10, Title 4, are defined as follows:

“Act” – means the Cedillo-Alarcón Community Clinic Investment Act of 2000, California Government Code Section 15438, as amended.

“Applicant” - means a Clinic that submits an Application Form.

“Application Form” - means the request by an Applicant to the Authority for a grant under the Cedillo-Alarcón Community Investment Act of 2000 which includes pages 1-8, Attachments A-D and all materials submitted with Form # CHFFA 4, Rev. 3-2001 for First Funding Round or Form # CHFFA 5, Rev. 9-2001 for Second Funding Round.

“Authority” - means the California Health Facilities Financing Authority established by California Government Code Sections 15430 et seq., as amended.

“Broad Geographic Distribution” - means that a total amount of approximately ten million dollars (\$10,000,000) in grant funds will be distributed during the Funding Rounds combined to each of the following four regions for projects in that region:

1. Central Coast: the counties of Mendocino, Sonoma, Marin, Napa, Solano, Contra Costa, Alameda, Santa Clara, San Benito, Monterey, Santa Cruz, San Mateo, and San Francisco;
2. Los Angeles/Ventura: the counties of Los Angeles and Ventura;
3. Northern/Central: the counties of Del Norte, Humboldt, Siskiyou, Trinity, Shasta, Modoc, Lassen, Tehama, Glenn, Butte, Plumas, Sierra, Yuba, Sutter, Lake, Colusa, Yolo, Sacramento, El Dorado, Placer, Nevada, Amador, Alpine, Calaveras, San Joaquin, Stanislaus, Tuolumne, Mono, Mariposa, Merced, Madera, Fresno, Kings, Tulare, and Inyo;
4. Southern California: the counties of San Luis Obispo, Santa Barbara, Kern, San Bernardino, Orange, Riverside, San Diego, and Imperial.

“Capital Outlay Project” - means construction, expansion, remodeling, renovation, furnishing, equipping, or acquiring a Clinic, or permit and project plan fees. Capital Outlay Projects do not include working capital, non-capital equipment, re-financing, refunding prior expenditures, feasibility studies, or pre-construction costs other than permit and project plan fees.

“Clinic” - means a Community Clinic or a Free Clinic that has been licensed by the State Department of Health Services as of January 1, 1999, or an Indian Clinic exempt from state licensure.

“Community Clinic” – as defined in Health and Safety Code 1204(a), means “a clinic operated by a tax-exempt, nonprofit corporation that is supported and maintained in whole or in part by donations, bequests, gifts, grants, government funds or contributions, that may be in the form of money, goods, or services. In a Community Clinic, any charges to the patient shall be based on the patient’s ability to pay, utilizing a sliding fee scale. No corporation other than a nonprofit corporation, exempt from federal income taxation under paragraph (3) of subsection (c) of Section 501 of the Internal Revenue Code of 1954 as amended, or a statutory successor thereof, shall operate a community clinic; provided, that the licensee of any community clinic so licensed on the effective date of this section shall not be required to obtain tax-exempt status under either federal or state law in order to be eligible for, or as a condition of, renewal of its license. No natural person or persons shall operate a Community Clinic.”

“Executive Director” - means the Executive Director of the Authority.

“Expanded Services” - means providing net additional or new services to existing or new patients.

“Final Allocation” – means the amount of funds awarded to an Applicant by the Authority in a Funding Round based on an Initial Allocation, adjusted according to the total amount of funds available for distribution, Broad Geographic Distribution and any appeals approved by the Authority.

“First Funding Round” – means the Funding Round for which an application is due May 18, 2001. Funding available for the First Funding Round is equal to fifty million dollars (\$50,000,000).

“Free Clinic” –as defined in Section 1204(a) of the Health and Safety Code, means “a clinic operated by a tax-exempt, nonprofit corporation supported in whole by voluntary donations, bequests, gifts, grants government funds or contributions, that may be in the form of money, goods, or services. In a Free Clinic, there shall be no charges directly to the patient for services rendered or for drugs, medicines, appliances, or apparatuses furnished. No corporation other than a nonprofit corporation exempt from federal income taxation under paragraph (3) of subsection (c) of Section 501 of the Internal Revenue Code of 1954 as amended, or a statutory successor thereof, shall operate a Free Clinic; provided, that the licensee of any Free Clinic so licensed on the effective date of this section shall not be required to obtain tax-exempt status under either federal or state law in order to be eligible for, or as a condition of, renewal of its license. No natural person or persons shall operate a Free Clinic.”

“Funding Round” – means the First Funding Round or the Second Funding Round.

“Grant” - means a Final Allocation approved by the Authority.

“Going Concern” - means an assumption by an auditor that the carrying value of an entity’s assets will be realized and its liabilities will be liquidated in the ordinary course of continuing business activity.

“Health Professional Shortage Areas (HPSAs)” – means the federal designation for areas of population having a shortage of health care providers, “unusually high need” and a lack of access to primary care services in surrounding areas because of excessive distance, overutilization, or access barriers pursuant to the Public Health Service Act, Section 332, 42 U.S.C. Section 254e.

“Indian Clinic” – means any clinic conducted, maintained, or operated by a federally recognized Indian tribe or tribal organization, as defined in Section 101025 of the Health and Safety Code [formerly Section 450] or 25 U.S.C. Section 1601, and which is located on land recognized as tribal land by the federal government.

