

BILL ANALYSIS

Senate Research Center

S.B. 1632
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Intergovernmental Relations
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DIGEST AND PURPOSE

Current law is silent on the ability of a jointly owned city-county hospital to borrow money using real property as collateral. As proposed, S.B. 1632 allows a city-county hospital to borrow money using real property as collateral.

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 Chapter 265B, Health and Safety Code, by adding Sections 265.0177 through 265.0179, as follows:

Sec. 265.0177. **AUTHORITY TO BORROW MONEY.** (a) Authorizes the board of managers of a jointly-owned city and county hospital to borrow money in the name of the hospital for the purposes described in Section 265.0179 and to, in connection with the loan, execute a loan agreement or promissory note as evidence of the obligation to repay the loan.

(b) Requires the loan amount, interest rate, maturity, security, and other terms and conditions of the loan to be found to be reasonable by the board of managers. Prohibits the maturity of the loan from exceeding 30 years.

(c) Requires the board of managers, before entering into a loan under this section, to determine that it will have sufficient funds available from revenues generated by the hospital to pay the loan when the loan is due.

(d) Requires the commissioners court and the governing body of the municipality to approve the terms of the loan by written resolution.

(e) Provides that Chapter 1202, Government Code, does not apply to a promissory note or any other instrument evidencing a loan under this section.

Sec. 265.0178. **PLEDGE OF SECURITY.** (a) Authorizes certain loans under Section 265.0177.

(b) Provides that the holder of a loan obligation under Section 265.0177 does not have the right to demand payment of the principal and interest on the loan out of any funds or property of the hospital other than the funds or property specifically pledged to secure payment of the loan.

Sec. 265.0179. **PERMISSIBLE USES OF LOAN PROCEEDS.** Authorizes the proceeds from a loan under Sec. 265.0177 to be used to pay costs relating to the acquisition, construction, rehabilitation, and equipping of hospital facilities, including costs related to the acquisition of real property and any other improvements deemed necessary and appropriate by the board of managers.

SECTION 2. Effective date: upon passage or September 1, 2003.