

HEALTH AND SAFETY CODE CHAPTER 301. COOPERATIVE ASSOCIATIONS

HEALTH AND SAFETY CODE

TITLE 4. HEALTH FACILITIES

SUBTITLE E. COOPERATIVE ASSOCIATIONS

CHAPTER 301. COOPERATIVE ASSOCIATIONS

SUBCHAPTER A. HOSPITAL LAUNDRY COOPERATIVE ASSOCIATIONS

Sec. 301.001. DEFINITIONS. In this subchapter:

(1) "Eligible institution" means an entity engaged in health-related pursuits that, except for cooperative associations, is exempt from federal income tax and includes only:

- (A) a municipality;
- (B) a political subdivision of the state;
- (C) a state-supported health-related institution, including:

- (i) The Texas A&M University System;
  - (ii) The University of Texas System; and
  - (iii) Texas Woman's University;
- (D) a nonprofit health-related institution; or
  - (E) a cooperative association created under Subchapter B, a unit of which is located in a county with a population of more than 2.5 million.

(2) "Laundry system" includes:

- (A) buildings in which soiled or infected clothing, uniforms, or linens are laundered;
- (B) land and interests in land as sites for buildings or access to buildings;
- (C) equipment and appliances for a laundry operation;
- (D) supplies for a laundry operation;
- (E) clothing, uniforms, and linens;
- (F) automotive and other personal property appropriate for delivery and pickup services; and
- (G) other property and equipment incidental or appropriate to the operation of laundry facilities.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989. Amended by Acts 1991, 72nd Leg., ch. 597, Sec. 74, eff. Sept. 1, 1991.

Sec. 301.002. CREATION OF HOSPITAL LAUNDRY COOPERATIVE ASSOCIATION. (a) Eligible institutions may create a hospital laundry cooperative association to establish, operate, and maintain a laundry system on a nonprofit, cooperative basis solely for the use and benefit of eligible institutions.

(b) An association is created under the terms prescribed by the governing bodies of the respective eligible institutions.

(c) An association created under this subchapter shall include as part of its name "Hospital Laundry Cooperative Association."

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 301.003. ARTICLES OF INCORPORATION. (a) Eligible institutions creating a hospital laundry cooperative association may file articles of incorporation under the general corporation law of this state, including the Texas Business Corporation Act.

(b) An association incorporated as provided by this section is governed by the law under which it is incorporated except to the extent that that law conflicts with this subchapter.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 301.004. USE OF PUBLIC FUNDS PROHIBITED. Public funds appropriated to a state department or to a state institution may not be used to create a hospital laundry cooperative association under this subchapter.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 301.005. MEMBERSHIP; MEMBERSHIP PRIVILEGES; EXPULSION OF MEMBERS. (a) An eligible institution may be elected to membership in a hospital laundry cooperative association by:

(1) the organizers of the association at the time of organization; or

(2) the board of directors of the association according to the association's bylaws.

(b) Only an eligible institution may become a member of an association created under this subchapter.

(c) A membership certificate is transferable only to an eligible institution in the manner provided by the rules prescribed in the bylaws.

(d) Each member has voting rights in the management of an association as prescribed in the bylaws.

(e) A member may be suspended or expelled for misconduct under the rules prescribed in the bylaws.

(f) An association shall pay an expelled member for cancellation of the membership if the member's contractual obligations pledged to the payment of the association's notes, bonds, or other obligations have been fully paid or other provision has been made. The amount and date of payment are as prescribed in the bylaws.

(g) Amounts paid or property conveyed or transferred to an association by an expelled member and not required to be returned to the member under Subsection (f) may be retained by the association. Facilities or property acquired by the association remains the property of the association and the expelled member does not have a lien or other right to the facilities or property.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 301.006. MEMBERSHIP NOT REQUIRED. A component institution of a state-supported institution is not required to be a member of a hospital laundry cooperative association created under this subchapter but may be a member of one or more associations.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 301.007. POWERS OF HOSPITAL LAUNDRY COOPERATIVE ASSOCIATION. A hospital laundry cooperative association may:

(1) acquire, own, and operate a laundry system on a cooperative basis solely for the benefit of eligible institutions, regardless of whether the eligible institution is a member of the association, and may engage in activities for the benefit of eligible institutions that are necessarily related to the acquisition, ownership, operation, and maintenance of a laundry system;

(2) acquire by purchase, lease, or other method land and interests in land appropriate or reasonably incidental to a laundry system and may own, hold, improve, develop, and manage land and interests in land acquired;

