

# CALIFORNIA CODE OF REGULATIONS

## Title 4, Division 10

### Chapter 1. The Children's Hospital Program of 2018

#### **Section 7000. Definitions.**

The following words and phrases, as used in this chapter, are defined as follows:

- (a) "Act" means the Children's Hospital Bond Act of 2018 (Part 6.3 (commencing with Section 1179.81), Division 1, Health and Safety Code).
- (b) "Administrative Costs" means actual costs incurred by the Authority and other state agencies as permitted by law for administering the Children's Hospital Program of 2018.
- (c) "Applicant" means an entity that meets the eligibility requirements as further described in Section 7001 for submission of an Application and submits an Application.
- (d) "Application" means for Children's Hospitals, the written request for a Grant under the Children's Hospital Program of 2018 in the form and format of the "Grant Application for Children's Hospitals," Form No. CHFFA 10 CHP18-CH (210/2019), hereby incorporated by reference, including all supporting information and documents, as further described in Section 7005. "Application" means for Eligible Hospitals, the written request for a Grant under the Children's Hospital Program of 2018, in the form and format of the "Grant Application for Eligible Hospitals," Form No. CHFFA 10 CHP18-EH (210/2019), hereby incorporated by reference, including all supporting information and documents, as further described in Section 7005.
- (e) "Audited Financial Statements" means an examination and report of the financial activities of the Applicant or the California nonprofit corporation of which the Applicant is an operating entity, for its fiscal year, performed by an independent accounting firm under generally accepted accounting principles.  
  
In the case of the University of California Children's Hospitals, "Audited Financial Statements" means an examination and report of the financial activities of each individual University of California medical center that includes a University of California Children's Hospital, for its fiscal year, performed by an independent accounting firm under generally accepted accounting principles.
- (f) "Authority" means the California Health Facilities Financing Authority.
- (g) "California Children's Services" or "CCS" means California Children's Services as defined in the California Code of Regulations, title 22, Section 41410.

(h) “Children’s Hospital” means either:

(1) A University of California general acute care hospital described as any one of the following:

- (A) University of California, Davis Children’s Hospital.
- (B) Mattel Children’s Hospital at University of California, Los Angeles.
- (C) University Children’s Hospital at University of California, Irvine.
- (D) University of California, San Francisco Children’s Hospital.
- (E) University of California, San Diego Children’s Hospital.

(2) A general acute care hospital that is, or is an operating entity of, a California nonprofit corporation that received a grant or grants pursuant to Part 6 (Children’s Hospital Bond Act of 2004) or Part 6.1 (Children’s Hospital Bond Act of 2008) of Division 1 of the Health and Safety Code that provides comprehensive pediatric services to a high volume of children eligible for governmental programs and to children with special health care needs eligible for the California Children’s Services program.

(i) “Children’s Hospital Program of 2018” means the program resulting from the Act.

(j) “Children’s Hospitals Applying Jointly” means two or more Children’s Hospitals that submit a single Application for a Project.

(k) “Costs of Issuance” mean the expenses incurred in connection with the sale and issuance of bonds, other short-term debt instruments, or loans approved by the Pooled Money Investment Board, established pursuant to Government Code Section 16480.1, that are used to finance or refinance Grants and accrued interest on any short-term debt instruments or loans which are not paid from another source.

(l) “Eligible Hospital” means a hospital that provides pediatric services to children eligible for the California Children’s Services program that is either (1) a public hospital as defined in Welfare and Institutions Code Section 14105.98(a)(25), or (2) a general acute care hospital licensed pursuant to Health and Safety Code Section 1250 that is, or is an operating entity of, a California nonprofit corporation.

(m) “Executive Director” means the Executive Director of the Authority.

(n) “Expansion of Health Care Access” means providing the same services to additional pediatric patients or net additional or new Pediatric Services to existing or new pediatric patients.

- (o) “Final Allocation” means a Grant allocation approved by the Authority.
- (p) “Funding Round” means the period of time during which an Application may be submitted for consideration of funding by the Authority.
- (q) “Going Concern Qualification” means a modification by an independent auditor of the audit opinion on an entity’s financial statements prepared under going concern basis of accounting when it has been determined that the liquidation of the entity’s assets and liabilities is imminent.
- (r) “Government Health Insurance Programs” mean governmental assistance programs that include, but are not limited to, Medicaid (Medi-Cal), Optional Targeted Low Income Children (OTLIC), California Children's Services (CCS), Child Health and Disability Prevention (CHDP) and county indigent programs.
- (s) “Grant” means an award of funds to an Applicant for a Project pursuant to the Children’s Hospital Program of 2018.
- (t) “Grant Agreement” means a written agreement for a Grant entered into between a Grantee and the Authority.
- (u) “Grant Period” means the time period from the date of Final Allocation to the date set by the Authority for the implementation of the Project and the Grant to end.
- (v) “Grantee” means an Applicant that has received Grant approval by the Authority.
- (w) “Improvement of Child Health Care” means an improvement in the timeliness, effectiveness, or quality of care provided to the pediatric population.
- (x) “Improvement of Health Care Access” means an increase in the quantity and scope of Pediatric Services provided.
- (y) “Improvement of Pediatric Patient Outcomes” means an improvement in the overall health of the pediatric patients receiving treatment or care.
- (z) “Indigent” means those children who do not have health insurance that covers their healthcare needs and who are not eligible for other health insurance coverage such as Governmental Health Insurance Programs.
- (aa) “Initial Allocation” means the Grant amount the Authority staff recommends the Authority approve for Final Allocation as further described in Sections 7008 and 7008.1.
- (bb) “Lead Grantee” means the Children’s Hospital designated on the Application to have the primary responsibility for the fiscal management of Grant funds, implementation of Project, records retention, reporting and all of the other aspects of compliance with this Chapter and the Grant Agreement.

- (cc) “Most Recent Audited Financial Statements” means the Audited Financial Statements for the most recent fiscal year for which such financial statements are available.
- (dd) “Non University of California Children's Hospital” means a Children's Hospital described in paragraph (2) of subdivision (h).
- (ee) “OSHPD” means the Office of Statewide Health Planning and Development.
- (ff) “Pediatric Research Program” means scientific research focused on the pediatric population to improve and/or better understand this population's health.
- (gg) “Pediatric Services” means services provided for children from birth to age 18. Exceptions to the age limit are allowed up to age 21 for children receiving treatment for a CCS eligible condition as described in the California Code of Regulations, title 22, Sections 41515.2 through 41518.9.
- (hh) “Pediatric Teaching Program” means a program that annually trains at least eight (rounded to the nearest integer) full-time equivalent pediatric or pediatric subspecialty residents.
- (ii) “Project” means the activities for which an Application has been submitted and Grant funds have been allocated.
- (jj) “Special Care Center(s)” means a center that is approved by the California Department of Health Care Services, CCS program to provide comprehensive, multi-disciplinary, and multi-specialty care, including surgical procedures, to children, adolescents, and young adults with CCS eligible conditions.
- (kk) “Subsequent Funding Round” means any specified time period after the first Funding Round during which an Application may be submitted to be considered for funding by the Authority, subject to the availability of funds.
- (ll) “Uncompensated Care” means care provided without a patient-specific source of funding available to pay for the Pediatric Services rendered.
- (mm) “Undercompensated Care” means care provided where a financial shortfall exists between gross expenses and the revenues (or payment) in treating a pediatric patient.
- (nn) “Underserved” means those children who are indigent, or if insured, their insurance coverage is not sufficient to cover their healthcare needs.
- (oo) “Uninsured” means those children who do not have health insurance.
- (pp) “University of California Children's Hospital” means a Children's Hospital described in paragraph (1) of subdivision (h).

