

FINDING OF EMERGENCY

The California Health Facilities Financing Authority (the "Authority") intends to implement these regulations on an emergency basis for the immediate preservation of the public peace, health, safety, or general welfare, within the meaning of Government Code Section 11346.1.

Government Code Section 11346.1(a)(2) requires that at least five (5) working days prior to submission of the proposed emergency action to the Office of Administrative Law ("OAL"), the adopting agency provide a notice of the proposed emergency action to every person who has filed a request for notice of regulatory action with the agency. To this end, the Authority posted the proposed emergency regulations on its website and simultaneously disseminated notice of the proposed emergency action to all persons who have filed a request for notice.

After submission of the proposed emergency regulations to OAL, OAL shall allow interested persons five (5) calendar days to submit comments on the proposed emergency regulations as set forth in Government Code Section 11349.6. To determine the OAL five (5) days comment period, please check <http://www.oal.ca.gov/> often.

DESCRIPTION OF SPECIFIC FACTS WHICH CONSTITUTE THE EMERGENCY

Health and Safety Code Section 1179.84 provides:

"The purpose of the Children's Hospital Program is to improve the health and welfare of California's critically ill children by providing a stable and ready source of funds for capital improvement projects for children's hospitals. The program provided for in this part is in the public interest, serves a public purpose, and will promote the health, welfare, and safety of the citizens of the state."

These regulations will directly benefit 13 Children's Hospitals that operate throughout California as well as an undetermined number of hospitals "that provide pediatric services to children eligible for the California Children's Services program that are either (1) a public hospital as defined in paragraph (25) of subdivision (a) of Section 14105.98 of the Welfare and Institutions Code, or (2) a general acute care hospital licensed pursuant to section 1250 of this code [Health and Safety Code] that is, or is an operating entity of, a California nonprofit corporation." (Health and Safety Code Section 1179.86, subdivision (c)). These hospitals provide specialized and 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. The regulations provide the mechanism to implement the Children's Hospital Bond Act of 2018 whereby funds may be disbursed to the 13 Children's Hospitals to fund the purchase of equipment for use in the treatment of these children or to fund other capital projects to expand bed capacity or upgrade the facility as needed to better serve these children and their families. The five (5) University of California general acute care Children's Hospitals are identified by name in statute, while the eight (8) Non University of California nonprofit Children's Hospitals are identified as general acute care hospitals that are, or are an operating entity

of, a California nonprofit corporation that received a Grant or Grants from the Children's Hospital Bond Acts of 2004 and 2008. In addition to the 13 Children's Hospitals eligible for Grant funds, the Children's Hospital Bond Act of 2018 extends to a public hospital, a private nonprofit hospital, or an operating entity of a private nonprofit corporation. Throughout this document, these hospitals shall be referred to as "Eligible Hospitals". In order to submit an application for Grant funds, an Eligible Hospital will be required to submit documentation as evidence of Full Approval under the California Children's Services ("CCS") program by the Department of Health Care Services.

As stated above, there are two previous Children's Hospital Bond Act Programs that were passed by the voters in 2004 and 2008. The regulations governing these two programs are nearly identical. The regulations on both of the earlier programs were effective in facilitating the review, awarding of grants, and disbursement processes for eligible projects in multiple funding rounds causing almost all grant funds to be dedicated towards projects that have or will improve access to health care or improve pediatric patient outcomes for the critically ill children of California. The Children's Hospital Program of 2018 is again similar to the earlier programs and, therefore, the regulations are the same, to the extent possible. Additional requirements and processes have been incorporated into these regulations as the Children's Hospital Program of 2018 provides funds to a new sector of hospitals which are being designated as Eligible Hospitals for purposes of the regulations.

Note: The Grant funds available to the Eligible Hospitals is 10 percent of the total funds available for grants, and there are approximately 160 hospitals that are eligible for these Grant funds. Due to the limited amount of Grant funds available to these hospitals, awarding of Grant funds will be on a competitive basis. The Eligible Hospitals will be scored based on the Evaluation Criteria from the highest to the lowest scoring application. The number of Grant awards that will be made is contingent on the amount of Grant funds requested by the individual hospitals. The total amount of Grant funds available to Eligible Hospitals is \$150,000,000, with a maximum per hospital of \$15,000,000. The Grant funds available to Eligible Hospitals shall be used solely for "...constructing, expanding, remodeling, renovating, furnishing, or equipping the pediatric program of an eligible hospital". (Health and Safety Code Section 1179.86, subdivision (c)). Again, the focus is on improvement of the health and welfare of California's critically ill children.

