

SUBJECT: Authorizing certain hospital authorities to issue short-term obligations

COMMITTEE: Financial Institutions — committee substitute recommended

VOTE: 6 ayes — Marchant, Carona, Elkins, Gutierrez, Patterson, Romo

0 nays

3 absent — Giddings, Grusendorf, Hudson

WITNESSES: For — Jerry Turner, Vinson and Elkins, Polly-Ryon Hospital

Against — none

DIGEST: CSHB 2525 would allow certain hospital authorities to issue short-term obligations. The hospital authorities would be required to be located in counties that are included in whole or in part in a standard metropolitan statistical area (SMSA) that includes a county with a population of more than 1.8 million (hospital authorities in the Houston or Dallas SMSA).

SUPPORTERS SAY: CSHB 2525 will help suburban hospital authorities provide better patient services and compete effectively with other hospitals. Hospital authorities are already authorized by the Health and Safety Code to issue long-term bonds; however, only hospital authorities in a county with more than two million people (Harris County) are explicitly authorized to offer short-term revenue bonds that bear variable interest rates.

Unlike other public hospitals, hospital authorities do not have access to a tax base to help support patient services and facility operations. They also do not have access to capital that for-profit hospitals have. Long-term revenue bonds do not always provide the lowest interest rates or the best credit vehicle to respond to changes in the health care marketplace.

CSHB 2525 would allow only hospital authorities in selected suburban areas the privilege of issuing short-term variable bonds — about five hospitals in all. These hospitals tend to be the larger hospital authority hospitals in Texas, with sufficient cash flow and financial expertise to assume any risk in issuing short term bonds. Smaller hospital authorities

probably would not have a large enough bond proposal to attract bank or investor interest.

**OPPONENTS  
SAY:**

CSHB 2525 should allow all hospital authorities the opportunity to issue short-term revenue bonds. Current law allows many other political subdivisions this privilege, including home-rule cities, transportation authorities, water districts, state agencies and certain higher education nonprofit corporations. Marketplace protections, such as backing by banks, are sufficient to prevent a hospital authority from creating more debt than it can manage.

**NOTES:**

The committee substitute changed the SMSA county population requirement from two million to 1.8 million.