

BILL ANALYSIS

Senate Research Center

S.B. 494
By: Fraser
Intergovernmental Relations
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Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

This bill expands the borrowing authority of public rural hospitals. Most public hospitals currently have authority to borrow only through general obligation or revenue bonds and have no authority to borrow from a bank. On the other hand, private and nonprofit hospitals are not excluded from short-term borrowing from a bank. This bill amends the Health and Safety Code to authorize public hospitals to borrow from banking institutions for short-term needs (less than five years) and to pledge hospital assets or revenue for that purpose.

S.B. 494 amends current law relating to the authority of certain local governmental entities to borrow money for a public hospital.

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 Subtitle F, Title 4, Health and Safety Code, by adding Chapter 315, as follows:

CHAPTER 315. AUTHORITY TO BORROW MONEY FOR PUBLIC HOSPITALS

Sec. 315.001. DEFINITION. Defines, in this chapter, "local governmental entity."

Sec. 315.002. AUTHORITY TO BORROW MONEY FOR PUBLIC HOSPITAL; SECURITY. (a) Authorizes a 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.

(b) Authorizes a local governmental entity, to secure a loan under this section, to pledge:

(1) revenue from the hospital owned or operated by the entity that is not pledged to pay the entity's bonded indebtedness; or

(2) tax revenue to be collected by the local governmental 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.

(c) Requires that a loan authorized by this section mature:

(1) not later than the first anniversary of the date the loan is made, if taxes are pledged to repay the loan; and

(2) not later than the fifth anniversary of the date the loan is made, if hospital revenue is pledged to repay the loan.

SECTION 2. Effective date: September 1, 2011.