

BILL ANALYSIS

Senate Research Center
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H.B. 2525
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Intergovernmental Relations
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Engrossed

DIGEST AND PURPOSE

Currently, the Mitchell County Hospital District is administered through legislation enacted in 1967. H.B. 2525 amends that Act to address district needs that have arisen since 1967. The amendments include expanding the hospital district's options for the effective provision of health care to Mitchell County residents, broadening the financing options available to the hospital district, and updating language to conform to current Texas law.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 4, Chapter 466, Acts of the 60th Legislature, Regular Session, 1967, as follows:

- (c) Provides that qualifications for election to the board of directors of the Mitchell County Hospital District (district) include being a qualified voter and a resident of the district. Prohibits an employee of the district from serving as a director. Provides that a director is not entitled to compensation, but is entitled to receive reimbursement for actual expenses incurred in attending to the district's business, provide the expenses are reported in the district's minute book or other district records and approved by the remainder of the board of directors. Deletes text prohibiting a person from being a board member unless he is a resident of the district, a landowner, and older than 21 years of age.
- (d) Requires the board to elect one person who is not required to be a director to serve as secretary and treasurer. Provides that each officer serves a one-year term. Deletes text regarding a secretary. Provides that vacancies in the board are filled by a majority vote, rather than appointment, of the remainder of the board of directors, and that the person elected to fill a vacancy shall hold office for the remainder of the unexpired term.
- (e) Requires the board to order a regular election of directors on a certain date each year. Requires the board to issue the order at least 45 days before the date of the election. Requires the order to contain certain statements. Requires the board to appoint the presiding judge, who is required to appoint election clerks as required. Requires a person who wishes to be on the ballot as a candidate for director to file an application, rather than a petition signed by qualified electors. Requires the application to be filed at least 31, rather than 25, days prior to the date of the election.

SECTION 2. Amends Section 5, Chapter 466, Acts of the 60th Legislature, Regular Session, 1967, as follows:

- (a) Authorizes the board to require the administrator, upon assuming the administrator's duties,

to execute a certain bond, conditioned that the administrator shall perform the duties required and containing such other conditions as the board may require. Authorizes the board to pay for the bond with district funds. Deletes references to a manager of the hospital district.

(b) Makes a conforming change.

(c) Authorizes the board of directors to provide retirement benefits for the employees of the district by establishing or administering a retirement program or electing to participate in a statewide retirement system.

(d) Authorizes the board to spend district funds to recruit physicians, nurses, and other trained medical personnel.

(e) Authorizes the board to institute a suit to enforce the payment of taxes and to foreclose liens to secure the payment of taxes due to the district.

(f) Authorizes the board to provide or contract to provide educational programs or courses for employees and medical staff of the district.

(g) Authorizes the board to institute a suit to collect amounts owed to the district by patients who are not able to pay under Section 17 of this Act.

(h) Authorizes the district to sponsor and create a nonprofit corporation under the Texas Non-Profit Corporation Act (Article 1396-1.01 et seq., V.T.C.S.) and to contribute funds to or solicit funds for the corporation. Authorizes the corporation to use district funds only to provide health care or other services the district is authorized to provide under this Act. Requires the board to establish adequate controls to ensure the corporation uses funds as required by this subsection. Authorizes the corporation to invest corporation funds in any manner in which the district is authorized to invest funds, including investing funds as authorized by Chapter 2256, Government Code.

SECTION 3. Amends Section 6, Chapter 466, Acts of the 60th Legislature, Regular Session, 1967, to provide that the district operates on the fiscal year established by the board of directors. Prohibits the fiscal year from being changed if revenue bonds of the district are outstanding or more than once in a 24-month period. Deletes text specifying the fiscal year. Specifies that the regular audit of the financial condition of the district is an annual audit. Specifies that notice of the public hearing on the budget is required to be printed in a newspaper of general circulation in the district. Makes conforming changes.

SECTION 4. Amends Chapter 466, Acts of the 60th legislature, Regular Session, 1967, by amending Section 7 and adding Sections 7A, 7B, and 7C, as follows:

Sec. 7. (a) Authorizes the board to issue and sell bonds authorized by an election in the name and on the faith and credit of the hospital district to purchase, construct, acquire, repair, or renovate buildings or improvements, equip buildings or improvements for hospital purposes, or acquire and operate a mobile emergency medical or air ambulance service.

(b) Requires the board, at the time the bonds are issued by the district, to levy a tax. Requires the tax to be sufficient to create an interest and sinking fund to pay the principal of and interest on the bonds as they mature. Prohibits, in any year, the sum of the tax and any other tax the district levies from exceeding the limit approved by the voters at the election authorizing the levy of taxes.

(c) Authorizes the district to issue general obligation bonds only if the bonds are authorized by a majority of the qualified voters of the district voting at an election called

and held for that purpose. Authorizes the board to order a bond election.

