

BILL ANALYSIS

Senate Research Center
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H.B. 3691
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Intergovernmental Relations
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Engrossed

DIGEST AND PURPOSE

Under the Texas Constitution, the legislature is authorized to provide for by general or special law the creation, establishment, maintenance, and operation of hospital districts. H.B. 3691 authorizes the creation of the West Medical District.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the board of directors of the West Medical District in SECTION 5.05 of this bill.

SECTION BY SECTION ANALYSIS

ARTICLE 1. GENERAL PROVISIONS

SECTION 1.01. DEFINITIONS. Defines “district,” “board,” and “director.”

SECTION 1.02. DISTRICT AUTHORIZATION. Creates the West Medical District (district) and requires the district, if created, to be maintained, operated, and financed in the manner provided by Section 9, Article IX, Texas Constitution, and by this Act.

SECTION 1.03. BOUNDARIES. Provides that the boundaries of the district are coextensive with the boundaries of the West Independent School District in McLennan County.

SECTION 1.04. ELECTION CODE PROVISIONS. Provides that Section 41.001(a), Election Code, does not apply to an election ordered under this Act.

ARTICLE 2. TEMPORARY DIRECTORS

SECTION 2.01. TEMPORARY DIRECTORS. Sets forth guidelines regarding the temporary directors of the district.

SECTION 2.02. VACANCY IN OFFICE. Requires the directors remaining after a vacancy in the office of a temporary director to fill the vacancy by appointment by majority vote.

ARTICLE 3. CREATION OF DISTRICT

SECTION 3.01. CREATION ELECTION. Authorizes the district to be created and a tax to be authorized only if the creation and the tax are approved by a majority of the qualified voters of the territory of the proposed district voting at an election called and held for that purpose.

SECTION 3.02. ORDERING ELECTION. Sets forth guidelines regarding the ordering of a creation election under this section.

SECTION 3.03. ELECTION ORDER. Sets forth requirements for the order calling the election.

SECTION 3.04. NOTICE. Requires the temporary directors to give notice of the election by publishing a substantial copy of the election order in a newspaper of general circulation in the proposed district once a week for two consecutive weeks. Requires the first publication to appear at least 35 days before the date set for the election.

SECTION 3.05. ELECTION DATE. Requires the election to be held not less than 45 days or more than 60 days after the date on which the election is ordered.

SECTION 3.06. BALLOT PROPOSITION. Requires the ballot for the election to be printed to permit voting for or against the proposition: "The creation of a hospital district to be known as the West Medical District and the levy of annual taxes for hospital purposes at a rate not to exceed 75 cents on each \$100 valuation of all taxable property in the district."

SECTION 3.07. CANVASSING RETURNS. Requires the temporary directors to meet and canvass the returns of the election. Sets forth guidelines regarding circumstances in which the creation of the district is either favored or defeated.

SECTION 3.08. EXPIRATION OF ACT. Provides that, if the creation of the district is not approved at an election held before the fifth anniversary of the effective date of this Act, this Act expires.

ARTICLE 4. DISTRICT ADMINISTRATION

SECTION 4.01. BOARD OF DIRECTORS. Provides that the district is governed by a board of seven directors (board). Provides that, from the time the creation of the district is approved until the elected directors take office, the temporary directors serve as directors of the district.

SECTION 4.02. INITIAL DIRECTORS ELECTION. Sets forth guidelines regarding the initial directors election.

SECTION 4.03. METHOD OF ELECTION; STAGGERED TERMS; TERM OF OFFICE; ELECTION DATE. Sets forth guidelines regarding the election for successor directors.

SECTION 4.04. NOTICE OF ELECTION. Requires notice of each election of directors to be published in a newspaper of general circulation in the district in accordance with Chapter 4, Election Code.

SECTION 4.05. APPLICATION. Requires a person who wishes 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 in accordance with Chapter 144, Election Code.

SECTION 4.06. QUALIFICATIONS FOR OFFICE. Sets forth guidelines regarding eligibility for candidacy or office.

SECTION 4.07. BOND. (a) Requires each director, before assuming the duties of the office, to execute a bond for \$5,000 payable to the district, conditioned on the faithful performance of the person's duties as director. Requires the bond to be kept in the permanent records of the district. Authorized the board to pay for the director's bond with district funds.

SECTION 4.08. BOARD VACANCY. Requires a vacancy in the office of director to be filled for the unexpired term by appointment by the remaining directors.

SECTION 4.09. OFFICERS; OFFICERS' TERMS; VACANCY. Requires the board to elect from

among its members a president and a vice president, and to appoint a secretary, who need not be a director. Provides that each officer of the board serves for a term of one year. Requires the board to fill a vacancy in a board office for the unexpired term.

SECTION 4.10. COMPENSATION. Sets forth guidelines regarding compensation and reimbursement.

