

BILL ANALYSIS

Senate Research Center

H.B. 3537
By: Keffer, Jim (Estes)
Intergovernmental Relations
5/20/2005
Engrossed

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

H.B. 3537 prohibits an individual who is in competition with the Palo Pinto Hospital District (district) from serving on the board of directors of the district. The existing general statute regarding conflicts of interest for public officials (Chapter 171, Local Government Code) does not address a situation where a public official holds an ownership interest in an entity that competes with the governmental entity which that public official is supposed to serve. Hospital districts are in a somewhat unique position in that a hospital district, unlike most governmental entities, runs a business for which there are sometimes competing private entities. H.B. 3537 prevents an individual with an ownership or investment interest in a health care facility located in Palo Pinto County or other competing entity from serving on the board of directors of the 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, by adding Subsections (a-1)-(a-5), as follows:

(a-1) Provides that, in addition to the requirements prescribed by Subsection (a) of this section, a person is not eligible to serve on the board of directors if the person has an ownership or investment interest, directly or indirectly, in a health care facility located in Palo Pinto County or has an ownership interest, directly or in conjunction with another person or entity, in another business or entity related to health care that provides a good or service to the area served by the district that is the same as or substantially similar to a good or service provided by the district.

(a-2) Provides that subsection (a-1) of this section does not apply to an ownership or investment interest in publicly available shares of a registered investment company, such as a mutual fund, that owns publicly traded equity securities or debt obligations issued by a health care facility or another business or entity related to health care described by Subsection (a-1) of this section or by an entity that owns the health care facility, business, or entity; or a physician's ownership interest in the physician's own medical practice.

(a-3) Provides that it is a ground for removal from the Board of Directors that a member violates a prohibition established by Subsection (a-1) of this section.

(a-4) Provides that the validity of an action of the Board of Directors is not affected by the fact that the action is taken when a ground for removal of a member of the Board of Directors exists.

(a-5) Authorizes a member of the Board of Directors to be removed for a ground provided by Subsection (a-3) of this section, using the procedures provided by Subchapter B (Removal by Petition and Trial), Chapter 87, Local Government Code, for removing a county official.

SECTION 2. Effective date: upon passage or September 1, 2005.