

## **BILL ANALYSIS**

Senate Research Center

H.B. 1512  
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Intergovernmental Relations  
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Engrossed

### **DIGEST AND PURPOSE**

The legislation enabling the creation of the Stonewall County Hospital District (district), enacted in 1963, has become dated in many regards. Under current law, a short term loan to the district must be repaid in one year, hampering the ability of the district to borrow money to cover the costs of operation. H.B. 1512 adjusts and updates aspects of district administration as well as amends provisions regarding the repayment period for short term loans to the district for certain purposes.

### **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 54, Acts of the 58th Legislature, Regular Session, 1963, by adding Section 2A, as follows:

Sec. 2A. Prohibits a county, municipality, or other governmental entity in which the Stonewall County Hospital District (district) is located from levying taxes or issuing bonds or other obligations for hospital purposes or for providing medical care for the residents of the district.

SECTION 2. Amends Section 3, Chapter 54, Acts of the 58th Legislature, Regular Session, 1963, to delete existing text regarding persons appointed or elected as a member of the board of directors of certain hospital districts. Requires each member of the board of directors to qualify by executing the constitutional oath of office. Deletes existing text regarding the execution of a certain bond. Requires the board of directors to organize by electing one of their number as president and one of their number as vice president, rather than secretary. Requires the directors to also 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. Requires all vacancies in the office of director to be filled for the unexpired term by a majority vote, rather than appointment, of the remainder of the board of directors. Requires the remaining directors, in the event the number of directors is reduced to less than three for any reason, to immediately call a special election to fill said vacancies, and upon failure to do so a district court is authorized, upon application of any qualified voter or taxpayer of the district, issue a mandate requiring that such election be ordered by the remaining directors. Requires the board of directors to order a regular election of directors to be held on the first Saturday in May, rather than April, of each year. Requires the board of directors to issue the order at least 45 days before the date of the election. Requires the order to state the time, place, and purpose of the election. Requires the board of directors to appoint the presiding judge, who is required to appoint the assistant judge and the clerks as may be required. Requires notice of such election to be published in a newspaper of general circulation in the district, rather than county, one time at least ten days prior to the date of election. Requires any person desiring that person's name to be printed on the ballot as a candidate for director to file an application, rather than a petition, signed by not less than 25 qualified voters asking that such name be printed on the ballot, with the secretary of the board of directors of the district at least 31, rather than 25, days prior to the date of election. Requires a person, to be eligible to be a candidate for or to serve as a

director, to be a resident of the district and a qualified voter. Prohibits an employee of the district from serving as a director.

SECTION 3. Amends Section 4, Chapter 54, Acts of the 58th Legislature, Regular Session, 1963, as follows:

- (a) Provides that the management and control of each hospital district created pursuant to the provisions of this Act is hereby vested in the board of directors of the district, who are required to serve without compensation but are authorized to be reimbursed for actual expenses incurred in the performance of their official duties, provided the expenses are reported in the district's minutes and approved by the board of directors, rather than the entire board of directors.
- (b) Requires the board of directors to appoint a qualified person as administrator of the district and authorizes the board to appoint an assistant administrator. Provides that the administrator and assistant administrator serve at the will of the board of directors. Provides that the administrator and assistant administrator are entitled to compensation as determined by the board of directors. Requires the administrator, before assuming the administrator's duties, to execute a bond payable to the hospital district in an amount of not less than \$5,000 as determined by the board of directors, conditioned on the faithful performance of the administrator's duties under this Act and any other condition the board of directors may prescribe. Authorizes the board of directors to pay for the bond with district funds.
- (c) Requires the administrator to supervise the work and activities of the district and direct the general affairs of the district, subject to the limitations prescribed by the board of directors.
- (d) Authorizes the district to appoint physicians to the staff and employ technicians, nurses, fiscal agents, accountants, architects, attorneys, and other necessary employees. Authorizes the board of directors to delegate to the administrator the authority to employ persons for the district.
- (e) Authorizes the board of directors to contract with any other public or private entity, including the federal government, this state, a county, a municipality, a hospital district, or any other political subdivision, or a charitable organization, to provide health care or related services inside or outside the district.
- (f) Requires the board of directors to determine the type, number, and location of buildings required to establish and maintain an adequate hospital system and the type of equipment necessary for hospital care. Authorizes the board of directors to establish and equip a clinic as part of the hospital system.
- (g) Authorizes the board of directors to acquire property, facilities, and equipment for the district for use in the hospital system or mortgage or pledge the property, facilities, or equipment acquired as security for the payment of the purchase price. Authorizes the board of directors to transfer by lease to individuals, companies, corporations, or other legal entities or acquire by lease district hospital facilities and sell or otherwise dispose of district property, facilities, or equipment.
- (h) Authorizes the board of directors to enter into operating or management contracts relating to hospital facilities. Prohibits the term of a contract from exceeding 25 years from the date the contract is entered into.
- (i) Authorizes the board of directors to provide retirement benefits for employees of the district by establishing or administering a retirement program or electing to participate in the Texas County and District Retirement System or in any other statewide retirement system in which the district is eligible to participate.

