

BILL ANALYSIS

Senate Research Center
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H.B. 3132
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Intergovernmental Relations
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Engrossed

DIGEST AND PURPOSE

The Gainesville and Muenster hospital districts are both located in Cooke County. Due to the proximity of the districts, they are not eligible for federal funding as regional providers of health services. The dissolution of both districts and the creation of a single district in Cooke County would enable the new district to receive federal funds and better serve the health care needs of the residents of Cooke County. H.B. 3132 provides for the submission to each district's voters propositions dissolving the Gainesville and Muenster hospital districts and creating the Cooke County Hospital District, and sets forth the powers and duties of the Cooke County Hospital District.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Cooke County Hospital District in SECTION 3.09 of this bill.

SECTION BY SECTION ANALYSIS

ARTICLE 1. CHANGES RELATING TO GAINESVILLE HOSPITAL DISTRICT

SECTION 1.01. Amends Chapter 211, Acts of the 64th Legislature, Regular Session, 1975, by adding Section 1A, as follows:

Sec. 1A. Provides that on the dissolution of the Gainesville Hospital District and the approval of the creation of the Cooke County Hospital District, a reference in this Act or in any other law to the Gainesville Hospital District means the Cooke County Hospital District.

SECTION 1.02. Amends Chapter 211, Acts of the 64th Legislature, Regular Session, 1975, by adding Section 18A, as follows:

Sec. 18A. DISSOLUTION OF DISTRICT IN EVENT OF DISSOLUTION OF MUENSTER HOSPITAL DISTRICT AND CREATION OF COOKE COUNTY HOSPITAL DISTRICT. (a) Authorizes the Gainesville Hospital District, notwithstanding the provisions of any other section of this Act, to be dissolved as provided by this section.

(b) Authorizes the board of directors to order an election on the question of the dissolution of the Gainesville Hospital District, creation of the Cooke County Hospital District, transfer of the Gainesville Hospital District's assets and obligations to the Cooke County Hospital District, and assumption by the Cooke County Hospital District of the Gainesville Hospital District's outstanding debts.

(c) Requires the board to order an election under certain conditions.

(d) Requires that if the board of directors orders an election under this section, it promptly notify the board of directors of the Muenster Hospital District of the election order.

(e) Requires the election to be held not less than 45 or more than 60 days after the date on which an election is ordered and to be held on the same date that the separate election in the Muenster Hospital District is held. Requires the board of directors to cooperate with the board of directors of the Muenster Hospital District in setting the date of the elections. Provides that Section 41.001(a) (relating to Uniform Election Dates), Election Code, does not apply to an election ordered under this section.

(f) Requires the ballot to be printed to permit a person to vote for or against the proposition and sets forth specific wording to be contained on the ballot.

(g) Requires the election to be held in accordance with the applicable provisions of the Election Code except as provided by Subsections (e) and (f) of this section.

(h) Provides that the Gainesville Hospital District is dissolved under certain conditions.

(i) Provides that the Gainesville Hospital District is not dissolved and the board of directors is required to continue to administer the Gainesville Hospital District if a majority of the voters in either the Gainesville Hospital District or the Muenster Hospital District do not favor the proposition on which they voted.

(j) Requires that if the Gainesville Hospital District is dissolved under this section, the board of directors orderly transfer the assets and obligations of the Gainesville Hospital District to the Cooke County Hospital District not later than the 180th day after the date of the election.

(k) Prohibits the board of directors from holding an election on the question of dissolution under this section and the creation of the Cooke County Hospital District before the first anniversary of the most recent election held under this section concerning the dissolution and the creation of the Cooke County Hospital District.

ARTICLE 2. CHANGES RELATING TO MUENSTER HOSPITAL DISTRICT

SECTION 2.01. Amends Chapter 477, Acts of the 59th Legislature, Regular Session, 1965, by adding Section 1A, as follows:

Sec. 1A. Provides that on the dissolution of the Muenster Hospital District and the approval of the creation of the Cooke County Hospital District, a reference in this Act or in any other law to the Muenster Hospital District means the Cooke County Hospital District.

SECTION 2.02. Amends Section 20b(e), Chapter 477, Acts of the 59th Legislature, Regular Session, 1965, to require that if a majority of the votes in the election favor dissolution, the Board shall 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 under this section from being held before the first anniversary of the most recent election held under this section to dissolve the District.