“Indigent” – means a patient whose economic status falls at or below 200% of the poverty guidelines as updated February 14, 2002 in the Federal Register, Vol. 67, No. 31, Pages 6931-6933, by the U.S. Department of Health and Human Services under authority of 42 U.S.C. Section 9902(2).

“Initial Allocation” - means the amount of funds awarded an Applicant in a Funding Round based on score and rank adjusted according to the total amount of funds available for distribution and for Broad Geographic Distribution.

“Licensed Clinic” – means a community or free clinic licensed pursuant to Section 1204(a) of California Health and Safety Code or an Indian clinic as referenced in Section 1206(c) of the California Health and Safety Code.

“Medically Underserved Areas (MUAs)” – means the federal designation for areas of population which are medically underserved on the basis of demographic data including percentage of population below the poverty level, percentage of population over 65, infant mortality rate, and primary care physicians per 1,000 population as described in Volume 41 Federal Register Number 201, 10-15-76, pages 45718-45723.

“Medically Underserved Populations (MUPs)” – means the federal designation for areas of population which do not meet the established MUA criteria but have a specific population within the area which is significantly underserved pursuant to the Health Services Amendments Act of 1986 (P.L. 99-280), 42 U.S.C. 254b(b)(3).

“Net Assets” – means the total equity of a nonprofit organization representing the difference between its total assets and its total liabilities.

“Project Feasibility” – means the demonstrated ability of an Applicant to implement a project.

“Project Readiness” – means the demonstrated ability of an Applicant to commence a project.

“Recipient” - means an Applicant that has been awarded a Grant.

“Second Funding Round” – means the Funding Round for which an application is due December 14, 2001. Funding available for the Second Funding Round is fifty million dollars (\$50,000,000) less the total of all Grants awarded in First Funding Round.

“Special Needs Populations” – means a population of patients with serious chronic or acute conditions that require an extraordinary level of experience and care to provide health care services that result in extraordinary costs to a Clinic.

“Staff” - means employees of the Authority.

“Uncompensated Care” – means a population of patients measured as a ratio calculated by staff comparing self-pay and non-pay patient encounters with total patient encounters as reported by clinics to the Office of Statewide Health Planning and Development pursuant to California Health and Safety Code, Section 1216, as amended.

“Underinsured Population” – means the number of patients having partial health insurance coverage and required to self-pay or pay on a sliding scale for health care services not provided by their health insurance program or plan.

“Uninsured Population” – means a population of patients measured as a ratio calculated by staff comparing patient encounters from the Child Health and Disability Prevention Program (CHDP), the Medically Indigent Services Program (MISP), the County Medical Services Program (CMSP), the Expanded Access to Primary Care Program (EAPC), other county programs, other state programs, self-pay and non-pay encounters with total patient encounters as reported by clinics to the Office of Statewide Health Planning and Development pursuant to California Health and Safety Code, Section 1216, as amended.

“Working Capital” – means the excess of current assets over current liabilities.

Note: Authority Cited: Section 2 of Chapter 801 of the Statutes of 2000 and Sections 15437 and 15438.6 (d) of the Government Code. Reference: Sections 15438 (t) and 15438.6 of the Government Code.

Section 7001. Eligible Clinic.

- (a) Any Community Clinic, Free Clinic, or Indian Clinic shall be eligible to apply for a Grant if the following conditions are met:

- (1) The Clinic has been licensed by the State Department of Health Services as a Community Clinic or Free Clinic as of January 1, 1999 or is exempt from licensure as an Indian Clinic.
- (2) Audited financial statements submitted do not include “Going Concern” language for 2000.
- (3) The project completion timeline is within eighteen (18) months from the date of Final Allocation.
- (4) The Clinic has submitted reporting data to the Office of Statewide Health Planning and Development pursuant to Health and Safety Code Section 1216, as amended except Indian Clinics exempt from licensure. On-reservation Indian Clinics shall be responsible for independently submitting the data as requested by the Authority in Attachment D of Application Form #CHFFA 4, Rev.3-2001 or Form #CHFFA 5, Rev. 9-2001.
- (5) The Clinic has submitted an Application Form in accordance with Section 7005, along with all of the documentation and information required by Section 7006, and the Application Form proposes an Eligible Project, as defined by Section 7002.
- (6) If the Clinic proposes to use grant funds on construction or renovations on a certain property, the Clinic must provide evidence it owns the property or has a lease that extends at least five years from the date of Final Allocation.

- (b) If an Applicant does not meet these conditions for the First Funding Round, the applicant shall be deemed ineligible and the Applicant will not be further considered for funding during the First Funding Round, but can reapply for the Second Funding Round. If an Applicant does not meet these conditions in the Second Funding Round, the Applicant shall be deemed ineligible.

Note: Authority Cited: Section 2 of Chapter 801 of the Statutes of 2000 and Sections 15437 and 15438.6 (d) of the Government Code. Reference: Sections 15438 (t) and 15438.6 (b) and (c), (d), (g) and (j) of the Government Code.

Section 7002. Eligible Project.

Grants shall be used for purposes of Capital Outlay Projects including construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of Clinics. Grants shall not be used for working capital, non-capital equipment, refunding prior expenditures, re-financing or pre-construction costs, except permit and planning fees.