(3) construct, improve, enlarge, and equip buildings or other structures on that land;

(4) encumber or dispose of any land or interests in land, buildings, or structures owned or held by the association;

(5) acquire by lease, purchase, manufacture, or other method any personal property appropriate or reasonably incidental to a laundry system, including property for the cleaning, washing, steaming, bleaching, dry cleaning, and disinfecting of all types of clothing and fabrics, and the transportation and distribution of those articles;

(6) encumber and dispose of any personal property owned or held by the association;

(7) acquire by purchase or other method uniforms, clothing, or linen for its members;

(8) borrow or raise money without limit as to amount;

(9) sell, grant security interest in, pledge, or otherwise dispose of and collect on accounts receivable, contract rights, and other choses in action; and

(10) make, draw, accept, endorse, execute, and issue bonds, debentures, notes, or other obligations for money borrowed or payment of property purchased, and may secure the payment by mortgage on, creation of security interests in, or pledge of or conveyance of assignment in trust of all or part of any property held by the association.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 301.008. COST OF SERVICES. A hospital laundry cooperative association may determine the amount to be charged for providing laundry services through its laundry system to eligible institutions.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 301.009. BONDS, NOTES, OR OTHER OBLIGATIONS. (a) A

hospital laundry cooperative association may borrow money from public or private sources or issue bonds, notes, or other obligations in amounts necessary to create, enlarge, maintain, or operate a laundry system.

(b) The association shall pay bonds, notes, or other obligations of the association solely from revenue received from the operation of a laundry system or from funds specifically provided for that purpose from other sources. An association may pledge its revenues or funds to secure payment of the bonds, notes, or other obligations.

(c) Bonds, notes, or other obligations issued by an association do not constitute indebtedness of the state or of any eligible institution that is a member of the association. Holders of bonds, notes, or other obligations may not demand or enforce payment of principal or interest on the bonds, notes, or other obligations out of funds other than those specifically pledged to secure payment of those bonds, notes, or other obligations.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 301.010. BONDS AS INVESTMENTS. Bonds issued by a hospital laundry cooperative association under this subchapter are legal and authorized investments for:

- (1) a bank;
- (2) a savings and loan association;
- (3) an insurance company;
- (4) a fiduciary;
- (5) a trustee; and

(6) a sinking fund of a municipality, county, school district, or other political subdivision or corporation of the state or other public fund of the state or a state agency, including the permanent school fund.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 301.011. BONDS AS SECURITY FOR DEPOSITS. A hospital laundry cooperative association's bonds may secure the deposits of public funds of the state or a municipality, county, school district, or other political subdivision or corporation of the

state. The bonds are lawful and sufficient security for those deposits in an amount up to their face value, if accompanied by all appurtenant unmatured coupons.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 301.012. LIABILITY TO CREDITORS. Except as provided by this subchapter, a member of a hospital laundry cooperative association is not liable to the association or its creditors in excess of the amount contracted for by the member. When the contract is paid in the amount and at the time specified in the contract, the member's liability ceases.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 301.013. TAX EXEMPTION. (a) A hospital laundry cooperative association created under this subchapter is not required to pay a tax or assessment on its property or on any purchase made by the association.

(b) Except as provided by Subsection (c), an association is not required to pay an annual franchise tax.

(c) An association is exempt from the franchise tax imposed by Chapter 171, Tax Code, only if the association is exempted by that chapter.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 301.014. ANNUAL REPORT. A hospital laundry cooperative association shall file an annual report with the secretary of state showing the assets and conditions of the association's affairs.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 301.015. SURPLUS REVENUE. The directors of a hospital laundry cooperative association may, in accordance with the association's bylaws, deposit to the credit of the surplus fund any surplus revenue derived from the laundry system or divide the surplus revenue among the patrons in proportion to the patrons' respective contributions to the working capital of the association and their patronage.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 301.016. LOANS TO MEMBERS PROHIBITED. A hospital laundry cooperative association may not loan money to a member.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

SUBCHAPTER B. MISCELLANEOUS COOPERATIVE ASSOCIATIONS

Sec. 301.031. DEFINITIONS. In this subchapter:

(1) "Eligible institution" means an entity engaged in health-related pursuits that, except for cooperative associations, is exempt from federal income tax and includes only:

(A) a municipality;

(B) a political subdivision of the state;

(C) a health-related institution supported by the state or federal government or by a federal department, division, or agency, including:

(i) The Texas A&M University System;

(ii) The University of Texas System;

(iii) Texas Woman's University; and

(iv) the Children's Nutrition Research Center;

(D) a nonprofit health-related institution; and

(E) a cooperative association created to provide a system, a unit of which is located in a county that has a population of more than 1.3 million and in which a municipality with a population of more than one million is primarily located, or in a county contiguous to a county having those characteristics.

