

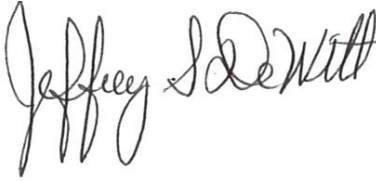
Government of the District of Columbia  
Office of the Chief Financial Officer



**Jeffrey S. DeWitt**  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Phil Mendelson  
Chairman, Council of the District of Columbia

**FROM:** Jeffrey S. DeWitt  
Chief Financial Officer 

**DATE:** December 7, 2017

**SUBJECT:** Fiscal Impact Statement – Health Care Provider Facility Expansion  
Program Establishment Act of 2017

**REFERENCE:** Bill 22-176, Committee Print as shared with the Office of Revenue  
Analysis on December 5, 2017

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**Conclusion**

Funds are not sufficient in the fiscal year 2018 through 2021 budget and financial plan to implement the bill. The bill will cost \$67,000 in fiscal year 2018 and \$2.5 million over the four-year financial plan.

**Background**

The bill establishes a Community Health Care Provider Expansion Program (Program) to provide grants to a Community Development Financial Institution for the purpose of making loans to health care providers<sup>1</sup> opening or improving facilities located in Ward 7 and Ward 8. The loans must be used to cover the cost of construction, reconstruction, renovation, rehabilitation, refurbishing, expansion, and upgrade of facilities maintained by the health care providers and the purchase of equipment used at the facilities. The Program will be managed by the Department of Health Care Finance (DHCF).

DHCF would select a grant administrator to receive the District grant, and the grant administrator must be a not-for-profit Community Development Financial Institution<sup>2</sup> certified by the U.S. Treasury

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<sup>1</sup> Health care provider means a physician, clinic, hospital, or neighborhood health center, licensed by the District, that is responsible for providing primary care and coordinating referrals, when necessary, to other health care providers.

<sup>2</sup> As defined in section 103(5) of the Riegle Community Development and Regulatory Improvement Act of 1994, approved September 23, 1994 (108 Stat. 2163; 12 U.S.C. § 4702(5)).

and experienced in financing healthcare sector projects. The grant agreement between DHCF and the grant administrator must specify:

- That the administrator is responsible for the receipt, management, and expenditure of grant funds;
- That the administrator must maintain books and records for all monies received and disbursed;
- That the grant funds be used to make loans to health care providers to provide access to affordable capital to expand and improve their ability to provide preventive or primary care; and,
- That loan recipients be chosen through an application process approved by DHCF.

The bill also specifies the allowable uses of the loans issued by the administrator. Allowable uses include:

- Costs attributable to construction, reconstruction, renovation, rehabilitation, refurbishing, expansion, upgrading and equipping of a health care provider's facility and associated professional costs, furniture, fixtures and equipment, including health information technology, acquisition, predevelopment due diligence, operating expenses, and working capital;
- Reserves for credit enhancement including loan guarantees;
- Loan loss and debt service reserves and subordinated loans; and,
- Facility financing, including loans for predevelopment, acquisition, and construction, permanent financing, and bridge loans.

The bill also establishes a non-lapsing Community Health Care Facility Expansion Revolving Fund to support the grant awards offered through the Program. The Fund will be comprised of local appropriations in an amount determined by Council, as well as debt service payments from health care providers received by the administrator and transferred to the District.

### **Financial Plan Impact**

Funds are not sufficient in the fiscal year 2018 through 2021 budget and financial plan to implement the bill. The bill will cost \$67,000 in fiscal year 2018 and \$2.5 million over the four-year financial plan, assuming an annual allocation of \$700,000 for the bill's grants.

DHCF will need to hire a full-time employee to manage the implementation and oversight of the Program. The salary and fringe benefits for this employee will cost \$67,000 in fiscal year 2018 and \$424,00 over the four-year financial plan.

The bill does not specify an amount that must be budgeted to fully fund the Program. In the absence of a specific amount, the Office of Revenue Analysis scaled the budget of a similar program in New York<sup>3</sup> to the size of the District to estimate how much might be spent on the Program each year. The Office of Revenue Analysis estimates that the Council will allocate \$700,000 in fiscal year 2019 and \$2.1 million over the four-year financial plan towards the Program.

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<sup>3</sup> See <https://www.governor.ny.gov/news/governor-cuomo-announces-new-195-million-community-health-care-revolving-capital-fund> .

The Honorable Phil Mendelson

FIS: Bill 22-176, "Health Care Provider Facility Expansion Program Establishment Act of 2017," Committee Print as shared with the Office of Revenue Analysis on December 5, 2017.

| Bill 22-176 - Health Care Provider Facility Expansion Program Establishment Act of 2017<br>Total Fiscal Impact |          |           |           |           |             |
|--|----------|-----------|-----------|-----------|-------------|
|  | FY 2018  | FY 2019   | FY 2020   | FY 2021   | Total       |
| Salary and Fringe(a)   | \$67,000 | \$117,000 | \$119,000 | \$121,000 | \$424,000   |
| Grant Awards   | \$0      | \$700,000 | \$700,000 | \$700,000 | \$2,100,000 |
| Total  | \$67,000 | \$817,000 | \$819,000 | \$821,000 | \$2,524,000 |

Table Notes:

(a). Assumes one Grade-13, Step-5 full time employee and a start date of March 1, 2018; fringe benefit rate of 21.1percent and annual increases of 1.7 percent.