

**ASSEMBLY BILL**

**No. 627**

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**Introduced by Assembly Member Stefani**

February 13, 2025

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An act to amend Section 15432 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 introduced, 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.

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

17    (c) “Cost,” as applied to a project or portion of a project financed  
18    under this part, means and includes all or any part of the cost of  
19    construction and acquisition of all lands, structures, real or personal  
20    property, rights, rights-of-way, franchises, easements, and interests  
21    acquired or used for a project, the cost of demolishing or removing  
22    any buildings or structures on land so acquired, including the cost  
23    of acquiring any lands to which those buildings or structures may  
24    be moved, the cost of all machinery and equipment, financing  
25    charges, interest prior to, during, and for a period not to exceed  
26    the later of one year or one year following completion of

1 construction, as determined by the authority, the cost of insurance  
2 during construction, the cost of funding or financing noncapital  
3 expenses, reserves for principal and interest and for extensions,  
4 enlargements, additions, replacements, ~~renovations~~ renovations,  
5 and improvements, the cost of engineering, service contracts,  
6 reasonable financial and legal services, plans, specifications,  
7 studies, surveys, estimates, administrative expenses, and other  
8 expenses of funding or financing, that are necessary or incident to  
9 determining the feasibility of constructing any project, or that are  
10 incident to the construction, acquisition, or financing of any project.

11 (d) "Health facility" means a facility, place, or building that is  
12 licensed, accredited, or certified and organized, maintained, and  
13 operated for the diagnosis, care, prevention, and treatment of  
14 human illness, or physical, mental, or developmental disability,  
15 including convalescence and rehabilitation and including care  
16 during and after pregnancy, or for any one or more of these  
17 purposes, for one or more persons, and includes, but is not limited  
18 to, all of the following types:

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

25 (2) An acute psychiatric hospital that is a health facility having  
26 a duly constituted governing body with overall administrative and  
27 professional responsibility and an organized medical staff that  
28 provides 24-hour inpatient care for mentally disordered,  
29 incompetent, or other patients referred to in Division 5  
30 (commencing with Section 5000) or Division 6 (commencing with  
31 Section 6000) of the Welfare and Institutions Code, including the  
32 following basic services: medical, nursing, rehabilitative,  
33 pharmacy, and dietary services.

34 (3) A skilled nursing facility that is a health facility that provides  
35 the following basic services: skilled nursing care and supportive  
36 care to patients whose primary need is for availability ~~or~~ of skilled  
37 nursing care on an extended basis.

38 (4) An intermediate care facility that is a health facility that  
39 provides the following basic services: inpatient care to ambulatory  
40 or semiambulatory patients who have recurring need for skilled

1 nursing supervision and need supportive care, but who do not  
2 require availability or continuous skilled nursing care.

3 (5) A special health care facility that is a health facility having  
4 a duly constituted governing body with overall administrative and  
5 professional responsibility and an organized medical or dental staff  
6 that provides inpatient or outpatient, acute or nonacute care,  
7 including, but not limited to, medical, nursing, rehabilitation,  
8 dental, or maternity.

9 (6) A clinic that is operated by a tax-exempt nonprofit  
10 corporation that is licensed pursuant to Section 1204 or 1204.1 of  
11 the Health and Safety Code or a clinic exempt from licensure  
12 pursuant to subdivision (b) or (c) of Section 1206 of the Health  
13 and Safety Code.

14 (7) An adult day health center that is a facility, as defined under  
15 subdivision (b) of Section 1570.7 of the Health and Safety Code,  
16 that provides adult day health care, as defined under subdivision  
17 (a) of Section 1570.7 of the Health and Safety Code.

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

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

25 (10) A child daycare facility operated in conjunction with a  
26 health facility. A child daycare facility is a facility, as defined in  
27 Section 1596.750 of the Health and Safety Code. For purposes of  
28 this paragraph, "child" means a minor from birth to 18 years of  
29 age.

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

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

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

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

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

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

12 (17) A nonprofit speech and hearing center, as defined in Section  
13 1201.5 of the Health and Safety Code.

