

- SUBJECT:** Leasing and other real property agreements for certain hospital districts
- COMMITTEE:** County Affairs — committee substitute recommended
- VOTE:** 6 ayes — Coleman, Farias, Burrows, Romero, Spitzer, Wu  
0 nays  
3 absent — Schubert, Stickland, Tinderholt
- WITNESSES:** For — Paul Leslie, Parkland; (*Registered, but did not testify:* Ann-Marie Price, Central Health; Maureen Milligan, Teaching Hospitals of Texas; Joe Garcia, University Health System)  
Against — None
- BACKGROUND:** Health and Safety Code, ch. 281 permits the creation of a countywide hospital district for counties with at least 190,000 inhabitants to provide medical aid and hospital care for indigent and needy persons in the district. The board of hospital managers is the managing authority for the hospital district.  
  
Under Health and Safety Code, sec. 281.050 a hospital district’s board of managers may, with the approval of the relevant commissioners court, lease undeveloped real property for up to 50 years.
- DIGEST:** CSHB 2559 would expand the types of property that hospital districts could lease and the types of leases into which hospital districts were allowed to enter. Hospital districts authorized under Health and Safety Code, ch. 281 could enter into a lease for the development, improvement, acquisition, or management of developed or undeveloped real property designed to generate revenue for the hospital district. The types of leases could include a lease with an option to purchase, an installment purchase agreement, an installment sale agreement, or any other type of agreement related to the real property considered appropriate by the board.

The bill would allow the board of the Travis County hospital district to lease undeveloped or vacant real property for up to 99 years to develop and construct facilities designed to generate revenue for the financial benefit of the hospital district. The board's decision would have to be approved by the commissioners court at a meeting subject to applicable open meetings requirements. The board could directly or through a nonprofit corporation enter into a joint venture with public or private entity on the lease.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2015.

**SUPPORTERS  
SAY:**

CSHB 2559 could help hospital districts bring in the revenue they need to fulfill their mission of providing medical care to the indigent by expanding the types of leases these districts can enter. The bill would not redirect the mission of hospital districts because any leases or agreements would need to be approved by the commissioners court, which would ensure that leasing decisions were tied to improving the hospital districts' ability to provide better medical care to the indigent. The bill also could lighten the tax burden on some taxpayers by encouraging hospital districts to seek alternative methods of revenue generation.

Currently, hospital districts cannot lease undeveloped real property for longer than 50 years. The provision allowing the Central Health hospital district of Travis County to enter a 99-year lease could help the district bring in the maximum potential revenue on real property it leases. A longer lease also would permit alternative financing and leasing actions such as a sales installment purchase.

**OPPONENTS  
SAY:**

CSHB 2559 could distract hospital districts from their mission of providing care to indigent people. While loosening leasing restrictions could open up new sources of revenue, the state should be careful not to allow property management to become a bigger priority than care.