

2018

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AUTHORIZES BONDS FUNDING CONSTRUCTION AT HOSPITALS PROVIDING CHILDREN'S HEALTH CARE. INITIATIVE STATUTE.

OFFICIAL TITLE AND SUMMARY

PREPARED BY THE ATTORNEY GENERAL

The text of this measure can be found on the Secretary of State's website at <http://voterguide.sos.ca.gov>.

- Authorizes \$1.5 billion in bonds, to be repaid from state's General Fund, to fund grants for construction, expansion, renovation, and equipping of qualifying children's hospitals.
- Designates 72 percent of funds to qualifying private nonprofit hospitals providing comprehensive services to high volumes of children eligible for governmental programs and children with special health needs eligible for the California Children's Services program, 18 percent of funds to University of California general acute care children's hospitals, and 10 percent of funds

to public and private nonprofit hospitals providing services to children eligible for the California Children's Services program.

SUMMARY OF LEGISLATIVE ANALYST'S ESTIMATE OF NET STATE AND LOCAL GOVERNMENT FISCAL IMPACT:

- Increased state costs to repay bonds averaging about \$80 million annually over the next 35 years.

State Bond Cost Estimates

Authorized new borrowing	\$1.5 billion
Average annual cost to pay off bonds	\$80 million
Likely repayment period	35 years
Source of repayment	General tax revenues

ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

Children's Hospitals. State law identifies eight private nonprofit hospitals and the children's programs at the five University of California (UC) academic medical center campuses as "children's hospitals." Children's hospitals focus on treating infants and children with severe illness or injuries, or complex chronic health conditions that require specialized

care. Many children receiving services in these hospitals are from low-income families. Children's hospitals receive funding from several sources. A majority of children's hospitals' funding comes from the federal-state Medicaid program (known as Medi-Cal in California), which provides health care coverage to low-income children in the state. Children's hospitals also receive funding from commercial

ANALYSIS BY THE LEGISLATIVE ANALYST

CONTINUED

health insurance coverage, other government health care coverage programs, and private donations.

California Children's Services (CCS) Program. The CCS program is a state-local health care coverage program that pays for specialized treatment and other services for children with complex chronic health conditions, including many children treated at children's hospitals. (Most children in the CCS program are also enrolled in Medi-Cal.) The state approves hospitals and other medical providers to receive payment for treating children in the CCS program.

Other Hospitals Also Treat Children. Other hospitals in California that are not specifically identified as children's hospitals in state law also focus to varying degrees on children's health care. For example, some hospitals have wings or centers that specialize in treating children. These hospitals are often approved to treat children in the CCS program.

General Obligation Bonds. The state borrows money to pay for long-term capital projects by issuing general obligation bonds. The repayment of these bonds is guaranteed by the state's general taxing power. The state repays general obligation bonds from the General Fund, the state's main operating account. (For more information on the state's use of

bonds, see "An Overview of State Bond Debt" later in this guide.)

Previous Children's Hospital Bond Measures. Voters have previously approved two statewide measures that authorized the state to issue general obligation bonds to pay for capital projects at children's hospitals. These bonds have been used for a variety of projects including the construction of new buildings and the renovation of existing buildings. In 2004, Proposition 61 provided \$750 million in bond funding. In 2008, Proposition 3 provided \$980 million in bond funding. Only the 13 hospitals specifically identified as children's hospitals in state law are eligible to receive funds under these previous measures. As of May 2018, most of the funding from the previous two measures had been committed to projects, with the remaining funds expected to be fully committed by the end of summer 2018.

PROPOSAL

Authorizes Additional Bonds for Children's Hospitals. This measure authorizes the state to sell an additional \$1.5 billion in general obligation bonds for capital improvement projects at (1) the 13 children's hospitals and (2) other public or private nonprofit hospitals that treat children eligible for the CCS

ANALYSIS BY THE LEGISLATIVE ANALYST

CONTINUED

Figure 1
Hospitals Eligible for Bond Funds
(In Millions)