The filing of these regulations as "emergency" will allow the regulations to become effective immediately upon filing with the Secretary of State. With the governing regulations in place, the Authority has the ability to immediately open a first Funding Round thereby allowing the Children's Hospitals immediate access to the Grant funds. The relevancy of allowing the Children's Hospitals immediate access to the Grant funds is critical as these hospitals provide specialized treatment and care that has increased the survival of children suffering from serious diseases and illnesses such as childhood leukemia, cancer, heart defects, diabetes, sickle cell anemia, and cystic fibrosis.

The timeline of the Regular Rulemaking procedure will delay implementation of these proposed regulations for approximately one year, thus postponing the awarding of Grant funds for a year for Children's Hospitals, and for up to two years for the Eligible Hospitals. (This projection is based on completion of the Regular Rulemaking procedure as well as

time for the hospitals to submit applications, review and scoring of the applications by Authority staff, as applicable, and the approval and awarding of the Grants by the Authority.) The projects undertaken by the Children's Hospitals and the Eligible Hospitals involve millions of dollars and take months of preparation for hospital expansion and renovation requirements such as architectural design, permits, surveys, etc. Another use of the funds is for state-of-the-art equipment to serve critically ill children and children with special health care needs. Such a delay in funding can jeopardize the preliminary project work and/or the purchase of equipment needed for the health, treatment, and welfare of these vulnerable children and their families.

REQUEST FOR READOPTION

As permitted in the Government Code, the Authority is readopting the emergency regulations to allow additional time to complete the regulatory process.

The emergency regulations will expire on October 10, 2019. There is a necessity to readopt the emergency regulations for an additional 90-day period in order to finalize the regular rulemaking process and submit the Certificate of Compliance to the Office of Administrative Law.

The emergency regulations have been amended and/or reformatted in areas where such amendments were determined necessary to address clarity. The continuation of these regulations beyond the expiration date is deemed to be necessary to ensure that the funding of Projects for hospital expansion and renovation as well as the purchase of state-of-the-art equipment to serve critically ill children and children with special health care needs are not jeopardized.

INFORMATIVE DIGEST

California voters passed Proposition 4 on November 6, 2018, enabling the State of California to issue \$1.5 billion in general obligation bonds to fund the Children's Hospital Program of 2018. The purpose of the program as outlined in Health and Safety Code Sections 1179.81-1179.102, is to improve the health and welfare of California's critically ill children by providing a stable and ready source of funds for capital improvement projects for Children's Hospitals. The Authority is responsible for administering the Program.

As provided in the statute, the 13 Children's Hospitals are eligible for grants through the Program: Five (5) University of California Children's Hospitals and eight (8) Non University of California, nonprofit Children's Hospitals, (Health and Safety Code Section 1179.82, subdivisions (b)(1) and (b)(2). The statute further specifies that 18 percent of the total funds available for grants shall be awarded to the Children's Hospitals as defined in subdivision (b)(1), and 72 percent of the total funds available to the Children's Hospitals as defined in subdivision (b)(2). These percentages equate to \$54 million to each of the five (5) University of California Children's Hospitals and \$135 million to each of the eight (8) private Non University of California, nonprofit Children's Hospitals. The Grant funds allocated to each Children's Hospital may only be claimed by that specific hospital until June 30, 2033. At that time, the University of California Children's Hospitals' funds

become available to any University of California Children's Hospital, and the Non University of California, nonprofit Children's Hospitals' funds become available to any Non University of California, nonprofit Children's Hospital. These Children's Hospitals may request reimbursement for the costs of constructing, expanding, remodeling, renovating, furnishing, equipping, financing, or refinancing of a Children's Hospital where the costs are incurred after January 1, 2018.