(qq) “Vulnerable Pediatric Populations” means pediatric patients served by Government Health Insurance Programs and pediatric patients with special health care needs, irrespective of insurance or housing status.

Authority cited: Sections 1179.85, 1179.87, and 1179.91, Health and Safety Code.

Reference: Sections 1179.81, 1179.82, 1179.84, 1179.85, 1179.86, 1179.87, 1179.89, 1179.97, and 1179.98, Health and Safety Code.

**Section 7001. Eligibility.**

(a) The following entities are eligible to apply for a Grant under the Children’s Hospital Program of 2018:

- (1) A Children’s Hospital.
- (2) Children’s Hospitals Applying Jointly.
- (3) An Eligible Hospital.

(A) The Eligible Hospitals shall have been granted full approval as a CCS hospital by the California Department of Health Care Services.

(b) The entities specified in subdivision (a) shall be eligible to apply if all of the following conditions are met:

(1) The Applicant, or the California nonprofit corporation of which the Applicant is an operating entity, has a current, valid general acute care hospital license from the California Department of Public Health.

(2) The Most Recent Audited Financial Statements of the Applicant, or the California nonprofit corporation of which the Applicant is an operating entity, does not contain any Going Concern Qualifications.

(3) The Applicant has submitted to the Authority a completed Application as specified in Section 7004 or Section 7004.1, as applicable.

(4) If the Applicant proposes to use Grant funds for a Project other than equipment acquisition, the Applicant shall provide evidence that either:

(A) The Applicant, or the California nonprofit corporation of which the Applicant is an operating entity, owns the property.

(B) The Applicant, or the California nonprofit corporation of which the Applicant is an operating entity, is a lessee under a lease agreement that satisfies Section 7014.

(5) The Applicant provides the Authority documentation that confirms the Project itself or the Project as a component of a larger project will ultimately benefit the health and welfare of California's critically ill children.

(6) If the Children's Hospital(s) proposes to use Grant funds for the acquisition of real property, the Children's Hospital shall provide either (6)(A) or (6)(B): a valid, current and enforceable contingent purchase and sale agreement or option agreement between the Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity and the owner of the property, through the Final Allocation including any executed extensions to the agreements, if applicable.

(A) A valid, current and enforceable contingent purchase and sale agreement between the Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity and the owner of the property.

(B) An option agreement between the Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity and the owner of the property.

(C) The Children's Hospital shall provide evidence of any executed extensions, if applicable, to keep the contingent purchase and sale agreement or the option agreement current through the Final Allocation.

(c) If an Applicant does not meet all the conditions described in (b) above, the Applicant shall be deemed ineligible, but may reapply at a time when the Applicant is able to meet the conditions provided that Applications are currently being accepted.

(d) Children's Hospitals shall not be eligible for Grant funds allocated to Eligible Hospitals, except as provided for in Health and Safety Code Section 1179.86, subdivision (c) and Section 7003.1, subdivision (d).

Authority cited: Sections 1179.82, 1179.85, and 1179.87, Health and Safety Code.  
Reference: Sections 1179.85, 1179.87, 1179.91, of the Health and Safety Code.

## **Section 7002. Eligible Project Costs.**

(a) Eligible Project costs for a Children's Hospital or Children's Hospitals Applying Jointly are:

(1) Constructing, expanding, remodeling, renovating, furnishing, equipping, financing, or refinancing capital assets, as defined in Section 16727(a) of the Government Code, of a children's hospital facility.

(2) Reimbursement for the costs of constructing, expanding, remodeling, renovating, furnishing, equipping, financing, or refinancing of a children's hospital when the costs were incurred after January 1, 2018.

- (b) Eligible Project costs for an Eligible Hospital are limited to:
- (1) Constructing, expanding, remodeling, renovating, furnishing, or equipping the pediatric program of the Eligible Hospital.
  - (2) Eligible costs include only those incurred during the Grant Period.
- (c) Costs of Issuance for any financing or refinancing of a Project are not eligible Project costs.

Authority cited: Sections 1179.82, 1179.85, and 1179.87, Health and Safety Code.

Reference: Sections 1179.82, 1179.84, 1179.85, 1179.86, and 1179.87, Health and Safety Code.

**Section 7003. Maximum Grant Amount for Children’s Hospitals.**

(a) In the first Funding Round ending June 30, 2033, no Grant or combination of Grants to any Children's Hospital may exceed the following maximums:

(1) A maximum of \$54 million less Costs of Issuance and Administrative Costs on the total amount of Grants that may be made to any one Children's Hospital that is described in Section 7000, subdivision (h)(1).

(2) A maximum of \$135 million less Costs of Issuance and Administrative Costs on the total amount of Grants that may be made to any one Children's Hospital that is described in Section 7000, subdivision (h)(2).

(3) Children’s Hospitals Applying Jointly may, at their discretion, apply for up to the sum of their respective maximum Grants amounts.

(4) If funds are available for a Subsequent Funding Round, the process for determining maximum Grant amounts, the Grant Application for Children’s Hospitals, and regulations shall be developed no later than July 1, 2033.

Authority cited: Sections 1179.82, 1179.85, and 1179.87, Health and Safety Code.

Reference: Sections 1179.85, 1179.86, and 1179.87, Health and Safety Code.

**Section 7003.1. Maximum Grant Amount for Eligible Hospitals.**

(a) No Grant to any Eligible Hospital may exceed the maximum of \$15 million less Costs of Issuance and Administrative Costs.

(b) Eligible Hospitals are limited to a single Grant award.

(c) If funds are available for a Subsequent Funding Round, the Authority may award Grants of those remaining funds to Eligible Hospitals in a manner consistent with the purposes and requirements of the Children’s Hospital Program of 2018.

(1) The deadline for any Subsequent Funding Round shall be posted on the Authority's website at <https://www.treasurer.ca.gov/chffa/> and sent to any Eligible Hospitals that requested notification. Applications shall be due no sooner than two (2) months following the posting of the deadline on the Authority's website and sent to the Eligible Hospitals that requested notification.

(d) Funds not encumbered by June 30, 2033, are no longer available to Eligible Hospitals and shall become available to any Children's Hospital as defined in Section 7000, subdivisions (h)(1) and (h)(2).

Authority cited: Sections 1179.82, 1179.85, and 1179.87, Health and Safety Code.

Reference: Sections 1179.85, 1179.86, and 1179.87, Health and Safety Code.

**Section 7004. Grant Applications for Children's Hospitals.**

The following provisions apply to the Grant Applications for Children's Hospitals.

(a) The Application for Children's Hospitals shall be available on the Authority's website at <https://www.treasurer.ca.gov/chffa/>.

(b) Applicants shall submit an original and one copy of the Application either by mail or delivery to:

California Health Facilities Financing Authority  
915 Capitol Mall, Room 435  
Sacramento, California 95814

(c) The Authority shall accept Applications for the first Funding Round on an on-going basis until the funding for Children's Hospitals is exhausted.

(d) Applications are due the first business day of each month, with the following exceptions:

(1) For October, Applications are due on October 7.

(2) Applications are not accepted in November.

(e) Each Applicant may apply for more than one Grant for different Projects until its maximum Grant for the first Funding Round is reached.

(f) After all funds available to Children's Hospitals have been awarded, notification will be posted on the Authority's website at <https://www.treasurer.ca.gov/chffa/>.

