

## **BILL ANALYSIS**

Senate Research Center  
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S.B. 1073  
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### **DIGEST AND PURPOSE**

Currently, the Palo Pinto County hospital district is administered through a 1965 law that has been amended only once, in 1983. As proposed, S.B. 1073 updates the law to address issues that have arisen since 1965, remove conflicts with current state law, and add language regarding the duties of the board of directors and the dissolution of the hospital district.

### **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 Section 4, Chapter 84, Acts of the 59th Legislature, Regular Session, 1965, as follows:

Sec. 4. (a) Prohibits a person from being appointed or elected to the elective positions on the Board of Directors (board) of the Palo Pinto Hospital District (district) unless the person is a resident of the district and a qualified voter. Deletes language requiring a board member to own land and be 18 years of age.

(b) Requires each member of the board to execute a good and sufficient bond for \$5,000, rather than \$1,000, payable to the district conditioned upon the faithful performance of the member's duties.

(c) Requires each board officer to serve for a one-year term and authorizes each officer to serve successive terms. Provides that any vacancy in the elective position of director is required to be filled for the unexpired term by a majority vote of, rather than appointment made by, the remainder of the board, and requires that appointee to hold office for the unexpired term for which the member was appointed.

(d) Requires a regular election to elect successor directors to be held on the first Saturday in May, rather than April, of each year, and to be ordered by the board in accordance with the applicable provisions of Chapter 3 (Ordering Election), Election Code. Requires notice of each election of directors to be published in a newspaper of general circulation in the county in accordance with Chapter 4 (Notice of Election), Election Code, rather than one time not later than the thirty-fifth day before the date of election. Requires any person desiring to be on the ballot as a candidate for elective director to file an application with the secretary of the board of the district in accordance with Chapter 144 (Candidate for Office of Political Subdivision other than County or City), Election Code. Deletes language requiring a petition to be on the ballot. Makes a conforming change.

(e) Authorizes board members to be reimbursed for expenses incurred in the

performance of their official duties upon the approval of such expenses by the board as reported in the board minutes.

SECTION 2. Amends Section 5, Chapter 84, Acts of the 59th Legislature, Regular Session, 1965, as follows:

Sec. 5. (a) Authorizes the board, and makes it its duty, to levy on all property subject to hospital district taxation for the benefit of the district a certain tax. Deletes text regarding the time taxes are levied for county purposes.

(b) 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. Deletes language regarding the levying of the tax.

SECTION 3. Amends Section 6, Chapter 84, Acts of the 59th Legislature, Regular Session, 1965, as follows:

Sec. 6. (a) Authorizes and empowers the board to issue and sell as the obligations of the district, and in the name and upon the faith and credit of the district, general obligation bonds authorized by an election for the purchase, construction, acquisition, repair, or renovation of buildings and improvements, equipping the same for hospital purposes, and acquisition of sites to be used for the district's purposes. Requires a sufficient tax to be levied at the time of issuance of any general obligation bonds to create an interest and sinking fund to pay the interest and principal as the bond matures, providing the tax together with any other taxes levied for the district will not exceed 75 cents on each \$100 valuation in any one year.

(b) Makes a nonsubstantive change.

(c) Prohibits general obligation bonds from being issued by the district until authorized by a majority vote of the resident qualified voters voting at an election called and held for that purpose. Requires an election to be conducted in accordance with Chapter 1251 (Bond Elections), Government Code. Deletes language regarding refunding bonds, electors owning taxable property, and the order calling an election.

(d) Authorizes the district to issue refunding bonds to refund and pay off any validly issued and outstanding bonds issued or assumed by the district, without an election. Requires that refunding bonds be issued in accordance with Chapter 1207 (Refunding Bonds), Government Code. Deletes text regarding the bonds of the district being made optional for redemption prior to their maturity dates and refunding bonds bearing interest at a certain rate.

(e) Authorizes the board to issue and sell revenue bonds in the name and on the faith and credit of the district to purchase, construct, acquire, repair, renovate, or equip buildings or improvements for district purposes. 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 on all or part of the district's property. Requires the revenue bonds to be issued in the manner provided by Sections 264.042 (Form and Procedure), 264.043 (Terms), 264.046 (Junior Lien Bonds; Parity Bonds), 264.047 (Bond Proceeds; Investment of Funds), 264.048 (Refunding Bonds), and 264.049 (Approval and Registration of Bonds), Health and Safety Code, for the issuance of revenue bonds by county hospital authorities.

SECTION 4. Amends Chapter 84, Acts of the 59th Legislature, Regular Session, 1965, by adding

Section 6B, as follows:

Sec. 6B. (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.

(b) Authorizes the board to pledge certain funds 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.

SECTION 5. Amends Section 7, Chapter 84, Acts of the 59th Legislature, Regular Session, 1965, as follows:

Sec. 7. (a) Requires the board of directors to manage, control, and administer the hospitals and hospital system of the district. Provides that the district through its board of directors may sue and be sued.

(b) Authorizes the board of directors to appoint a qualified person to be known as the administrator of the hospital district and authorizes it in its discretion to appoint an assistant to the administrator. Provides that the administrator and assistant administrator, if any, serve at the will of the board and receive compensation as may be fixed by the board. Requires the administrator, on 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, conditioned on the administrator performing the administrator's required duties and containing other conditions the board requires. Authorizes the board to pay for the bond with district funds. Requires the administrator to supervise all the work and activities of the district and to have general direction of the affairs of the district, subject to any limitations the board may prescribe. Authorizes the board of directors to require that the administrator have the authority to employ or appoint to the staff doctors, technicians, nurses, and other employees of every kind and character as necessary for the efficient operation of the district.

