

CHAPTER 267

S.B. No. 1379

AN ACT

relating to the Montgomery County Hospital District.

Be it enacted by the Legislature of the State of Texas:

SECTION 1. Sections 2 and 5, Chapter 258, Acts of the 65th Legislature, Regular Session, 1977, are amended to read as follows:

Sec. 2. The district shall take over and there shall be transferred to it title to all land, buildings, improvements, and equipment pertaining to the hospitals or hospital system owned by the county or any city or town within the boundaries of the proposed district and shall provide for the establishment of a *health care or* hospital system by the purchase, gift, construction, acquisition, repair, or renovation of buildings and equipment and equipping same and the administration of the system for *health care or* hospital purposes. The district may take over and may accept title to land, buildings, improvements, and equipment of a nonprofit hospital within the district if the governing authority or authorities of the hospital and district agree to the transfer. The district shall assume the outstanding indebtedness incurred by any city or town within the district or by the county for hospital purposes within the boundaries of the district.

Sec. 5. (a) The board of directors shall manage, control, and administer the *health care* or hospital system and all funds and resources of the district, but in no event shall any operating, depreciation, or building reserves be invested in any funds or securities other than those specified in Article 836 or 837, Revised Civil Statutes of Texas, 1925, as amended. The district, through its board of directors, shall have the power and authority to sue and be sued, to promulgate rules governing the operation of the hospital, the *health care* or hospital system, its staff, and its employees. The board of directors shall appoint a qualified person as the chief administrative officer of the district to be known as the president of the hospital district or by another title selected by the board. The board may appoint assistants to the chief administrative officer to be known as vice-presidents of the hospital district or by another title selected by the board. The chief administrative officer and any assistant shall serve at the will of the board and shall receive such compensation as may be fixed by the board. The chief administrative officer shall supervise all the work and activities of the district and shall have general direction of the affairs of the district, subject to limitations prescribed by the board. The board of directors shall have the authority to appoint to the staff such doctors as necessary for the efficient operation of the district and may provide for temporary appointments to the staff if warranted by circumstances. The board may delegate to the chief administrative officer the authority to employ technicians, nurses, and employees of the district. The board shall be authorized to contract with any other political subdivision or governmental agency whereby the district will provide investigatory or other services as to the medical, *health care*, hospital, or welfare needs of the inhabitants of the district and shall be authorized 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 any such county or municipality and shall have the authority to contract with the State of Texas or agencies of the federal government for the treatment of sick, diseased, or injured persons.

(b) *The district may enter into contracts, and make payments thereunder, relating to or arranging for the provision of health care services as permitted by the Texas Constitution and Chapter 61, Health and Safety Code, and its subsequent amendments, on terms and conditions as the board of directors determines to be in the best interests of the district. The term of a contract entered into under this subsection may not exceed 15 years.*

SECTION 2. Subsection (a), Section 8, Chapter 258, Acts of the 65th Legislature, Regular Session, 1977, is amended to read as follows:

(a) The board of directors shall have the power and authority to issue and sell its bonds in the name and on the faith and credit of the hospital district for the purchase, construction, acquisition, repair, or renovation of buildings and improvements and equipping the same for *health care* or hospital purposes, and for any or all such purposes. At the time of the issuance of any bonds by the district, a tax shall be levied by the board sufficient to create an interest and sinking fund to pay the interest on and principal of said bonds as same mature; providing the tax together with any other taxes levied for the district shall not exceed 75 cents on each \$100 valuation of all taxable property situated in the district subject to hospital district taxation in any one year. No bonds shall be issued by such hospital district except refunding bonds until authorized by a majority of the electors of the district. The order for bond election shall specify the date of the election, the amount of bonds to be authorized, the maximum maturity of the bonds, the place or places where the election shall be held, the presiding judge and alternate judge for each voting place, and provide for clerks as in county elections. Notice of any bond election except one held under the provisions of Section 9 of this Act, in which instance notice shall be given as provided in Section 3 of this Act, shall be given as provided in Article 704, Revised Civil Statutes of Texas, 1925, as amended, and shall be conducted in accordance with the Texas Election Code, as amended, except as modified by the provisions of this Act.