Authority cited: Sections 1179.82, 1179.85, and 1179.87, Health and Safety Code.

Reference: Sections 1179.85, 1179.86, and 1179.87, Health and Safety Code.



### **Section 7004.1. Grant Application for Eligible Hospitals.**

The following provisions apply to the Grant Applications for Eligible Hospitals.

(a) The Application for Eligible Hospitals shall be available on the Authority's website at <https://www.treasurer.ca.gov/chffa/>.

(b) Applicants shall submit an original and one copy of the Application either by mail or delivery to:

California Health Facilities Financing Authority  
915 Capitol Mall, Room 435  
Sacramento, California 95814

(c) The Authority shall accept Applications until 5:00 p.m. (Pacific Time) on March 30, 2020, the deadline date for the first Funding Round.

(d) After all funds available to Eligible Hospitals have been awarded, notification will be posted on the Authority's website at <https://www.treasurer.ca.gov/chffa/>.

(e) Incomplete Applications and Applications received by the Authority after the deadline date and time of the Funding Round shall not be accepted for review in that Funding Round.

(f) Applications shall be considered final as of the deadline date and time. No additional information or documents shall be accepted by the Authority after that date, except as specifically requested by the Authority.

Authority cited: Sections 1179.82, 1179.85, and 1179.87, Health and Safety Code.

Reference: Sections 1179.85, 1179.86, and 1179.87, Health and Safety Code.

### **Section 7005. Contents of Application.**

(a) Applicants for Grant funds shall provide the following:

(1) Financial Information. The Applicant, or the California nonprofit corporation of which the Applicant is an operating entity, shall submit its Most Recent Audited Financial Statements.

(2) Organization Information.

(A) The following documents are required for Eligible Hospitals and Non University of California Children's Hospital Applicants, including those that are a party to Children's Hospitals Applying Jointly:

(i) A copy of the Applicant's 501(c)(3) determination letter from the Internal Revenue Service and a copy of either the tax-exemption letter or a letter

from the California Franchise Tax Board verifying that the Applicant is in good standing. For Applicants that are operating entities of a California nonprofit corporation, both the Internal Revenue Service and California Franchise Tax Board letters are required for the parent corporation.

(ii) A copy of the Articles of Incorporation and Bylaws. For Applicants that are operating entities of a California nonprofit corporation, the Articles of Incorporation and Bylaws are required for the parent corporation.

(iii) Public hospitals as defined in Welfare and Institutions Code section 14105.98(a)(25) are exempt from the requirements in (a)(2)(A)(i) and (ii) above.

(B) For all Applicants, a copy of the current general acute care hospital license from the California Department of Public Health or a copy of the current general acute care hospital license of the California nonprofit corporation of which the Applicant is an operating entity.

(C) Eligible Hospitals shall submit ~~either~~ a copy of their CCS approval letter by the California Department of Health Care Services as verification of full approval status as required in Section 7001, subdivision (a)(3)(A) ~~or a copy of the CCS approval letter of the California nonprofit corporation of which the Eligible Hospital is an operating entity.~~

(3) Legal Information. Applicant and each additional Children's Hospital(s) if Children's Hospitals Apply Jointly, as applicable, shall complete the Legal Status Questionnaire provided in the Application.

(4) Agreement and Certification(s). The Chief Executive Officer, Chief Financial Officer or other authorized officer of the Applicant(s), on behalf of the Applicant(s), shall agree and certify to the terms and conditions contained in the Application as a condition to receiving a Grant.

Authority cited: Sections 1179.82, 1179.85, and 1179.87, Health and Safety Code.  
Reference: Sections 1179.85, 1179.87, 1179.88, and 1179.91, Health and Safety Code.

## **Section 7006. Children's Hospitals Application Evaluation.**

The following provisions apply to the Application evaluation for Children's Hospitals.

(a) Applications from Children's Hospital shall be reviewed and evaluated within 60 days from receipt by Authority staff.

(b) Authority staff will evaluate the Application's completeness, responsiveness, and clarity in addressing the criteria described in Section 7007.

(c) A positive response or combination of positive responses to the Legal Status Questionnaire provided in the Application may result in the Children’s Hospital becoming ineligible for a Grant.

Authority cited: Sections 1179.82, 1179.85, and 1179.87, Health and Safety Code.  
Reference: Sections 1179.85, 1179.87, and 1179.88, Health and Safety Code.

**Section 7006.1. Eligible Hospitals Application Evaluation.**

The following provisions apply to the Application evaluation for Eligible Hospitals.

(a) Authority staff will evaluate and score the Application’s completeness, responsiveness, and clarity in addressing the criteria described in Section 7007.1.

(b) The scores from each reviewer of the Authority staff will be added and the average of the scores will be calculated. The average score will be the final score assigned to the Application.

(c) A positive response or combination of positive responses to the Legal Status Questionnaire provided in the Application may result in the Eligible Hospital becoming ineligible for a Grant.

Authority cited: Sections 1179.82, 1179.85, and 1179.87, Health and Safety Code.  
Reference: Sections 1179.85, 1179.87, and 1179.88, Health and Safety Code.

**Section 7007. Evaluation Criteria for Children’s Hospitals.**

The following evaluation criteria applies to Children’s Hospitals. Authority staff shall evaluate each Application based on the following criteria:

(a) How well the Project contributes to both of the following:

(1) Expansion of Health Care Access or Improvement of Health Care Access by children eligible for Governmental Health Insurance Programs and Indigent, Underserved, and Uninsured children.

(2) Improvement of Child Health Care or Improvement of Pediatric Patient Outcomes.

(b) How well the Applicant does any or all of the following:

(1) Provides Uncompensated Care or Undercompensated Care to Indigent or public pediatric patients.

(2) Provides services to Vulnerable Pediatric Populations.

(3) Promotes Pediatric Teaching Programs or Pediatric Research Programs.

(c) How well the Applicant demonstrates Project readiness and feasibility based upon the following:

(1) A Project timeline that includes the following:

(A) An expected start date (e.g. construction start date(s) and/or equipment purchase date(s)).

(B) An expected completion date (e.g. construction completion date(s), acquisition completion dates, and/or equipment installation date(s)).

(C) Potential challenges anticipated in implementing the Project and how these challenges will be managed to ensure timely completion.

(2) Whether the Project is ready and feasible after review of all of the following:

(A) For all Projects with the exception of equipment acquisition Projects, the Applicant shall submit estimates of Project costs and evidence of property ownership or, if the property is leased to a Children's Hospital, or a California nonprofit corporation of which the Children's Hospital is an operating entity, a copy of a lease agreement that satisfies the requirements of Section 7014. The Applicant shall also provide building permits and/or executed architect, design, engineering, and construction contracts, if available. When applicable, the Applicant shall ~~also~~ submit evidence that it is in compliance with the California Environmental Quality Act (CEQA). The Applicant shall also be in compliance with all other applicable laws.

(i) An Applicant with a Project that does not yet have building permits, and/or executed architect, design, engineering and construction contracts, ~~and/or evidence of compliance with CEQA~~ but is actively in the process of obtaining these items, shall provide a detailed statement that explains the status of obtaining the missing items.

(B) For Projects that include the acquisition of real property, the Children's Hospital shall submit a copy of an executed purchase and sale agreement or status of obtaining one or other evidence of site control.

(i) If the Grant will be used to pay for real property acquisition costs as part of a larger project, the Children's Hospital shall provide a timeline that specifies when the entire project will be complete.