Note: Authority Cited: Section 2 of Chapter 801 of the Statutes of 2000 and Sections 15437 and Sections 15438.6 (d) of the Government Code. Reference: Sections 15438 (t) and 15438.6 (b), (c), (d) and (j) of the Government Code.

Section 7003. Maximum Grant.

No grant to any individual Clinic in both Funding Rounds combined shall exceed two hundred fifty thousand dollars (\$250,000). An organization comprised of more than one Licensed Clinic may submit one Application Form per Licensed Clinic and may be considered for more than one Grant. However, no organization comprised of more than four Licensed Clinics shall receive in excess of one million dollars (\$1,000,000) in the First Funding Round. No Grant may exceed the total cost of the project.

Note: Authority Cited: Section 2 of Chapter 801 of the Statutes of 2000 and Sections 15437 and 15438.6 (d) of the Government Code. Reference: Sections 15438 (t) and 15438.6 (b), (d) (6), (e), (f) and (j) of the Government Code.

Section 7003.5 Maximum Grant, Second Funding Round

An individual Clinic that receives a Grant in an amount less than two hundred fifty thousand dollars (\$250,000) in the First Funding Round, may apply in the Second Funding Round for a Grant equal to the difference between two hundred and fifty thousand dollars (\$250,000) and the amount received in the First Funding Round. Organizations with more than one Licensed Clinic that received less than two hundred and fifty thousand dollars (\$250,000) in the First Funding Round for each Licensed Clinic may apply in the Second Funding Round for a Grant that is equal to the difference between two hundred and fifty thousand dollars (\$250,000) and the amount received in the First Funding Round for each Licensed Clinic.

Notwithstanding Section 7003, for the Second Funding Round, organizations with more than four Licensed Clinics may apply for Grants totaling up to one million three hundred thousand dollars (\$1,300,000) for both Funding Rounds combined. Consideration of awards exceeding one million dollars (\$1,000,000) to one organization with more than four Licensed Clinics shall not be made unless the total Initial Allocation for all Applications received in the Second Funding Round is less than the total amount available for the Second Funding Round.

Note: Authority Cited: Section 2 of Chapter 801 of the Statutes of 2000 and Sections 15437 and 15438.6 (d) of the Government Code. Reference: Sections 15438 (t) and 15438.6 (b), (d) (6), (e), (f) and (j) of the Government Code.

Section 7004. Application Form.

Application Forms are available from the Authority and may be referred to as the Cedillo-Alarcón Community Investment Act of 2000 Grant Application Form #CHFFA 4, Rev. 3-2001 for the First Funding Round or CHFFA 5, Rev. 9-2001 for the Second Funding Round, which is hereby incorporated by reference. The Applicant shall submit a completed Application Form in the manner set forth in Sections 7005 and 7006 of this chapter. The Cedillo-Alarcón Community Clinic Investment Act of 2000 Overview and Instructions for Grant Application Form # CHFFA 4A, Rev. 3-2001 for the First Funding Round and Form #CHFFA 5A, Rev. 9-2001 for the Second Funding Round are hereby incorporated by reference.

Note: Authority Cited: Section 2 of Chapter 801 of the Statutes of 2000 and Sections 15437 and 15438.6 (d) of the Government Code. Reference: Sections 15438 (t) and 15438.6 (b), (d) and (j) of the Government Code.

Section 7005. Application Form Submission.

Applicant shall submit a completed Application Form by the date specified in the Application Form. Application Forms submitted after the final filing date will not be accepted for review and evaluation and will be returned. Application Forms shall be considered completed and final as of the date submitted. The Staff shall accept no further information after the submittal date for purposes of evaluating the Application Form. Review and evaluation of Application Forms by Staff shall be based solely upon the information contained in and submitted with the Application Form at the time of filing. For organizations with more than one Licensed Clinic, a separate Application Form shall be required for each Licensed Clinic applying for a Grant.

Note: Authority Cited: Section 2 of Chapter 801 of the Statutes of 2000 and Sections 15437 and 15438 (d) of the Government Code. Reference: Sections 15438 (t) and 15438.6 (b), (d) and (j) of the Government Code.

Section 7006. Content of Application Form.

The following items must accompany the Application Form:

(a) Financial Information.

For the First Funding Round, applicant shall submit audited financial statements for fiscal years 1999 and 2000 or, if no audit is available, Federal Tax Return Form 990 for 1999 and 2000. Applicants whose fiscal year ends December 31 and whose audited financial statements are not completed by the deadline for the Application Form, must submit audited financial statements for fiscal year 1998 and 1999 and interim financial statements for 2000 if available, or if no audit is available, Federal Tax Return Form 990 for 1998 and 1999. Applicants operating for less than two years shall provide the audited financial statements for fiscal year 2000 or, if no audit is available, Federal Tax Return Form 990 for 2000.

For the Second Funding Round, applicant shall submit audited financial statements for 1999 and 2000 or, if no audit is available, Federal Tax Return 990 for 1999 and 2000.

(b) Organizational information. Applicant shall submit:

- (1) Copy of tax exemption letter from the Internal Revenue Service and either the tax-exemption letter or the Letter of Good Standing for an Exempt Organization from the State Franchise Tax Board ~~for all licensed clinics.~~
- (2) Copy of Articles of Incorporation or if Applicant is an on-reservation Indian Clinic, a copy of the Tribal Constitution or Articles of Organization.
- (3) Copy of license from Department of Health Services or notification of exemption from licensure from the State Department of Health Services.

