

California Health Facilities Financing Authority (“Authority”)

Proposition 4 - Children’s Hospital Bond Act of 2018

Information Item

January 31, 2019

Summary

On November 6, 2018, California voters passed Proposition 4, the Children’s Hospital Bond Act of 2018 (the “2018 Act”), to issue \$1.5 billion in General Obligation bonds for capital improvement projects at 13 children’s hospitals (referred to as “Children’s Hospitals”) as well as approximately 180 other public or private nonprofit hospitals that provide pediatric services for children eligible for the California Children’s Services (“CCS”)¹ program (referred to as “Eligible Hospitals”). 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 two primary differences between the 2018 Act and the two previous acts, Children’s Hospital Bond Act of 2004 and the Children’s Hospital Bond Act of 2008, are that the Children’s Hospitals can now apply jointly on a project and that ten percent (10%) of the total funds are available to the Eligible Hospitals. **Table 1 - Children’s Hospital Bond Act of 2018 Funding per Hospital Type** includes the 2018 Act grant funding allocation per hospital type, maximum grant amount per hospital, and costs.

Children’s Hospitals – Non- Competitive

Grant awards for the 13 Children’s Hospitals will continue to be made on a noncompetitive basis. However, the 2018 Act allows two or more Children’s Hospitals to apply jointly. Authority staff sought stakeholder feedback and determined that Children’s Hospitals applying jointly may, at their discretion, apply for up to the sum of their respective maximum grant amounts and designate a lead grantee to have the primary responsibility for the fiscal management of grant funds, implementation of the project, records retention, reporting and all of the other aspects of compliance with the regulations and grant agreement.

Eligible Hospitals – Competitive

The ten percent (10%) or \$150 million available for the Eligible Hospitals will be awarded on a competitive basis. Authority staff will share the draft regulations and application (separate from that of the Children’s Hospitals’) with stakeholders for input prior to seeking Authority approval to adopt the regulations and authorize rulemaking proceedings. Authority staff plans to hold a webinar to provide a program overview and seek feedback from stakeholders. Authority staff is discussing with stakeholders and is considering the following items:

1. Setting the maximum grant amount between \$8 million and \$15 million. (e.g., \$8m, \$10m, \$12m, or \$15m)
2. Allowing each Eligible Hospital to submit one application for one project in the first funding round.
3. Setting the deadline for a first funding round application submission period around March/April 2020 or even later.

¹ California Children’s Services (CCS) is a statewide program that arranges, directs, and pays for medical care, equipment, and rehabilitation, when these services are authorized by the program. Services can be authorized for children and young adults under 21 years of age who have eligible medical conditions and whose families are unable to pay for all or part of their care.

4. Developing scoring criteria based on the six factors identified in the 2018 Act.
5. Defining the scope of eligibility of the Eligible Hospitals and requiring the type of approval for the CCS program to be “Full Approval.”
6. Requiring Eligible Hospitals to maintain “Full Approval” status for the useful life of the asset or until project completion.
7. Giving extra points to those Eligible Hospitals located in or serving a Rural Medical Service Study Area (MSSA).
8. Scoring readiness and feasibility and requiring the demonstration of project readiness and feasibility within six (6) months after grant approval.
9. Requiring forfeiture of awarded grant funds if the six- month readiness and feasibility deadline is not met.
10. Allowing grant funds to be disbursed on an advance or reimbursement basis.
11. Determining whether to assess and score financial need.
12. Setting aside \$50 million for applications that request grant amounts less than \$5 million.

Table 1 - Children’s Hospital Bond Act of 2018 Funding per Hospital Type

Hospital Type	Eligible Applicants	Percentage of Funds	2018 Act	
			Total Amount Available	Maximum Per Hospital Amount
UC Children’s Hospitals	5	18%	\$270,000,000	\$54,000,000
Nonprofit Children’s Hospitals	8	72%	\$1,080,000,000	\$135,000,000
Eligible Hospitals (CCS)	180 (estimated)	10%	\$150,000,000	Between \$8 m and \$15m (TBD)
			Less Administrative Costs	\$10 per \$1,000 (1%) of authorized grant award
			Less Costs of Issuance	\$0.75 per \$1,000 (0.075%) of authorized grant award