Unlike the earlier two Children's Hospital Bond Acts (2004 and 2008), the Children's Hospital Bond Act of 2018 extends to public or private nonprofit hospitals that provide pediatric services for children eligible for California Children's Services programs ("Eligible Hospitals"). The Eligible Hospitals have been allocated 10 percent of the total funds available or \$150 million. There are approximately 160 hospitals that meet the definition of an Eligible Hospital as defined in Health and Safety Code Section 1179.86, subdivision (c). The awarding of these Grant funds shall be on a competitive basis. The Authority, with the concurrence of the California Hospital Association and stakeholder input, is proposing through regulations, that no Grant request and subsequently a Grant allocation to any Eligible Hospital may exceed \$15 million less Costs of Issuance and Administrative Costs. Capping the maximum Grant amount that any single Eligible Hospital may request will increase the number of Eligible Hospitals that potentially may be awarded Grant funds. Distinctions between the Children's Hospitals and Eligible Hospitals also include a restriction on the use of the Grant funds; specifically, Eligible Hospitals shall not use Grant funds for the purchase of property. (Health and Safety Code Section 1179.86, subdivision (c) which lists the costs for which Grant funds may be used by the Eligible Hospitals, specifically excludes the purchase of property/financing or refinancing of a hospital.)

As mentioned, above, the Eligible Hospitals will be awarded Grant funds on a competitive basis. Therefore, two distinct Application Forms have been developed: one for the Children's Hospitals and one for the Eligible Hospitals. The Applications acknowledge that each is specific to a different hospital type through the Application title and form number.

Within the regulations, the distinctions between the Children's Hospitals and the Eligible Hospitals are acknowledged by the creation of different regulation sections. For example, the Evaluation Criteria for Children's Hospitals and the Eligible Hospitals differ; therefore, Section 7007 is entitled "Evaluation Criteria for Children's Hospitals" and Section 7007.1 is entitled "Evaluation Criteria for Eligible Hospitals". In another situation, the release of funds differs amongst the Children's Hospitals defined in Health and Safety Code Section 1179.82, subdivision (b)(1), the Non University of California, nonprofit Children's Hospitals defined in Section 1179.82, subdivision (b)(2), and the Eligible Hospitals defined in Health and Safety Code Section 1179.86, subdivision (c). In this case, the Authority created a Section 7013 for the Release of Funds for Non University of California nonprofit Children's Hospitals, 7013.1 for the Release of Funds for Eligible Hospitals, and 7013.2 for the Release of Funds for University of California Children's Hospitals.

The only entities impacted by these regulations are the Children's Hospitals as specified in Health and Safety Code Section 1178.82, subdivision (b), and the hospitals that provide pediatric services to children eligible for the California Children's Services program that

meet specific criteria as outlined in Health and Safety Code Section 1179.86, subdivision (c). (The latter hospitals have been defined in the proposed regulations as “Eligible Hospitals”.)

A webinar was held on February 5, 2019 to receive input and feedback on the proposed regulations. Approximately 50-60 stakeholders participated and provided input in the development of the regulations. The Authority also met with and received input and feedback from hospital associations representing the Children’s Hospitals and Eligible Hospitals.

UPDATED INFORMATIVE DIGEST

As required, the proposed regulations for the Children’s Hospital Program of 2018 were posted on the CHFFA website, informing the public of the intent to submit the aforementioned regulations to OAL for a 90-day extension in order to complete the Rulemaking Process. This notice of intent was also sent to individuals on listserve (the mechanism by which individuals request notification of any proposed regulations and other information requiring public notification, such as Authority board meeting dates and agendas.)

The emergency regulations became effective on April 12, 2019, and the Children’s Hospitals were notified via the Authority’s website and listserve that Applications for Grant funds would now be accepted. The submission of Applications since that date as well as telephone and email inquiries by the Children’s Hospitals and Eligible Hospitals (the users of the regulations) has alerted the Authority of the need for amendments to the emergency regulations. The amendments to the regulations are nonsubstantive and consist of edits to provide clarity, such as:

- a. Reformatting the more complex regulations into subdivisions, and
- b. Corrections, such as replacing the term “Applicant” with the term “Grantee,” as applicable, to reflect that once the Applicant has received Grant approval by the Authority, it is the “Grantee” that is to comply with the applicable regulations.

