

HOUSE BILL REPORT

HB 1850

As Reported by House Committee On:
Capital Budget

Title: An act relating to community health center facilities.

Brief Description: Creating the community health center capital trust fund account.

Sponsors: Representatives Morris, Cairnes, Alexander, Murray, Rockefeller, Esser, McIntire, Cody, Kagi, Skinner, Veloria, Hankins, Ruderman, Kenney, Darneille, Hunt, Edmonds, Edwards, Keiser, Conway, Linville, Van Luven, Santos and Schual-Berke.

Brief History:

Committee Activity:

Capital Budget: 2/21/01, 3/8/01 [DPS].

Brief Summary of Substitute Bill

- The community health center assistance program is created within the Washington Health Care Facilities Authority for the purpose of providing loans, subsidized loans or loan payment guarantees for qualifying community health centers. An account is created for this program.
- The loans may be used for construction, land acquisition, equipment, technical assistance and refinancing of existing indebtedness.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives Alexander, Republican Co-Chair; Murray, Democratic Co-Chair; Armstrong, Republican Vice Chair; Esser, Republican Vice Chair; McIntire, Democratic Vice Chair; Barlean, Hankins, Hunt, Lantz, O'Brien, Ogden, Poulsen, Reardon and Veloria.

Minority Report: Do not pass. Signed by 4 members: Representatives Bush, Casada, Schoesler and Woods.

Staff: Charlie Gavigan (786-7340).

Background:

The Washington Health Care Facilities Authority (Authority) was created in 1974 to assist in the building and improvement of health care facilities. The Authority offers tax-exempt financing to nonprofit health care facilities to minimize costs of construction and provide savings to both health care providers and the public. The bonds and notes issued by the Authority do not constitute a legal obligation of the State of Washington. Principle and interest payments on the debt obligations are supported solely by the revenues from the health care provider. The Authority is prohibited from receiving state funds for Authority expenses. The board of the Authority includes the Governor, Lieutenant Governor, the Insurance Commissioner, the Secretary of the Department of Health, and one public member appointed by the Governor.

The Community Health Center (CHC) Program is a federal grant program to provide for primary and preventive health care services in medically underserved areas throughout the United States and its territories. The CHCs provide family-oriented primary and preventive health care services for people living in medically underserved communities. The Migrant Health Program (MHP) provides grants to community nonprofit organizations for medical and support services to migrant and seasonal farmworkers and their families. In 1999, 21 Community and Migrant Health Care Centers in the State of Washington received \$21.5 million from these federal grants. These community-based health providers are also Federally Qualified Health Centers. They must meet federal standards related to quality of care and cost and are qualified to receive cost-based reimbursement under Medicaid and Medicare. Finally, the centers receive \$6 million per year in state grant assistance through the Health Care Authority.

The state constitution prohibits the lending of the state's credit except to aid the poor or infirm. This includes making gifts, loans, or loan guarantees to private parties and corporations. In 1980 the state supreme court found that the Authority's issuance of non-recourse bonds was lending the state's credit, but was allowable because it aided the infirm. In later cases, the court held that non-recourse bonds issued by a public entity did not constitute lending of credit if the public entity was merely a conduit and no debt or liability was incurred by the public entity.

Summary of Substitute Bill:

The community health center assistance program is created within the Authority for the purpose of providing loans, subsidized loans or loan payment guarantees for qualifying community health centers. The loans may be used for construction, renovation, land acquisition, equipment, technical assistance and refinancing of existing indebtedness.

Eligible community health centers are defined as tax-exempt, non-profit, health care providers governed by a community-based board. Over half of the members of the

board must be users of health care services. The centers must utilize a sliding scale fee based on the federal poverty level. At least two-fifths of patients served by an eligible center must be uninsured or on Medicaid, and at least two-thirds of the patients must have incomes below 200 percent of the federal poverty level.

The Community Health Center Capital Trust Fund account is established in the custody of the State Treasurer as a non-appropriated, allotted account. The Legislature does not intend to appropriate funds to this account for the 2001-2003 biennium. Funds in the account must be used by the Washington Health Care Facilities Authority for the purposes of the community health center assistance program. Repayments from loans made under the community health center assistance program are deposited into this account.

Substitute Bill Compared to Original Bill:

The substitute bill: (1) clarifies that the community health center program created in the bill is in addition to and separate from other Authority programs; (2) removes language related to legislative appropriations to the Community Health Center Capital Trust Fund Account and adds language indicating that the legislative intent is to not appropriate state funds to this account for the 2001-03 biennium; and (3) limits assistance from special funds to participants with assets that do not exceed \$50 million.

Appropriation: None.

Fiscal Note: Not Requested.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: Capital investments by community health centers increase access to health care. Loans to community health centers by the private sector are good risks; one bank has made 80 loans with no problems. This program enhances the ability of the private sector to make loans to community health centers for capital. Helping community health centers meet capital needs assists the poor and disadvantaged. This program will help community health centers get the loans they need for capital by providing credit enhancements and other financing assistance.

Testimony Against: None.

Testified: Gloria Rodriguez, Washington State Association of Community and Migrant Health Centers; Greg Gratz, US Bank; Dorothy Wong, International District Community Health Services; and Anita Monoian, Yakima Neighborhood Health Center.