

## Assembly Bill No. 2731

### CHAPTER 46

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

[Approved by Governor July 6, 2010. Filed with Secretary of State July 6, 2010.]

#### LEGISLATIVE COUNSEL'S DIGEST

AB 2731, Arambula. Health care districts: federal loans or grants.

Existing law provides for the formation and establishes the powers of a health care district. 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, federal loans, or federally insured loans issued pursuant to the federal National Housing Act 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 federal loans or grants or guaranteed loans issued pursuant to the federal Consolidated Farm and Rural Development Act, as specified.

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

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

32127.3. (a) Exclusively for the purpose of securing federal mortgage insurance, federal loans, federal loans or grants or guaranteed loans issued pursuant to the federal Consolidated Farm and Rural Development Act (7 U.S.C. Sec. 1921, et seq.), as amended by Public Law 109-171 on February 8, 2006, or federally insured loans issued pursuant to the National Housing Act (12 U.S.C. Secs. 1715w and 1715z-7) 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 as are now or may hereafter become available to a local

hospital district, and notwithstanding any provision of this division, or any other provision or holding of law, the board of directors of any district may do either or both of the following:

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

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

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

(c) The Legislature hereby determines and declares that the authorizations for executing the mortgages, deeds of trust, or other necessary security agreements by the board and for the enforcement of the federal government's rights thereunder are in the public interest in order to preserve and promote the health, welfare, and safety of the people of the state by providing, without cost to the state, a federal mortgage insurance program for health facility construction loans in order to stimulate the flow of private capital into health facilities construction to enable the critical need for new, expanded, and modernized public health facilities to be met.

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