(d) Requires the bond election to be conducted as provided by Chapter 1251 (Bond Elections), Government Code.

Sec. 7A. (a) Authorizes the board to issue revenue bonds to purchase, construct, acquire, repair, equip, or renovate buildings or improvements for hospital purposes, acquire sites to be used for hospital purposes, or acquire and operate a mobile emergency medical or air ambulance service to assist the district in carrying out its hospital purposes.

(b) Requires the bonds to be payable from and secured by a pledge of all or part of the revenues derived from the operation of the district's hospital system. Authorizes the bonds to be additionally secured by a mortgage or deed of trust lien on all or part of district property.

(c) Requires the bonds to be issued in the manner provided by Sections 264.042 (Form and Procedure), 264.043 (Terms), 264.046 (Junior Lien Bonds; Parity Bonds), 264.047 (Bond Proceeds; Investment of Funds), 264.048 (Refunding Bonds), and 264.049 (Approval and Registration of Bonds), Health and Safety Code, for issuance of revenue bonds by county hospital authorities. Deletes text regarding the board's powers related to bonds and provisions of the bonds.

Sec. 7B. Requires refunding bonds to be issued in accordance with Chapter 1207 (Refunding Bonds), Government Code. Deletes text regarding refunding bonds.

Sec. 7C. Requires bonds of the district to bear interest at a rate not to exceed the rate provided by Chapter 1204 (Interest Rate), Government Code, rather than six per centum per annum, and to be countersigned by the secretary in the manner provided by Chapter 618 (Uniform Facsimile Signature of Public Officials Act), rather than Article 717j-1, V.T.C.S.

SECTION 5. Amends Section 9, Chapter 466, Acts of the 60th Legislature, Regular Session, 1967, to authorize the board to purchase or lease property, facilities, and equipment for the district to use in the hospital system and to mortgage or pledge it as security for the payment of the purchase price. Authorizes the board to enter into a contract or contracts to provide personnel for the operation of the hospital facilities, but prohibits a contract from being for a period exceeding 25 years. Authorizes the board to transfer district hospital facilities by lease to individuals, corporations, or other legal entities and to sell or otherwise dispose of the district's property, facilities, and equipment. Deletes text regarding the board's authority to enter into contracts and to dispose of property.

SECTION 6. Amends Section 10, Chapter 466, Acts of the 60th Legislature, Regular Session, 1967, to authorize the board to contract for construction only after competitive bidding as provided by Chapter 271B (Competitive Bidding on Certain Public Works Contracts), Local Government Code. Prohibits the district from incurring an obligation payable from any revenues of the district (taxes or otherwise) except those on hand or to be on hand within the then current fiscal year of the district, except as permitted in this section and by Sections 7, 7A, 7B, 7C, and 8. Deletes text regarding purchases of more than \$2,000.

SECTION 7. Amends Section 11, Chapter 466, Acts of the 60th Legislature, Regular Session, 1967, to delete the requirement that the bank appointed as depository for the district's funds be within the district's boundaries.

SECTION 8. Amends Section 14, Chapter 466, Acts of the 60th Legislature, Regular Session, 1967, to provide that the district has the right of eminent domain, with conditions, provided that the district not be required to make deposits in the registry of the trial court of the sum required by Section 21.021(a) (Possession Pending Litigation), Property Code, rather than paragraph 2 of Article 3268, V.T.C.S.,

1925, as amended.

SECTION 9. Amends Section 15, Chapter 466, Acts of the 60th Legislature, Regular Session, 1967, to authorize the board to impose annual property taxes in an amount not to exceed the limit approved by the voters at an election authorizing the levy of taxes. Prohibits the tax rate for all district purposes from exceeding a certain amount. Authorizes the taxes to be used to pay for indebtedness issued or assumed by the district and for the maintenance and operating expenses of the district. Prohibits the district from imposing taxes to pay the principal of or interest on revenue bonds. Provides that the Tax Code governs the appraisal, assessment, and collection of district taxes. Authorizes the board to provide for the appointment of a tax assessor-collector for the district or to contract for the assessment and collection of taxes as provided by the Tax Code. Deletes text regarding district taxes, the tax assessor-collector, the assessment and collection of taxes, the depositing of fees, tax interest and penalties, the residue, the board's authority to levy the tax, the bond of the tax assessor-collector, and the tax assessor-collector's authority.

SECTION 10. Amends Section 17, Chapter 466, Acts of the 60th Legislature, Regular Session, 1967, to authorize the administrator to inquire as to the financial circumstances of a patient or a patient's legally responsible relatives. Deletes text regarding the substantial evidence rule. Makes conforming and nonsubstantive changes.

SECTION 11. Amends Chapter 466, Acts of the 60th Legislature, Regular Session, 1967, by adding Sections 20A, 20B, and 20C, as follows:

Sec. 20A. (a) Authorizes the board, if it determines that funds are not available to meet lawfully authorized obligations of the district and that an emergency exists, to borrow money at a rate not to exceed the maximum annual percentage rate allowed by law for district obligations at the time the loan is made.

