## BILL ANALYSIS

H.B. 831
By: Craddick
County Affairs
Committee Report (Unamended)

## BACKGROUND AND PURPOSE

Currently, most public hospitals only have authority to borrow money through general obligation or revenue bonds. A public hospital generally has no authority to borrow funds from a banking institution, especially for information technology and medical equipment-related purchases. Some specific government-owned hospitals in the past have been given bank borrowing authority by the Texas Legislature through local bills; however, according to some interested parties, existing general law statutes addressing local units of government do not include that option.

The law assumes that hospital purchases will most often be made either during a single fiscal year or across a much longer term of years with the use of bonds, mostly for larger brick-and-mortar facilities. The challenge for a public hospital, especially a rural hospital, is that there is seldom excess revenue in any given operating year to make equipment purchases, and the long-term use of bonds is not practical for such a purchase. Non-government hospitals routinely borrow funds from banks to make short-term purchases, but, according to some interested parties, no such clear general authorization exists in Texas statute for publicly owned hospitals.

H.B. 831 authorizes certain local governmental entities, including hospital districts and hospital authorities, to borrow money and sets required maturation dates for authorized loans. The bill authorizes such entities to pledge certain revenue to secure a loan.

## RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

## ANALYSIS

H.B. 831 amends the Health and Safety Code to define "local governmental entity" for purposes of the bill to include a hospital district created under general or special law, municipal hospital authority, county hospital authority, municipality, or county and to authorize the local governmental entity to borrow money for purposes of a hospital owned or operated by the entity at a rate not to exceed the maximum annual percentage rate allowed by the law at the time the loan is made for similar obligations of the entity. The bill authorizes a local governmental entity, in order to secure a loan for a public hospital, to pledge revenue from the hospital owned or operated by the entity that is not pledged to pay the entity's bonded indebtedness or to pledge tax revenue to be collected by the entity during the 12-month period following the date of the pledge that is not pledged to pay the principal of or interest on bonds. The bill requires a loan for a public hospital to mature not later than the first anniversary of the date the loan is made, if taxes are pledged to repay the loan, and not later than the fifth anniversary of the date the loan is made if hospital revenue is pledged to repay the loan.

**EFFECTIVE DATE**

September 1, 2011.