(C) For equipment acquisition Projects, the Applicant shall submit a specific list of items and cost estimates of equipment (or copies of purchase orders and invoices), and if applicable, cost estimates of installation of such equipment.

(D) If funding sources other than the Grant are required to complete the Project, the Applicant shall provide proof of the funding sources, including but not limited to, commitment letters and board approved capital campaign plans. Such documentation shall be in accordance with the Project timeline and budget.

(3) The sources and uses of funds:

(A) The Applicant shall detail all sources of funds required to complete the proposed Project. Sources may include, but are not limited to, 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, the Applicant shall list them and the status of their consideration.

(B) The Applicant shall detail the uses of all funds required to complete the proposed Project. The total uses shall not exceed the total of all available fund sources. In some instances, funds from sources other than the Grant may be used for portions of a proposed Project that would otherwise be ineligible for this Grant. In those instances, the Applicant shall describe specifically how the Grant funds, as well as other grants, loans, or internal funds, will be used to ensure Grant funds will not subsidize Project elements not eligible for such funds.

(C) If a proposed Project will benefit both pediatric and non-pediatric patients, the total Grant for that Project cannot exceed the proportionate share use of the pediatric population.

(i) The Authority staff shall evaluate the methodology used to determine the proportionate share use of the pediatric population and may alter the amount of Grant funds to be awarded based on this or an alternate methodology and any other factors related to improvement of pediatric population care.

(4) Whether implementation of the Project is feasible:

~~(A) The Applicant shall submit a third-party prepared feasibility study (including but not limited to the scope of the services to be provided with the new Project, financing plan of the Project, forecasted revenues and expenses of the Project operations, market share/service area demand analysis and observations on market positioning), funding letters or other documentation to demonstrate that the Project will generate sufficient revenues to support on-going operation of new or expanded services and/or research programs. If revenues generated by the Project will be insufficient, the Applicant's revenues shall be sufficient to support on-going operation.~~

(A) The Applicant shall demonstrate the feasibility of the Project to generate sufficient revenues to support on-going operation of new or expanded services and/or research programs through one of the following:

(i) A third-party feasibility study (including but not limited to the scope of the services to be provided with the new Project, financing plan of the Project, forecasted revenues and expenses of the Project operations, market share/service area demand analysis and observations on market positioning).

(ii) Funding letters or other documentation.

(B) If revenues generated by the Project will be insufficient to support the on-going operation of new or expanded services and/or research programs the Applicant's revenues shall be sufficient to support the on-going operation.

(5) The financial capacity of the Children's Hospital based upon a review of the Most Recent Audited Financial Statements provided pursuant to Section 7001, subdivision (b)(2).

Authority cited: Sections 1179.82, 1179.85, and 1179.87, Health and Safety Code.  
Reference: Sections 1179.85, 1179.87, and 1179.88, Health and Safety Code.

#### **Section 7007.1. Evaluation Criteria for Eligible Hospitals.**

The following evaluation criteria applies to Eligible Hospitals. Applications shall be scored on the following criteria:

(a) How well the Project contributes to both of the following: (Maximum 60 points)

(1) Expansion of Health Care Access or Improvement of Health Care Access by children eligible for Governmental Health Insurance Programs and Indigent, Underserved, and Uninsured children. (Maximum 30 points)

(A) Application includes a narrative description and statistics of how the Project contributes towards Expansion of Health Care Access or Improvement of Health Care Access to children eligible for Governmental Health Insurance Programs and Indigent, Underserved, and Uninsured children. The narrative and statistics shall include:

(i) The hospital's current capacity and/or quantity and scope of Pediatric Services provided, including but not limited to, the number and type/usage of pediatric beds, space (e.g. square feet, rooms, etc.) for outpatient/other services, and/or equipment, as applicable;

(ii) The total number of pediatric patients as well as those who are eligible for Governmental Health Insurance Programs and Indigent, Underserved, and Uninsured children served in the last fiscal/calendar year;

(iii) How the Project will contribute towards the expansion or improvement and the anticipated capacity and/or quantity and scope of services provided after Project implementation, including but not limited to, the number and type/usage of pediatric beds, space, and/or equipment added, as applicable;

(iv) The total number and percentage of additional pediatric patients as well as those that are eligible for Governmental Health Insurance Programs and Indigent, Underserved, and Uninsured children that are projected to be served as a result of the implementation of the Project in a given fiscal/calendar year; and

(v) Any cultural, language, geographical or other barriers that the Project addresses to improve accessibility for children.

(2) Improvement of Child Health Care or Improvement of Pediatric Patient Outcomes. (Maximum 30 points)

(A) Application includes a narrative description, specifics, and statistics of the ways the Project contributes towards the Improvement of Child Health Care or Improvement of Pediatric Patient Outcomes.

(i) If the Project improves upon targeted evidence-based measures that focus on quality improvement, including, but not limited to, the Centers for Medicare and Medicaid Services (CMS) Core Set of Children's Health Care Quality Measures, National Committee for Quality Assurance (NCQA) measures, Centers for Disease Control and Prevention (CDC) measures, include the specific quality measure(s), source of measure(s), and how the Project would improve upon the measure(s).

(B) Application provides a narrative description of how the Project improves the reliability and sustainability of the Pediatric Services through the update of equipment or facility(ies).

(b) How well the Applicant does any or all of the following (Maximum 40 points):

(1) Provides Uncompensated Care or Undercompensated Care to Indigent ~~children~~ or public pediatric patients. (Maximum 20 points)

(A) Application includes data and accompanying narrative description on the following:

(i) The uncompensated care costs and the percent of uncompensated care costs to total operating expenses extracted from the most recent annual ~~Hospital financial Disclosure Report (AFDR)~~ filed with OSHPD pursuant to ~~Health and Safety Code Section 128735 and referred to in the "Accounting and Reporting Manual for California Hospitals" pursuant to California Code of Regulations, Title 22, Division 7, Chapter 10, Article 2, Section 97018.~~

(ii) The uncompensated care costs and the percent of uncompensated care costs to total operating expenses for Indigent children or public pediatric patients receiving health insurance coverage from, including but not limited to, Governmental Health Insurance Programs.

(B) Application includes a narrative description of the infrastructure that currently exists to assist the families of pediatric patients in finding alternative sources of

health care coverage. For example, hospital patient financial workers providing hospital presumptive eligibility for Medi-Cal, county eligibility staff operating onsite to provide assistance to families of pediatric patients, etc.

(2) Provides services to Vulnerable Pediatric Populations. (Maximum 15 points)

(A) Application provides:

(i) The gross patient revenue (by payor) extracted from the most recent annual Hospital financial Disclosure Report (AFDR) filed with OSHPD pursuant to ~~Health and Safety Code Section 128735 and referred to in the "Accounting and Reporting Manual for California Hospitals" pursuant to California Code of Regulations, Title 22, Division 7, Chapter 10, Article 2, Section 97018.~~

(ii) The gross pediatric patient revenue or gross revenue for pediatric services (by payor).

(iii) Number of pediatric patients, pediatric patient days or pediatric patient visits (by payor), as available.

(iv) The number and type(s) of Special Care Center(s).

(v) The percent (%) of the pediatric population the hospital is serving, who have special health care needs, during the timeframe of the most recent annual Hospital financial Disclosure Report (AFDR) filed with OSHPD pursuant to ~~Health and Safety Code Section 128735 and referred to in the "Accounting and Reporting Manual for California Hospitals" pursuant to California Code of Regulations, Title 22, Division 7, Chapter 10, Article 2, Section 97018,~~ who have special health care needs.