(b) Authorizes the board to pledge certain revenues to secure a loan.

(c) Requires a loan for which tax revenue or bonds are pledged to mature not later than the first anniversary of the date on which the loan was made. Requires a loan for which other district revenues are pledged to mature not later than the fifth anniversary of the date on which the loan was made.

(d) Prohibits the board from spending loan proceeds under this section for any purpose other than the purpose for which the board declared an emergency existed. Prohibits the board, if tax revenues or bonds are pledged to pay the loan, from using the loan proceeds for a purpose other than for the purpose for which the taxes were imposed or the bonds were authorized.

Sec. 20B. (a) Authorizes the board to borrow money at a rate not to exceed the maximum annual percentage rate allowed by law for district obligations at the time of the loan.

(b) and (c) Make conforming changes.

Sec. 20C. (a) Authorizes the district to be dissolved only if the dissolution is approved by a majority of the qualified voters of the district voting in an election called and held for that purpose.

(b) Authorizes the board to order an election on the question of dissolving the district and disposing of the district's assets and obligations. Requires the board of directors to order an election to be held on the question of dissolution of the district if the board receives a petition requesting an election that is signed by at least 15 percent of the registered voters of the district.

(c) Requires the election to be held not later than the 60th day after the date the election is ordered. Provides that Section 41.001(a) (Uniform Election Dates), Election Code, does not apply to an election ordered under this section. Requires the order calling the election to make certain statements.

(d) Requires the board to give notice of the election by publishing a copy of the election order in a newspaper with general circulation in the district once a week for two consecutive weeks. Requires the first publication to appear on or before the 35th day before the date set for the election. Requires the ballot for an election at which the dissolution of the district is proposed to be printed to permit voting for or against the proposition: "The dissolution of the Mitchell County Hospital District."

(e) Requires the board, if a majority of the votes in the election favor dissolution, to find that the district is dissolved. Requires the board, if a majority of the votes in the election do not favor dissolution, to continue to administer the district, and prohibits another election on the question of dissolution from being held before the first anniversary of the most recent election to dissolve the district.

(f) Requires the board, if a majority of the votes in the election favor dissolution, to: transfer the land, buildings, improvements, equipment, and other assets that belong to the district to a county or to another governmental entity in Mitchell County; sell the assets and liabilities to another person or entity; or administer the property, assets, and debts until all funds have been disposed of and all district debts have been paid or settled.

(g) Provides that if the district transfers the land, buildings, improvements, equipment, and other assets to a county or other governmental entity, the county or entity assumes all debts and obligations of the district at the time of the transfer, and the district is dissolved. Provides that if the transfer is not made, or the property and assets are not sold, the board is required to administer the property, assets, and debts until all has been disposed, paid, or settled, at which time the district is dissolved.

(h) Requires the board, after it finds that the district is dissolved, to: determine the debt owed by the district; and impose on the property included in the district's tax rolls a tax that is in proportion of the debt to the property value.

(i) Requires the board, when all outstanding debts and obligations of the district are paid, to order the secretary to return the pro rata share of all unused tax money to each district taxpayer.

(j) Authorizes a taxpayer to request that the taxpayer's share of surplus tax money be credited to the taxpayer's county taxes. Provides that if a taxpayer requests the credit, the board is required to direct the secretary to transmit the funds to the county tax assessor-collector.

(k) Requires the board, after the district has paid all its debts and has disposed of all its assets and funds as required by this section, to file a written report with the commissioners court of Mitchell County setting forth a summary of the board of directors' actions in dissolving the district.

(l) Requires the commissioners court of Mitchell County, not later than the 10th day after the date it receives the report and determines that the requirements of this section have been fulfilled, to enter an order dissolving the district and releasing the board from any further duty or obligation.

(m) Authorizes the district to provide for the sale or transfer of the district's assets and liabilities to another person or entity and the district's subsequent dissolution. Provides that the dissolution of the district and the sale or transfer of the district's assets and liabilities to another person or entity may not contravene a trust indenture or bond resolution relating to the outstanding bonds of the district. Provides that the dissolution and sale or transfer does not diminish or impair the rights of a holder of an outstanding bond, warrant, or other obligation of the district.

(n) Requires the sale or transfer of the district's assets and liabilities to satisfy the debt and bond obligations of the district in a manner that protects the interests of the residents of the district, including the residents' collective property rights. Provides that a grant from federal funds is an obligation to be repaid in satisfaction. Prohibits the district from transferring or disposing of the district's assets except for due compensation unless the transfer is made to another governmental entity that serves the district and requires the transferred assets to be used for the benefit of the residents of the district.

SECTION 12. Effective date: upon passage or September 1, 2001.