(c) Legal information. Applicant shall complete the attachment within the Application Form requiring the Applicant to fully disclose certain legal information.

(d) Agreement and certification. Applicant shall agree and certify to the following terms and conditions as a requirement of receiving any Grant. The agreement and certification shall be executed by the Executive Director, the chairperson of the board, or another authorized individual and included in the Application Form.

Applicant agrees and certifies as follows:

- (1) Applicant certifies that the information contained in the Application Form and attachments is true and correct to the best of its knowledge and belief and understands that misrepresentation may result in the cancellation of a grant and other actions which the Authority is authorized to take.
- (2) Applicant may be required to return all or a portion of the Grant if the Applicant fails to complete the project as approved.
- (3) Grant will be used only for the purposes described in the Application Form for the duration of the project.
- (4) If a Federal Tax Return Form 990 was submitted in lieu of an audited financial statement, no audit of financial statement was performed.
- (5) The project and the financial records of the Applicant are subject to the Authority's audit and inspection.
- (6) Applicant has either disclosed all legal information as required or has no legal information to disclose.
- (7) Applicant will notify the Authority in writing at the time of project completion with evidence of completion included.
- (8) Applicant will meet all necessary requirements prior to release of the Grant.

Note: Authority Cited: Section 2 of Chapter 801 of the Statutes of 2000 and Sections 15437 and 15438 (d) of the Government Code. Reference: Sections 15438 (t) and 15438.6 (b), (c), (d), (d) (3), (f), (g), (h) and (j) of the Government Code.

Section 7007. Application Form Evaluation.

- (a) Application Forms shall be reviewed and evaluated by Staff according to the selection criteria set forth under Section 7008. An Application Form may receive up to a maximum of one hundred sixty-five (165) points. Application Forms shall be scored and ranked according to points received. Organizations with four or more Licensed Clinics applying for Grants in the Second Funding Round that, when combined with Grants received by the organization in the First Funding Round, exceed one million dollars (\$1,000,000) will be scored based on the same scoring criteria but will remain in a pool separate from those organizations with four or more Licensed Clinics applying for Grants in the Second Funding Round that, when combined with Grants received by the organization in the First Funding Round, do not exceed one million dollars (\$1,000,000). Requests from organizations exceeding one million dollars (\$1,000,000) will not be considered unless there are funds remaining after all requests of one million dollars (\$1,000,000) or less are funded.
- (b) In addition to the other Application Form criteria, a response or combination of responses in the legal disclosure section that the Authority determines would do any of the following may result in disqualification from consideration for a Grant.
- (1) Adversely impact the viability of project completion.
 - (2) Adversely impact Applicant's ability to manage the proposed project.
 - (3) Seriously impugn the integrity of Applicant's corporation.
 - (4) Seriously impugn the integrity and/or judgment of senior management of Applicant.

Note: Authority Cited: Section 2 of Chapter 801 of the Statutes of 2000 and Sections 15437 and 15438 (d) of the Government Code. Reference: Sections 15438 (t) and 15438.6 (b), (d) and (j) of the Government Code.

Section 7008. Selection Criteria.

(a) Population served. (Maximum sixty (60) points).

(1) Uncompensated Care

Applicants shall be awarded points based on the amount of Uncompensated Care provided patients. Numbers of Uncompensated Care encounters and total patient encounters are reported by the Applicant to the Office of Statewide Health Planning and Development pursuant to California Health and Safety Code, Section 1216 as amended. Staff shall use these numbers reported in 1999 for the First Funding Round and 2000 for the Second Funding Round to calculate a ratio representing uncompensated care provided. Applicants shall be placed in one of three tiers based on the calculated ratios. Applicants scoring in the upper tier shall receive fifteen (15) points, the middle tier shall receive nine (9) points, and the lower tier, zero (0) points.

(2) Indigent Care

Applicants shall be awarded points based on the amount of care provided Indigent patients. Numbers for Indigent patients and total unduplicated patients are reported by Applicant to the Office of Statewide Health Planning and Development pursuant to California Health and Safety Code, Section 1216, as amended. Staff shall use the numbers reported in 1999 for the First Funding Round and 2000 for the Second Funding Round to calculate a ratio representing indigent care provided. Applicants shall be placed in one of three tiers based on the calculated ratios. Applicants scoring in the upper tier shall receive fifteen (15) points, the middle tier shall receive nine (9) points, and the lower tier, zero (0) points.

(3) Care to the Uninsured

Applicants shall be awarded points based on the level of encounters provided to the uninsured. Numbers for uninsured patient encounters and total patient encounters are reported by Applicant to the Office of Statewide Health Planning and Development pursuant to Section 1216 of the California Health and Safety Code. Staff shall use numbers reported in 1999 for the First Funding Round and 2000 for the Second Funding Round to calculate a ratio representing uninsured encounters provided. Applicants shall be placed in one of three tiers based on the calculated ratios. Applicants scoring in the upper tier shall receive 15 points, the middle tier shall receive 9 points, and the lower tier zero (0) points.

(4) Care to the Underserved

Applicants located in federally designated shortage areas shall receive ten (10) points. These areas include Health Professional Shortage Areas (HPSAs), Medically Underserved Areas (MUAs), or Medically Underserved Populations (MUPs).