SECTION 3. Sections 10 and 11, Chapter 258, Acts of the 65th Legislature, Regular Session, 1977, are amended to read as follows:

Sec. 10. In addition to the power to issue bonds payable from taxes levied by the district, as contemplated by Section 8 of this Act, the board of directors is further authorized to issue and to refund any previously issued revenue bonds for purchasing, constructing, acquiring, repairing, equipping, or renovating buildings and improvements for *health care* or hospital purposes and for acquiring sites for *health care* or hospital purposes, the bonds to be payable

from and secured by a pledge of all or any part of the revenues of the district to be derived from the operation of its hospital or *health care facilities* [hospitals]. The bonds may be additionally secured by a mortgage or deed of trust lien on any part or all of its properties. The bonds shall be issued in the manner and in accordance with the procedures and requirements specified for the issuance of revenue bonds by county hospital authorities in Sections 8 and 10 through 13 of Chapter 122, Acts of the 58th Legislature, 1963 (Article 4494r, Vernon's Texas Civil Statutes).

Sec. 11. (a) The board of directors is hereby given complete discretion as to the type of buildings, both as to number and location, required to establish and maintain an adequate *health care or hospital system*. The *health care or hospital system* may include domiciliary care and treatment of the sick, wounded, and injured, *hospitals*, outpatient clinic or clinics, dispensaries, geriatric domiciliary care and treatment, convalescent home facilities, necessary nurses, domiciliaries and training centers, blood banks, community mental health centers and research centers or laboratories, ambulance services, and any other facilities deemed necessary for *health or hospital care* by the directors. The district, through its board of directors, is further authorized to enter into an operating or management contract with regard to its facilities or a part thereof or may lease all or part of its buildings and facilities on terms and conditions considered to be to the best interest of its inhabitants. *Except as provided by Subsection (c) of Section 15 of this Act, the term of a* [~~provided that in no event shall any~~] lease *may not exceed* [~~be for a period in excess of~~] 25 years from the date entered. The district shall be empowered to sell or otherwise dispose of any property, real or personal, or equipment of any nature on terms and conditions found by the board to be in the best interest of its inhabitants.

(b) *The district may sell or exchange a hospital, including real property necessary or convenient for the operation of the hospital and real property that the board of directors finds may be useful in connection with future expansions of the hospital, on terms and conditions the board determines to be in the best interests of the district, by complying with the procedures prescribed by Sections 285.051 and 285.052, Health and Safety Code, and any subsequent amendments.*

(c) The board of directors of the district shall have the power to prescribe the method and manner of making purchases and expenditures by and for the hospital district and shall also be authorized to prescribe all accounting and control procedures. All contracts for construction involving the expenditure of more than \$10,000 may be made only after advertising in the manner provided by Chapter 163, Acts of the 42nd Legislature, Regular Session, 1931, as amended (Article 2368a, Vernon's Texas Civil Statutes). The provisions of Article 5160, Revised Civil Statutes of Texas, 1925, as amended, relating to performance and payment bonds shall apply to construction contracts let by the district. The district may acquire equipment for use in its *health care or hospital system* and mortgage or pledge the property so acquired as security for the payment of the purchase price, but any such contract shall provide for the entire obligation of the district to be retired within five years from the date of the contract. Except as permitted in the preceding sentence and as permitted by Sections 5, 8, 9, and 10 of this Act, the district may incur no obligation payable from any revenues of the district, except those on hand or to be on hand within the then current and following fiscal year of the district.

(d) [(e)] The board may declare an emergency in the matter of funds not being available to pay principal of and interest on any bonds of the district payable in whole or in part from taxes or to meet any other needs of the district and may issue negotiable tax anticipation notes to borrow the money needed by the district. Tax anticipation notes may bear interest at any rate or rates authorized by general law and must mature within one year of their date. Tax anticipation notes may be issued for any purpose for which the district is authorized to levy taxes, and tax anticipation notes shall be secured with the proceeds of taxes to be levied by the district in the succeeding 12-month period. The board may covenant with the purchasers of the notes that the board will levy a sufficient tax in the following fiscal year to pay principal of and interest on the notes and pay the costs of collecting the taxes.

SECTION 4. Subsections (c) and (d), Section 15, Chapter 258, Acts of the 65th Legislature, Regular Session, 1977, are amended to read as follows:

(c) Land owned by the district may not be leased for a period greater than 25 years [or sold] unless the board of directors:

- (1) finds that the land is not necessary for *health care* or hospital purposes;
- (2) complies with any indenture securing the payment of bonds issued by the district; and
- (3) receives on behalf of the district not less than the current market value for the [sale or] lease.

(d) ~~Land [In addition to the requirements under Subsection (c) of this section, land]~~ of the district, ~~other than land that the district is authorized to sell or exchange under Subsection (b) of Section 11 of this Act,~~ may not be sold unless the board of directors complies with *Section 272.001, Local Government Code [Chapter 455, Acts of the 61st Legislature, Regular Session, 1969 (Article 5421c-12, Vernon's Texas Civil Statutes)]*.