(2) "System" includes all property and facilities, including buildings and land and interests in land, necessary, incidental, or appropriate to provide the following services for the benefit of members of a cooperative association:

(A) laundering services;

(B) central heating and cooling services, including steam and chilled water supply;

(C) communication services, including broadcast and other electronic communications, cable television, and transmission of X-rays, records, and documents;

(D) facilities and services for parking and traffic control, including the installation of appropriate traffic control devices on private streets;

(E) preparation, processing, delivery, and service of food, including food necessary for special diets;

(F) central administrative, financial, billing, conference, and educational services;

(G) child care services for the children of employees, consultants, students, and volunteers of cooperative association members, and temporary child care services for the children of patients and customers of those members;

(H) waste removal and disposal services of all types, including incineration and the removal, disposal, and abatement of hazardous wastes, including asbestos, lead, and other toxic substances;

(I) generation, cogeneration, purchase, sale, and pooling of energy in any form to the extent reasonably necessary to support the activities of a cooperative association;

(J) production and publication of educational or research materials;

(K) storage and warehousing services;

(L) transportation services;

(M) police and security services; and

(N) housing for employees, consultants, students, volunteers, and patients of members of the cooperative association.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989. Amended by Acts 1989, 71st Leg., ch. 1100, Sec. 5.05(a), eff. Sept. 1, 1989; Acts 1991, 72nd Leg., ch. 597, Sec. 75, eff. Sept. 1, 1991; Acts 2001, 77th Leg., ch. 669, Sec. 38, eff. Sept. 1, 2001.

Sec. 301.032. CREATION OF COOPERATIVE ASSOCIATION.

(a) Eligible institutions may create a cooperative association to establish, operate, and maintain a system on a nonprofit, cooperative basis solely for the use and benefit of eligible institutions.

(b) An association is created under the terms prescribed by



the governing bodies of the respective eligible institutions.

(c) An association created under this subchapter shall include as part of its name "Cooperative Association."

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 301.033. ARTICLES OF INCORPORATION. (a) Eligible institutions creating a cooperative association may prepare and file articles of incorporation under the general corporation law of this state, including the Texas Business Corporation Act.

(b) An association incorporated as provided by this section is governed by the law under which it is incorporated except to the extent that that law conflicts with this subchapter.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 301.034. USE OF PUBLIC FUNDS PROHIBITED. Public funds appropriated to a state department or to a state institution may not be used to create a cooperative association under this subchapter.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 301.035. MEMBERSHIP; MEMBERSHIP PRIVILEGES; EXPULSION OF MEMBERS. (a) An eligible institution may be elected to membership in a cooperative association by:

(1) the organizers of the association at the time of organization; or

(2) the board of directors of the association according to the association's bylaws.

(b) Only an eligible institution may become a member of an association created under this subchapter.

(c) A membership certificate is transferable only to an eligible institution in the manner provided by the rules prescribed in the bylaws.

(d) Each member has voting rights in the management of an association as prescribed in the bylaws.

(e) A member may be suspended or expelled for misconduct under the rules prescribed in the bylaws.

(f) An association shall pay an expelled member for cancellation of the membership, if the member's contractual

obligations pledged to the payment of the association's notes, bonds, or other obligations have been fully paid or other provision has been made. The amount and date of payment are as prescribed in the bylaws.

(g) Amounts paid or property conveyed or transferred to an association by an expelled member and not required to be returned to the member under Subsection (f) may be retained by the association. Facilities or property acquired by the association remains the property of the association and the expelled member does not have a lien or other right to the facilities or property.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 301.036. MEMBERSHIP NOT REQUIRED. A component institution of an institution that is supported by the federal or state government or a department, division, or agency of the federal government is not required to be a member of a cooperative association created under this subchapter but may be a member of one or more associations.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 301.037. POWERS OF COOPERATIVE ASSOCIATION. To carry out the purposes of this subchapter, a cooperative association may:

(1) acquire, own, and operate a system on a cooperative basis solely for the benefit of eligible institutions, regardless of whether the eligible institution is a member of the association, and may engage in activities for the benefit of eligible institutions that are necessarily related to the acquisition, ownership, operation, and maintenance of a system;