(5) Special Needs Populations

Applicants who serve a Special Needs Population shall receive five (5) points. Applicants must include third party statistical data to demonstrate the nature and severity of the special needs.

(b) Proposed services. (Maximum of fifty (50) points). (Points may be awarded under either (1) or (2) but not both.)

(1) Projects that will expand services to the Indigent, Underinsured, and Uninsured Patient Populations will be evaluated as follows: (Maximum fifty (50) points)

- A. Extent to which the proposed project reflects a superior understanding and prioritization of community needs, community problems or barriers to accessing health care services within the community, that have been documented by third party sources. (Maximum twenty (20) points)
- B. Amount and importance to community of new services that this project proposes to provide. (Maximum twenty (20) points)
- C. Extent to which Applicant justifies achievable and convincing outcomes and methods to effectively monitor and evaluate those outcomes. (Maximum ten (10) points)

(2) If the project will not result in net additional or new services to existing or new patients but will maintain or improve existing services to indigent, underinsured, and uninsured populations, project will be evaluated as follows: (Maximum forty (40) points)

- A. Extent to which the proposed project reflects a superior understanding and prioritization of community needs, community problems or barriers to accessing health care services within the community that have been documented by third party sources. (Maximum fifteen (15) points)
- B. Amount and importance to community of services that project will maintain that otherwise might be eliminated or extent to which project will improve existing services. (Maximum fifteen (15) points)
- C. Extent to which Applicant demonstrates achievable and convincing outcomes and methods to effectively monitor and evaluate these outcomes. (Maximum ten (10) points)

- (c) Financial capacity. (Maximum twenty (20) points)
 Staff shall review the audited financial statements of each Applicant and shall assign points based on the total Net Assets, and Working Capital of Applicant.

(1) Total Net Assets of Applicant shall be evaluated as follows:

<u>Total Net Assets</u>	<u>Points</u>
Less than or equal to \$250,000	9
\$250,001 - \$500,000	5
\$500,001 - \$750,000	3
\$750,001 and above	0

(2) Working Capital of Applicant shall be evaluated as follows:

<u>% of Project</u>	<u>Points</u>
Less than or equal to 10%	9
11% - 30%	6
31% - 40%	2
41% and above	0

(3) Any Applicant claiming extraordinary or unusual financial circumstances that result in an inability of Applicant to use total Net Assets, to borrow funds, or to obtain additional grant or donor funds for purposes of completing the proposed project, shall include a clear written summary describing such circumstances. The written summary must be consistent, in the opinion of the Authority, with the financial position of the Applicant, as described in the financial statements submitted. Applicant may receive up to two (2) additional points for a response that demonstrates extraordinary or unusual financial circumstances.

- (d) Sources and uses of funds (Required but no points awarded)

(1) Applicant shall detail all sources of funds needed to complete the proposed project. Sources may include the total Grant request, borrowed funds, internal assets, and other sources. If the project, or a portion of the project, has been or will be submitted to other lenders or grantors for funding, Applicant must list them and the status of their consideration.

(2) Applicant shall detail the uses of all funds needed to complete the proposed project. The total uses shall not exceed the total of all available fund sources. Applicant shall itemize what portion of the total funds available will be used for each specific portion of the proposed project. In some instances, funds from sources other than the proposed Grant may be used for portions of a proposed project that would otherwise be ineligible for this Grant. Applicant, therefore, shall describe how the grant funds as well as other loaned, grant, or internal funds will be used. Staff must be able to determine that the entire Grant will be used on eligible portions of the proposed project or the Grant funds shall not be awarded.

- (3) The total amount of funds requested under the Act will likely exceed the total funds available and not all Clinics will receive the total Grant amount requested. All Applicants will be required to submit their proposal and explain how they will complete their project if they receive only 60% and how they will complete their project if they receive only 40% of the requested Grant funds. Applicants will be required to identify whether they will use internal funds, borrow, or are able to reduce the size of the original project to an extent that is consistent with original purpose of the proposed project. Responses must be consistent with submitted financial statements. Applicants shall not propose a secondary project that is for purposes other than the original intent proposed in the Application Form. In the event Applicant does not receive an allocation equal to 100% of its requested Grant and is unable to demonstrate that it can secure the necessary funds or reduce the size of the project, Applicant will not receive a Grant.
- (e) Project readiness and feasibility (Maximum thirty-five (35) points). (Points may be awarded under either paragraph (B), (C) or (D).)
- (1) Demonstrated ability to commence project (Maximum twenty (20) points):
- A. Project timeline (Required but no points awarded)
 - 1. Expected completion date (e.g. construction start and completion dates; acquisition completion date; or equipment installation date)
 - 2. Problems anticipated in implementing the project and how problems will be managed to ensure timely completion
 - 3. Demonstration that project will be completed within eighteen (18) months from the date of Final Allocation.
 - B. For construction projects, Applicant may submit estimates of project costs, verification of property ownership or evidence current lease extends at least five years from date of Final Allocation, building permits and construction contracts or status of obtaining them. (Maximum twenty (20) points)
 - C. For acquisition of real property, Applicant may submit a copy of an executed real estate contract or status of obtaining one. (Maximum twenty (20) points)
 - D. For equipment purchases, Applicant may submit a specific list of items and estimates of equipment or copies of invoices. (Maximum twenty (20) points)

- E. If funding sources other than the Grant are required to complete project, Applicant shall provide approval or commitment letters from the other funding sources, confirming that the funding is secured and available in accordance with the project timeline and budget. The score shall be reduced by five (5) points if Applicant is unable to demonstrate that at least 75% of additional funds required have been secured and are available from other sources.

