

Date of Hearing: June 23, 2014

ASSEMBLY COMMITTEE ON BANKING AND FINANCE

Roger Dickinson, Chair

SB 1463 (Senate Governance & Finance Committee) – As Introduced: March 13, 2014

SENATE VOTE: 35-0

SUBJECT: California Health Facilities Financing Authority.

SUMMARY: Makes several clarifying changes to the California Health Facilities Financing Authority Act (CHFFA). Specifically, this bill:

- 1) Clarifies references to "bonds" apply to both “bonds” and “revenue bonds.”
- 2) Distinguishes between negotiable and revenue bonds.
- 3) Makes other technical and conforming changes.

EXISTING LAW

CHFFA was established in 1979 and operates pursuant to the CHFFA in the California Government Code Sections 15430-15462.5.

CHFFA was created to be the State's vehicle for providing financial assistance to public and non-profit health care providers in our State through loans funded by the issuance of tax-exempt bonds. The diverse nature of the facilities funded by CHFFA reflects the changing health care needs of the State. From rural community-based organizations to large multi-hospital systems, CHFFA has financed a wide range of providers and programs throughout California.

FISCAL EFFECT: Unknown

COMMENTS:

CHFFA has served as the issuer for \$30.7 billion in conduit revenue bonds, including \$1.5 billion in 2013. Sutter Health, Kaiser Permanente, and Catholic Healthcare West are the largest users of the program. CHFFA’s Board includes:

- State Treasurer, who serves as chair,
- The State Controller,
- The Director of Finance,
- Two members appointed by the Senate Rules Committee, one member of which must be a licensed physician and surgeon, and the other must serve or have served in an executive capacity to a health facility,
- Two members appointed by the Speaker of the Assembly, one member must be a person qualified by training and experience in the field of investment or finance, and the other

representative of the general public; and,

- Two members appointed by the Governor subject to confirmation by the Senate, to represent the general public.

In order to meet the requirements for CHFFA financing, an institution must be a public hospital, a private non-profit corporation, or an association authorized by the laws of California to provide or operate a health facility and undertake the financing or refinancing of a project. Generally, non-profit, licensed health facilities in the State of California including adult day health centers, community clinics, developmentally disabled centers, drug and alcohol rehabilitation centers are eligible for financing.

Proceeds from CHFFA financing may be used for the following project related costs:

- Construction
- Remodeling and renovation
- Land Acquisition (as part of the proposed project)
- Acquisition of existing health facilities
- Purchase or lease of equipment
- Refinancing or refunding of prior debt
- Working capital for start-up facilities
- Costs of bond issuance, feasibility studies & reimbursement of prior expenses

The State Treasurer, the sponsor of SB 1463 writes,

Currently, the California Health Facilities Financing Authority Act authorizes CHFFA to receive loans from any source under Government Code section 15438(h) and to issue loans under Government Code sections 15438(i) and G) to participating health institutions to finance projects or refinance debt, also called private placement loans/bonds. However, the California Attorney General's Office has advised that the Act, as currently written, requires several minor changes in order to convey to CHFFA the unambiguous legal authority necessary to provide private placement financing. SB 1463 makes technical changes that would clarify that CHFFA has the authority to provide this type of financing.

REGISTERED SUPPORT / OPPOSITION:

Support

California State Treasurer (Sponsor)

Opposition

None on file.

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