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

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

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

26 (B) This paragraph shall not be construed as affecting the  
27 licensing of health facilities under Chapter 2 (commencing with  
28 Section 1250) of Division 2 of the Health and Safety Code, or any  
29 other provisions relating to health facilities, except as the term  
30 “health facility” is interpreted for purposes of the California Health  
31 Facilities Financing Authority Act under this part. The designation  
32 of a residential care facility for the elderly as a health facility, as  
33 made pursuant to this paragraph, shall apply to this part only.

34 (21) A nonpublic school that provides educational services in  
35 conjunction with a health facility, as defined in paragraphs (1) to  
36 (20), inclusive, that otherwise qualifies for financing pursuant to  
37 this part, if the nonpublic school is certified pursuant to Sections  
38 56366 and 56366.1 of the Education Code as meeting standards  
39 relating to the required special education and specified related

1 services and facilities for individuals with physical, mental, or  
2 developmental disabilities.

3 “Health facility” includes a clinic that is described in subdivision  
4 (l) of Section 1206 of the Health and Safety Code.

5 “Health facility” includes information systems equipment and  
6 the following facilities, if the equipment and facility is operated  
7 in conjunction with or to support the services provided in one or  
8 more of the facilities specified in paragraphs (1) to (21), inclusive,  
9 of this subdivision: a laboratory, laundry, a nurses or interns  
10 residence, housing for staff or employees and their families or  
11 patients or relatives of patients, a physicians’ facility, an  
12 administration building, a research facility, a maintenance, storage,  
13 or utility facility, an information systems facility, all structures or  
14 facilities related to any of the foregoing facilities or required or  
15 useful for the operation of a health facility and the necessary and  
16 usual attendant and related facilities and equipment, and parking  
17 and supportive service facilities or structures required or useful  
18 for the orderly conduct of the health facility.

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

22 (e) “Participating health institution” means a city, city and  
23 county, or county, a district hospital, or a private nonprofit  
24 corporation or association, or a limited liability company whose  
25 sole member is a nonprofit corporation or association authorized  
26 by the laws of this state to provide or operate a health facility or  
27 a nonprofit corporation that controls or manages, is controlled or  
28 managed by, is under common control or management with, or is  
29 affiliated with any of the foregoing, and that, pursuant to this part,  
30 undertakes the financing or refinancing of the construction or  
31 acquisition of a project or of working capital as provided in this  
32 part. “Participating health institution” also includes, for purposes  
33 of the California Health Facilities Revenue Bonds (UCSF-Stanford  
34 Health Care) 1998 Series A, the Regents of the University of  
35 California.

36 (f) “Project” means construction, expansion, remodeling,  
37 renovation, furnishing, or equipping, or funding, financing, or  
38 refinancing of a health facility or acquisition of a health facility  
39 to be financed or refinanced with funds provided in whole or in  
40 part pursuant to this part. “Project” may include reimbursement

1 for the costs of construction, expansion, remodeling, renovation,  
2 furnishing, or equipping, or funding, financing, or refinancing of  
3 a health facility or acquisition of a health facility. "Project" may  
4 include any combination of one or more of the foregoing  
5 undertaken jointly by any participating health institution with one  
6 or more other participating health institutions.

7 (g) "Revenue bond" or "bond" means a bond, warrant, note,  
8 lease, or installment sale obligation that is evidenced by a  
9 certificate of participation or other evidence of indebtedness issued  
10 by the authority.

11 (h) "Working capital" means moneys to be used by, or on behalf  
12 of, a participating health institution to pay or prepay maintenance  
13 or operation expenses or any other costs that would be treated as  
14 an expense item, under generally accepted accounting principles,  
15 in connection with the ownership or operation of a health facility,  
16 including, but not limited to, reserves for maintenance or operation  
17 expenses, interest for not to exceed two years on any loan for  
18 working capital made pursuant to this part, and reserves for debt  
19 service with respect to, and any costs necessary or incidental to,  
20 that financing.

21 SEC. 3. Section 15451.5 of the Government Code is repealed.

22 ~~15451.5. A participating health institution that is a private~~  
23 ~~nonprofit corporation or association and that borrows money to~~  
24 ~~finance working capital pursuant to this part, other than as part of~~  
25 ~~the cost of a project, shall be required to repay and discharge the~~  
26 ~~loan within 24 months of the loan date.~~