The emergency regulations were amended to provide the necessary clarity and were subsequently published on September 13, 2019 with written comments to be provided no later than October 28, 2019. Pending public comments, it is anticipated that the regulations will be submitted to OAL for the 45-day review in order to complete the process for the Certificate of Compliance within the additional 90-day timeframe provided with an approved readopt.

Anticipating approval of the readopt request, CHFFA has tentatively scheduled a webinar for Tuesday, October 22, 2019, to discuss with representatives of the Eligible Hospitals, the regulatory changes and provide technical assistance on the application process, including completion and submission of the Grant Application for Eligible Hospitals.

DOCUMENTS INCORPORATED BY REFERENCE

Grant Application for Children’s Hospitals, Form No. CHFFA 10 CHP18-CH (10/2019)

Grant Application for Eligible Hospitals, Form No. CHFFA 10 CHP18-EH (10/2019)

Completion Certificate and Final Report, Form No. CHFFA 10 CHP18-CCFR (10/2019)

DUPLICATION OF REGULATIONS

The following is a list of the sections within the Children's Hospital Program of 2018, Grant Application for Children's Hospitals, the Children's Hospital Program of 2018, Grant Application for Eligible Hospitals, and the Children's Hospital Program of 2018, Completion Certificate and Final Report, where a section of the Children's Hospital Program of 2018 regulations (Title 4) are duplicated.

The Authority has included the regulatory language in the two Applications and the Completion Certificate and Final Report form for purposes of satisfying the requirement for clarity of regulations and forms incorporated by reference.

Grant Application for Children's Hospitals, Form No. CHFFA 10 CHP18-CH (10/2019)

Application Submission Instructions – Page (i)

Paraphrased

Financial Information, Regulations Section 7005, Contents of Application, subdivision (a)(1)

Organization Information, Regulations Section 7005, Contents of Application, subdivisions (a)(2)(A)(i) through (a)(2)(A)(iii), and (a)(2)(B)

Project Description – Page 4

Verbatim

Regulations, Section 7007, Evaluation Criteria for Children's Hospitals, subdivisions (a)(1) and (a)(2) and subdivisions (b)(1), (b)(2) and (b)(3)

Project Readiness and Feasibility – Page 5

Paraphrased

Regulations, Section 7007, Evaluation Criteria for Children's Hospitals, subdivisions (c)(1)(A) through (c)(1)(C)

Verbatim

Regulations, Section 7007, Evaluation Criteria for Children's Hospitals, subdivisions (c)(2)(A) through (c)(2)(D)

Project Readiness and Feasibility (cont.) and Financial Capacity– Page 6

Paraphrased

Regulations, Section 7007, Evaluation Criteria for Children's Hospitals, subdivisions (c)(3)(A) through (c)(3)(C), and (c)(4)

Grant Application for Eligible Hospitals, Form No. CHFFA 10 CHP18-EH (10/2019)

Application Submission Instructions – Page (i)

Paraphrased

Financial Information, Regulations Section 7005, Contents of Application, subdivision (a)(1)

Organization Information, Regulations Section 7005, Contents of Application, subdivisions (a)(2)(A)(i) through (a)(2)(A)(iii), (a)(2)(B), and (a)(2)(C)

Project Description – Page 4-7

Verbatim

Regulations, Section 7007.1, Evaluation Criteria for Eligible Hospitals, subdivisions (a)(1)(A) through (a)(1)(v) and subdivision (a)(2)(A) and (a)(2)(B)

Regulations, Section 7007.1, Evaluation Criteria for Eligible Hospitals, subdivisions (b)(2)(A)(i) through (b)(2)(A)(vi) and (b)(3)(A)(i) through (b)(3)(A)(iv)

Paraphrased

Regulations, Section 7007.1, Evaluation Criteria for Eligible Hospitals, subdivisions (b)(1)(A) through (b)(1)(A)(ii) and subdivision (b)(1)(B)

Regulations, Section 7007.1, Evaluation Criteria for Eligible Hospitals, subdivisions (c)(1) through (c)(1)(C)