SECTION 2.03. Amends Chapter 477, Acts of the 59th Legislature, Regular Session, 1965, by adding Section 20c, as follows:

Sec. 20c. DISSOLUTION OF DISTRICT IN EVENT OF DISSOLUTION OF GAINESVILLE HOSPITAL DISTRICT AND CREATION OF COOKE COUNTY HOSPITAL DISTRICT. (a) Authorizes the Muenster Hospital District to be dissolved as provided by this section, notwithstanding any other provision of this Act.

(b) Authorizes the Board of Directors of the Muenster District (Board) to order an

election on the question of the dissolution of the Muenster Hospital District, creation of the Cooke County Hospital District, transfer of the Muenster Hospital District's assets and obligations to the Cooke County Hospital District, and assumption by the Cooke County Hospital District of the Muenster Hospital District's outstanding debts.

(c) Requires the Board to order an election under certain conditions.

(d) Requires that if the Board orders an election under this section, it promptly notify the Board of Directors of the Gainesville Hospital District of the election order.

(e) Requires the election to be held not less than 45 or more than 60 days after the date on which an election is ordered and to be held on the same date that the separate election in the Gainesville Hospital District is held. Requires the Board to cooperate with the Board of Directors of the Gainesville Hospital District in setting the date of the elections. Provides that Section 41.001(a), Election Code, does not apply to an election ordered under this section.

(f) Requires the ballot to be printed to permit a person to vote for or against the proposition and sets forth specific wording to be contained on the ballot.

(g) Requires the election to be held in accordance with the applicable provisions of the Election Code except as provided by Subsections (e) and (f) of this section.

(h) Provides that the Muenster Hospital District is dissolved under certain conditions.

(i) Provides that the Muenster Hospital District is not dissolved and the Board is required to continue to administer the Muenster Hospital District if a majority of the voters in either district do not favor the proposition on which they voted.

(j) Requires that if the Muenster Hospital District is dissolved under this section, the Board orderly transfer the assets and obligations of the Muenster Hospital District to the Cooke County Hospital District not later than the 180th day after the date of the election.

(k) Prohibits the Board from holding an election on the question of dissolution under this section and the creation of the Cooke County Hospital District before the first anniversary of the most recent election held under this section concerning the dissolution and the creation of the Cooke County Hospital District.

ARTICLE 3. CREATION OF COOKE COUNTY HOSPITAL DISTRICT

SECTION 3.01. (a) Provides that, in accordance with Section 9, Article IX, Texas Constitution, this article authorizes the creation, establishment, administration, maintenance, operation, and financing of a hospital district in this state with boundaries coextensive with the boundaries of Cooke County as they existed on November 15, 1999.

(b) Provides that the district is to be known as "Cooke County Hospital District," and it has the rights, powers, and duties provided in this article.

SECTION 3.02. (a) Prohibits the Cooke County Hospital District from being created unless the creation, the assumption of debt, and the levy of taxes are approved by a majority of the voters at an election held in the Gainesville Hospital District and by a majority of the voters at a separate election held in the Muenster Hospital District.

(b) Requires the election in the Gainesville Hospital District and the election in the

Muenster Hospital District to be held on the same day and to be held before the fifth anniversary of the effective date of this Act.

SECTION 3.03. (a) Requires that if the Cooke County Hospital District is created in accordance with Section 18A, Chapter 211, Acts of the 64th Legislature, Regular Session, 1975, and Section 20c, Chapter 477, Acts of the 59th Legislature, Regular Session, 1965, certain persons serve as temporary directors of the Cooke County Hospital District.

(b) Requires a vacancy on the temporary board of directors to be filled by the Commissioners Court of Cooke County.

(c) Requires the temporary board to serve as the directors of the Cooke County Hospital District until elected directors take office.

SECTION 3.04. (a) Requires that if the Cooke County Hospital District is created, directors be elected at an election to be held on the first Saturday in May following the date the Cooke County Hospital District is created.

(b) Authorizes the temporary directors to postpone the election date for one year or until a subsequent uniform election date if the temporary directors determine that there is not sufficient time to comply with the requirements of law.

(c) Requires two directors to be elected from each of Commissioners Precincts Numbers 1, 2, 3, and 4 of Cooke County, and one director to be elected from the district at large.

(d) Provides that at the initial election of directors following creation of the Cooke County Hospital District, the two candidates receiving the highest number of votes from each commissioners precinct are the directors for that precinct, and the candidate receiving the highest number of votes from the district at large is the director for the district at large.