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

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

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

(m) Authorizes the board of directors to institute a suit to collect amounts owed the district by patients who have not been determined to be unable to pay under Section 11 of this Act.

SECTION 4. Amends Section 5, Chapter 54, Acts of the 58th Legislature, Regular Session, 1963, to authorize the board of directors annually, rather than require the board of directors upon the creation of such hospital district, to levy on all property subject to hospital district taxation for the benefit of the district a tax in an amount not to exceed the limit approved by the voters. Deletes existing text regarding county taxation. Prohibits the tax rate for all purposes from exceeding 75 cents on the 100 dollars valuation of all taxable property within the hospital district, for certain purposes. Prohibits the district from imposing taxes to pay the principal of or interest on revenue bonds issued by the district. Provides that the Tax Code governs the appraisal, assessment, and collection of district taxes. Authorizes the board of directors 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 existing text regarding the levying of taxes.

SECTION 5. Amends Section 6, Chapter 54, Acts of the 58th Legislature, Regular Session, 1963, as follows:

(a) Authorizes the board of directors 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 of directors, 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 the tax together with any other tax the district levies, in any year, 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 of directors to order a bond election.

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

(e) Requires bonds of the district to meet certain criteria, and to be subject to the same requirements in the matter of approval by the attorney general and registration by the comptroller as are by law provided for approval and registration of bonds issued by counties. Requires the bonds, upon the approval of such bonds by the attorney general and registration by the comptroller, to be incontestable for any cause. Deletes existing text regarding certain authorities of the board of directors relating to obligations of such hospital districts. Deletes existing text regarding certain bonds.

SECTION 6. Amends Chapter 54, Acts of the 58th Legislature, Regular Session, 1963, by adding Section 6A, as follows:

Sec. 6A. (a) Authorizes the board of directors 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 certain statutes for issuance of revenue bonds by county hospital authorities.

SECTION 7. Amends Section 7, Chapter 54, Acts of the 58th Legislature, Regular Session, 1963, to delete existing text regarding employment of certain personnel. Requires the district to comply with the bidding requirements of Chapter 271 (Purchasing and Contracting Authority of Municipalities, Counties, and Certain Other Local Governments), Local Government Code. Prohibits the district, except as permitted by this Act, from incurring an obligation payable from any revenue of the district except revenue currently held by the district or revenue that will be held by the district in the then current fiscal year of the district.

SECTION 8. Amends Section 8, Chapter 54, Acts of the 58th Legislature, Regular Session, 1963, 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 existing text regarding the fiscal year of the hospital district. Requires the district directors to cause an annual, rather than independent, audit to be made of the books and records of the district, such audit to be made covering such fiscal year. Deletes existing text regarding the filing of the audit. Provides that the annual audit and other district records are open to inspection during regular business hours at the principal office of the district. Prohibits money from being spent for any expense not included in the annual budget or an amendment to the budget. Authorizes the annual budget to be amended as necessary, but requires the annual budget and all amendments to it to be approved by the board of directors. Requires the administrator, as soon as practicable after the close of each fiscal year, to prepare for the board of directors a full sworn statement of all money belonging to the district and a full account of the disbursements of that money.

SECTION 9. Amends Section 9, Chapter 54, Acts of the 58th Legislature, Regular Session, 1963, to delete a certain citation and replace it with a citation of Section 21.021 (Possession Pending Litigation), Property Code, relating to certain deposits in the registry of the trial court.

SECTION 10. Amends Section 10, Chapter 54, Acts of the 58th Legislature, Regular Session, 1963, to delete existing text regarding the county in which the district is located in and the funds of the district. Requires district money to be deposited as received with the depository bank or banks, except that sufficient money is required to be remitted to the bank or banks for the payment of principal of and interest on the outstanding bonds of the district or other obligations assumed by it. Requires the district to remit money for payment of obligations so that the money is received on or before the date of maturity of the principal and interest to be paid. Requires money in the depository bank or banks that is not insured by the Federal Deposit Insurance Corporation to be secured in the manner provided by law for security of county money. Provides that membership on the board of directors by an officer or director of a bank does not disqualify that bank from being designated as depository.

