

AMENDED IN ASSEMBLY APRIL 7, 2025

CALIFORNIA LEGISLATURE—2025–26 REGULAR SESSION

ASSEMBLY BILL

No. 627

Introduced by Assembly Member Stefani

February 13, 2025

An act to amend ~~Section 15432~~ *Sections 15432 and 15437* of, and to repeal Section 15451.5 of, the Government Code, relating to health facilities, and making an appropriation therefor.

LEGISLATIVE COUNSEL’S DIGEST

AB 627, as amended, Stefani. California Health Facilities Financing Authority Act.

The California Health Facilities Financing Authority Act authorizes the California Health Facilities Financing Authority to, among other things, make loans from the continuously appropriated California Health Facilities Financing Authority Fund to participating health institutions for financing or refinancing the acquisition, construction, or remodeling of health facilities. Under existing law, participating health institutions are specified entities authorized by state law to provide or operate a health facility and undertake the financing or refinancing of the construction or acquisition of a project or of working capital, as defined. Existing law defines “working capital” as moneys to be used by, or on behalf of, a participating health institution for specified expenses in connection with the ownership or operation of a health facility, including interest not to exceed 2 years on any loan for working capital made pursuant to these provisions. Existing law requires a participating health institution that is a private nonprofit corporation or association and that borrows money to finance working capital to repay and discharge the loan within 24 months of the loan date.

This bill would change the definition of “working capital” to remove the 2-year cap on interest on any loan for working capital. The bill would delete the provision requiring a participating health institution that is a private nonprofit corporation or association to repay and discharge a loan for working capital within 24 months.

Existing law requires the authority to establish financial eligibility standards by studying the creditworthiness and earning capacity of each project, together with the amount of pledged revenues, debt service coverage, and basic security.

The bill would also require the authority to establish financial eligibility standards for working capital loans by studying the creditworthiness of a participating health institution, along with the amount of pledged venues, debt service coverage, and basic security. The bill would prohibit a participating health institution that is determined to be in financial distress from being deemed financially eligible.

By expanding the purpose for which the above-described continuously appropriated fund may be used, the bill would make an appropriation from that fund. The bill would make legislative findings relating to the purpose of the bill.

Vote: majority. Appropriation: yes. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares that the
2 purpose of this act is to provide creditworthy nonprofit participating
3 health institutions cost-effective, future financing tools at their
4 disposal.

5 SEC. 2. Section 15432 of the Government Code is amended
6 to read:

7 15432. As used in this part, the following words and terms
8 shall have the following meanings, unless the context clearly
9 indicates or requires another or different meaning or intent:

10 (a) “Act” means the California Health Facilities Financing
11 Authority Act.

12 (b) “Authority” means the California Health Facilities Financing
13 Authority created by this part or any board, body, commission,
14 department, or officer succeeding to the principal functions thereof

1 or to which the powers conferred upon the authority by this part
2 shall be given by law.

3 (c) "Cost," as applied to a project or portion of a project financed
4 under this part, means and includes all or any part of the cost of
5 construction and acquisition of all lands, structures, real or personal
6 property, rights, rights-of-way, franchises, easements, and interests
7 acquired or used for a project, the cost of demolishing or removing
8 any buildings or structures on land so acquired, including the cost
9 of acquiring any lands to which those buildings or structures may
10 be moved, the cost of all machinery and equipment, financing
11 charges, interest prior to, during, and for a period not to exceed
12 the later of one year or one year following completion of
13 construction, as determined by the authority, the cost of insurance
14 during construction, the cost of funding or financing noncapital
15 expenses, reserves for principal and interest and for extensions,
16 enlargements, additions, replacements, renovations, and
17 improvements, the cost of engineering, service contracts,
18 reasonable financial and legal services, plans, specifications,
19 studies, surveys, estimates, administrative expenses, and other
20 expenses of funding or financing, that are necessary or incident to
21 determining the feasibility of constructing any project, or that are
22 incident to the construction, acquisition, or financing of any project.

23 (d) "Health facility" means a facility, place, or building that is
24 licensed, accredited, or certified and organized, maintained, and
25 operated for the diagnosis, care, prevention, and treatment of
26 human illness, or physical, mental, or developmental disability,
27 including convalescence and rehabilitation and including care
28 during and after pregnancy, or for any one or more of these
29 purposes, for one or more persons, and includes, but is not limited
30 to, all of the following types:

31 (1) A general acute care hospital that is a health facility having
32 a duly constituted governing body with overall administrative and
33 professional responsibility and an organized medical staff that
34 provides 24-hour inpatient care, including the following basic
35 services: medical, nursing, surgical, anesthesia, laboratory,
36 radiology, pharmacy, and dietary services.