(c) Authorizes the board to contract with any county or incorporated municipality located outside its boundaries for the care and treatment of the sick, diseased, or injured persons of the county or municipality and to contract with this state or agencies of the federal government for the treatment of sick, diseased, or injured persons.

(d) Authorizes the board of directors to purchase or lease property, facilities, and equipment for the district to use in the hospital system and to mortgage or pledge the property, facilities, or equipment as security for the payment of the purchase price.

(e) Authorizes the board to enter into a contract or contracts to provide administrative and other personnel for the operation of the hospital facilities. Prohibits the term of the contract from exceeding 25 years. Authorizes the board to transfer district hospital facilities by lease to individuals, corporations, or other legal entities and to sell or otherwise dispose of the district's property, facilities, and equipment.

(f) 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.

(g) Authorizes 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 paying certain expenses and establishing certain contracts.

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

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

(j) Authorizes the board to institute a suit to collect amounts owed to the district by patients who have not been determined to be unable to pay under Section 13.

(k) 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 Act. 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 may invest funds, including investing funds as authorized by Chapter 2256 (Public Funds Investment), Government Code. Deletes text regarding powers of the board.

SECTION 6. Amends Section 8, Chapter 84, Acts of the 59th Legislature, Regular Session, 1965, to require the district to be operated on the basis of a fiscal year to be established by the board of directors. Prohibits the fiscal year from being changed when revenue bonds are outstanding or more than one time in a 24-month period. Provides that the audit and the records of the district are open to inspection. Requires the administrator to prepare an annual budget for approval by the board of directors. Provides that the annual budget is effective only after adoption by the board of directors. Provides that after adoption, the annual budget may be amended on approval of the board of directors. Deletes language regarding the hospital district's fiscal year, the filing of an audit, and a district budget. Makes conforming changes.

SECTION 7. Amends Section 9, Chapter 84, Acts of the 59th Legislature, Regular Session, 1965, to provide that the district shall have the right and power of eminent domain for the purpose of acquiring by condemnation any and all property of any kind or character, real, personal or mixed, or any interest therein, including outright ownership of such property in fee simple absolute, within the boundaries of the said district, necessary or convenient to the exercise of the rights, power, privileges and functions conferred upon it by this Act, in the manner provided by General Law with respect to condemnation; provided that the said district shall not be required to make deposits in the registry of the trial court of the sum required by Section 21.021 (Possession Pending Litigation), Property Code, rather than Paragraph No. 2 in Article 3268, V.T.C.S. 1925, or to make the bond required therein.

SECTION 8. Amends Section 10, Chapter 84, Acts of the 59th Legislature, Regular Session, 1965, to delete language regarding the county in which the district is located and the depository serving for two years.

SECTION 9. Amends Section 11, Chapter 84, Acts of the 59th Legislature, Regular Session, 1965, to delete text regarding the State Board of Health or any state board of charities or public welfare.

SECTION 10. Amends Section 13, Chapter 84, Acts of the 59th Legislature, Regular Session, 1965, to authorize the administrator, rather than require the directors, when a patient residing in the district has been admitted to the hospital facilities, 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 text regarding payment to the treasurer of the district, the amount of such a sum, and appeal to the district court in a dispute. Makes conforming changes.

SECTION 11. Amends Chapter 84, Acts of the 59th Legislature, Regular Session, 1965, by adding Section 16A, as follows:

Sec. 16A. (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 to order an election on the question of dissolving the district and disposing of the district's assets and obligations. Requires the board to order an election if the board receives a petition requesting an election that is signed by a number of registered voters 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) (Uniform Election Dates), Election Code, does not apply to an election ordered under this section. Requires the order calling the election to contain certain statements.

(d) 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 not less than 35 days before the date set for the election. Requires the ballot for the election to be printed to permit voting for or against the proposition: "The dissolution of the Palo Pinto County Hospital District."

(e) Requires the board, if a majority of the votes in the election favor dissolution, to 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 from being held before the first anniversary of the most recent election to dissolve the district.

(f) Requires the board, if a majority of the votes in the election favor dissolution, to: transfer the land, buildings, improvements, equipment, and other assets that belong to the district to a county or another governmental entity in the county in which the district is located; sell the assets and liabilities to another person or entity; or administer the property, assets, and debts until all funds have been disposed of and all district debts have been paid or settled.

(g) Provides that if the district transfers the land, buildings, improvements, equipment, and other assets to a county or other governmental entity, the county or entity assumes all debts and obligations of the district at the time of the transfer, at which time the district is dissolved. Provides that if the district does not transfer the land, buildings, improvements, equipment, and other assets to a county or other governmental entity, or sell those assets and the liabilities to another person, the board is required to administer the property, assets, and debts of the district until all funds have been disposed of and all district debts have been paid or settled, at which time the district is dissolved.

(h) Requires the board, after it finds that the district is dissolved, to: determine the debt owed by the district and impose on the property included in the district's tax rolls a tax that is in proportion of the debt to the property value.

(i) Requires the board, when all 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, if a taxpayer requests the credit, to direct the secretary to transmit the funds to the county tax assessor-collector.

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

(l) Requires the Palo Pinto County commissioners court, 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) Authorizes the district to provide for the sale or transfer of the district's assets and liabilities to another person or entity and the district's subsequent dissolution. Prohibits the dissolution of the district and the sale or transfer of the district's assets and liabilities to another person or entity 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 another governmental entity that serves the district and the transferred assets are to be used for the benefit of the residents of the district.

SECTION 12. Effective date: September 1, 2001.