(2) acquire by purchase, lease, or other method land and interests in land appropriate or reasonably incidental to a system and may own, hold, improve, develop, and manage any land and interests in land acquired;

(3) construct, improve, enlarge, or equip buildings or other structures on that land;

(4) encumber or dispose of any land or interests in land, buildings, or structures owned or held by the association;

(5) acquire by lease, purchase, manufacture, or other

method any personal property appropriate or reasonably incidental to a system;

(6) borrow or raise money;

(7) sell, grant security interest in, pledge, or otherwise dispose of and collect on accounts receivable, contract rights, and other choses in action; and

(8) make, draw, accept, endorse, execute, and issue bonds, debentures, notes, or other obligations for money borrowed or payment of property purchased, and may secure the payment by mortgage on, creation of security interests in, or pledge of or conveyance of assignment in trust of all or part of any property held by the association.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 301.038. PROVISION OF SERVICES; COSTS. (a) A cooperative association may provide services from a system to eligible institutions and may determine the amount to be charged for providing the services.

(b) Notwithstanding Sections 301.032 and 301.037, a cooperative association may provide from a system central heating and cooling services, including steam and heated and chilled water supply, to persons other than eligible institutions and may determine the amount to be charged for providing services.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 939, Sec. 10, eff. September 1, 2007.

Sec. 301.039. BONDS, NOTES, OR OTHER OBLIGATIONS. (a) A cooperative association may borrow money from public or private sources or issue bonds, notes, or other obligations in amounts necessary to create, enlarge, maintain, or operate a system.

(b) The association shall pay the bonds, notes, or other obligations of the association solely from revenue received from the operation of a system or from funds specifically provided for that purpose from other sources. An association may pledge its revenues or funds to secure payment of the bonds, notes, or other

obligations.

(c) Bonds, notes, or other obligations issued by an association do not constitute indebtedness of the state or of any eligible institution that is a member of the association. Holders of bonds, notes, or other obligations may not demand or enforce payment of principal or interest on the bonds, notes, or other obligations out of funds other than those specifically pledged to secure payment of those bonds, notes, or other obligations.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 301.040. BONDS AS INVESTMENTS. Bonds issued by a cooperative association under this subchapter are legal and authorized investments for:

- (1) a bank;
- (2) a savings and loan association;
- (3) an insurance company;
- (4) a fiduciary; and
- (5) a trustee.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 301.041. LIABILITY TO CREDITORS. (a) Except as provided by this subchapter, a member of a cooperative association is not liable to the association or its creditors in excess of the amount contracted for by the member. When the contract is paid in the amount and at the time specified in the contract, the member's liability ceases.

(b) This subchapter does not authorize a state-supported health-related institution to make a financial commitment beyond the current budget period for the institution.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 301.042. TAX EXEMPTION. (a) A cooperative association created under this subchapter is not required to pay a tax or assessment on its property or on any purchase made by the association.

(b) Except as provided by Subsection (c), an association is not required to pay an annual franchise tax.

(c) An association is exempt from the franchise tax imposed by Chapter 171, Tax Code, only if the association is exempted by that chapter.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 301.043. ANNUAL REPORT. A cooperative association shall file an annual report with the secretary of state showing the assets and conditions of the association's affairs.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 301.044. SURPLUS REVENUE. The directors of a cooperative association may, in accordance with the association's bylaws, deposit to the credit of the surplus fund any surplus revenue derived from a system or divide the surplus revenue among the patrons in proportion to the patrons' respective contributions to the working capital of the association and their patronage.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 301.045. LOANS TO MEMBERS PROHIBITED. A cooperative association may not loan money to a member.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 301.046. LIBERAL CONSTRUCTION. This subchapter shall be liberally construed.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 301.047. CONSTRUCTION OF SUBCHAPTER. (a) This subchapter does not prevent a cooperative association from:

(1) creating recourse or nonrecourse debt in the form of bonds, debentures, notes, or any other form of obligation;

(2) encumbering, mortgaging, pledging, or granting a security interest in any property of the cooperative association;

(3) refunding existing debt or obligations by any means available under this subchapter; or

(4) otherwise exercising all express or implied powers granted by Section 301.033(b), 301.037, 301.038, 301.039, or 301.044, or granted by state corporation laws.

(b) This section only clarifies the powers of cooperative associations and does not expand their powers.

Added by Acts 1993, 73rd Leg., ch. 902, Sec. 1, eff. June 19, 1993.