37 (2) An acute psychiatric hospital that is a health facility having
38 a duly constituted governing body with overall administrative and
39 professional responsibility and an organized medical staff that
40 provides 24-hour inpatient care for mentally disordered,

1 incompetent, or other patients referred to in Division 5
2 (commencing with Section 5000) or Division 6 (commencing with
3 Section 6000) of the Welfare and Institutions Code, including the
4 following basic services: medical, nursing, rehabilitative,
5 pharmacy, and dietary services.

6 (3) A skilled nursing facility that is a health facility that provides
7 the following basic services: skilled nursing care and supportive
8 care to patients whose primary need is for availability of skilled
9 nursing care on an extended basis.

10 (4) An intermediate care facility that is a health facility that
11 provides the following basic services: inpatient care to ambulatory
12 or semiambulatory patients who have recurring need for skilled
13 nursing supervision and need supportive care, but who do not
14 require availability or continuous skilled nursing care.

15 (5) A special health care facility that is a health facility having
16 a duly constituted governing body with overall administrative and
17 professional responsibility and an organized medical or dental staff
18 that provides inpatient or outpatient, acute or nonacute care,
19 including, but not limited to, medical, nursing, rehabilitation,
20 dental, or maternity.

21 (6) A clinic that is operated by a tax-exempt nonprofit
22 corporation that is licensed pursuant to Section 1204 or 1204.1 of
23 the Health and Safety Code or a clinic exempt from licensure
24 pursuant to subdivision (b) or (c) of Section 1206 of the Health
25 and Safety Code.

26 (7) An adult day health center that is a facility, as defined under
27 subdivision (b) of Section 1570.7 of the Health and Safety Code,
28 that provides adult day health care, as defined under subdivision
29 (a) of Section 1570.7 of the Health and Safety Code.

30 (8) A facility owned or operated by a local jurisdiction for the
31 provision of county health services.

32 (9) A multilevel facility is an institutional arrangement where
33 a residential care facility for the elderly is operated as a part of, or
34 in conjunction with, an intermediate care facility, a skilled nursing
35 facility, or a general acute care hospital. "Elderly," for the purposes
36 of this paragraph, means a person 60 years of age or older.

37 (10) A child daycare facility operated in conjunction with a
38 health facility. A child daycare facility is a facility, as defined in
39 Section 1596.750 of the Health and Safety Code. For purposes of

1 this paragraph, “child” means a minor from birth to 18 years of
2 age.

3 (11) An intermediate care facility/developmentally disabled
4 habilitative that is a health facility, as defined under subdivision
5 (e) of Section 1250 of the Health and Safety Code.

6 (12) An intermediate care facility/developmentally
7 disabled-nursing that is a health facility, as defined under
8 subdivision (h) of Section 1250 of the Health and Safety Code.

9 (13) A community care facility that is a facility, as defined under
10 subdivision (a) of Section 1502 of the Health and Safety Code,
11 that provides care, habilitation, rehabilitation, or treatment services
12 to developmentally disabled or mentally impaired persons.

13 (14) A nonprofit community care facility, as defined in
14 subdivision (a) of Section 1502 of the Health and Safety Code,
15 other than a facility that, as defined in that subdivision, is a foster
16 family agency, a foster family home, a full service adoption agency,
17 or a noncustodial adoption agency.

18 (15) A nonprofit accredited community work activity program,
19 as specified in subdivision (e) of Section 4851 and Section 4856
20 of the Welfare and Institutions Code.

21 (16) A community mental health center, as defined in paragraph
22 (3) of subdivision (b) of Section 5667 of the Welfare and
23 Institutions Code.

24 (17) A nonprofit speech and hearing center, as defined in Section
25 1201.5 of the Health and Safety Code.

26 (18) A blood bank, as defined in Section 1600.2 of the Health
27 and Safety Code, licensed pursuant to Section 1602.5 of the Health
28 and Safety Code, and exempt from federal income taxation
29 pursuant to Section 501(c)(3) of the Internal Revenue Code.

30 (19) A residential facility for persons with developmental
31 disabilities, as defined in Sections 4688.5 and 4688.6 of the
32 Welfare and Institutions Code, which includes, but is not limited
33 to, a community care facility licensed pursuant to Section 1502 of
34 the Health and Safety Code and a family teaching home as defined
35 in Section 4689.1 of the Welfare and Institutions Code.

36 (20) (A) A residential care facility for the elderly, as defined
37 in Section 1569.2 of the Health and Safety Code.

