

AMENDED IN ASSEMBLY OCTOBER 7, 2010

**SENATE BILL**

**No. 869**

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**Introduced by Committee on Budget and Fiscal Review**

January 11, 2010

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*An act relating to the Budget Act of 2010. An act to amend Section 15432 of the Government Code, and to amend Sections 129275, 129280, 129285, and 129295 of the Health and Safety Code, relating to developmental services, declaring the urgency thereof, to take effect immediately, and making an appropriation therefor.*

LEGISLATIVE COUNSEL'S DIGEST

SB 869, as amended, Committee on Budget and Fiscal Review. ~~Budget Act of 2010. Loan programs for facilities for persons with developmental disabilities.~~

*Under existing law, the California Health Facilities Financing Authority Act, the California Health Facilities Financing Authority administers various provisions relating to the financing of health facility projects, including construction and renovation projects. Existing law includes within the definition of a health facility, for purposes of the act, a residential facility, which is defined to include a residential facility for persons with developmental disabilities, as provided for under the provisions permitting proposals for housing for these persons to be approved by the department. Existing law specifically exempts from this definition a residential facility for persons with special health care needs, as defined.*

*This bill would delete this exemption.*

*The California Health Facilities Financing Authority Act also defines "participating health institution" to mean a city, city and county, or county, a district hospital, or a private nonprofit corporation or*

*association authorized by the laws of this state to provide or operate a health facility and that undertakes the financing or refinancing of the construction or acquisition of a project or of working capital.*

*This bill would add to this definition a limited liability company whose sole member is a nonprofit corporation or association to which the above-described conditions apply.*

*Existing law, the Small Facility Loan Guarantee for Developmental Disability Programs, creates a program to provide loan insurance to nonprofit corporations that provide community-based programs that assist clients with developmental disabilities that live in institutional settings to move to more independent living arrangements.*

*This bill would rename those provisions as the Small Facility Loan Guarantee for Programs Serving People with Developmental Disabilities.*

*Under existing law, facilities approved by area developmental disabilities boards are eligible for loan insurance pursuant to the program if they meet specified criteria.*

*Existing law provides, with respect to loan eligibility, that facilities shall not require prescribed approval for the issuance of loan insurance if a specified determination is made.*

*This bill would delete this provision.*

*Existing law, known as the Bay Area Housing Program, permits the State Department of Developmental Services to approve a proposal by Golden Gate Regional Center, Regional Center of the East Bay, and San Andreas Regional Center to provide for, secure, and ensure the full payment of a lease or leases on housing for persons with developmental disabilities, if prescribed conditions are met.*

*This bill would require, under the loan insurance program, that these regional centers provide for, secure, and ensure the full payment of a lease or leases developed pursuant to these housing proposal provisions.*

*Existing law creates the California Housing Finance Fund, which is continuously appropriated to the California Housing Finance Agency for the purpose of making housing construction loans.*

*The bill would also allow, upon the order of the Director of Finance, a loan from the General Fund to the California Housing Finance Fund in an amount not to exceed the unpaid principal balance of loans for the above-described housing, but not more than \$88,000,000, in a specified situation and to be repaid from proceeds of the California Health Facilities Financing Authority's issuance of bonds for the program prior to June 30, 2011.*

*Existing law requires that the total amount of loans insured pursuant to this program not exceed \$15,000,000 and gives preference for loans under \$300,000 to single facilities that will serve 6 or fewer persons. Under existing law, loans up to \$300,000 may be insured for the total construction amount.*

*This bill would allow loans to be insured for the cost of construction, improvement, and expansion, which may exceed the current value of the health facility when supported by other security for, or guaranty of, the debt. The bill would increase the total amount of loans that may be insured pursuant to the program to \$100,000,000.*

*Existing law also provides for a pilot program, not to exceed 30 facilities, to insure loans to nonprofit borrowers that are not licensed to operate the facilities, as specified, and limits the aggregate amount of the loans insured through this pilot program to \$6,000,000.*