(vi) The percent (%) of hospital resources allocated to the pediatric population identified in (v) above.

(3) Promotes Pediatric Teaching Programs or Pediatric Research Programs. (Maximum 5 points)

(A) Application includes a description of the following:

(i) The study area(s) of the Pediatric Research Program(s).

(ii) The specific area(s) of the Pediatric Teaching Program(s).

(iii) The number of individuals currently participating in the Pediatric Teaching Program(s) and the maximum capacity of the Pediatric Teaching Program(s).

(iv) How the Applicant promotes or ~~Project improves or sustains~~ the Pediatric Teaching Program(s) or Pediatric Research Program(s) and, if applicable, how the Project improves or sustains the Pediatric Teaching Program(s) or Pediatric Research Program(s).



(c) How well the Applicant demonstrates Project readiness and feasibility based upon the following: (Maximum 30 points)

(1) A Project timeline that includes the following:

(A) An expected start date (e.g. construction start date(s) and/or equipment purchase date(s)).

(B) An expected completion date (e.g. construction completion date(s), and/or equipment installation date(s)).

(C) Potential challenges anticipated in implementing the Project and how these challenges will be managed to ensure timely completion.

(2) Whether the Project is ready and feasible after review of all of the following:

(A) For all Projects with the exception of equipment acquisition Projects, the Applicant shall submit estimates of Project costs and evidence of property ownership or, if the property is leased to an Eligible Hospital, or a California nonprofit corporation of which the Eligible Hospital is an operating entity, a copy of a lease agreement that satisfies the requirements of Section 7014.

(B) For all Projects with the exception of equipment acquisition Projects, the Applicant shall provide building permits and/or executed architect, design, engineering, and construction contracts, if available. When applicable, the Applicant shall ~~also~~ submit evidence that it is in compliance with CEQA. The Applicant shall also be in compliance with all other applicable laws.

(i) An Applicant with a Project that does not yet have building permits, and/or executed architect, design, engineering, and construction contracts, and/or evidence of compliance with CEQA shall provide a detailed statement that explains the status of obtaining the missing items within twelve (12) months of Final Allocation.

(C) For equipment acquisition Projects, the Applicant shall submit a specific list of items and cost estimates of equipment (or copies of purchase orders and invoices), and if applicable, cost estimates of installation of such equipment.

(D) If funding sources other than the Grant are required to complete the Project, the Applicant shall provide proof of the other funding sources, including but not limited to, commitment letters and board approved capital campaign plans. Such documentation shall be in accordance with the Project timeline and budget.

(3) The sources and uses of funds:

(A) The Applicant shall detail all sources of funds required to complete the proposed Project. Sources may include, but are not limited to, 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, the Applicant shall list them and the status of their consideration.

(B) The Applicant shall detail the uses of all funds required to complete the proposed Project. The total uses shall not exceed the total of all available fund sources. In some instances, funds from sources other than the Grant may be used for portions of a proposed Project that would otherwise be ineligible for this Grant. In those instances, the Applicant shall describe specifically how the Grant funds, as well as other grants, loans, or internal funds, will be used to ensure Grant funds will not subsidize Project elements not eligible for such funds.

(C) If a proposed Project will benefit both pediatric and non-pediatric patients, the total Grant for that Project cannot exceed the proportionate share use of the pediatric population.

(i) The Authority staff shall evaluate the methodology used to determine the proportionate share use of the pediatric population and may alter the amount of Grant funds to be awarded based on this or an alternate methodology and any other factors related to improvement of pediatric population care.

(4) Whether on-going operation of the Project is feasible:

~~(A) The Applicant shall submit a third party prepared feasibility study (including but not limited to the scope of the services to be provided with the new Project, financing plan of the Project, forecasted revenues and expenses of the Project operations, market share/service area demand analysis and observations on market positioning), funding letters or other documentation to demonstrate that the Project will generate sufficient revenues to support on-going operation of new or expanded services and/or research programs. If revenues generated by the Project will be insufficient, the Applicant's revenues shall be sufficient to support on-going operation.~~

(A) The Applicant shall demonstrate the feasibility of the Project to generate sufficient revenues to support on-going operation of new or expanded services and/or research programs through one of the following:

(i) A third-party feasibility study (including but not limited to the scope of the services to be provided with the new Project, financing plan of the Project, forecasted revenues and expenses of the Project operations, market share/service area demand analysis and observations on market positioning).

(ii) Funding letters or other documentation.

(B) If revenues generated by the Project will be insufficient to support the on-going operation of new or expanded services and/or research programs the Applicant's revenues shall be sufficient to support the on-going operation.

(5) The financial capacity of the Eligible Hospital based upon a review of the Most Recent Audited Financial Statements provided pursuant to Section 7001, subdivision (b)(2).

(d) In addition to the points attainable in subdivisions (a), (b), and (c) above, an Eligible Hospital meeting the definition of a Small and Rural Hospital as defined in Health and Safety Code Section 124840 shall receive five (5) additional points.

Authority cited: Sections 1179.82, 1179.85, and 1179.87, Health and Safety Code.  
Reference: Sections 1179.85, 1179.87, and 1179.88, Health and Safety Code.

### **Section 7008. Notification and Initial Allocation for Children’s Hospitals.**

The Authority staff shall notify each Children’s Hospital in writing, stating the amount of each Initial Allocation.

Authority cited: Sections 1179.82, 1179.85, and 1179.87, Health and Safety Code.  
Reference: Sections 1179.85, 1179.87, and 1179.88, Health and Safety Code.

### **Section 7008.1. Notification and Initial Allocation for Eligible Hospitals.**

The following provisions apply to Eligible Hospitals.

(a) The Authority staff will make Initial Allocations based on the final score assigned to each Application, from the highest to the lowest, and present the Initial Allocations to the Authority for Final Allocations.

(b) Notification of Initial Allocations will be sent to Eligible Hospitals before the public meeting at which the Authority will determine Final Allocations.

(c) Except as provided in subdivision (c)(1), during any Funding Round, Initial Allocations shall be limited to Applications which receive a minimum of 60 points under Section 7007.1, subdivisions (a) and (b), and a minimum of 15 points under subdivision (c).

(1) Initial Allocations may be considered for Applications scoring fewer than 60 points in Section 7007.1, subdivisions (a) and (b), to achieve the statewide objective of improving the health and welfare of California’s critically ill children.

(d) Initial Allocations may be less than the amount requested in the Application to control Project costs and achieve the statewide objective of improving the health and welfare of California’s critically ill children.

Authority cited: Sections 1179.82, 1179.85, and 1179.87, Health and Safety Code.  
Reference: Sections 1179.85, 1179.87, and 1179.88, Health and Safety Code.

## **Section 7009. Appeals.**

### **(a) Availability.**

(1) The Applicant may appeal the amount of the Initial Allocation recommended by Authority staff for that Application, including an Authority Staff determination not to recommend a Grant.

(2) No Applicant may appeal an Initial Application made to another Applicant.

### **(b) Timing.**

(1) The appeal shall be submitted to the Executive Director no later than five (5) business days following the date of the notification of Initial Allocation.

(2) Appeals may be submitted to the Executive Director by email, mail or delivery to:

California Health Facilities Financing Authority  
915 Capitol Mall, Room 435  
Sacramento, California 95814

Email address: [chffa@treasurer.ca.gov](mailto:chffa@treasurer.ca.gov)

### **(c) Review.**

(1) The Executive Director shall review the appeal based on the Application as originally submitted. Any new or revised Application or additional documentation, and/or information that was not submitted in the original Application shall not be considered.