38 (B) This paragraph shall not be construed as affecting the
39 licensing of health facilities under Chapter 2 (commencing with
40 Section 1250) of Division 2 of the Health and Safety Code, or any

1 other provisions relating to health facilities, except as the term
2 “health facility” is interpreted for purposes of the California Health
3 Facilities Financing Authority Act under this part. The designation
4 of a residential care facility for the elderly as a health facility, as
5 made pursuant to this paragraph, shall apply to this part only.

6 (21) A nonpublic school that provides educational services in
7 conjunction with a health facility, as defined in paragraphs (1) to
8 (20), inclusive, that otherwise qualifies for financing pursuant to
9 this part, if the nonpublic school is certified pursuant to Sections
10 56366 and 56366.1 of the Education Code as meeting standards
11 relating to the required special education and specified related
12 services and facilities for individuals with physical, mental, or
13 developmental disabilities.

14 “Health facility” includes a clinic that is described in subdivision
15 (I) of Section 1206 of the Health and Safety Code.

16 “Health facility” includes information systems equipment and
17 the following facilities, if the equipment and facility is operated
18 in conjunction with or to support the services provided in one or
19 more of the facilities specified in paragraphs (1) to (21), inclusive,
20 of this subdivision: a laboratory, laundry, a nurses or interns
21 residence, housing for staff or employees and their families or
22 patients or relatives of patients, a physicians’ facility, an
23 administration building, a research facility, a maintenance, storage,
24 or utility facility, an information systems facility, all structures or
25 facilities related to any of the foregoing facilities or required or
26 useful for the operation of a health facility and the necessary and
27 usual attendant and related facilities and equipment, and parking
28 and supportive service facilities or structures required or useful
29 for the orderly conduct of the health facility.

30 “Health facility” does not include any institution, place, or
31 building used or to be used primarily for sectarian instruction or
32 study or as a place for devotional activities or religious worship.

33 (e) “Participating health institution” means a city, city and
34 county, or county, a district hospital, or a private nonprofit
35 corporation or association, or a limited liability company whose
36 sole member is a nonprofit corporation or association authorized
37 by the laws of this state to provide or operate a health facility or
38 a nonprofit corporation that controls or manages, is controlled or
39 managed by, is under common control or management with, or is
40 affiliated with any of the foregoing, and that, pursuant to this part,

1 undertakes the financing or refinancing of the construction or
2 acquisition of a project or of working capital as provided in this
3 part. “Participating health institution” also includes, for purposes
4 of the California Health Facilities Revenue Bonds (UCSF-Stanford
5 Health Care) 1998 Series A, the Regents of the University of
6 California.

7 (f) “Project” means construction, expansion, remodeling,
8 renovation, furnishing, or equipping, or funding, financing, or
9 refinancing of a health facility or acquisition of a health facility
10 to be financed or refinanced with funds provided in whole or in
11 part pursuant to this part. “Project” may include reimbursement
12 for the costs of construction, expansion, remodeling, renovation,
13 furnishing, or equipping, or funding, financing, or refinancing of
14 a health facility or acquisition of a health facility. “Project” may
15 include any combination of one or more of the foregoing
16 undertaken jointly by any participating health institution with one
17 or more other participating health institutions.

18 (g) “Revenue bond” or “bond” means a bond, warrant, note,
19 lease, or installment sale obligation that is evidenced by a
20 certificate of participation or other evidence of indebtedness issued
21 by the authority.

22 (h) “Working capital” means moneys to be used by, or on behalf
23 of, a participating health institution to pay or prepay maintenance
24 or operation expenses or any other costs that would be treated as
25 an expense item, under generally accepted accounting principles,
26 in connection with the ownership or operation of a health facility,
27 including, but not limited to, reserves for maintenance or operation
28 expenses, interest on any loan for working capital made pursuant
29 to this part, and reserves for debt service with respect to, and any
30 costs necessary or incidental to, that financing.

31 *SEC. 3. Section 15437 of the Government Code is amended to*
32 *read:*

33 15437. (a) The provisions of this part shall be administered
34 by the authority, which shall have and is hereby vested with all
35 powers reasonably necessary to carry out the powers and
36 responsibilities expressly granted or imposed under this part.

37 (b) The authority shall establish financial eligibility standards
38 by studying the creditworthiness and earning capacity of each
39 project, together with the amount of pledged revenues, debt service
40 coverage, and basic security.

1 (c) *The authority shall establish financial eligibility standards*
2 *for working capital loans by studying the creditworthiness of a*
3 *participating health institution, together with the amount of pledged*
4 *revenues, debt service coverage, and basic security. A participating*
5 *health institution that is determined by the authority to be in*
6 *financial distress shall not be deemed financially eligible.*

7 ~~SEC. 3.~~

8 SEC. 4. Section 15451.5 of the Government Code is repealed.

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