Project Description - Page 8

Paraphrased

Regulations, Section 7007.1, Evaluation Criteria for Eligible Hospitals, subdivisions (c)(2)(A) through (c)(2)(B)(i)

Verbatim

Regulations, Section 7007.1, Evaluation Criteria for Eligible Hospitals, subdivisions (c)(2)(C) and (c)(2)(D), and subdivision (c)(4)

Project Readiness and Feasibility – Page 9

Paraphrased

Regulations, Section 7007.1, Evaluation Criteria for Eligible Hospitals, subdivisions (c)(3)(A) and (c)(3)(B)

Completion Certificate and Final Report Form No. CHFFA 10 CHP18-CCFR (10/2019)

Paraphrased

Regulations, Section 7015, Completion of Grant Funded Project, subdivisions (a)(1) and (a)(2)

STATEMENT OF NECESSITY:

NOTE: For purposes of the Statement of Necessity, Children's Hospitals means those hospitals defined in Health and Safety Code Section 1179.82, subdivision (b) and Eligible Hospitals means those hospitals defined in Health and Safety Code Section 1179.86, subdivision (c).

Section 7000, Definitions

This section provides definitions for terms:

(a) Where the definition may differ from that found in a dictionary. For example, "Authority" is defined, within these regulations, as follows: "Authority" means the California Health Facilities Financing Authority. This informs the users of the regulations that the use of the term "Authority" throughout these regulations is specific to the California Health Facilities Financing Authority.

(b) That may be unfamiliar to the users of the regulations. For example, "Audited Financial Statements" means an examination and report of an independent accounting firm on the financial activities of a public agency or private nonprofit corporation. Users of the regulations may be unfamiliar with this accounting term.

(c) That are unique to the California Health Facilities Financing Authority and the process for awarding of Grant funds. For example, an "Initial Allocation" is the Grant amount that is recommended to the Authority for Final Allocation. "Final Allocation" is the Grant amount that is approved by the Authority.

Section 7001, Eligibility

This section places into regulation, specifics as to the entities that may apply for Grants under the Children's Hospital Program of 2018. In addition to the eligibility requirements contained in the enacting legislation, other requirements are listed, including, but not limited to, submission of a completed Application form. Applicants not meeting all the conditions as contained in this regulation, are deemed ineligible but are informed that reapplication is allowed at a time when the Applicant meets all applicable eligible requirements.

Section 7002, Eligible Project Costs

This section places into regulation, information as to the specific costs that are eligible for funding under this Grant Program. Two distinct subsections are provided as the eligible costs and the timeline for costs that are reimbursable differ between those hospitals defined as Children's Hospitals in Health and Safety Code Section 1179.82, subdivision

(b) and the other hospitals described in Health and Safety Code Section 1179.86, subdivision (c), hereafter referred to as “Eligible Hospitals”.

Section 7003, Maximum Grant Amount for Children’s Hospitals and 7003.1, Maximum Grant Amount for Eligible Hospitals

Two sections on Maximum Grant Amounts were required as there are distinct differences between the grant amounts for Children’s Hospitals and Eligible Hospitals. The distinction between the two entity types is based primarily on the amount of Grant funds allocated in the statute for the differing hospital types and a specific amount of Grant funds allocated to the Children’s Hospitals as opposed to Eligible Hospitals that will be competing for the Grant funds available.

Section 7004, Grant Applications for Children’s Hospitals, and Section 7004.1, Grant Applications for Eligible Hospitals

Section 7004 provides Children’s Hospitals with information as to the availability of the Application, and statements as to number of copies of an Application to submit to the Authority when requesting Grant funds, and that each Applicant may apply for more than one Grant for differing Projects until the specific Children’s Hospital reaches its maximum Grant for the first Funding Round.

Section 7004.1 was necessary as the Grant Application for Eligible Hospitals differs from the Children’s Hospital Application in that the awarding of funds will be determined on a competitive basis. This requires that a specific date and time be set for the receipt of Applications by the Authority. All hospitals competing for Grant funds must adhere to this date and time. Additionally, incomplete Applications and/or Applications received after the specified date will not be accepted for that funding round, and the Authority will not accept or consider any information or documents after the specified date.