(2) The Executive Director shall make a decision on the merit of the appeal and notify the Applicant of the decision no later than 10 business days after receipt of the appeal.

(3) The decision of the Executive Director may be appealed to the Authority, by written notification to the Executive Director within five (5) business days from the date of the letter notifying the Applicant of the Executive Director's decision.

(4) The Authority shall make a final decision on an appeal of the Executive Director's decision at the public meeting when Final Allocations are determined.

### **(d) Successful appeal for Eligible Hospitals.**

(1) An Initial Allocation to an Eligible Hospital based on the appeal may result in a reduction or elimination of Initial Allocations to other Eligible Hospitals that would have otherwise received an Initial Allocation.

(2) Adjustments to any Initial Allocations following any appeals may not be appealed.

Authority cited: Sections 1179.82, 1179.85, and 1179.87, Health and Safety Code.

Reference: Sections 1179.85, and 1179.87, Health and Safety Code.

**Section 7010. Approval of Grant and Notification of Grantee.**

(a) When an Initial Allocation for funding has been determined, Authority staff shall recommend to the Authority at its regularly scheduled meeting, that the Initial Allocation for consideration be approved as a Final Allocation.

(b) Any Final Allocation approved by the Authority shall be awarded as Grants to Grantees.

(c) For Children’s Hospitals Applying Jointly, the Grant shall be awarded to the Children’s Hospital designated as Lead Grantee.

(d) A Grant Award Letter that includes the following shall be sent to all Applicants approved for a Final Allocation:

(1) Name of the Grantee,

(2) Grant amount less Costs of Issuance and Administrative Costs.

(3) A statement that funding of the Grant is conditioned upon the Grantee meeting certain requirements as specified in the regulations implementing the Children’s Hospital Program of 2018, including signing a Grant Agreement and submitting disbursement requests for eligible costs.

(4) A statement that funding of the Grant is contingent upon California’s ability to issue bonds to support the Children’s Hospital Program of 2018. Pursuant to Section 1179.87(g) of the Health and Safety Code, the Grant shall only be available if the Authority determines it has sufficient money available in the Children’s Hospital Bond Act Fund of 2018.

Authority cited: Sections 1179.82, 1179.85, and 1179.87, Health and Safety Code.

Reference: Sections 1179.85, 1179.87, and 1179.88, Health and Safety Code.

**Section 7011. Approval of Grant Use Change.**

The Authority ~~or the Authority staff~~ may, on a case-by-case basis, consider a change in the use of the Grant if the Grantee demonstrates that the change is consistent with the Act and this chapter.

Authority cited: Sections 1179.82, 1179.85, and 1179.87, Health and Safety Code.

Reference: Sections 1179.85, 1179.87, and 1179.88, Health and Safety Code.

## **Section 7012. Grant Agreements.**

The terms and conditions of a Grant shall be set forth in a Grant Agreement, which shall include, but not be limited to, all of the following terms and conditions:

- (a) A Grant amount (less Cost of Issuance and Administrative Costs).
- (b) A Grant Period.
- (c) Disbursement procedures pursuant to Sections 7013, 7013.1, or 7013.2, as applicable.
- (d) A provision that any unused Grant funds and any unused interest earnings on such Grant funds shall revert to the Authority.
- (e) Agreement to comply with the Act and these regulations.
- (f) Agreement that the Grantee will defend, indemnify and hold harmless the Authority and the state, and all officers, trustees, agents and employees of the same, from and against any and all claims, losses, costs, damages, or liabilities of any kind or nature, whether direct or indirect, arising from or relating to the Grant, the Project, or the Act.
- (g) Agreement to comply with state and federal laws outlawing discrimination, including, but not limited to, those prohibiting discrimination because of race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression, age, sexual orientation, or military and veteran status.
- (h) Agreement that continued compliance with the Act and these regulations is the Grantee's responsibility.
- (i) Agreement that the Grant shall only be used for Projects as described in the Application.
- (j) Any audit provisions.
- (k) Any provision necessary to ensure that interest on the bonds is tax-exempt.
- (l) Agreement that the Grantee will not dispose of any component of the Project before the end of the useful life of that component of the Project.
- (m) Any provisions relating to lease agreements pursuant to Section 7014.
- (n) Any other provisions required by the Authority.

Authority cited: Sections 1179.85, 1179.87, and 1179.91, Health and Safety Code.  
Reference: Sections 1179.85, 1179.87, and 1179.88, Health and Safety Code.

**Section 7013. Release of Funds for Non University of California Children’s Hospitals.**

The following provisions apply to the release of funds to Non University of California Children’s Hospitals.

(a) No Grant shall be released until the following information has been provided to the Authority staff:

(1) For all Projects with the exception of equipment acquisition or real property acquisition Projects, any supporting documentation that was incomplete with the Application shall be finalized and submitted along with a copy of the executed construction contract and the building permit.

(2) For Projects that include architect, design and engineering fees to be paid with Grant proceeds, all applicable executed architect, design and engineering contracts.

(3) For real property acquisition Projects:

(A) A copy of the executed purchase and sale agreement.

(B) A copy of an appraisal, the appraised value of which (when added to the amount of reasonable transaction and closing costs) shall not be less than the sum of the Grant and all other funding sources necessary to acquire the Project.

(i) The appraisal shall be within six months of the date of the executed purchase and sale agreement and shall be completed by a state certified appraiser.

(4) For equipment acquisition Projects:

(A) Any supporting documentation that was incomplete when the Application was submitted, or not provided at that time, shall be finalized and submitted along with a list of items to be purchased and all purchase orders.

(5) Evidence that all other funds, if needed, are in place to complete the Project.

(6) For all construction Projects, evidence of compliance with Section 7001, subdivision (b)(4).

(7) An executed Grant Agreement.

(8) When applicable, evidence that there are no outstanding issues related to CEQA if this information was not provided with the Application.

(9) When applicable, evidence of compliance with prevailing wage law under Labor Code Section 1720 et seq.

(b) Documentation provided for the release of Grant funds shall clearly show that the Grant award does not exceed the cost of the Project.

(c) Grant funds shall be released on a periodic basis upon receipt of a request for disbursement of Grant funds.

(1) A request for disbursement of funds shall be on official letterhead and include the amount of funds requested and copies of applicable supporting documentation justifying funds requested.

(2) Where a Project includes elements required to serve non-pediatric populations, the Grant funds shall be limited to the proportionate cost of providing care to the pediatric population.

(3) The amount of Grant funds disbursed may be less than the amount requested if the disbursement request does not comply with the appropriate proportionate share use methodology as determined by the Authority.

(d) Interest earnings on any previously released portion of the Grant shall be paid to the Authority prior to final release of Grant funds to the Grantee.

(e) No Grant funds shall be released if there are any outstanding issues related to the ~~Applicant's~~ Grantee's compliance with ~~any~~ all other applicable laws.

Authority cited: Sections 1179.85, 1179.87, and 1179.91, Health and Safety Code.  
Reference: Sections 1179.82, 1179.85, 1179.87, and 1179.88, Health and Safety Code.

### **Section 7013.1. Release of Funds for Eligible Hospitals.**

The following provisions apply to the release of funds to Eligible Hospitals.

(a) No Grant shall be released to an Eligible Hospital until the following information has been provided to the Authority staff:

(1) For all Projects, with the exception of equipment acquisition, any supporting documentation that was incomplete with the Application shall be finalized and submitted along with a copy of the executed construction contract and the building permit.



