

BILL ANALYSIS

S.B. 490
By: Fraser
County Affairs
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The Hamilton County Hospital District (district) was created in 1987, with minor revisions made in 1989. Because no changes have been made for over 20 years, the district needs to modernize its governing statutes mainly to update language and references to outside statutes.

The substantive revisions include allowing for an election to expand the district's territory to include the entire county and revise how the directors are elected to reflect that new territory. It would update board election procedures to follow the Election Code and would provide for a dissolution process, including the transfer of assets and imposition of a tax related to outstanding debts and obligations.

The bill would also allow for the district to issue bonds payable from a pledge of taxes and revenues with any bonds supported by taxes must be approved by an election of the voters. Finally, the bill would allow the district to borrow money from a bank for short term purposes.

As proposed, S.B. 490 amends current law relating to the Hamilton County Hospital District.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

ANALYSIS

SECTION 1. Amends Section 1036.004, Special District Local Laws Code, as follows:

Sec. 1036.004. DISTRICT TERRITORY. Provides that the boundaries of the Hamilton County Hospital District (district) are coextensive with the boundaries of Commissioners Precincts 1, 2, and 4 of Hamilton County as those boundaries existed on June 14, 1989, unless the district's boundaries are expanded to be coextensive with the boundaries of the county under Subchapter G.

SECTION 2. Amends Section 1036.051(b), Special District Local Laws Code, as follows:

(b) Provides that if the district is expanded under Subchapter G so that the boundaries are coextensive with the boundaries of the county, one director is elected from each commissioners precinct and one director is elected from the district at large. Requires the board of directors of the district (board) to determine which director position elected from the district at large will convert into a position elected from the additional precinct.

SECTION 3. Amends Section 1036.052, Special District Local Laws Code, as follows:

Sec. 1036.052. NOTICE OF ELECTION. Requires notice of the election to be published in accordance with Section 4.003 (Method of Giving Notice), Election Code, in a newspaper with general circulation in the district.

Deletes existing text providing for notice of the election to be published one time in a newspaper with general circulation in the district at least 35 days before the date of an election of directors.

SECTION 4. Amends Section 1036.053, Special District Local Laws Code, as follows:

Sec. 1036.053. New heading: **BALLOT APPLICATION**. Requires a person who wants to have the person's name printed on the ballot as a candidate for director to file with the board secretary an application in accordance with Chapter 144 (Candidate for Office of Political Subdivision Other Than County or City), Election Code.

Deletes existing text requiring that the petition requesting a person's name be printed on the ballot as a candidate for director be signed by at least 10 registered voters of the district, as determined by the most recent official lists of registered voters, be filed not later than the 31st day before the date of the election, and specify the commissioner precinct the candidate wants to represent or specify that the candidate wants to represent the district at large.

SECTION 5. Amends Section 1036.160(a), Special District Local Laws Code, as follows:

(a) Prohibits the district, except as provided by Sections 1036.111 (Construction Contracts), 1036.161, 1036.201 (General Obligation Bonds), 1036.204 (Revenue Bonds), 1036.205 (Refunding Bonds), and 1036.210, rather than except as provided by Sections 1036.111, 1036.201, 1036.204, and 1036.205, from incurring a debt payable from district revenue other than the revenue on hand or to be on hand in the current and the immediately following district fiscal years.

SECTION 6. Amends Subchapter D, Chapter 1036, Special District Local Laws Code, by adding Section 1036.161, as follows:

Sec. 1036.161. **AUTHORITY TO BORROW MONEY; SECURITY**. (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 the loan is made.

(b) Authorizes the board, in order to secure a loan, to pledge:

(1) district revenue that is not pledged to pay the district's bonded indebtedness;

(2) a district tax to be imposed by the district during the 12-month period following the date of the pledge that is not pledged to pay the principal of or interest on district bonds; or

(3) district bonds that have been authorized but not sold.

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

SECTION 7. Amends Subchapter E, Chapter 1036, Special District Local Laws Code, by adding Section 1036.210, as follows:

Sec. 1036.210. **USE OF BOND PROCEEDS**. Authorizes the district to use the proceeds of bonds issued under this subchapter to pay:

(1) any expense the board determines is reasonable and necessary to issue, sell, and deliver the bonds;

- (2) interest payments on the bonds during a period of acquisition or construction of a project or facility to be provided through the bonds, not to exceed five years;
- (3) costs related to the operation and maintenance of a project or facility to be provided through the bonds:
 - (A) during an estimated period of acquisition or construction, not to exceed five years; and
 - (B) for one year after the project or facility is acquired or constructed;
- (4) costs related to the financing of the bond funds, including debt service reserve and contingency funds;
- (5) costs related to the bond issuance;
- (6) costs related to the acquisition of land or interests in land for a project or facility to be provided through the bonds; and
- (7) construction costs of a project or facility to be provided through the bonds, including the payment of related professional services and expenses.