SECTION 11. Amends Sections 11-16, Chapter 54, Acts of the 58th Legislature, Regular Session, 1963, as follows:

Sec. 11. Deletes existing text of Sections 11 and 12 regarding inspection of the district and taxes on certain property within a certain area. Renumbers existing text of Section 13 as

Section 11. Requires the administrator, rather than directors, whenever a patient residing in the hospital district has been admitted to the facilities of the hospital district, to cause inquiry to be made as to the patient's circumstances, and of the relatives of such patient legally liable for the patient's support. Deletes existing text regarding the actual per capita cost of maintenance. Makes conforming and nonsubstantive changes.

Sec. 12. Renumbers existing text of Section 14 as Section 12.

Sec. 13. Renumbers existing text of Section 15 as Section 13. Requires all bonds issued by or indebtedness assumed by the district authorized to be established and created under the provisions of this Act to be and are declared to be legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, trustees, guardians, and for the sinking funds of cities, towns, villages, counties, school districts, or other political corporations or subdivisions of the State of Texas and for all public funds of the state or its agencies, including the state permanent school fund. Provides that, rather than requires, the bonds and indebtedness are eligible to secure deposits of public funds of the state and of municipalities, counties, school districts, and other subdivisions or corporations of the state and are lawful and sufficient security for deposits to the extent of their face value when accompanied by all unmatured coupons appurtenant thereto.

Sec. 14. Renumbers existing text of Section 16 as Section 14.

SECTION 12. Amends Chapter 54, Acts of the 58th Legislature, Regular Session, 1963, by adding Sections 15, 15A, and 15B, as follows:

Sec. 15. (a) Authorizes the board of directors, if the board of directors determines that money is not available to meet the lawful obligations of the district and that an emergency exists, to borrow money at a rate of interest not to exceed the maximum annual percentage rate allowed by law for district obligations at the time of the loan.

(b) Authorizes the board of directors, to secure a loan, to make certain pledges.

(c) Requires a loan for which tax revenue or bonds are pledged to mature not later than the third 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 of directors from using loan proceeds obtained under this section for any purpose other than the purpose for which the board of directors determined an emergency existed. Prohibits the board of directors, if tax revenue or bonds are pledged to pay the loan, the board of directors from using the loan proceeds for a purpose other than the purpose for which the taxes were levied or the bonds were authorized.

Sec. 15A. (a) Authorizes the board of directors to borrow money at a rate of interest not to exceed the maximum annual percentage rate allowed by law for district obligations at the time of the loan.

(b) Authorizes the board of directors, to secure a loan, to make certain pledges.

(c) Requires a loan for which tax revenue or bonds are pledged to mature not later than the third 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.

Sec. 15B. (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 of directors 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 if the board of directors receives a petition requesting an election that is signed by a number of residents of the district equal to at least 15 percent of the registered voters in 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) (relating to uniform election dates), Election Code, does not apply to an election ordered under this section. Requires the order calling the election to state certain information.

(d) Requires the board of directors to give notice of the election in a certain manner.

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

(f) Requires the board of directors, if a majority of the votes in the election favor dissolution, to take certain enumerated actions.

(g) Provides that if the district transfers the land, buildings, improvements, equipment, and other assets to a county or other governmental agency, the county or agency assumes all debts and obligations of the district at the time of the transfer, and the district is dissolved.

(h) Requires the board of directors, after the board of directors finds that the district is dissolved, take certain enumerated actions.

(i) Requires the board of directors, when remaining 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. Requires the board of directors, if a taxpayer requests the credit, to direct the secretary to transmit the money to the county tax assessor-collector.

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

(l) Requires the commissioners court of Stonewall 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 of directors of the district from any further duty or obligation.

(m) Prohibits the district from being dissolved unless the board of directors provides for the sale or transfer of the district's assets and liabilities to another person or entity.

Prohibits the dissolution of the district and the sale or transfer of the district's assets and liabilities from contravening 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 in the district's assets. 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 a governmental agency that serves the district and the transferred assets are to be used for the benefit of the residents of the district.

SECTION 13. Amends Chapter 54, Acts of the 58th Legislature, Regular Session, 1963, by adding Section 16, as follows:

Sec. 16. Prohibits the state from becoming obligated for the support or maintenance of the district created under this Act, and prohibits the legislature from making a direct appropriation for the construction, maintenance, or improvement of a facility of the district.

SECTION 14. Effective date: September 1, 2001.