Private Nonprofit Children's Hospitals—72 Percent of Funds	\$1,080
Children's Hospital and Research Center, Oakland	\$135
Children's Hospital of Los Angeles	135
Children's Hospital of Orange County	135
Earl and Loraine Miller Children's Hospital (Long Beach)	135
Loma Linda University Children's Hospital	135
Lucile Packard Children's Hospital at Stanford	135
Rady Children's Hospital, San Diego	135
Valley Children's Hospital (Madera)	135
University of California Children's Hospitals—18 Percent of Funds	\$270
Mattel Children's Hospital at University of California, Los Angeles	\$54
University Children's Hospital at University of California, Irvine	54
University of California, Davis Children's Hospital	54
University of California, San Diego Children's Hospital	54
University of California, San Francisco Children's Hospital	54
Other Hospitals—10 Percent of Funds	\$150
Roughly 150 public or private nonprofit hospitals that provide services to children eligible for the California Children's Services program.	\$150
Total	\$1,500

program. As shown in Figure 1, the measure provides 72 percent of the bond funds—roughly \$1.1 billion—to the eight private nonprofit children's hospitals. Each of these eight hospitals may apply for an equal share of this funding. The measure provides 18 percent of the bond funds—\$270 million—to the five UC children's hospitals. Each UC children's hospital may apply for an equal share of this funding. The measure makes available the

remaining 10 percent of bond funds—\$150 million—to roughly 150 other public or private nonprofit hospitals that provide services to children who are eligible for the CCS program. The measure does not set aside specific shares of this portion of bond funds for individual hospitals.

Use of Funds. The measure allows for the money raised from bond sales to be used for various purposes, including “construction, expansion, remodeling, renovation, furnishing,

equipping, financing, or refinancing of eligible hospitals in the state.” The measure requires that the funds provided not exceed the total cost of a project and funded projects be completed within a “reasonable period of time.”

Application Process. Children's hospitals eligible to receive bond funds under this measure would apply for funds to the California Health Facilities Financing Authority (CHFFA), an existing state agency.

ANALYSIS BY THE LEGISLATIVE ANALYST

CONTINUED

CHFFA would decide whether to award a grant based on several factors. Some of these factors include whether:

- The grant would contribute toward the expansion or improvement of health care access for children who are eligible for governmental health insurance programs or who are low-income, underserved, or uninsured.
- The grant would contribute to the improvement of child health care or pediatric patient outcomes.
- The applicant hospital would promote pediatric teaching or research programs.

FISCAL EFFECTS

State Bond Repayment Costs. This measure would allow the state to borrow \$1.5 billion by selling additional general obligation bonds to investors, who would be repaid, with interest, using the state's general tax revenues. The cost of these bonds would depend on various factors—

such as the interest rates in effect at the time they are sold, the timing of bond sales, and the time period over which they are repaid. We estimate that the cost to taxpayers to repay the bonds would total \$2.9 billion to pay off both the principal (\$1.5 billion) and interest (\$1.4 billion). This would result in average repayment costs of **about \$80 million annually over the next 35 years**. This amount is less than one-tenth of 1 percent of the state's current General Fund budget. Administrative costs, paid from the bond funds, would be limited to CHFFA's actual costs or 1 percent of the bond funds, whichever is less.

Visit <http://www.sos.ca.gov/campaign-lobbying/cal-access-resources/measure-contributions/2018-ballot-measure-contribution-totals/> for a list of committees primarily formed to support or oppose this measure. Visit <http://www.fppc.ca.gov/transparency/top-contributors/nov-18-gen.html> to access the committee's top 10 contributors.

If you desire a copy of the full text of the state measure, please call the Secretary of State at (800) 345-VOTE (8683) or you can email vigfeedback@sos.ca.gov and a copy will be mailed at no cost to you.

39723, inclusive, of the Health and Safety Code, the fees paid, the cost of compliance instruments acquired, and the increased cost of power purchased by the Contra Costa Water District as a result of the implementation of Division 25.5 (commencing with Section 38500) of the Health and Safety Code are continuously appropriated to the district from the Greenhouse Gas Reduction Fund, as defined in Section 16428.8 of the Government Code, and the fees paid, the cost of compliance instruments acquired, and the increased cost of power purchased by the San Luis and Delta Mendota Water Authority as a result of the implementation of Division 25.5 (commencing with Section 38500) of the Health and Safety Code are continuously appropriated to the authority from the Greenhouse Gas Reduction Fund, as defined in Section 16428.8 of the Government Code.

(b) (1) The funds appropriated to the Contra Costa Water District pursuant to this section shall be expended within the boundaries of the district and on consumer water conservation programs within the district.

(2) The funds appropriated to the San Luis and Delta Mendota Water Authority pursuant to this section shall be expended within the water storage, treatment, conveyance, and distribution system of the authority and on water conservation, water quality improvement, water treatment, water supply, and similar water programs within the jurisdiction of the authority.