(2) Feasibility of implementing project (Maximum fifteen (15) points)

- A. Applicant shall submit plans for project implementation that includes credible staffing, operations and reimbursement figures consistent with Clinic size and experience. If project will expand services, Applicant shall provide an organization chart identifying key personnel. (Maximum ten (10) points)
- B. Applicant shall submit a feasibility study, funding letters or other documentation to demonstrate that the project will generate sufficient revenues to provide on-going support. If revenues generated by the project will be insufficient, Applicant revenues must be sufficient as determined by Staff to provide on-going support. (Maximum five (5) points)

Note: Authority Cited: Section 2 of Chapter 801 of the Statutes of 2000 and Sections 15437 and 15438 (d) of the Government Code. Reference: Sections 15438 (t) and 15438.6 (b), (d), (d) (1), (2), (3) and (5), (f), (h) and (j) of the Government Code.

Section 7009. Initial Allocation.

- (a) In each Funding Round, the Staff shall rank the Application Forms based on the scores received, with the highest score ranking first. In the event that more than one Applicant has the same score, the Executive Director shall assign those Applicants the same ranking.
- (b) For the First Funding Round, the Executive Director shall make an Initial Allocation to Applicants, taking into account the ranking of all Applicants, the total amount of funds requested and the total amount of funds available. In the event total funds requested exceed total funds available, the Executive Director shall make an Initial Allocation according to the following allocation schedule:

- (1) The Executive Director shall fund, up to fifteen million dollars (\$15,000,000), 100% of the Grant request of the highest-ranking Applicants. The Executive Director may allocate in excess of fifteen million dollars (\$15,000,000) in the event there are Applicants with the same ranking.
 - (2) The Executive Director shall fund, up to twenty million dollars (\$20,000,000), 60% of the total grant request of Applicants that ranked immediately below the lowest ranking Applicant receiving 100% of their Grant request. The Executive Director may allocate in excess of twenty million dollars (\$20,000,000) in the event there are Applicants with the same ranking.
 - (3) The Executive Director shall fund, up to fifteen million dollars (\$15,000,000), 40% of the total Grant request of Applicants that ranked immediately below the lowest ranking applicant receiving 60% of their Grant request. The Executive Director may allocate in excess of fifteen million dollars (\$15,000,000) in the event there are Applicants with the same ranking.
- (c) For the Second Funding Round, the Executive Director shall make an Initial Allocation to Applicants, taking into account the ranking of all Applicants, the total amount of funds requested and the total amount of funds available. In the event total funds requested exceeds total funds available in the Second Funding Round, the Executive Director shall make an Initial Allocation according to the following allocation schedule:
- (1) The Executive Director ~~will~~ shall fund Applicants, in order of their ranking, at one hundred percent (100%) of their Grant requests, ~~until a total of up to two million five hundred thousand dollars (\$2,500,000) has been funded.~~ The Executive Director may allocate in excess of two million five hundred thousand dollars (\$2,500,000) in the event there are Applicants with the same ranking, or to accommodate Applicant appeals approved by the Authority subject to the provisions of (d), below.
 - (2) The Executive Director ~~will~~ shall next fund Applicants that rank immediately below the lowest ranking Applicant in (c)(1), in order of their ranking, at sixty percent (60%) of their Grant requests, ~~until an additional up to three million dollars (\$3,000,000) has been funded.~~ The Executive Director may allocate in excess of three million dollars (\$3,000,000) in the event there are Applicants with the same ranking, subject to the provisions of (d), below.

- (3) The Executive Director ~~will~~ shall next fund Applicants that rank immediately below the lowest ranking Applicant in (c)(2), in order of their ranking, at forty percent (40%) of their Grant requests, ~~until an additional up to two million five hundred thousand dollars (\$2,500,000) has been funded.~~ The Executive Director may allocate in excess of two million five hundred thousand dollars (\$2,500,000) in the event there are Applicants with the same ranking, subject to the provisions of (d), below.
- (d) If one million dollars (\$1,000,000) is not sufficient to fund Applicants of the same ranking at the funding percentage of the tier in which they rank, the Executive Director shall rank these Applicants amongst themselves based on points earned in the following order: Population Served, Project Feasibility, and Net Assets, and fund the highest ranking of those Applicants until the additional one million dollars (\$1,000,000) is funded. Applicants that do not receive funding under this process shall be placed by score, into the next funding tier, if any.
- (e) In the event there are funds remaining in the Second Funding Round after the Initial Allocation to all Applicants that applied for Grants in the second Funding Round, that, when combined with Grants received by the Applicant in the First Funding Round, did not exceed one million dollars (\$1,000,000), Initial Allocations will be determined in the same manner, based on score, for organizations with more than four Licensed Clinics for Grants in the Second Funding Round that, when combined with Grants received by the Applicant in the First Funding Round, exceeds one million dollars (\$1,000,000). These Initial Allocations may be up to three hundred thousand dollars (\$300,000).

