

AMENDED IN SENATE APRIL 5, 2005

SENATE BILL

No. 776

Introduced by Senator Runner

February 22, 2005

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An act to amend Section 32127.3 of, and to, add Section 32130.6 to the Health and Safety Code, relating to health care districts.

LEGISLATIVE COUNSEL'S DIGEST

SB 776, as amended, Runner. Health care districts: ~~medical equipment; long-term lease or lease purchase agreements~~ mortgage insurance, loans, credit.

Existing law provides for the formation and establishes the powers of a health care district. ~~Existing law authorizes a health care district to purchase or lease property of every kind and description within and without the limits of the district, and to control, dispose of, convey, and encumber the same and create a leasehold interest in the same for the benefit of the district. Existing law also authorizes a health care district to establish, maintain, and operate, or provide assistance in the operation of, one or more health facilities or health services.~~ Existing law places limits on the extent to which a health care district may borrow money and incur indebtedness.

*Existing law authorizes the board of directors of any district to borrow money or issue bonds and to execute first mortgages, first deeds of trust, or other necessary security interests exclusively for the purpose of securing federal mortgage insurance or federal loans for financing or refinancing the construction of new health facilities, the expansion, modernization, renovation, remodeling, or alteration of existing health facilities, and the initial equipping of those health facilities under the federal mortgage insurance programs available to a local hospital district.*

*This bill would add to the purposes for which the board of directors of a district may borrow money, issue bonds, or execute first mortgages, first deeds of trust, or other security interests, the purpose of securing federally insured loans issued under the National Housing Act.*

*Existing law requires that any first mortgage, first deed of trust, or other necessary security interest be executed in favor of the United States or appropriate federal agency.*

*The bill would additionally authorize the board of directors to execute first mortgages, first deeds of trust, or other security interests in favor of a federally designated mortgagor.*

*Existing law states the Legislature's determination that the United States or appropriate federal agency named as beneficiary of any first mortgage or other security interest delivered as authorized by this section is not a private person or body for purposes of the California Constitution's prohibition on the Legislature delegating to a private person or body the power to make, control, appropriate, supervise, or interfere with county or municipal corporation improvements, money, or property, or to levy taxes or assessments, or perform municipal functions.*

*For purposes of the constitutional provision above, the bill would add that the Legislature determines that a federally designated mortgagor named as beneficiary of any first mortgage or other security interest is not a private person or body.*

*The bill would authorize a district, when authorized by a resolution adopted by a majority of the board, to establish a line of credit with a commercial lender that is secured, in whole or in part, by the accounts receivable or other noncapital assets of the district, and thereafter, borrow funds against the line of credit for any district purpose.*

~~*This bill would provide that notwithstanding any other law, the board of directors of a health care district may enter into long-term lease or lease purchase agreements for the acquisition of diagnostic, radiologic, surgical, or other medical equipment necessary for the assessment, diagnosis, or treatment of hospital patients.*~~

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     ~~SECTION 1. Section 32130.6 is added to the Health and~~  
2 ~~Safety Code, to read:~~

3     ~~SECTION 1. Section 32127.3 of the Health and Safety Code~~  
4 ~~is amended to read:~~

5     ~~32127.3. (a) Exclusively for the purpose of securing federal~~  
6 ~~mortgage insurance or, federal loans, or federally insured loans~~  
7 ~~issued pursuant to the National Housing Act (12 U.S.C. Secs.~~  
8 ~~1715w and 1715z-7) for financing or refinancing the construction~~  
9 ~~of new health facilities, the expansion, modernization,~~  
10 ~~renovation, remodeling, or alteration of existing health facilities,~~  
11 ~~and the initial equipping of those health facilities under the~~  
12 ~~federal mortgage insurance programs as are now or may hereafter~~  
13 ~~become available to a local hospital district, and notwithstanding~~  
14 ~~any provision of this division, or any other provision or holding~~  
15 ~~of law, the board of directors of any district may do either or both~~  
16 ~~of the following:~~

17     ~~(1) Borrow money or issue bonds, in addition to other~~  
18 ~~financing methods authorized under this division.~~

19     ~~(2) Execute, in favor of the United States or, appropriate~~  
20 ~~federal agency, or federally designated mortgagor, first~~  
21 ~~mortgages, first deeds of trust, or other necessary security~~  
22 ~~interests as the federal government may reasonably require with~~  
23 ~~respect to a health facility project property as security for that~~  
24 ~~insurance.~~

25     ~~(b) No payments of principal, interest, insurance premiums~~  
26 ~~and inspection fees, and all other costs of financing obtained as~~  
27 ~~authorized by this section shall be made from funds derived from~~  
28 ~~the district's power to tax.~~

29     ~~(c) The Legislature hereby determines and declares that the~~  
30 ~~authorizations for executing the mortgages, deeds of trust, or~~  
31 ~~other necessary security agreements by the board and for the~~  
32 ~~enforcement of the federal government's rights thereunder are in~~  
33 ~~the public interest in order to preserve and promote the health,~~  
34 ~~welfare, and safety of the people of the state by providing,~~  
35 ~~without cost to the state, a federal mortgage insurance program~~  
36 ~~for health facility construction loans in order to stimulate the~~  
37 ~~flow of private capital into health facilities construction to enable~~

1 the critical need for new, expanded, and modernized public  
2 health facilities to be met.

3 (d) The Legislature further determines and declares that the  
4 United States ~~or~~, appropriate federal agency, *or federally*  
5 *designated mortgagor* named as beneficiary of any first mortgage  
6 or other security interest delivered as authorized by this section is  
7 not a private person or body within the meaning of Section 11 of  
8 Article XI of the California Constitution.

9 *SEC. 2. Section 32130.6 is added to the Health and Safety*  
10 *Code, to read:*

11 *32130.6. A district may, when authorized by a resolution*  
12 *adopted by a majority of the board, establish a line of credit with*  
13 *a commercial lender that is secured, in whole or in part, by the*  
14 *accounts receivable or other noncapital assets of the district, and*  
15 *thereafter, borrow funds against the line of credit for any district*  
16 *purpose.*

17 ~~32130.6. Notwithstanding any other law, the board of~~  
18 ~~directors of a health care district may enter into long-term lease~~  
19 ~~or lease purchase agreements for the acquisition of diagnostic,~~  
20 ~~radiologic, surgical, or other medical equipment necessary for the~~  
21 ~~assessment, diagnosis, or treatment of hospital patients.~~