*This bill would eliminate the designation of this program as a pilot program. It would limit eligible borrowers to those that have a long-term residency lease, as defined, with a service provider selected by the applicable regional center. It would provide that the number of facilities that could be insured would be increased from 30 to 100 and the total aggregate amount of these loans insured would be increased to \$100,000,000.*

*Existing law establishes the Health Facility Construction Loan Insurance Fund in the State Treasury, to be continuously appropriated to carry out the provisions and administrative costs of the California Health Facility Construction Loan Insurance Law, including the program for insuring loans relating to facilities for people with developmental disabilities described above.*

*By increasing the aggregate amount of the loans that may be insured through this program and by expanding program eligibility, this bill would constitute an appropriation.*

*This bill would declare that it is to take effect immediately as an urgency statute.*

*This bill would express the intent of the Legislature to enact statutory changes relating to the Budget Act of 2010:*

*Vote: ~~majority~~<sup>2/3</sup>. Appropriation: ~~no~~-yes. Fiscal committee: ~~no~~ yes. State-mandated local program: no.*

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

1     SECTION 1. Section 15432 of the Government Code is  
2 amended to read:

3     15432. As used in this part, the following words and terms  
4 shall have the following meanings, unless the context clearly  
5 indicates or requires another or different meaning or intent:

6     (a) “Act” means the California Health Facilities Financing  
7 Authority Act.

8     (b) “Authority” means the California Health Facilities Financing  
9 Authority created by this part or any board, body, commission,  
10 department, or officer succeeding to the principal functions thereof  
11 or to which the powers conferred upon the authority by this part  
12 shall be given by law.

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

33     (d) “Health facility” means any facility, place, or building that  
34 is licensed, accredited, or certified and organized, maintained, and  
35 operated for the diagnosis, care, prevention, and treatment of  
36 human illness, or physical, mental, or developmental disability,  
37 including convalescence and rehabilitation and including care  
38 during and after pregnancy, or for any one or more of these

1 purposes, for one or more persons, and includes, but is not limited  
2 to, all of the following types:

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

9 (2) An acute psychiatric hospital that is a health facility having  
10 a duly constituted governing body with overall administrative and  
11 professional responsibility and an organized medical staff that  
12 provides 24-hour inpatient care for mentally disordered,  
13 incompetent, or other patients referred to in Division 5  
14 (commencing with Section 5000) or Division 6 (commencing with  
15 Section 6000) of the Welfare and Institutions Code, including the  
16 following basic services: medical, nursing, rehabilitative,  
17 pharmacy, and dietary services.

18 (3) A skilled nursing facility that is a health facility that provides  
19 the following basic services: skilled nursing care and supportive  
20 care to patients whose primary need is for availability or skilled  
21 nursing care on an extended basis.

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

27 (5) A special health care facility that is a health facility having  
28 a duly constituted governing body with overall administrative and  
29 professional responsibility and an organized medical or dental staff  
30 that provides inpatient or outpatient, acute or nonacute care,  
31 including, but not limited to, medical, nursing, rehabilitation,  
32 dental, or maternity.

33 (6) A clinic that is operated by a tax-exempt nonprofit  
34 corporation that is licensed pursuant to Section 1204 or 1204.1 of  
35 the Health and Safety Code or a clinic exempt from licensure  
36 pursuant to subdivision (b) or (c) of Section 1206 of the Health  
37 and Safety Code.