Section 7005, Contents of Application

This section is necessary to inform Applicants of financial, organizational, and legal information that is to be provided to the Authority as part of a completed Application. This information is also specified in the Instruction portion of the applicable Application to provide clarity to the regulations.

(Note: See Duplication of Regulations section above)

Section 7006, Children’s Hospitals Application Evaluation, and 7006.1, Eligible Hospitals Application Evaluation

These sections are necessary as Children’s Hospitals may submit Applications on a continuous basis; therefore, the Children’s Hospitals are informed that their Applications will be reviewed and evaluated within 60 days of receipt by the Authority staff. Also, as the Children’s Hospitals are eligible for specific amounts of funding, there is no need to score the Applications to determine which hospitals will receive Grant funds. In contrast, the Eligible Hospitals have a set final filing date for Applications as the process is competitive. These Applications will be scored and Grant funds will be awarded on a sliding scale until all available funds have been allocated.

Section 7007, Evaluation Criteria for Children’s Hospitals, and 7007.1, Evaluation Criteria for Eligible Hospitals

These sections are necessary to inform Applicants of the criteria on which their specific Applications will be evaluated. The criteria for Children’s Hospitals includes reference to the specific information to be provided when real property is being acquired.

The Evaluation Criteria for the Eligible Hospitals is more expansive, as the hospitals will be competing for the allocated Grant funds. As limited Grant funds are available to the Eligible Hospitals, more detailed information about the proposed Projects is needed for evaluation and scoring by Authority staff.

The Evaluation Criteria Section for Eligible Hospitals has three primary areas on which the hospitals will be evaluated. Each section is weighted differently based on the following:

Section (a) focuses on the specific Project to be funded with the Grant funds. As this is the primary focus of the Children’s Hospital Bond Act, this section carries the greatest weight.

Section (b) focuses on the Applicants’ (“Eligible Hospital”) ability to implement the intent of the Bond Act which focuses on the hospital’s ability to serve the targeted populations as described in the statute. This section is weighted less than Section (a) as all hospitals perform these services and the focus, therefore, is on “how well” they perform these services.

Section (c) focuses on the successful implementation of the Project. This section emphasizes the ability of the Project to be “ready” and “feasible” as required in Health and Safety Code Section 1179.87, subdivision (a)(6).

Section 7008, Notification and Initial Allocation for Children’s Hospitals, and 7008.1, Notification and Initial Allocation for Eligible Hospitals

Initial Allocation is a term defined in Section 7000. The use of the term Initial Allocation is unique to the Grant process as used by the California Health Facilities Financing Authority. The Initial Allocation is the recommendation by the Authority Staff to the Authority for a specific Application submitted for Grant funds. It is necessary for users of the regulations to understand that the Initial Allocation is a “recommendation” and does not guarantee that Grant funds will be awarded or that the amount of the Grant funds will be what was requested on the Application. The Authority makes the final determinations based on staff recommendations. The process for arriving at the Initial Allocation is outlined in this section.

The amount of the individual Grant funds to the Children’s Hospitals are specified in the law; therefore, it is only necessary for the Authority staff to notify the Children’s Hospital Applicant of the amount of their Initial Allocation. In contrast, Eligible Hospitals are competing for the Grant funds available to them. Therefore, it is necessary to score the Applications based on the Evaluation Criteria in Section 7007.1 and recommend Initial Allocations based on the final score of each Application. Minimum scores for Initial Allocations are set to (1) fund projects that focus, with a greater degree, on the provision

of care to the targeted populations and (2) increase the awarding of Grant funds to Projects that have a greater likelihood of successful implementation. Users of the regulations are also notified that while minimum scores are required for an Initial Allocation, Applications with less than the required minimum score may be considered for an Initial Allocation to achieve the statewide objective of improving the health and welfare of California's critically ill children. Initial Allocations may be less than the amount requested in the Application in order to control Project costs and achieve the statewide objective of improving the health and welfare of California's critically ill children. For example, Initial Allocations to Eligible Hospitals may be reduced in order to provide Grant funds to an Eligible Hospital in need of specific equipment, the availability of which is critical for the health, welfare, and safety of the children being served.