(e) Requires the directors elected at the initial election of directors following creation of the Cooke County Hospital District to draw lots to determine which three directors are required to serve one-year terms, which three directors are required to serve two-year terms, and which three directors are required to serve three-year terms.

SECTION 3.05. (a) Requires that after the initial election of directors following creation, an election be held each year on the first Saturday in May, and the appropriate number of successor directors be elected for three-year terms.

(b) Requires notice of each election to be published in a newspaper of general circulation in the district in accordance with Section 4.003 (Method of Giving Notice), Election Code. Requires any person desiring to have the person's name printed on the ballot as a candidate for director to file an application with the secretary of the board of directors. Requires the application to be filed with the secretary at least 60 days before the date of the election. Requires the application to specify the commissioners precinct the candidate wishes to represent or that the candidate wishes to represent the district at large.

(c) Requires vacancies in office to be filled for the unexpired term by the remainder of the board of directors.

SECTION 3.06. Prohibits a person from being appointed or elected as a member of the temporary or permanent board of directors unless the person is a resident of the district, a qualified voter, and, if elected from a commissioners precinct, a resident of the precinct. Provides that certain persons are not eligible to serve as a director.

SECTION 3.07. (a) Requires the district authorized by this article to be created to take over and there to be transferred to the district title to all land, buildings, improvements, and equipment pertaining to the hospitals or hospital system that may be located within or outside the district and owned by Cooke County or a municipality in the district, and after that date the district is required to provide for the establishment of a hospital system by the purchase, construction, acquisition, repair, and renovation of buildings and equipment, equipping the buildings, and the administration of the district for hospital purposes.

(b) Requires the district to assume the outstanding indebtedness incurred by the Gainesville Hospital District or the Muenster Hospital District to provide medical care for residents of the district before the creation of the district.

SECTION 3.08. (a) Requires the board of directors, both temporary and permanent, to organize by electing one of the members as president and one as vice president. Requires a secretary, who need not be a director, to also be elected. Requires officers to be elected for a term of one year and vacancies to be filled for the unexpired term by the board.

(b) Requires that when a quorum is present, a majority of the members of the board of directors voting concur in a matter pertaining to the business of the district. Requires a quorum of the board to transact the business of the district. Provides that a majority of the members of the board constitutes a quorum.

(c) Requires all members of the board of directors and officers to serve without compensation, but authorizes reimbursement for actual expenses incurred in the performance of the member's official duties as approved by the board and reported in the minute book of the district or other records of the district.

SECTION 3.09. (a) Requires the board of directors to manage, control, and administer the hospital system and the business of and all funds and resources of the district, and the operating, depreciation, or building reserves to be invested in accordance with Chapter 2256 (Public Funds Investment), Government Code.

(b) Authorizes the district, through its board of directors, to sue and be sued and adopt rules governing the operation of the hospital, hospital system, and the district's staff and employees.

(c) Requires the board of directors to appoint one or more qualified persons as the administrators of the hospital district and authorizes the board to appoint one or more assistants to the administrators. Provides that the administrators and assistant administrators, if any, serve at the will of the board and receive compensation as may be fixed by the board. Requires each administrator to, on assuming the administrator's duties, execute a bond payable to the hospital district in an amount set by the board, but not less than \$5,000, conditioned on the faithful performance of the duties required of the administrator and containing other conditions as the board may require. Authorizes the board to pay for the bond with district funds. Requires the administrators to supervise all the work and activities of the district, subject to the limitations prescribed by the board.

(d) Requires the board of directors to have the authority to appoint to the staff any doctors the board considers necessary for the efficient operation of the district if warranted by circumstances. Requires the board to have the authority to employ and authorizes the board to delegate to the administrators the authority to employ persons for the district, including technicians, nurses, fiscal agents, accountants, architects, persons providing professional or staff assistance, and other necessary employees.

(e) Authorizes the board of directors to contract with any other political subdivision or governmental agency for the district to provide investigatory or other services as to the medical,

hospital, or welfare needs of the residents of the district. Authorizes the district to contract with any county or municipality located outside the district's boundaries for the care and treatment of the sick, diseased, or injured persons of the county or municipality, and to contract with the state or agencies of the federal government for the state or federal government to reimburse the district for the treatment of sick, diseased, or injured persons. Authorizes the board to delegate to the administrators the authority to contract with a person for the district.