(c) Of the funds appropriated pursuant to subdivision (b), highest priority shall be given to those projects benefitting disadvantaged communities, as defined in subdivision (a) of Section 79505.5, as it may be amended, and economically distressed areas, as defined in subdivision (k) of Section 79702, as it may be amended.

(d) All expenditures pursuant to this section shall meet the requirements of Chapter 4.1 (commencing with Section 39710) of Part 2 of Division 26 of the Health and Safety Code. The district and the authority shall provide an annual report to the State Air Resources Board on the prior year's project implementation along with a plan for current year implementation.

(e) All reasonable and feasible measures shall be taken to reduce, avoid, or mitigate significant

negative environmental impacts from projects undertaken pursuant to this section.

PROPOSITION 4

This initiative measure is submitted to the people in accordance with the provisions of Section 8 of Article II of the California Constitution.

This initiative measure adds sections to the Health and Safety Code; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SECTION 1. Part 6.3 (commencing with Section 1179.81) is added to Division 1 of the Health and Safety Code, to read:

PART 6.3. CHILDREN'S HOSPITAL BOND ACT OF 2018

CHAPTER 1. GENERAL PROVISIONS

1179.81. (a) *This part shall be known, and may be cited, as the Children's Hospital Bond Act of 2018.*

(b) *California's network of regional children's hospitals provide vital health care services to children facing life-threatening illness or injury. Over one million times each year, children are cared for at these hospitals without regard to their family's ability to pay.*

(c) *Children's hospitals also provide specialized treatment and care that has increased the survival of children suffering from serious diseases and illnesses such as childhood leukemia, cancer, heart defects, diabetes, sickle cell anemia, and cystic fibrosis.*

(d) *Children's hospitals also provide essential training for pediatricians, pediatric specialists and others who treat children, and they conduct critically important medical research that benefits all of California's children.*

(e) *However, the burden of providing uncompensated care and the increasing costs of health care seriously impair our children's hospitals' ability to modernize and expand their facilities and to purchase the latest medical technologies and special medical equipment necessary to take care of sick children.*

(f) *Therefore, the people desire to provide a steady and ready source of funds for capital improvement programs for children's hospitals*

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to improve the health, welfare, and safety of California's children.

1179.82. As used in this part, the following terms have the following meanings:

(a) "Authority" means the California Health Facilities Financing Authority established pursuant to Section 15431 of the Government Code.

(b) "Children's hospital" means either of the following:

(1) A University of California general acute care hospital described below:

(A) University of California, Davis Children's Hospital.

(B) Mattel Children's Hospital at University of California, Los Angeles.

(C) University Children's Hospital at University of California, Irvine.

(D) University of California, San Francisco Children's Hospital.

(E) University of California, San Diego Children's Hospital.

(2) A general acute care hospital that is, or is an operating entity of, a California nonprofit corporation that received a grant or grants pursuant to Part 6 (commencing with Section 1179.10) or Part 6.1 (commencing with Section 1179.50) that provides comprehensive pediatric services to a high volume of children eligible for governmental programs and to children with special health care needs eligible for the California Children's Services Program.

(c) "Committee" means the Children's Hospital Bond Act Finance Committee created pursuant to Section 1179.91.

(d) "Fund" means the Children's Hospital Bond Act Fund created pursuant to Section 1179.83.

(e) "Grant" means the distribution of money in the fund by the authority to children's hospitals for projects pursuant to this part or to an eligible hospital pursuant to this part.

(f) "Program" means the Children's Hospital Program established pursuant to this part.

(g) "Project" means constructing, expanding, remodeling, renovating, furnishing, equipping, financing, or refinancing of a children's hospital to be financed or refinanced with funds provided in whole or in part pursuant to this part. "Project" may include reimbursement for the

costs of constructing, expanding, remodeling, renovating, furnishing, equipping, financing, or refinancing of a children's hospital where these costs are incurred after January 1, 2018. "Project" may include any combination of one or more of the foregoing undertaken jointly by two or more participating children's hospitals that qualify under this part.

CHAPTER 2. THE CHILDREN'S HOSPITAL PROGRAM

1179.83. The proceeds of bonds issued and sold pursuant to this part shall be deposited in the Children's Hospital Bond Act Fund, which is hereby created.

1179.84. 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 program provided for in this part is in the public interest, serves a public purpose, and will promote the health, welfare, and safety of the citizens of the state.

1179.85. The authority is authorized to award grants to any children's hospital for purposes of funding projects, as defined in subdivision (g) of Section 1179.82, or to a hospital pursuant to subdivision (c) of Section 1179.86.