Section 7009, Appeals

This section provides an appeal process for those entities that submitted an Application, which the Authority staff determined not to recommend for a Grant, or an appeal of the amount of the Initial Allocation recommended by the Authority staff. This section provides information on the timeline of appeals and information on the review process and decision of such appeals.

Section 7010, Approval of Grant and Notification of Grantee

This section informs those hospitals receiving a Grant that, in the case of Children's Hospitals Applying Jointly, the Grant will be awarded to the hospital designated as Lead Grantee. Additionally, Applicants approved for a Final Allocation will receive a Grant Award Letter that includes specific information, as delineated in the regulations.

Section 7011, Approval of Grant Use Change

This section informs Grantees that, on a case-by-case basis, a change in the use of the Grant may be allowed if the Grantee demonstrates to the Authority or the Authority staff that the change is consistent with the Act and this chapter.

Section 7012, Grant Agreements

This section provides the terms and conditions of the Grant that will be specified in the Grant Agreement. Grant funds cannot be disbursed until the Grant Agreement is executed by the Authority and the Grantee.

Section 7013, Release of Funds for Non University of California Children's Hospitals, Section 7013.1, Release of Funds for Eligible Hospitals and Section 7013.2, Release of Funds for University of California Children's Hospitals

These sections inform Grantees of the requirements and documentation that shall be completed before the Grant funds may be released. The documentation required varies depending on what the Grant funds will be/were used for. In the case of Eligible Hospitals, required documentation for the purchase of property is not included, as the use of Grant funds to purchase property is not an allowable expenditure. However, Eligible Hospitals may use Grant funds for architect, design and engineering fees on property already owned by the Eligible Hospital or on property leased to the Eligible Hospital if said leased property satisfies the requirements in Section 7014. The University of California

Children's Hospitals may only receive Grant funds on a reimbursement basis due to Federal tax laws. Therefore, the regulations require additional documentation for the release of Grant funds.

Section 7014, Requirements for Construction Projects on Leased Property

This section informs Grantees that Grant funds may be used for construction or renovation of property on leased property. This section is necessary, as the Grant funds will be used for payment of the construction and/or improvement of the leased property. It is the responsibility of the Authority, as a governmental agency, to protect the use of Grant funds for the intended purpose. Specific requirements must be satisfied in order for Grant funds to be used on property leased to the Grantee.

Section 7015, Completion of Grant Funded Project

This section informs Grantees that once the Project funded with Grant funds is completed, the Grantee shall submit a Completion Certificate and Final Report form to the Authority. The Grantee is provided with the specific documentation to be submitted to the Authority, prior to submission of this Completion Certificate and Final Report. Documentation will vary depending on the specific Project(s) for which the funds were used.

Section 7016, Recovery of Funds for Non-Performance and Unused Funds

This section specifies circumstances under which the Authority may require remedies that include the forfeiture and return of the Grant funds. Provision is also made for the return to the Authority of any unused funds and any unused interest earnings.

Section 7017, Records Retention, Inspections and Audits

This section informs Grantees of the timeframe for records retention and also notifies Grantees that the Authority may perform site visits during the Grant Period and for three years after the certification of Project completion has been submitted.

DESCRIPTION OF THE BENEFITS OF THE PROPOSED ACTION, WHICH INCLUDES NONMONETARY BENEFITS SUCH AS PROTECTION OF THE PUBLIC HEALTH AND SAFETY, WORKER SAFETY, THE ENVIRONMENT, ETC.

These regulations will directly benefit the 13 Children's Hospitals (eight non-profit Children's Hospitals and five University of California Children's Hospitals) and an unspecified number of hospitals that provide pediatric services to children eligible for the California Children's Services program as defined in Health and Safety Code Section 1179.86, subdivision (c), that operate throughout California. These hospitals provide comprehensive pediatric services to a high volume of children eligible for governmental programs and indigent, underserved, and uninsured children. These regulations provide the mechanism for Grant funds to be disbursed to the designated Children's Hospitals and other eligible hospitals as described above in order to purchase critically needed equipment for use in the treatment of these children and/or to fund other capital projects to either expand bed capacity or update facilities as needed to better serve these children and their families.