38 (7) An adult day health center that is a facility, as defined under  
39 subdivision (b) of Section 1570.7 of the Health and Safety Code,

- 1 that provides adult day health care, as defined under subdivision  
2 (a) of Section 1570.7 of the Health and Safety Code.
- 3 (8) Any facility owned or operated by a local jurisdiction for  
4 the provision of county health services.
- 5 (9) A multilevel facility is an institutional arrangement where  
6 a residential facility for the elderly is operated as a part of, or in  
7 conjunction with, an intermediate care facility, a skilled nursing  
8 facility, or a general acute care hospital. “Elderly,” for the purposes  
9 of this paragraph, means a person 62 years of age or older.
- 10 (10) A child day care facility operated in conjunction with a  
11 health facility. A child day care facility is a facility, as defined in  
12 Section 1596.750 of the Health and Safety Code. For purposes of  
13 this paragraph, “child” means a minor from birth to 18 years of  
14 age.
- 15 (11) An intermediate care facility/developmentally disabled  
16 habilitative that is a health facility, as defined under subdivision  
17 (e) of Section 1250 of the Health and Safety Code.
- 18 (12) An intermediate care facility/developmentally  
19 disabled-nursing that is a health facility, as defined under  
20 subdivision (h) of Section 1250 of the Health and Safety Code.
- 21 (13) A community care facility that is a facility, as defined under  
22 subdivision (a) of Section 1502 of the Health and Safety Code,  
23 that provides care, habilitation, rehabilitation, or treatment services  
24 to developmentally disabled or mentally impaired persons.
- 25 (14) A nonprofit community care facility, as defined in  
26 subdivision (a) of Section 1502 of the Health and Safety Code,  
27 other than a facility that, as defined in that subdivision, is a  
28 residential facility for the elderly, a foster family agency, a foster  
29 family home, a full service adoption agency, or a noncustodial  
30 adoption agency.
- 31 (15) A nonprofit accredited community work activity program,  
32 as specified in subdivision (e) of Section 4851 and Section 4856  
33 of the Welfare and Institutions Code.
- 34 (16) A community mental health center, as defined in paragraph  
35 (3) of subdivision (b) of Section 5667 of the Welfare and  
36 Institutions Code.
- 37 (17) A nonprofit speech and hearing center, as defined in Section  
38 1201.5 of the Health and Safety Code.
- 39 (18) A blood bank, as defined in Section 1600.2 of the Health  
40 and Safety Code, licensed pursuant to Section 1602.5 of the Health

1 and Safety Code, and exempt from federal income taxation  
2 pursuant to Section 501(c)(3) of the Internal Revenue Code.

3 (19) A residential facility for persons with developmental  
4 disabilities, as defined in Sections 4688.5 and 4688.6 of the  
5 Welfare and Institutions Code, which includes, but is not limited  
6 to, a community care facility licensed pursuant to Section 1502 of  
7 the Health and Safety Code and a family teaching home as defined  
8 in Section 4689.1 of the Welfare and Institutions Code, ~~but which~~  
9 ~~does not include a residential facility for persons with special health~~  
10 ~~care needs, as defined in Section 1567.50 of the Health and Safety~~  
11 ~~Code.~~

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

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

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

29 (e) “Participating health institution” means a city, city and  
30 county, or county, a district hospital, or a private nonprofit  
31 corporation or association, *or a limited liability company whose*  
32 *sole member is a nonprofit corporation or association* authorized  
33 by the laws of this state to provide or operate a health facility and  
34 that, pursuant to the provisions of this part, undertakes the financing  
35 or refinancing of the construction or acquisition of a project or of  
36 working capital as provided in this part. “Participating health  
37 institution” also includes, for purposes of the California Health  
38 Facilities Revenue Bonds (UCSF-Stanford Health Care) 1998  
39 Series A, the Regents of the University of California.

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

12 (g) “Revenue bond” means any bond, warrant, note, lease, or  
 13 installment sale obligation that is evidenced by a certificate of  
 14 participation or other evidence of indebtedness issued by the  
 15 authority.