1179.86. (a) Eighteen percent of the total funds available for grants pursuant to this part shall be awarded to children's hospitals as defined in paragraph (1) of subdivision (b) of Section 1179.82.

(b) Seventy-two percent of the total funds available for grants pursuant to this part shall be awarded to children's hospitals as defined in paragraph (2) of subdivision (b) of Section 1179.82.

(c) Ten percent of the total funds available for grants pursuant to this part shall be available for grants to hospitals that provide pediatric services to children eligible for the California Children's Services Program that are either (1) a public hospital as defined in paragraph (25) of subdivision (a) of Section 14105.98 of the Welfare and Institutions Code, or (2) a general acute care hospital licensed pursuant to Section 1250 of this code that is, or is an operating entity of, a California nonprofit corporation. The funds shall be used solely for constructing, expanding, remodeling, renovating, furnishing, or equipping the pediatric program of an eligible

hospital. A children's hospital as defined in subdivision (b) of Section 1179.82 shall not be eligible for grants under this subdivision, except that any funds available under this subdivision that have not been exhausted by June 30, 2033, shall become available for an application from any such children's hospital. The authority shall award grants under procedures it shall adopt to further the purposes of this subdivision.

1179.87. (a) The authority shall develop a written application for the awarding of grants under this part within 90 days of the adoption of this act. The authority shall award grants to eligible children's hospitals, subject to the limitations of this part and to further the purposes of this part, based on the following factors:

(1) The grant will contribute toward expansion or improvement of health care access by children eligible for governmental health insurance programs and indigent, underserved, and uninsured children.

(2) The grant will contribute toward the improvement of child health care or pediatric patient outcomes.

(3) The children's hospital provides uncompensated or undercompensated care to indigent or public pediatric patients.

(4) The children's hospital provides services to vulnerable pediatric populations.

(5) The children's hospital promotes pediatric teaching or research programs.

(6) Demonstration of project readiness and project feasibility.

(b) (1) An application for funds shall be submitted to the authority for approval as to its conformity with the requirements of this part.

(2) The authority shall process and award grants in a timely manner, not to exceed 60 days.

(c) A children's hospital identified in paragraph (1) of subdivision (b) of Section 1179.82 shall not apply for, and the authority shall not award to that children's hospital, a grant that would cause the total amount of grants awarded to that children's hospital to exceed one-fifth of the total funds available for grants to all children's hospitals pursuant to subdivision (a) of Section 1179.86. Notwithstanding this grant limitation, any funds available under subdivision (a) of Section 1179.86 that have not been

exhausted by June 30, 2033, shall become available for an application from any children's hospital identified in paragraph (1) of subdivision (b) of Section 1179.82.

(d) A children's hospital identified in paragraph (2) of subdivision (b) of Section 1179.82 shall not apply for, and the authority shall not award to that children's hospital, a grant that would cause the total amount of grants awarded to that children's hospital to exceed one hundred thirty-five million dollars (\$135,000,000) from funds available for grants to all children's hospitals pursuant to subdivision (b) of Section 1179.86. Notwithstanding this grant limitation, any funds available under subdivision (b) of Section 1179.86 that have not been exhausted by June 30, 2033, shall become available for an application from any children's hospital defined in paragraph (2) of subdivision (b) of Section 1179.82.

(e) In no event shall a grant to finance a project exceed the total cost of the project, as determined by the children's hospital and approved by the authority.

(f) All projects that are awarded grants shall be completed within a reasonable period of time. If the authority determines that the children's hospital has failed to complete the project under the terms specified in awarding the grant, the authority may require remedies, including the return of all or a portion of the grant. A children's hospital receiving a grant under this part shall submit certification of project completion to the authority.

(g) Grants shall only be available pursuant to this section if the authority determines that it has sufficient money available in the fund. Nothing in this section shall require the authority to award grants if the authority determines that it has insufficient moneys available in the fund to do so.

(h) The authority may annually determine the amount available for purposes of this part. Administrative costs for this program shall not exceed the actual costs or 1 percent, whichever is less.

1179.88. The California State Auditor may conduct periodic audits to ensure that bond proceeds are awarded in a timely fashion and in a manner consistent with the requirements of this part and that awardees of bond proceeds

are using funds in compliance with applicable provisions of this part.

CHAPTER 3. FISCAL PROVISIONS

1179.89. Bonds in the total amount of one billion five hundred million dollars (\$1,500,000,000), not including the amount of any refunding bonds, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this part and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. The bonds, when sold, shall be and constitute a valid and binding obligation of the state, and the full faith and credit of the state is hereby pledged for the punctual payment of the principal of, and interest on, the bonds as the principal and interest become due and payable.