SECTION 5. Section 18, Chapter 258, Acts of the 65th Legislature, Regular Session, 1977, is amended to read as follows:

Sec. 18. Whenever a patient residing within the district has been admitted to the facilities of the district, the chief administrative officer may cause inquiry to be made as to his circumstances and those of the relatives of the patient legally liable for his support. If he finds that the patient or his relatives are able to pay for his care and treatment in whole or in part, an order shall be made directing the patient or his relatives to pay to the hospital district for the care and support of the patient a specified sum per week in proportion to their financial ability. The chief administrative officer shall have the power and authority to collect these sums from the estate of the patient or his relatives legally liable for his support in the manner provided by law for collection of expenses in the last illness of a deceased person. If the chief administrative officer finds that the patient or his relatives are not able to pay either in whole or in part for his care and treatment in the *facilities of the district [hospital]*, same shall become a charge on the hospital district as to the amount of the inability to pay. Should there be any dispute as to the ability to pay or doubt in the mind of the chief administrative officer, the board of directors shall hear and determine same after calling witnesses and shall make such order or orders as may be proper. Appeals from a final order of the board shall lie to the district court. The substantial evidence rule shall apply.

SECTION 6. Chapter 258, Acts of the 65th Legislature, Regular Session, 1977, is amended by adding Section 19A to read as follows:

Sec. 19A. (a) *The district may sponsor and create a nonstock, nonmember corporation under the Texas Non-Profit Corporation Act (Article 1396-1.01 et seq., Vernon's Texas Civil Statutes) and its subsequent amendments and may contribute or cause to be contributed available funds to the corporation.*

(b) *The funds of the corporation, other than funds paid by the corporation to the district, may be used by the corporation only to provide, to pay the costs of providing, or to pay the costs related to providing indigent health care or other services that the district is required or permitted to provide under the constitution or laws of this state. The board of directors of the hospital district shall establish adequate controls to ensure that the corporation uses its funds as required by this subsection.*

(c) *The board of directors of the corporation shall be composed of seven residents of the district appointed by the board of directors of the district. The board of directors of the district may remove any director of the corporation at any time with or without cause.*

(d) *The corporation may invest funds in any investment in which the district is authorized to invest funds of the district, including investments authorized by the Public Funds Investment Act of 1987 (Article 842a-2, Vernon's Texas Civil Statutes) and its subsequent amendments.*

SECTION 7. Section 20, Chapter 258, Acts of the 65th Legislature, Regular Session, 1977, is amended to read as follows:

Sec. 20. After creation of the hospital district, no county, municipality, or political subdivision wholly or partly within the boundaries of the district shall have the power to levy taxes or issue bonds or other obligations for hospital or *health care* purposes or for providing medical care for the residents of the district. The hospital district shall assume full responsibility for ~~[the operation of all hospital facilities for]~~ the furnishing of medical and

hospital care for its needy inhabitants. When the district is created and established, the county and all towns and cities located wholly or partly therein shall convey and transfer to the district title to all land, buildings, improvements, and equipment in anywise pertaining to a hospital or hospital system located wholly within the district which may be jointly or separately owned by the county or any city or town within the district. Operating funds and reserves for operating expenses which are on hand and funds which have been budgeted for hospital purposes by the county or any city or town therein for the remainder of the fiscal year in which the district is created shall likewise be transferred to the district, as shall taxes previously levied for hospital purposes for the current year, and all sinking funds established for payment of indebtedness assumed by the district.

SECTION 8. The legislature finds that all of the requirements of the Texas Constitution have been performed or accomplished as required, and in the time and order required, and that the legislature has the power and authority to enact this Act.

SECTION 9. The legislature hereby declares that the enactment of this Act is in fulfillment of authority conferred on it by Article IX, Section 9, of the Texas Constitution; that the Montgomery County Hospital District and the indigent health care services and other health care services and facilities that it is able to provide or arrange for the provision of are essential to and operate on a subject in which the state and public at large are interested; and that the provisions of this Act therefore operate on a subject in which the state and the public are interested. All the terms and provisions of this Act are to be liberally construed to effectuate the purposes set forth herein.

SECTION 10. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended, and that this Act take effect and be in force from and after its passage, and it is so enacted.

Passed the Senate on May 6, 1993: Yeas 31, Nays 0; passed the House on May 21, 1993: Yeas 132, Nays 0, two present not voting.

Approved May 24, 1993.

Effective May 24, 1993.