SECTION 4.11. QUORUM; VOTING REQUIREMENT. Provides that a majority of the membership of the board constitutes a quorum for the transaction of business. Requires, when a quorum is present, a majority of the members of the board voting to concur in a matter relating to the business of the district.

SECTION 4.12. ADMINISTRATOR AND ASSISTANT ADMINISTRATOR. Sets forth guidelines regarding an administrator and assistant administrator.

SECTION 4.13. APPOINTMENTS TO STAFF. Authorizes the board to make certain appointments.

SECTION 4.14. TECHNICIANS, NURSES, AND OTHER DISTRICT EMPLOYEES. Authorizes the district to employ or contract with technicians, nurses, fiscal agents, accountants, architects, attorneys, and other necessary employees.

ARTICLE 5. POWERS AND DUTIES

SECTION 5.01. RESPONSIBILITY OF GOVERNMENTAL ENTITY. Sets forth guidelines regarding conveyance or transfer to the district of certain titles, funds, reserves, accounts, and taxes.

SECTION 5.02. LIMITATION ON GOVERNMENTAL ENTITY. Prohibits, on or after creation of the district, another governmental entity, including a county or municipality, in which the 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 5.03. DISTRICT RESPONSIBILITIES. Sets forth guidelines regarding the responsibilities of the district.

SECTION 5.04. MANAGEMENT, CONTROL, AND ADMINISTRATION. Requires the board to manage, control, and administer the hospital system and the funds and resources of the district.

SECTION 5.05. DISTRICT RULES. Authorizes the board to adopt rules governing the operations of the hospital and hospital system and the duties, functions, and responsibilities of district staff and employees.

SECTION 5.06. METHODS AND PROCEDURES. Authorizes the board to prescribe certain methods and procedures.

SECTION 5.07. HOSPITAL PROPERTY, FACILITIES, EQUIPMENT, AND SERVICES. (a) Requires the board 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.

(b) Provides that the board has complete discretion as to the type and extent of services the district will offer. Authorizes the district to provide any services or facilities the board finds necessary for hospital or medical care.

(c) Authorizes the board to perform certain actions.

SECTION 5.08. CONSTRUCTION CONTRACTS. Sets forth guidelines regarding construction contracts.

SECTION 5.09. DISTRICT OPERATING AND MANAGEMENT CONTRACTS. Authorizes the board to enter into operating or management contracts relating to hospital facilities on behalf of the district.

SECTION 5.10. INDIGENT CARE. Sets forth guidelines regarding indigent care in the district.

SECTION 5.11. REIMBURSEMENT FOR SERVICES. Sets forth guidelines regarding required or contracted reimbursement from certain entities for care and treatment of certain sick, diseased, or injured persons.

SECTION 5.12. SERVICE CONTRACTS. Authorizes the board to contract with a municipality, county, special district, or other political subdivision of the state or with a state or federal agency for the district for certain purposes.

SECTION 5.13. GIFTS AND ENDOWMENTS. Authorizes the board, on behalf of the district, to accept gifts and endowments to be held in trust for any purpose and under any direction, limitation, or provision prescribed in writing by the donor that is consistent with the proper management of the district.

SECTION 5.14. AUTHORITY TO SUE AND BE SUED. Authorizes the board to sue and be sued on behalf of the district.

SECTION 5.15. RETIREMENT BENEFITS. Authorizes the board to provide retirement benefits for the employees of the district by establishing or administering a retirement program or electing to participate in any statewide retirement system in which the district is eligible to participate.

SECTION 5.16. RECRUITMENT OF STAFF AND EMPLOYEES. Authorizes the board to spend district funds, enter into agreements, and take other necessary action to recruit physicians, nurses, and other persons to serve as medical staff members or employees of the district.

SECTION 5.17. NONPROFIT CORPORATION. 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 that the corporation uses its funds as required by law. Authorizes the corporation to invest corporation funds in any manner in which the district may invest funds, including investing funds as authorized by Chapter 2256, Government Code.

ARTICLE 6. DISTRICT FINANCES

SECTION 6.01. FISCAL YEAR. Provides that the district operates on the fiscal year established by the board. Prohibits the fiscal year from being changed if revenue bonds of the district are outstanding or more than once in a 24-month period.

SECTION 6.02. ANNUAL AUDIT. Requires the board to annually have an audit made of the financial condition of the district.

SECTION 6.03. DISTRICT AUDIT AND RECORDS. Provides that the annual audit and other district records are open to inspection during regular business hours at the principal office of the district.

SECTION 6.04. ANNUAL BUDGET. Requires the administrator of the district to prepare a proposed annual budget for the district. Requires the proposed budget to contain a complete financial

statement, including certain items.

SECTION 6.05. NOTICE; HEARING; ADOPTION OF BUDGET. Sets forth guidelines regarding a public hearing on the proposed annual budget and the adoption of a budget.

SECTION 6.06. AMENDING BUDGET. Authorizes the the annual budget to be amended on the board's approval after adoption.