(2) For Projects that include architect, design and engineering fees to be paid with Grant proceeds, all applicable executed architect, design and engineering contracts.

(3) For equipment acquisition Projects:

(A) Any supporting documentation that was incomplete when the Application was submitted or not provided at that time shall be finalized and submitted along with a list of items to be purchased and all purchase orders.

(4) Evidence that all other funds, if needed, are in place to complete the Project.

(5) For all construction Projects, evidence of compliance with Section 7001, subdivision (b)(4).

(6) An executed Grant Agreement.

(7) When applicable, evidence that there are no outstanding issues related to CEQA if this information was not provided with the Application.

(8) When applicable, evidence of compliance with prevailing wage law under Labor Code Section 1720 et seq.

(b) No Grant funds shall be released to an Eligible Hospital until the Authority staff has determined the Project is ready and feasible. This determination shall be made by evaluating the Grantee's documentation addressing the evaluation criteria listed in Section 7007.1, subdivision (c).

(1) The determination that the Grantee has met the requirements in Section 7007.1, subdivision (c)(2)(B) may occur at the time of Initial Allocation or within twelve (12) months ~~from the time~~ of Final Allocation as specified in Section 7007.1, subdivision (c)(2)(B)(i).

(2) If the determination is made after Final Allocation, the determination shall be based on updated information provided to the Authority by the Grantee in accordance with Section 7007.1, subdivision (c)(2)(B).

(3) Limited extensions beyond the timeframe specified in Section 7007.1, subdivision (c)(2)(B)(i), shall be made on a case-by-case basis at the discretion of the Executive Director for good cause, including but not limited to reasonable delays associated with obtaining building and conditional use permits, or obtaining CEQA compliance documentation.

(A) The Grantee shall submit a written extension request to the Executive Director no later than 30 calendar days prior to the end of the twelve (12) month period as specified in Section 7007.1, subdivision (c)(2)(B)(i) including but not limited to, the additional time needed, reason for the delays, and progress towards meeting the requirements in Section 7007.1, subdivision (c)(2)(B).

(4) Failure to demonstrate readiness and feasibility within the timeframe dictated by the Authority shall cancel the Grant and the Grant funds shall be made available to other Applicants.

(c) Documentation provided for the release of Grant funds shall clearly show that the Grant award does not exceed the cost of the Project.

(d) Grant funds shall be released on a periodic basis upon receipt of a request for disbursement of Grant funds.

(1) A request for disbursement of funds shall be on official letterhead and include the amount of funds requested and copies of applicable supporting documentation justifying funds requested.

(2) Where a Project includes elements required to serve non-pediatric populations, the Grant funds shall be limited to the proportionate cost of providing care to the pediatric population.

(3) The amount of Grant funds disbursed may be less than the amount requested if the disbursement request does not comply with the appropriate proportionate share use methodology as determined by the Authority.

(e) Interest earnings on any previously released portion of the Grant shall be paid to the Authority prior to final release of Grant funds to the Grantee.

(f) No Grant funds shall be released if there are any outstanding issues related to the Grantee's Applicant's compliance with any all other applicable laws.

Authority cited: Sections 1179.85, 1179.87, and 1179.91, Health and Safety Code.  
Reference: Sections 1179.82, 1179.85, 1179.87, and 1179.88, Health and Safety Code.

### **Section 7013.2. Release of Funds for University of California Children's Hospitals.**

The following provisions apply to the release of funds to University of California Children's Hospitals.

(a) No Grant shall be released to a University of California Children's Hospital until the following has been provided to the Authority staff:

(1) For all Projects, (including Projects with architect, design and engineering fees) with the exception of equipment acquisition projects, Project documentation of expenditures, including copies of cancelled checks that represent payment to contractors.

(A) If the Grantee does not provide copies of cancelled checks, the Grantee shall provide wire transfers, electronic fund transfers or other evidence sufficient to demonstrate that invoices/documentation of expenditures were paid in lieu of copies of cancelled checks.

(2) For all construction Projects, the Grantee shall provide evidence of compliance with Section 7001, subdivision (b)(4).

(3) For real property acquisition Projects:

(A) A copy of the executed purchase and sale agreement.

(B) A copy of the final closing statement with certification by the title company.

(C) A copy of an appraisal, the appraised value of which (when added to the amount of reasonable transaction and closing costs) shall not be less than the sum of the Grant and all other funding sources necessary to acquire the Project.

(i) The appraisal shall be within six months of the date of the executed purchase and sale agreement and shall be completed by a state certified appraiser.

(4) For equipment acquisition Projects, all contracts, purchase orders, invoices and copies of cancelled checks shall be submitted.

(A) If the Grantee does not provide copies of cancelled checks, the Grantee shall provide wire transfers, electronic fund transfers or other evidence sufficient to demonstrate that invoices/documentation of expenditures were paid in lieu of copies of cancelled checks.

(5) When applicable, evidence that there are no outstanding issues relating to CEQA if this information was not provided with the Application.

(6) When applicable, evidence of compliance with prevailing wage law under Labor Code Section 1720 et seq.

(7) An executed Grant Agreement.

(b) Documentation provided for the release of Grant funds shall clearly show that the Grant award did not exceed the cost of the Project.

(c) Grant funds shall be released on a periodic basis, upon receipt of a request for disbursement of Grant funds, based on a listing of expenditures made on the Project and not previously reimbursed.

(1) A request for disbursement of funds shall be on official letterhead and include the amount of funds requested, and copies of applicable supporting documentation justifying funds requested.

(2) Where a Project includes elements required to serve non-pediatric populations, the Grant funds shall be limited to the proportionate cost of providing care to the pediatric population.

(3) The amount of Grant funds disbursed may be less than the amount requested if the disbursement request does not comply with the appropriate proportionate share use methodology as determined by the Authority.

(d) No Grant funds shall be released if there are any outstanding issues related to the Grantee's Applicant's compliance with any other applicable laws.

Authority cited: Sections 1179.85, 1179.87, and 1179.91, Health and Safety Code.  
Reference: Sections 1179.82, 1179.85, 1179.87, and 1179.88, Health and Safety Code.

#### **Section 7014. Requirements for Construction Projects on Leased Property.**

(a) If an Applicant proposes to use Grant funds for a Project other than equipment acquisition on property where the Applicant, or the California nonprofit corporation of which the Applicant is an operating entity, is a lessee under a lease agreement, the following requirements shall be satisfied prior to any release of Grant funds pursuant to Sections 7013, 7013.1, or 7013.2, as applicable.

(1) The lease agreement shall provide the Applicant, or the California nonprofit corporation of which the Applicant is an operating entity, as lessee, full access to the site to carry on its healthcare purposes.

(2) The term of the lease agreement shall meet one of the following:

(A) The term of the lease agreement shall be at least as long as the useful life of the Project under the Grant.

(B) If the landlord under the lease agreement is an Affiliate, the term of the lease agreement must be at least 74% of useful life of the Project under the Grant.

(3) A current title report on the site, brought up to date as of the effective date of the lease agreement shall be provided to the Authority. The title report shall show all of the following:

(A) No delinquent taxes or assessments or, if there are delinquent taxes or assessments, these are being contested in good faith and the Applicant has set aside on its books adequate reserves to pay these taxes or assessments.

(B) No easements, exceptions or restrictions on the use of the site that will interfere with or impair the operation of the Project.

(C) No superior liens (deeds of trust or other rights) in the property. If there are any superior liens, they shall be subordinated to the lease agreement. The lease agreement shall provide that any subsequent encumbrance on the property (e.g. deed of trust) or sale of the property shall be subject to the lease agreement.