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

26 *SEC. 2. Section 129275 of the Health and Safety Code is*  
 27 *amended to read:*

28 129275. This article shall be known, and may be cited, as the  
 29 Small Facility Loan Guarantee for ~~Developmental Disability~~  
 30 *Programs Serving People with Developmental Disabilities.*

31 *SEC. 3. Section 129280 of the Health and Safety Code is*  
 32 *amended to read:*

33 129280. ~~It is the intent of the Legislature in enacting this article~~  
 34 ~~to encourage~~ *The State of California has a compelling interest in*  
 35 *the development of facilities for community-based programs that*  
 36 ~~assist developmentally disabled clients~~ *persons with a*  
 37 *developmental disability living in any an institutional setting;*  
 38 ~~including state and local inpatient hospitals, skilled nursing homes,~~  
 39 ~~intermediate care facilities, and community care facilities to move~~  
 40 *transition to more independent living arrangements. It In order to*

1 *meet this significant community need, it is further the intent of the*  
2 *Legislature to encourage local programs to seek funding for facility*  
3 *development from private sources and with the assistance provided*  
4 *pursuant to this chapter.*

5 *To achieve this purpose in determining eligibility for loan*  
6 *insurance pursuant to this chapter, the following special provisions*  
7 *apply to facilities ~~approved by area developmental disabilities~~*  
8 *boards developed pursuant to Section 4688.5 of the Welfare and*  
9 *Institutions Code and meeting the intentions of this article:*

10 *(a) ~~Facilities shall not require approval pursuant to Section~~*  
11 *~~129295 by the statewide system of health facility planning, the~~*  
12 *~~area health planning agency, or the Health Advisory Council, for~~*  
13 *~~the issuance of loan insurance, unless specifically required for the~~*  
14 *~~facilities by the facility category of licensure. For purposes of this~~*  
15 *article, the following definitions shall apply:*

16 *(1) “Borrower” shall mean a political subdivision or nonprofit*  
17 *corporation approved by the regional center as an ownership*  
18 *entity that owns the project property.*

19 *(2) “Long-term residency lease agreement” shall mean a lease*  
20 *by the borrower, as lessor, of facilities developed pursuant to*  
21 *Section 4688.5 of the Welfare and Institutions Code to a service*  
22 *provider selected by a regional center, as lessee, having a term of*  
23 *at least as long as the term of the insured loan.*

24 *(3) “Nonprofit corporation” shall mean a corporation formed*  
25 *under or subject to the Nonprofit Public Benefit Corporation Law*  
26 *(Part 2 (commencing with Section 5110) of Division 2 of Title 1*  
27 *of the Corporations Code) or a limited liability company (LLC)*  
28 *whose sole member is a corporation formed under or subject to*  
29 *the Nonprofit Public Benefit Corporation Law (Part 2 (commencing*  
30 *with Section 5110) of Division 2 of Title 1 of the Corporations*  
31 *Code) that meets applicable sections of the federal Internal*  
32 *Revenue Code governing nonprofit status.*

33 *(4) “Regional center” shall mean a private nonprofit*  
34 *corporation that contracts with the state and is organized pursuant*  
35 *to Chapter 5 (commencing with Section 4620) of Division 4.5 of*  
36 *the Welfare and Institutions Code.*

37 *(5) “Service provider” shall mean an entity with the appropriate*  
38 *license, if required, that contracts with a regional center to provide*  
39 *services to persons eligible for regional center services.*

1 (b) Notwithstanding ~~subdivision~~ *subdivisions (i), (l), and (m)*  
 2 of Section 129050, any loan ~~of under three hundred thousand~~  
 3 ~~dollars (\$300,000) made pursuant to this article~~ for a nonprofit  
 4 corporation ~~as well as~~ or a political subdivision may be fully  
 5 insured equal to the total ~~cost of construction cost, improvement,~~  
 6 ~~and expansion, which may exceed the current value of the health~~  
 7 ~~facility, including improvements, when supported by other security~~  
 8 ~~for, or guaranty of, the debt.~~

