

SUBJECT: Financing options for community MHMR centers

COMMITTEE: Human Services —favorable, without amendment

VOTE: 9 ayes — Hupp, Eissler, J. Davis, A. Allen, Gonzalez Toureilles,
Goodman, Naishtat, Paxton, Reyna

0 nays

SENATE VOTE: On final passage, April 7 — 31-0, on Local and Uncontested Calendar

WITNESSES: For — Brian Crews, Texas Council of Community MHMR Centers; Joe Lovelace, National Alliance for the Mentally Ill of Texas

Against — None

BACKGROUND: Under current law, mental health and mental retardation (MHMR) community centers may contract, issue, execute, refinance, or refund bonds, notes, or contracts in order to acquire or refinance the acquisition of real and personal property or to construct improvements to property. The community centers can secure the payment of the bonds, notes, or contracts with a security interest in or pledge of its revenues, receivables, contract rights, or accounts, or by granting a mortgage on any of its properties. All bonds or notes must be issued in accordance with the Government Code, and the bonds must be approved by the attorney general.

DIGEST: SB 812 would provide community MHMR centers with additional financing options by allowing a center to issue, execute, refinance, or refund an obligation in accordance with the Government Code. An obligation, along with the other financing options currently available, could be used to finance all or part of a payment owed or to be owed on a credit agreement. Under the bill, the payment of bonds, notes, obligations, or contracts could be secured by an MHMR center only with a security interest in or pledge of its revenues or by granting a mortgage on any of its properties.

The bill would define “revenues” as an account, deposit account, chattel

paper, commercial tort claim, document, general intangible, health care insurance receivable, instrument, investment property, letter-of-credit right, and proceeds.

Before issuance, the attorney general would have to approve all bonds, notes issued in the form of public securities, and obligations as defined in the Government Code.

SB 812 would allow the board of trustees of a community MHMR center to authorize the issuance of an anticipated note in the same manner, and using the same procedures and with the same rights, as that of an eligible school district under the Government Code. The board could not, however, use the proceeds of an anticipated note to pay operating or current expenses that exceeded 50 percent of the revenue anticipated to be collected in the fiscal year in which the attorney general approved the note.

The bill would take effect on September 1, 2005.

**SUPPORTERS
SAY:**

SB 812 would remove statutory inconsistencies. In the provision for financing of community MHMR centers, there are numerous references to terminology in other statutes that have been revised since the section's original enactment in 1991. This has caused confusion in determining how an MHMR center should finance property and improvements. The bill would clarify what methods of financing would be available to MHMR centers and would increase flexibility in financing facilities.

Changes in law governing MHMR community centers have left some question as to their ability to issue cash flow anticipation notes, which almost all MHMR centers currently do. This could cause confusion in the processing of these notes. The bill specifically would state the process by which MHMR centers could issue cash flow notes to pay current and other expenses in anticipation of future revenues. The bill would clarify that the centers have the authority to issue cash flow anticipation notes in much the same way that school districts do, preventing any confusion that might prevent proper processing of the notes.

OPPONENTS
SAY:

No apparent opposition.