



## CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (CHFFA) WORKING CAPITAL LOANS

### **THE OPPORTUNITY - Expanded Use of Bond Program for Working Capital**

CHFFA's Bond Financing Program provides eligible healthcare entities with access to the capital markets through the issuance of tax-exempt and taxable revenue bonds, enabling borrowers to secure financing at a lower cost of capital. Bond proceeds may be used for a broad range of purposes, including new construction and renovation, land acquisition, facility acquisition, refinancing of existing debt, working capital, and costs of issuance.

Historically, borrowers have primarily used the Bond Financing Program to finance capital projects. However, working capital financings also support day-to-day operations, such as managing delays in receivables and ensuring timely payments of vendors, employees, and service providers. Access to affordable working capital is critical to maintaining operational continuity, particularly during periods of financial stress, reimbursement transitions, or organizational change.

Historically, working capital financings through CHFFA's Bond Financing Program were limited to a 24-month term. Chapter 277, Statutes of 2025 (AB 627, Stefani) eliminated this limitation. This statutory change allows eligible healthcare entities to incorporate borrowing for working capital into bond issuances for capital projects or to pursue stand-alone working capital financings through CHFFA. As a result, CHFFA is now better positioned to serve as a comprehensive, one-stop financing resource for healthcare providers seeking both short-term liquidity and long-term capital support.

### **WHO CAN BORROW**

To qualify for a working capital financing through CHFFA's Bond Financing Program, a borrower must:

- Be a participating health institution under the CHFFA Act (which generally includes a public hospital, a nonprofit corporation, or association that undertakes the financing or refinancing of a project or working capital);
- Have been operating for a minimum of three years and provide three years of audited financial statements; and
- Demonstrate sufficient revenue to cover debt service on the proposed financing.

CHFFA evaluates eligibility based on the borrower's overall creditworthiness, including pledged revenues and/or other collateral and debt service coverage. **A participating health institution that CHFFA determines to be in financial distress is not eligible under this program.** CHFFA has determined that an institution is in financial stress if, based on its financial statements (or other information provided to CHFFA):

- It is unable to pay its debts as they come due and
- At fair market value, the sum of its debts exceeds the sum of its assets.

## **WHAT CAN BE FINANCED**

Bond proceeds may be used to finance maintenance or operating expenses, or other costs treated as expense items under generally accepted accounting principles, in connection with the ownership or operation of a health facility. Eligible costs include, but are not limited to:

- Operating expenses;
- Operating reserves;
- Debt service on working capital loans;
- Debt service reserves; and
- Costs necessary or incidental to the financing.

Federal tax laws impose restrictions on the use of long-term, tax-exempt debt financing for working capital. Consultation with a qualified bond counsel is strongly recommended before pursuing this type of tax-exempt financing.

## **AMOUNT AND TERM OF FINANCING**

No upper limit on the amount of financing. Terms of up to 40 years, subject to the useful life of what is being financed.

## **FINANCING FEES**

CHFFA charges the following fees:

- **Initial Fee:** 0.05% of the par amount of the bond issuance (maximum of \$100,000)
  - \$1,000 for small private and public health facilities
- **Annual Fee:** 0.0175% of the bonds outstanding
  - Annual maximum of \$500 for small private and public health facilities
  - Annual maximum of \$150,000 for large private health facilities
  - Over time, the annual fee decreases because it is calculated based on the outstanding bond amount rather than the original principal amount.

Other financing costs include legal, financial advisor, and trustee fees.

### **First-Year Fee Examples (for a \$100 million bond issuance):**

Applicant Type	Issuance Amount	CHFFA Initial Fee	CHFFA Annual Fee
Large Private, Non-profit	\$100 million	\$50,000	\$17,500
Small Private, Non-profit and Public	\$100 million	\$1,000	\$500

## **APPLICATION**

Simple loan application.