SECTION 3.10. (a) Requires the district to operate on the basis of fiscal years established from time to time by the board of directors, provided that a fiscal year is prohibited from being changed during the time revenue bonds of the district are outstanding or more than once in any 24-month period.

(b) Requires the board of directors to cause an annual audit to be made of the financial affairs of the district, which is required to be open to inspection at the principal office of the district.

(c) Requires the administrators to prepare an annual budget for approval by the board of directors. Requires the budget to contain a complete financial statement of the district showing certain information.

(d) Requires a public hearing on the annual budget to be held by the board of directors after notice of the hearing has been published one time in a newspaper of general circulation in the district at least 10 days before the date set for the hearing. Requires any person residing in the district to have the right to be present and participate in the hearing.

(e) Requires the budget, as proposed by the administrator, to be acted on by the board of directors. Requires the board to have authority to make changes in the budget as the board determines the law warrants and the interests of the taxpayers demand.

(f) Authorizes the annual budget to be amended from time to time with the approval of the board of directors.

SECTION 3.11. (a) Requires the board of directors to have the power and authority to issue and sell bonds in the name and on the faith and credit of the hospital district for certain purposes.

(b) Requires that at the time bonds are issued by the district, a tax be levied by the board of directors sufficient to create an interest and sinking fund to pay the interest on and principal of the bonds as the bonds mature, provided that the tax together with any other taxes levied for the district may not exceed the limit approved by the voters at the election authorizing the levy of taxes.

(c) Prohibits bonds from being issued by the district except for revenue or refunding bonds until authorized by a majority of the electors of the district.

(d) Requires the order for a bond election to specify certain information.

(e) Requires notice of a bond election to be given as provided by Section 1251.003 (Conduct of Election), Government Code, and to be conducted in accordance with the Election Code, except as modified by the provisions of this article.

SECTION 3.12. (a) Authorizes refunding bonds of the district to be issued for the purpose of refunding and paying off any outstanding indebtedness the district has issued or assumed.

(b) Authorizes refunding bonds to be sold and the proceeds from the bonds to be applied to the payment of outstanding indebtedness or to be exchanged in whole or in part for not less than a similar principal amount of the outstanding indebtedness.

(c) Requires that if the refunding bonds are to be sold and the proceeds from the bonds are to be applied to the payment of any outstanding indebtedness, the refunding bonds be issued and payments made in the manner specified by Chapter 1207 (Refunding Bonds), Government Code.

SECTION 3.13. Requires bonds issued by the district to meet certain requirements.

SECTION 3.14. (a) Authorizes the board of directors, in addition to being granted the power to issue bonds payable from taxes levied by the district under Section 3.12 of this article, to issue and refund any previously issued revenue bond to carry out certain duties.

(b) Requires bonds authorized under this section to be payable from and secured by a pledge of all or any part of the revenues of the district to be derived from the operation of the district's hospital system, and authorizes the bonds to be additionally secured by a mortgage or deed of trust lien on any part or all of the district's properties.

(c) Requires bonds to be issued in the manner and in accordance with the procedures and requirements specified for the issuance of revenue bonds by a county hospital authority under Chapter 264 (County Hospital Authorities), Health and Safety Code.

SECTION 3.15. (a) Provides that the board of directors has complete discretion as to the type of buildings, both in number and location, required to establish and maintain an adequate hospital system and the type of equipment necessary for hospital care. Authorizes the hospital system to include certain facilities.

(b) Requires the district, notwithstanding Subsection (a) of this section, to provide full-time health care services and facilities in the city of Muenster, including, at a minimum, physician offices and services, outpatient medical care, comprehensive laboratory services, and comprehensive radiology services, including ultrasound, mammography, and computerized tomography, at Muenster Memorial Hospital or its successor facility and nursing home care at St. Richard's Villa. Requires that if the district does not construct a new acute care hospital facility, the district continue to operate an acute care hospital facility located in the city of Muenster until the district constructs a new hospital facility to serve the residents of the city of Muenster.

(c) Entitles a resident to recover reasonable attorney's fees from the district if the resident of the district prevails in an action brought against the district for the district's alleged failure to comply with Subsection (b) of this section.

(d) Authorizes the district, through its board of directors, to enter into an operating or management contract with regard to all or part of the district's facilities or to lease all or part of the district's buildings and facilities on terms and conditions considered to be in the best interest of the residents of the district. Prohibits a lease under this subsection from being for a period that exceeds 25 years.