EVALUATION OF WHETHER OR NOT THE PROPOSED REGULATIONS ARE INCONSISTENT OR INCOMPATIBLE WITH EXISTING STATE REGULATIONS

The Authority evaluated whether or not there were any other regulations concerning the awarding of grants to Children's Hospitals and Eligible Hospitals. There are two other programs, also under the auspice of the California Health Facilities Financing Authority that are similar to these proposed regulations; specifically, the Children's Hospital Program of 2004 (California Code of Regulations, Title 4, Chapter 2) and the Children's Hospital Program of 2008 (California Code of Regulations, Title 4, Chapter 2.5).

These proposed regulations are neither inconsistent nor incompatible with these existing regulations. The Authority is not aware of any other state programs that disburse Grant funds to Children's Hospitals.

COST ESTIMATE

1. Cost or Savings to State Agencies: No impact. The California voters passed Proposition 4 on November 6, 2018, enabling the State of California to issue \$1.5 billion in general obligation bonds to fund the Children's Hospital Program of 2018.
2. Cost to Local Agencies or School District Which Must Be Reimbursed in Accordance with Government Code Section 17500-17630: None.
3. Nondiscretionary Costs or Savings to Local Agencies: No impact.
4. Cost Impact: Cost or Savings in Federal Funding to State Agencies: No impact.

LOCAL MANDATE STATEMENT

These regulations do not impose a mandate upon local agencies or school districts. There are no "state mandated local costs" in these regulations which require state reimbursement under Section 17500 of the Government Code.

FISCAL IMPACT

These regulations do not impose any costs to any local agency or school district requiring reimbursement pursuant to section 17500 et seq. of the Government Code, nor do these regulations identify any costs or savings to any state agency, other nondiscretionary costs or savings to be imposed upon local agencies, or costs or savings in federal funding to the state.

SIGNIFICANT STATEWIDE ADVERSE ECONOMIC IMPACT DIRECTLY AFFECTING BUSINESS, INCLUDING ABILITY TO COMPETE

The California Health Facilities Financing Authority has not identified any significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with business in other states.

RESULTS OF THE ECONOMIC IMPACT ASSESSMENT

The adoption of these regulations will not have an impact on the creation or elimination of jobs within the state. As a result of the adoption of these regulations, new businesses will not be created and current businesses will not be eliminated within the state. The adoption of these regulations will not provide for the expansion of businesses currently doing business with the state. Additionally, neither benefits nor detriments are expected to worker safety or the state's environment due to the adoption of these regulations.

These regulations will directly impact the health and welfare of California residents, specifically children in need of acute care. The monies awarded to the Children's Hospitals and Eligible Hospitals through this grant program will benefit the quality of children's health care through the purchase of additional needed and updated equipment, and fund other capital projects to either expand bed capacity or update the facility as needed to better serve these children and their families.

AUTHORITY AND REFERENCE CITATIONS

The Authority adopts these regulations under the authority granted in Sections 1179.82, 1179.85, 1179.87, and 1179.91, Health and Safety Code, and cites the following references: Sections 1179.81, 1179.82, 1179.84, 1179.85, 1179.86, 1179.87, 1179.88, 1179.89, 1179.91, 1179.97, and 1179.98, Health and Safety Code.

COST IMPACTS ON REPRESENTATIVE PERSONS OR BUSINESS

The California Health Facilities Financing Authority is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

BUSINESS REPORTS

The proposed regulations do not require any reports to be made by any business or other entity.

ALTERNATIVES INFORMATION

In developing this regulatory action, the California Health Facilities Financing Authority did not consider any alternatives because no reasonable alternatives were presented for review.

The California Health Facilities Financing Authority must determine that no reasonable alternative was considered or that has otherwise been identified and brought to the attention of the California Health Facilities Financing Authority would be more effective in carrying out the purpose for which the emergency regulations are proposed or would be as effective as and less burdensome to the affected entities than the proposed action, or would be more cost-effective to potentially affected private persons and equally effective in implementing the statutory policy or other provision of law.

TECHNICAL, THEORETICAL, AND EMPIRICAL STUDY, REPORT OR SIMILAR
DOCUMENTS ON WHICH THE AGENCY RELIES

No technical, theoretical, or empirical study, report or similar documents were relied upon by the Authority in the development of these regulations.