9 (c) ~~Facilities shall not require approval pursuant to Section~~  
 10 ~~129020 by the statewide system of health facility planning, the~~  
 11 ~~area health planning agency, or the Health Advisory Council, for~~  
 12 ~~the issuance of loan insurance, until the director of the office and~~  
 13 ~~the Director of the Department of Developmental Services~~  
 14 ~~determine that the state plan developed pursuant to Section 129020~~  
 15 ~~adequately and comprehensively addresses the need for community~~  
 16 ~~developmental services facilities and that finding is reported to~~  
 17 ~~the appropriate policy committees of the Legislature.~~ *The Golden*  
 18 *Gate Regional Center, Regional Center of the East Bay, and San*  
 19 *Andreas Regional Center shall provide for, secure, and ensure the*  
 20 *full payment of a lease or leases developed pursuant to Section*  
 21 *4688.5 of the Welfare and Institutions Code.*

22 *SEC. 4. Section 129285 of the Health and Safety Code is*  
 23 *amended to read:*

24 129285. (a) Loans of under three hundred thousand dollars  
 25 (\$300,000) for any single facility for six or fewer developmentally  
 26 disabled shall have priority for obtaining loan insurance.

27 (b) The total amount of loans that may be insured pursuant to  
 28 this article shall not exceed ~~fifteen million dollars (\$15,000,000)~~  
 29 *one hundred million dollars (\$100,000,000).*

30 *SEC. 5. Section 129295 of the Health and Safety Code is*  
 31 *amended to read:*

32 129295. ~~The office shall establish a pilot program under this~~  
 33 ~~article of insuring may insure, pursuant to this article,~~ loans to  
 34 nonprofit borrowers that are not licensed to operate the facilities  
 35 for which the loans are insured, *provided that the borrower has*  
 36 *entered into a long-term residency lease agreement with a service*  
 37 *provider selected by the applicable regional center to operate that*  
 38 *facility.* The number of facilities for which loans are insured under  
 39 this section shall not exceed ~~30~~ *100* and the aggregate amount of  
 40 loans insured under this section shall not exceed ~~six million dollars~~

1 (~~\$6,000,000~~), that may be in addition to the maximum loan  
2 insurance amount otherwise authorized by subdivision (b) of  
3 Section 129285. Construction of all projects assisted under this  
4 section shall be commenced on or before January 1, 1990 *one*  
5 *hundred million dollars (\$100,000,000)*.

6 ~~The office may delay processing or decline acceptance of loan~~  
7 ~~guarantee applications under this section if the volume of~~  
8 ~~applications becomes too large for existing staff to process in a~~  
9 ~~timely manner or if risks associated with the pilot program are~~  
10 ~~determined by the office to be unreasonable.~~

11 *SEC. 6. Upon the order of the Director of Finance, a loan from*  
12 *the General Fund may be made to the California Housing Finance*  
13 *Fund in an amount not to exceed the unpaid principal balance of*  
14 *the Bay Area Housing Program (program) loans for housing*  
15 *authorized by Section 4688.5 of the Welfare and Institutions Code,*  
16 *but not more than eighty-eight million dollars (\$88,000,000), that*  
17 *is currently financed on a line of credit scheduled to expire on*  
18 *February 28, 2011. The loan may not be made any sooner than*  
19 *January 15, 2011, and only if the California Health Facilities*  
20 *Financing Authority has failed to complete the sale and issuance*  
21 *of bonds to provide funding for the program prior to January 15,*  
22 *2011. The loan shall be repaid from proceeds of the California*  
23 *Health Facilities Financing Authority's issuance of bonds for the*  
24 *program prior to June 30, 2011.*

25 *SEC. 7. This act is an urgency statute necessary for the*  
26 *immediate preservation of the public peace, health, or safety within*  
27 *the meaning of Article IV of the Constitution and shall go into*  
28 *immediate effect. The facts constituting the necessity are:*

29 *In order to make the necessary statutory changes to implement*  
30 *the Budget Act of 2010, it is necessary that this act take effect*  
31 *immediately.*

32 ~~SECTION 1. It is the intent of the Legislature to enact statutory~~  
33 ~~changes relating to the Budget Act of 2010.~~