(e) Authorizes the district to sell or otherwise dispose of any property, real or personal, or equipment of any nature on terms and conditions found by the board of directors to be in the best interest of the residents of the district.

(f) Authorizes the board of directors to prescribe the method and manner of making purchases and expenditures by and for the district and to prescribe all accounting and control procedures.

(g) Authorizes a contract for construction to be made only after competitive bidding as provided by Chapter 271B (Competitive Bidding On Certain Public Works Contracts), Local Government Code.

(h) Provides that the provisions of Chapter 2253 (Public Work Performance and Payment Bonds), Government Code, relating to performance and payment bonds apply to construction contracts let by the district.

(i) Authorizes the district to acquire property, facilities, and equipment for use in the hospital system and to mortgage or pledge the property, facilities, or equipment acquired by the district as security for the payment of the purchase price.

(j) Requires the board of directors to name one or more banks to serve as depository for the funds of the district. Requires all funds of the district, except those invested as provided in Section 3.09(a) of this article and those transmitted to a bank for payment for bonds or obligations issued or assumed by the district, to be deposited as received with the depository bank and to remain on deposit. Authorizes nothing in this subsection to limit the power of the board to place a portion of the board's funds on time deposit or to purchase certificates of deposit or other investments permitted by Chapter 2256, Government Code.

(k) Requires that before the district deposits the district's funds in a bank in an amount that exceeds the maximum amount secured by the Federal Deposit Insurance Corporation, the bank execute a bond or other security in an amount sufficient to secure from loss the district funds that exceed the amount secured by the Federal Deposit Insurance Corporation.

SECTION 3.16. (a) 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.

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

(c) Authorizes the district, subject to the approval of the board of directors, to provide primary care, emergency services, preventive medical services, and other health-related services outside the boundaries of the district, provided the services serve the purpose of the district as established by this article.

(d) Authorizes the board of directors to also contract with the state or agencies of the federal government to be reimbursed for the treatment of sick, diseased, or injured persons.

(e) Authorizes the district to contract with, affiliate with, or enter into another arrangement with a managed care system, a preferred provider organization, a health maintenance organization, another provider of alternative health care or delivery system, or a private hospital to jointly administer or deliver health care services. Authorizes the district to spend district funds to establish and maintain partnerships, corporations, or other entities involved in the delivery of health care services.

(f) 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 funds, other than funds paid by the corporation to the district, only to provide health care or other services the district is authorized to provide under this article. Requires the board of directors of the hospital district to establish adequate controls to ensure that the corporation uses its 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.

(g) Authorized the board of directors to spend district funds, enter into agreements, and take

other necessary action to recruit physicians and other persons to serve as medical staff members or employees of the district, including certain actions.

(h) Authorizes the board of directors to spend district funds, enter into agreements, and take other necessary action to conduct, participate in, or otherwise assist in providing health care educational programs for current or prospective medical staff members or employees of the district.

SECTION 3.17. (a) Requires the board of directors to annually levy a tax in an amount not to exceed the limit approved by the voters for the purpose of paying the indebtedness assumed or issued by the district or the maintenance and operating expenses of the district.

(b) Prohibits a tax levied under this section from being levied to pay the principal of or interest on revenue bonds issued under Section 3.14 of this article.

(c) Requires the board of directors, in setting a tax rate under this section, to consider the income of the district from sources other than taxation. Requires the board, on determining the amount of tax required to be levied, to make the levy and certify the levy to the tax assessor-collector.

SECTION 3.18. (a) Provides that bonds issued and indebtedness assumed by the district are a legal and authorized investment of a bank, savings bank, trust company, savings and loan association, insurance company, fiduciary, trustee, guardian, or sinking fund of a municipality, school district, or other political subdivision of the state, and for all public funds of the state or an agency of the state, including the state permanent school fund.

(b) Provides that bonds issued or indebtedness assumed by the district is eligible to secure the deposit of public funds of the state and the public funds of a municipality, school district, or other political subdivision of the state, and is lawful and sufficient security for those deposits to the extent of the value of the bonds or indebtedness when accompanied by all unmatured coupons.

SECTION 3.19. (a) Provides that the district has the right and power of eminent domain for the purpose of acquiring by condemnation any and all property of any kind and character in fee simple, or any lesser interest in the property, within the boundaries of the district if necessary to the exercise of the rights or authority conferred by this article in the manner provided by the general law with respect to condemnation by counties.