SECTION 8. Amends Chapter 1036, Special District Local Laws Code, by adding Subchapters G and H, as follows:

SUBCHAPTER G. EXPANSION OF DISTRICT TERRITORY

Sec. 1036.301. EXPANSION OF DISTRICT TERRITORY TO ENTIRE COUNTY. Authorizes the district to expand its territory boundaries to be coextensive with the boundaries of the county in the manner provided by Section 286.101 (Expansion of District Territory), Health and Safety Code, for the expansion of the territory of a hospital district created under Chapter 286 (Hospital Districts Created By Voter Approval), Health and Safety Code.

SUBCHAPTER H. DISSOLUTION

Sec. 1036.401. DISSOLUTION; ELECTION. (a) Authorizes the district to be dissolved only on approval of a majority of the district voters voting in an election 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.

(c) Requires the board to order an election if the board receives a petition requesting an election that is signed by at least 15 percent of the registered voters in the district.

(d) Requires that the order calling the election state:

- (1) the nature of the election, including the proposition to appear on the ballot;
- (2) the date of the election;
- (3) the hours during which the polls will be open; and
- (4) the location of the polling places.

(e) Provides that Section 41.001(a) (relating to when general or special elections in this state must be held), Election Code, does not apply to an election ordered under this section.

Sec. 1036.402. NOTICE OF ELECTION. (a) Requires the board to give notice of an election under this subchapter by publishing once a week for two consecutive weeks a substantial copy of the election order in a newspaper with general circulation in the district.

(b) Requires that the first publication of the notice appear not later than the 35th day before the date set for the election.

Sec. 1036.403. BALLOT. Requires that the ballot for an election under this subchapter be printed to permit voting for or against the proposition: "The dissolution of the Hamilton County Hospital District."

Sec. 1036.404. ELECTION RESULTS. (a) Requires the board, if a majority of the votes in an election under this subchapter favor dissolution, to find that the district is dissolved.

(b) 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 date of the most recent election on the question of dissolution.

Sec. 1036.405. TRANSFER OR ADMINISTRATION OF ASSETS. (a) Requires the board, if a majority of the votes in the election held under this subchapter favor dissolution, to:

(1) transfer the land, buildings, improvements, equipment, and other assets that belong to the district to Hamilton County or another governmental entity in Hamilton County; or

(2) administer the property, assets, and debts until all money has been disposed of and all district debts have been paid or settled.

(b) Provides that if the district makes the transfer under Subsection (a)(1), the county or entity assumes all debts and obligations of the district at the time of the transfer, and the district is dissolved.

(c) Provides that if Subsection (a)(1) does not apply and the board administers the property, assets, and debts of the district under Subsection (a)(2), the district is dissolved when all money has been disposed of and all district debts have been paid or settled.

Sec. 1036.406. IMPOSITION OF TAX AND RETURN OF SURPLUS TAXES. (a) Requires the board, after it finds that the district is dissolved, to:

(1) determine the debt owed by the district; and

(2) impose on the property included in the district's tax rolls a tax that is in proportion of the debt to the property value.

(b) Requires the board, on the payment of all outstanding debts and obligations of the district, to order the secretary to return to each district taxpayer the taxpayer's pro rata share of all unused tax money.

(c) 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 money to the appropriate county tax assessor-collector.

Sec. 1036.407. REPORT; DISSOLUTION ORDER. (a) Requires the board, after the district has paid all district debts and has disposed of all district money and other assets as

prescribed by this subchapter, to file a written report with the Commissioners Court of Hamilton County summarizing the board's actions in dissolving the district.

(b) Requires the Commissioners Court of Hamilton County, not later than the 10th day after the date the commissioners court receives the report and determines that the requirements of this subchapter have been fulfilled, to enter an order approving dissolution of the district and releasing the board from any further duty or obligation.

EFFECTIVE DATE

SECTION 9. Effective date: September 1, 2011.