Note: Authority Cited: Section 2 of Chapter 801 of the Statutes of 2000 and Sections 15437 and 15438 (d) of the Government Code. Reference: Sections 15438 (t) and 15438.6 (b), (d), (d) (6) and (j) of the Government Code.

Section 7010. Broad Geographic Distribution.

- (a) After the Initial Allocations are made in the Second Funding Round, the Executive Director shall ensure that the total amount of the Grants made in the First Funding Round, combined with the total amount of the Initial Allocations from the Second Funding Round, will result in a minimum of ten million dollars (\$10,000,000) in Grants to projects in each of the four regions defined by Broad Geographic Distribution. If any region would receive less than ten million dollars (\$10,000,000) in total Grants, the Initial Allocation in the Second Funding Round to the other regions, whose total Grants would otherwise exceed ten million dollars (\$10,000,000), shall be reduced in an amount sufficient to mitigate the deficiency to the region that would otherwise receive less than ten million dollars (\$10,000,000) in total Grants. To accomplish this purpose, funds shall be reallocated from the lowest scored Applicants in the Second Funding Round in the region which exceeds the ten million dollar (\$10,000,000) amount to the highest scored Applicants in the Second Funding Round in the region that would otherwise receive less than ten million dollars (\$10,000,000).

- (b) The Authority may approve the total Final Allocation to a region that is less than ten million dollars (\$10,000,000) if necessary because of a successful appeal, under Section 7012, or otherwise, if necessary to carry out the purposes of the Act. The Authority may also approve a total Final Allocation to a region that is less than ten million dollars (\$10,000,000) in the event less than ten million dollars (\$10,000,000) was requested in both Funding Rounds combined for eligible projects as defined by Section 7002 by eligible Applicants as defined by Section 7001.

Note: Authority Cited: Section 2 of Chapter 801 of the Statutes of 2000 and Sections 15437 and 15438 (d) of the Government Code. Reference: Sections 15438 (t) and 15438.6 (b), (c), (d), (d) (4) and (j) of the Government Code.

Section 7011. Notification of Initial Allocation.

After the Initial Allocation of funds has been adjusted in accordance with Section 7010, the Authority shall notify each Applicant in writing, stating each Applicant's score and the amount of the Initial Allocation.

Note: Authority Cited: Section 2 of Chapter 801 of the Statutes of 2000 and Sections 15437 and 15438 (d) of the Government Code. Reference: Sections 15438 (t) and 15438.6 (b), (d) (4) and (6) and (j) of the Government Code.

Section 7012. Appeals.

- (a) Availability. An applicant may file an appeal of the Initial Allocation. The grounds for any such appeal shall be limited to Applicant eligibility pursuant to Section 7001; project eligibility pursuant to Section 7002; determination of scoring for population served, proposed services, financial capacity, and project readiness and feasibility pursuant to Section 7008. No Applicant may appeal the Staff evaluation of or Initial Allocation to another Applicant or another Applicant's Application Form.
- (b) Timing. The appeal shall be submitted in writing and must be received by the Authority not later than seven (7) calendar days following the transmittal date of the notification of Initial Allocation of each funding round.
- (c) Review. The Staff shall review the written appeal based upon the existing documentation submitted by the Applicant when the Application Form was filed. The Staff shall make a finding as to the merit of the appeal and shall notify the Applicant as to the decision no later than seven (7) calendar days after receipt of an appeal. In the event that the Staff does not approve an appeal, the Applicant may further appeal to the Authority. Applicants shall notify the Executive Director in writing no later than seven (7) calendar days prior to the next scheduled Authority meeting that the Applicant shall further appeal to the Authority. Any such appeal must be presented by the Applicant, in person, at the same meeting of the Authority where the Initial Allocations are considered for approval as Grants. Any decision by the Authority shall be final.
- (d) Successful appeals. If the Authority approves an appeal in the Second Funding Round, funding for the project of that Applicant shall first be accomplished by reducing funds from the lowest scoring Applicant(s) who are members of an organization that would otherwise receive more than one million dollars (\$1,000,000) in total Grants in both Funding Rounds combined. In the event there are no organizations that would receive more than one million dollars (\$1,000,000) in total Grants, funding for the project of the Applicant whose appeal the Authority has approved shall be accomplished by reducing funds from the lowest scoring Applicant(s) who would otherwise have received a Grant in the Second Funding Round but for the approval of the appeal

Note: Authority Cited: Section 2 of Chapter 801 of the Statutes of 2000 and Sections 15437 and 15438 (d) of the Government Code. Reference: Sections 15438 (t) and 15438.6 (b), (d) and (j) of the Government Code.

Section 7013. Final Allocation and Notification of Grants.

When Initial Allocations for each Funding Round have been determined, taking into account the total funds available, Broad Geographic Distribution and any appeals approved by the Authority, staff shall recommend to the Authority at a Board Meeting the Initial Allocations for consideration and approval as Final Allocations. Final Allocations approved by the Authority at the same meeting shall be awarded as Grants to recipients. Recipients shall be notified within five (5) business days of the Board Meeting in writing of the amount of the Grants approved.

Note: Authority Cited: Section 2 of Chapter 801 of the Statutes of 2000 and Sections 15437 and 15438 (d) of the Government Code. Reference: Sections 15438 (t) and 15438.6 (b), (d), (d) (4) and (6) and (j) of the Government Code.