1179.90. The bonds authorized by this part shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), and all provisions of that law apply to the bonds and to this part and are hereby incorporated in this part as though set forth in full in this part.

1179.91. (a) Solely for the purpose of authorizing the issuance and sale pursuant to the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code) of the bonds authorized by this part, the Children's Hospital Bond Act Finance Committee is hereby created. For purposes of this part, the Children's Hospital Bond Act Finance Committee is the "committee" as that term is used in the State General Obligation Bond Law. The committee consists of the Controller, the Director of Finance, and the Treasurer, or their designated representatives. The Treasurer shall serve as chairperson of the committee. A majority of the committee may act for the committee.

(b) The authority is designated the "board" for purposes of the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), and shall administer the program pursuant to this part.

1179.92. The committee shall determine whether or not it is necessary or desirable to

issue bonds authorized pursuant to this part in order to carry out the actions specified in Section 1179.84 and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to carry out those actions progressively, and it is not necessary that all of the bonds be issued or sold at any one time.

1179.93. There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds each year. It is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act that is necessary to collect that additional sum.

1179.94. Notwithstanding Section 13340 of the Government Code, there is hereby appropriated continuously from the General Fund in the State Treasury, for the purposes of this part, an amount that equals the total of the following:

(a) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this part, as the principal and interest become due and payable.

(b) The sum necessary to carry out Section 1179.95, appropriated without regard to fiscal years.

1179.95. For the purposes of carrying out this part, the Director of Finance may authorize the withdrawal from the General Fund of an amount not to exceed the amount of the unsold bonds that have been authorized by the committee to be sold for the purpose of carrying out this part. Any amounts withdrawn shall be deposited in the fund. Any money made available under this section shall be returned to the General Fund from proceeds received from the sale of bonds for the purpose of carrying out this part.

1179.96. All money deposited in the fund that is derived from premium and accrued interest on bonds sold shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest.

1179.97. Pursuant to Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code, the cost of

bond issuance shall be paid out of the bond proceeds. These costs shall be shared proportionally by each children's hospital funded through this bond act.

1179.98. The authority may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account, including other authorized forms of interim financing that include, but are not limited to, commercial paper, in accordance with Section 16312 of the Government Code, for purposes of carrying out this part. The amount of the request shall not exceed the amount of the unsold bonds that the committee, by resolution, has authorized to be sold for the purpose of carrying out this part. The authority shall execute any documents required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be allocated by the board in accordance with this part.

1179.99. The bonds may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code, which is a part of the State General Obligation Bond Law. Approval by the voters of the state for the issuance of the bonds described in this part includes the approval of the issuance of any bonds issued to refund any bonds originally issued under this part or any previously issued refunding bonds.

1179.100. Notwithstanding any other provision of this part, or of the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), if the Treasurer sells bonds pursuant to this part that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes, subject to designated conditions, the Treasurer may maintain separate accounts for the investment of bond proceeds and for the investment of earnings on those proceeds. The Treasurer may use or direct the use of those proceeds or earnings to pay any rebate, penalty, or other payment required under federal law or take any other action with respect to the investment and use of those bond proceeds required or desirable under federal law to maintain the tax-exempt status of those bonds and to obtain any other

advantage under federal law on behalf of the funds of this state.

CHAPTER 4. GENERAL PROVISIONS

1179.101. The people hereby find and declare that, inasmuch as the proceeds from the sale of bonds authorized by this part are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.

1179.102. Notwithstanding any other provision of this part, the provisions of this part are severable. If any provision of this part or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

PROPOSITION 5

This initiative measure is submitted to the people in accordance with the provisions of Section 8 of Article II of the California Constitution.

This initiative measure amends a section of the California Constitution and amends and adds sections to the Revenue and Taxation Code; therefore, existing provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SECTION 1. This act shall be known, and shall be cited, as the People's Initiative to Protect Proposition 13 Savings.

SEC. 2. Section 2 of Article XIII A of the California Constitution is amended to read:

SEC. 2. (a) (1) The "full cash value" means the county assessor's valuation of real property as shown on the 1975–76 tax bill under "full cash value" or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. All real property not already assessed up to the 1975–76 full cash value may be reassessed to reflect that valuation. For purposes of this section, "newly constructed" does not include real property that is reconstructed after a disaster, as declared by the Governor, where the