(4) Any one of the following shall be satisfied:

(A) The lease agreement shall provide for a nominal rent (e.g. \$1 per year).

(B) Full rent under the lease agreement shall be paid in a lump sum up front.

(C) The Applicant, or the California nonprofit corporation of which the Applicant is an operating entity, shall covenant in the Grant Agreement to budget for payment of rent each year.

(5) The lease agreement shall provide that the only remedy for any default, including failure to pay rent, by lessee Applicant, or the California nonprofit corporation of which the Applicant is an operating entity, is suit for rent or specific performance to remedy any specific breach. The landlord's remedies for any default by lessee Applicant, or the California nonprofit corporation of which the Applicant is an operating entity, may not include cancellation of lease agreement, retaking of property or eviction of the lessee.

(6) The lease agreement shall provide for either one of the following:

(A) The lessee Applicant, or the California nonprofit corporation of which the Applicant is an operating entity, is obligated to pay all taxes and assessments on the property.

(B) The landlord will provide the lessee Applicant, or the California nonprofit corporation of which the Applicant is an operating entity, with notice of any failure to pay taxes or assessments on the property and an opportunity for the lessee Applicant, or the California nonprofit corporation of which the Applicant is an operating entity, to cure the failure.

(7) The landlord shall demonstrate that the lease agreement is legally authorized and has been properly approved and executed and enforceable against the landlord. The landlord shall provide a legal opinion of qualified counsel to this effect to the Authority.

(8) The lessee Applicant shall demonstrate that the lease agreement is legally authorized and has been properly approved and executed and enforceable against the lessee Applicant, or the California nonprofit corporation of which the Applicant is an operating entity. Lessee Applicant shall provide a legal opinion of qualified counsel to this effect to the Authority

(9) (A) Except as provided in (9)(B), the Applicant shall provide a legal opinion that either:

(i) The landlord is a special purpose entity which cannot enter federal bankruptcy proceedings, or

(ii) The lease agreement will not be an executory contract and cannot be rejected by the landlord in the event of bankruptcy.

(B) For so long as the landlord is an Affiliate of lessee Applicant, or the California nonprofit corporation of which the Applicant is an operating entity, the requirements of (9)(A) do not apply.

(10) The Grant Agreement shall provide that if the lease agreement terminates prior to the end of the useful life of the Project under the Grant and the property that was subject to the lease agreement is not simultaneously re-leased under a new lease agreement that complies with the requirements of this Section 7014 or fee title to the property that was subject to the lease agreement is not simultaneously transferred to the Applicant, the Authority is entitled to recover the Grant funds pursuant to Section 7016.

(11) When a Project on leased property includes improvements to any common areas that are shared with other tenants or areas that are not leased by the lessee Applicant, or the California nonprofit corporation of which the Applicant is an operating entity, under the lease agreement, the Grant funds shall be limited only to the proportionate costs of the Project which exclude the costs related to such areas.

(12) Prior to approval of the Grant by the Authority, the Applicant shall submit the proposed lease agreement for review and demonstrate compliance with all of the above conditions and any other conditions required by the Authority.

(b) For purposes of this section, “Affiliate” means an entity which, directly or indirectly through one or more intermediaries, is controlled by or is under common control with the lessee Applicant, or the California nonprofit corporation of which the Applicant is an operating entity.

Authority cited: Sections 1179.85, 1179.87, and 1179.91, Health and Safety Code.

Reference: Sections 1179.85, 1179.87, and 1179.88, Health and Safety Code.

**Section 7015. Completion of Grant Funded Project.**

(a) The Grantee shall certify to the Authority that the Project is complete by submitting a “Completion Certificate and Final Report,” Form No. CHFFA 10 CHP18-CCFR (~~210/2019~~), hereby incorporated by reference, ~~and, to the extent not already provided to the Authority, supporting documentation to the Authority staff as follows:~~

(b) Prior to submission of the “Completion Certificate and Final Report”, and to the extent not already provided to the Authority, provide the documents listed below and supporting documentation, that include but are not limited to, purchase orders, invoices, cancelled checks, service contracts, etc. for all Grant fund disbursements, including advances, as follows:

(1) Construction Projects (including Projects with architect, design and engineering fees) require documentation including, but not limited to, copies of the certificate of occupancy and/or notice of completion. Purchase orders, invoices, and cancelled checks shall be submitted. If the Grantee does not provide copies of cancelled checks, the Grantee shall provide wire transfers, electronic fund transfers or other evidence sufficient to demonstrate that invoices/documentation of expenditures were paid in lieu of copies of cancelled checks.

(2) Real property acquisition Projects require a copy of the final closing statement with certification by the title company.

(3) Equipment acquisition Projects require service contracts, purchase orders, invoices and copies of cancelled checks to be submitted.

(A) If the Grantee does not provide copies of cancelled checks, the Grantee shall provide wire transfers, electronic fund transfers or other evidence sufficient to demonstrate that invoices/documentation of expenditures were paid in lieu of copies of cancelled checks.

~~(b)~~ If the Grantee fails to complete the Project within the Grant Period, the Authority may require remedies, including forfeiture and return of the Grant to the Authority.

(ed) On a case-by-case basis, the Authority or the Executive Director may grant limited extensions of the Grant Period for extraordinary or unavoidable delays where the Grantee can demonstrate that it occurred through no fault of its own.

Authority cited: Sections 1179.85, 1179.87, and 1179.91, Health and Safety Code.

Reference: Sections 1179.85, 1179.87, and 1179.88, Health and Safety Code.

#### **Section 7016. Recovery of Funds for Non-Performance and Unused Funds.**

(a) If the Authority determines that the use of the Grant funds did not comply with the Children's Hospital Program of 2018 requirements and the terms of the Grant Agreement for an approved Project, the Authority may require remedies, including a return of all Grant funds.

(b) In cases where Grant funds paid for a component of a project that does not specifically benefit pediatric patients, such as architect, design or engineering fees or land acquisition costs, and if the Authority determines that the Grantee did not complete a larger project as described in the timelines provided with the Application, the Authority may require remedies, including a return of all Grant funds.

(c) If the Project, or any part thereof, funded with Grant funds ceases to be used by the Grantee(s) before the end of the useful life of the Project, the Authority is entitled to recover Grant funds in an amount that bears the same ratio to the value of the Project, or the appropriate part thereof, at the time it ceased to be used by the Grantee(s) as the amount of the Grant bore to the cost of the Project or the appropriate part thereof.

(1) For purposes of this paragraph, the value of the Project, or the appropriate part thereof, is determined by mutual agreement of the Authority and the Grant recipient or through an action brought for that purpose in superior court.

(d) If any portion of the Grant is forfeited to the Authority, the forfeited funds shall be deemed remaining funds for purposes of Section 7003 (a)(4) or 7003.1 (c) and (d).

Authority cited: 1179.85, 1179.87, and 1179.91, Health and Safety Code.

Reference: Sections 1179.85, 1179.87, and 1179.88, Health and Safety Code.

#### **Section 7017. Records Retention, Inspections and Audits.**

(a) The California State Auditor and Authority staff may conduct periodic audits to ensure Grantees are using Grants consistent with the Children's Hospital Program of 2018 requirements and the terms of the Grant Agreement for an approved Project.



(b) Grantees shall retain all Children's Hospital Program of 2018 documentation 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 or until June 30, 2036, whichever is later.

Authority cited: 1179.85, 1179.87, and 1179.91, Health and Safety Code.

Reference: Section 1179.88, Health and Safety Code.