Section 7013.1 Any Remaining Funds

In the event there are any funds remaining after the Authority's approval of the Final Allocations in the Second Funding Round, the Authority may, in its sole discretion, award Grants of those remaining funds to Applicants in a manner that is consistent with the purpose and spirit of the Act and these regulations.

Note: Authority Cited: Section 2 of Chapter 801 of the Statutes of 2000 and Sections 15437 and 15438 (d) of the Government Code. Reference: Sections 15438 (t) and 15438.6 (b), (c), (d), (d) (3), (f), (g), (h) and (j) of the Government Code.

Section 7013.5 Approval of Grant Use Change

Notwithstanding Section 7006, the Authority or its Staff may, on a case by case basis, consider a change in the use of the grant if the applicant demonstrates, to the Authority or its Staff's satisfaction, that the change is consistent with original intent and that financial or operational savings will be realized.

Note: Authority Cited: Section 2 of Chapter 801 of the Statutes of 2000 and Sections 15437 and 15438 (d) of the Government Code. Reference: Sections 15438 (t) and 15438.6 (b), (c), (d), (d) (3), (f), (g), (h) and (j) of the Government Code.

Section 7014. Release of Funds.

- (a) No Grant shall be released until the following information has been provided to the satisfaction of Staff.
 - (1) For construction projects, any supporting documentation which was incomplete at the application stage shall be finalized and submitted along with a copy of the executed contract and the building permit.
 - (2) For acquisition projects, a copy of the executed real estate purchase contract, a copy of an appraisal, the value of which shall not be less than the sum of the grant and all other funding sources necessary to complete the project. The appraisal shall be no older than six months and must be completed by a state certified appraiser.
 - (3) For equipment projects, any supporting documentation which was incomplete at the application stage shall be finalized and submitted along with a list of items purchased and copies of the requisitions and purchase orders/invoices.
 - (4) Verification that all other funds, if needed, are in place to complete project.
 - (5) Verification of property ownership or evidence existing lease will continue for five years after the date of Final Allocation for all construction projects.
 - (6) Copies of unpaid invoices for all equipment purchases.
 - (7) For First Funding Round only, those clinics with year-end 12/31 financial statements, audited 2000 financial statements must be received and shall not be materially different than interim 2000 financial statements submitted with the Application Form, as a condition of fund disbursement.
- (b) Recipient shall provide this information within six (6) months of the date of Final Allocation for the corresponding funding round or the grant will be forfeited to the Authority except in cases where the recipient demonstrates, to the satisfaction of the Authority, extraordinary circumstances that prevent the recipient from meeting this requirement.
- (c) Recipient shall use the funds for purposes of the project as approved within eighteen (18) months from the date of Final Allocation for the corresponding funding round.

- (d) Recipient shall certify to the Authority when the project is completed and provide supporting documentation. A construction project requires documentation acceptable to the Authority that demonstrates project completion; an acquisition project requires a copy of a certified copy of a final closing statement; and equipment purchases require copies of all invoices shown as paid. If the recipient fails to complete the project as approved in eighteen months (18) of Final Allocation, the Authority may require remedies, including forfeit and the return of the Grant to the Authority.
- (e) On a case by case basis, Authority or its staff may extend the project completion date for extraordinary or unavoidable delays where the grantee can demonstrate that it occurred through no fault of the Recipient.

Note: Authority Cited: Section 2 of Chapter 801 of the Statutes of 2000 and Sections 15437 and 15438 (d) of the Government Code. Reference: Sections 15438 (t) and 15438.6 (b), (d), (f), (g), (h) and (j) of the Government Code.

Section 7015. Unused Funds.

In the event any portion of any Grant is forfeited to the Authority, the Authority shall distribute such forfeited funds to the highest scoring Applicant not receiving an Allocation or, if no such Applicant exists or the Applicant's project has been abandoned, then distributed in the Authority's sole discretion in a manner that is consistent with the goals and spirit of the Act and these regulations

Note: Authority Cited: Section 2 of Chapter 801 of the Statutes of 2000 and Sections 15437 and 15438 (d) of the Government Code. Reference: Sections 15438 (t) and 15438.6 (b), (d), (g) and (j) of the Government Code.

Section 7016. Report to Joint Legislative Budget Committee.

When all Grant funds have been disbursed and all recipients have certified completion of projects to the Staff, the Staff shall prepare a report to the Joint Legislative Budget Committee. The report shall identify the Recipients of the Grants, the total amount of each Grant, and the purpose for which each Grant was awarded. Demographic information about the patients served by the Recipients shall be requested but may be provided at the discretion of the Recipient.

Note: Authority Cited: Section 2 of Chapter 801 of the Statutes of 2000 and Sections 15437 and 15438 (d) of the Government Code. Reference: Sections 15438 (t) and 15438.6 (b), (d), (i) and (j) of the Government Code.

Section 7017. Audits

Recipients shall retain all program and financial data necessary to substantiate the purposes for which the Grant funds were spent for a period of three years after the certification of completion of the project has been submitted. Recipients shall provide audited information upon request to the Authority Staff.

Note: Authority Cited: Section 2 of Chapter 801 of the Statutes of 2000 and Sections 15437 and 15438 (d) of the Government Code. Reference: Sections 15438 (t) and 15438.6 (b), (d), (d)(3), (h) and (j) of the Government Code.