SECTION 6.07. LIMITATION ON EXPENDITURES. Prohibits money from being spent for an expense not included in the annual budget or an amendment to it.

SECTION 6.08. SWORN STATEMENT. Requires the administrator, as soon as practicable after the close of the fiscal year, to prepare for the board a sworn statement of the amount of money that belongs to the district and an account of the disbursements of that money.

SECTION 6.09. BORROWING MONEY. Sets forth guidelines regarding the district borrowing money.

SECTION 6.10. DEPOSITORY. Sets forth guidelines regarding a depository for district funds and the deposit of funds.

ARTICLE 7. BONDS

SECTION 7.01. GENERAL OBLIGATION BONDS. 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 for certain purposes.

SECTION 7.02. TAXES TO PAY BONDS. Requires the board, at the time the bonds are issued by the district, to levy a tax. Sets forth guidelines regarding the tax.

SECTION 7.03. BOND ELECTION. Sets forth guidelines regarding a bond election for the district.

SECTION 7.04. REVENUE BONDS. Authorizes the board to issue bonds for certain purposes. Sets forth guidelines regarding the bonds.

SECTION 7.05. REFUNDING BONDS. Sets forth guidelines regarding refunding bonds of the district.

SECTION 7.06. INTEREST AND MATURITY. Requires district bonds to mature not later than the 50th anniversary of the date of their issuance and to bear interest at a rate not to exceed that provided by Chapter 1204, Government Code.

SECTION 7.07. EXECUTION OF BONDS. Requires the president of the board to execute the bonds in the name of the district, and the secretary of the board to countersign the bonds in the manner provided by Chapter 618, Government Code.

SECTION 7.08. APPROVAL AND REGISTRATION OF BONDS. Sets forth guidelines regarding the approval and registration of bonds.

SECTION 7.09. BONDS AS INVESTMENTS. Provides that district bonds and indebtedness assumed by the district are legal and authorized investments for certain entities.

SECTION 7.10. BONDS AS SECURITY FOR DEPOSITS. Provides that district bonds are eligible to secure deposits of public funds of the state and of municipalities, counties, school districts, and other political subdivisions of the state and provides that the bonds are lawful and sufficient security

for deposits to the extent of their value if accompanied by all unmatured coupons.

SECTION 7.11. TAX STATUS OF BONDS. Provides that, because the district created under this Act is a public entity performing an essential public function, bonds issued by the district, any transaction relating to the bonds, and profits made in the sale of the bonds are free from taxation by the state or by any municipality, county, special district, or other political subdivision of the state.

ARTICLE 8. TAXES

SECTION 8.01. LEVY OF TAXES. Authorizes the board to annually impose property taxes in an amount not to exceed the limit approved by the voters at the election authorizing the levy of taxes. Sets forth guidelines for such taxes.

SECTION 8.02. BOARD AUTHORITY. Authorizes the board to impose taxes for the entire year in which the district is created.

SECTION 8.03. ADOPTING TAX RATE. Requires the board, in adopting the tax rate, to consider the income of the district from sources other than taxation.

SECTION 8.04. TAX ASSESSMENT AND COLLECTION. 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.

ARTICLE 9. DISSOLUTION OF DISTRICT

SECTION 9.01. DISSOLUTION ELECTION. 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.

SECTION 9.02. ORDERING ELECTION. Sets forth guidelines regarding the ordering of an election on the question of dissolving the district and disposing of the district's assets and obligations.

SECTION 9.03. ELECTION ORDER. Sets forth requirements for the order calling the election.

SECTION 9.04. NOTICE. Requires the board to give notice of the election by publishing a substantial 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 at least 35 days before the date set for the election.

SECTION 9.05. ELECTION DATE. Requires the election to be held not later than the 60th day after the date the election is ordered. Provides that Section 41.001, Election Code, does not apply to an election ordered under this section.

SECTION 9.06. BALLOT PROPOSITION. Requires that the ballot for an election at which the dissolution of the district is proposed be printed to permit voting for or against the proposition: "The dissolution of the West Medical District."

SECTION 9.07. CANVASSING RETURNS. Requires the board to canvass the returns of the election. Sets forth guidelines regarding circumstances in which the creation of the district is either favored or defeated.

SECTION 9.08. DISSOLUTION PROCEDURES. Sets forth guidelines regarding procedures to be followed if a majority of the votes in the election favor dissolution.

SECTION 9.09. SALE OR TRANSFER OF ASSETS. Sets forth guidelines regarding the sale or

transfer of the district's assets and liabilities in case of dissolution of the district.

ARTICLE 10. MISCELLANEOUS

SECTION 10.01. LIMITATION ON STATE ASSISTANCE. Prohibits the state from becoming obligated for the support or maintenance of a hospital 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 10.02. REQUIRED PUBLICATION. 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.

SECTION 10.03. EFFECTIVE DATE. Effective date: upon passage or September 1, 2001.