(b) Provides that the district is not required to deposit in the trial court money or bond as provided by Section 21.021 (Possession Pending Litigation), Property Code.

(c) Provides that, in a condemnation proceeding prosecuted by the district, the district is not required to:

- (1) pay in advance or give bond or other security for costs in the trial court;
- (2) give any bond otherwise required for the issuance of a temporary restraining order or a temporary injunction; or
- (3) give bond for costs or for supersedeas on an appeal or writ of error.

SECTION 3.20. (a) Authorizes the board of directors to levy taxes for the entire year in which the district is established as a result of the initial election provided under this article.

(b) Provides that the Tax Code governs the appraisal, assessment, and collection of district taxes.

(c) 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.

SECTION 3.21. (a) Requires the district to provide without charge to a patient residing in the district the medical care and treatment that the patient or a relative of the patient who is legally responsible for the patient's support cannot pay.

(b) Requires that each operating year, the district adopt an application procedure to determine eligibility for assistance as provided by Section 61.053 (Application Procedure), Health and Safety Code.

(c) Authorizes an administrator to cause an inquiry to be made regarding the financial circumstances of a patient under Subsection (a) of this section residing in the district and admitted to a district facility and of the relatives of the patient legally responsible for the patient's support. Requires that if the patient or relative is found to be able to pay for all or part of the care and treatment, the administrator issue an order directing the patient or the relative to pay to the district for the care and support of the patient a specified sum each week in an amount that the individual is able to pay. Authorizes the administrator to collect sums under this subsection from the estate of the patient or a relative who is legally responsible for the patient's support in the manner provided by law for collection of expenses in the last illness of a deceased person.

(d) Requires the board of directors, in the case of a dispute regarding the ability to pay, to call witnesses, conduct a hearing, and issue a final order. Requires an appeal from a final order of the board under this subsection to be made to the district court in Cooke County. Provides that the substantial evidence rule applies to an appeal under this subsection.

SECTION 3.22. Authorizes the board of directors, on behalf of the district, to accept donations, gifts, and endowments to be held in trust and administered by the board for purposes and under directions, limitations, and provisions prescribed in writing by the donor that are not inconsistent with the proper management of the district.

SECTION 3.23. (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 if the board of directors declares that funds are not available to meet the lawfully authorized obligations of the district and that an emergency exists.

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

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

(d) Prohibits the board of directors from spending money obtained from a loan under this section for any purpose other than the purpose for which the board declared an emergency. Prohibits the board, if taxes or bonds are pledged to pay the loan, from spending the revenue other than for the purpose for which the taxes were levied or the bonds were authorized.

SECTION 3.24. (a) Prohibits a county, municipality, or political subdivision in or partly in the district from levying taxes or issuing bonds or other obligations for hospital purposes or for providing medical care for the residents of the district after the district is created.

(b) Requires the district to assume full responsibility for the operation of all hospital facilities and for the furnishing of medical and hospital care for the district's needy residents.

(c) Requires that when the district is created and established, the county and all municipalities

located in or partly in the district convey and transfer to the district title to all land, buildings, improvements, and equipment that pertain to a hospital or hospital system located in the district owned by the county, municipality, or other governmental entity.

(d) Requires operating funds and reserves for operating expenses that have been budgeted by the county, municipality, or other governmental entity in which the district is located to provide medical care for residents of the district for the remainder of the fiscal year in which the district is established, taxes levied for hospital purposes for the current year, and all funds established for payment of indebtedness assumed by the district to be transferred to the district.

SECTION 3.25. Prohibits the support and maintenance of the district from becoming a charge against or an obligation of the state. Prohibits a direct appropriation by the legislature from being made for the construction, maintenance, or improvement of any of the facilities of the district.

SECTION 3.26. Provides that in administering this article, the district is performing an essential public function, and any bonds issued by the board and the transfer and the issuance from the bonds, including any profits made in the sale of the bonds, are exempt from taxation by the state or any municipality or political subdivision of the state.

SECTION 3.27. Provides that proof of publication of the notice required in the enactment of this Act under the provisions of Section 9, Article IX, Texas Constitution, has been made in the manner and form provided by law pertaining to the enactment of local and special laws, and the notice is found and declared proper and sufficient to satisfy the requirement.

ARTICLE 4. EFFECTIVE DATE

SECTION 4.01. Effective date: upon passage or September 1, 2001.