

## LEGISLATION

- Subject:** AB 2352 (Cedillo)
- Recommendation:** Staff recommends the Authority approve the resolution in support of AB 2352 (Cedillo)
- Status:** To be heard in Assembly Appropriations on April 24.  
Passed Assembly Health 14 – 0 on April 2.

## DISCUSSION

AB 2352 (Cedillo) is clean-up legislation for the California Health Facilities Financing Authority statute, and sponsored by the State Treasurer. In addition to numerous technical clean-up provisions of the CHFFA statute, this legislation would expand the Authority's financial assistance programs to include general grant authority. Under Section 15438 (q) of the Government Code, CHFFA is authorized to provide grants to community clinics for purposes of administering the Cedillo-Alarcón Community Clinic Investment Act of 2000, which provided \$50 million in General Fund dollars for capital outlay projects for non-profit community clinics. However, once the \$50 million has been allocated, CHFFA will no longer have any grant authority.

AB 2352 would authorize the Authority to provide grants for capital projects to all health facilities currently eligible under CHFFA's statute. In addition to the ongoing capital needs of community clinics, there are a number of facilities, such as alcohol and drug treatment, small rural hospitals, and adult day care centers for the developmentally disabled, that provide important services that could be expanded and improved, yet currently lack the ability to take on debt. The purpose of these small grants would be for the following purposes:

1. Allow these facilities to leverage additional grant money or loans that they would not qualify for without some additional cash.
2. Provide the finishing dollars for projects that will significantly expand or improve health care services.
3. Fund smaller capital projects, such as equipment acquisition or renovations that would significantly expand or improve health care services.

The proposed legislation requires the Authority to determine the awarding and amount of the grant based on:

1. Need for the grant based on the applicant's total net assets
2. Whether the grant will leverage additional dollars to complete the project
3. The importance and level of services to vulnerable populations that will be generated
4. Level of access to capital by the applicant
5. Demonstration by the applicant of project readiness and feasibility
6. Total dollars available.

This small grant program would be funded out of the current CHFFA administrative fund. Should CHFFA's fund increase or decrease significantly, AB 2352 allows the Authority to increase or even eliminate funding for this proposed grant program based on available internal funds. The grant awards themselves would be small and limited to small facilities. Grants will be funded solely out of the CHFFA account – no General Fund dollars are requested.

In regards to the other technical clean-up sections, here is a quick summary of their purpose:

#### Amendments to Section 15432:

15432 (c) These amendments are all clarifying amendments. The costs of insurance during construction and service contracts are all currently eligible costs for purposes of financing, but are not reflected in the statutory definition. This would do so.

15432 (d) Because the nature and scope of health facilities is continually changing and the definition of facilities in the act has essentially remained unchanged since 1979, several areas of the act are in need of updating. Many more facilities are providing outpatient care that used be provided as 24 hour care, but the statute only gives eligibility to certain facilities not providing 24 hour acute care, such as community clinics. Outpatient drug and alcohol facilities, for example, are not eligible. This amendment simply eliminates the 24 hour requirement for all health facilities to be considered eligible for CHFFA's programs.

15432 (d) (6) This clarifies that Indian clinics on tribal land and nonprofit speech and hearing centers are eligible for CHFFA's programs. In addition, it provides the appropriate code reference and thus eliminates the language that mirrors that Health and Safety Code section.

15432 (d) (7) This Welfare and Institutions Code Section defining county health facilities was repealed. Thus, this obsolete reference needs deletion and an updated definition of county health facility is included.

15432 (f) This amendment clarifies that refinancing and reimbursement projects are defined as eligible projects.

#### Amendments to Section 15434:

15434 This section provides for the election of a vice chair from the Authority members and treasurer of the Authority. This section is obsolete. When the Treasurer needs to leave the meeting, he turns the chair over to the Deputy Treasurer. In addition, the Executive Director acts as the Authority treasurer by maintaining and monitoring CHFFA's funds.

## Amendments to Sections 15437 & 15438.5

These sections require that the Authority not take into consideration the more favorable interest rates that will be provided with a proposed issuance of revenue bonds when establishing its bond issuance guidelines and considering the financial feasibility of a project, except in the cases of county facilities. These sections are obsolete and need elimination, as they are somewhat counterintuitive now. For purposes of a tax exempt financing, staff always should take into consideration the more favorable interest rate of a proposed financing because it is a more accurate analysis of the required cash flows to service the debt and provides greater access to capital for borrowers.

15438 (r) This section adds general grant authority to the Authority's powers.

15438.5 (c) This reference to a multilevel facility is now unnecessary with the prior clarifying amendments to "health facility."

15438.5 (d)(4) This reporting requirement for 1992 is now unnecessary to have in the statute as it is long since completed.

15438.7 This provides the necessary legislative findings to provide the Authority with general grant authority. In addition, it sets out the general legislative requirements for grant funding.

15439 This is language that would permit us to fund any grant from the CHFFA Fund.