

# HOUSE BILL REPORT

## HB 2510

---

### As Reported by House Committee On: Financial Institutions & Insurance

**Title:** An act relating to authorizing public hospital districts to execute commonly accepted security instruments, as required to participate in federal programs that reduce the costs of financing the construction, rehabilitation, replacing, and equipping of hospitals or other health care facilities.

**Brief Description:** Authorizing public hospital districts to execute security instruments.

**Sponsors:** Representatives Kelley, Rodne, Hurst, Bailey, Kirby, Simpson and Morrell.

#### **Brief History:**

##### **Committee Activity:**

Financial Institutions & Insurance: 1/12/10, 1/19/10 [DP].

#### **Brief Summary of Bill**

- Allows public hospital districts, in connection with the issuance of bonds, to grant a lien on its property pursuant to a mortgage, deed of trust, security agreement, or other security instrument.

---

### HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** Do pass. Signed by 10 members: Representatives Kirby, Chair; Kelley, Vice Chair; Bailey, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Hurst, McCoy, Nelson, Roach, Rodne and Simpson.

**Minority Report:** Do not pass. Signed by 1 member: Representative Santos.

**Staff:** Alison Hellberg (786-7152).

#### **Background:**

Public hospital districts are types of municipal corporations that are authorized to operate hospitals and other health care facilities and provide other hospital and health care services within a specified community. In addition to operating hospitals, these services may include

---

*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

nursing homes, extended care, long-term care, outpatient and rehabilitation facilities, and ambulance services. As government entities, the authority of public hospital districts is specifically stated in statute. Under current law, public hospital districts may survey existing hospitals and health care facilities, manage property, lease facilities and equipment, borrow money, issue and sell bonds, and raise revenue through levies. Other governmental entities such as fire protection districts, port districts, housing authorities, and school district associations have the authority to mortgage property assets.

Through the Federal Housing Administration (FHA), the United States Department of Housing and Urban Development provides insurance for mortgages and loans for, among others, certain healthcare facilities. This federal insurance program is meant to encourage lenders to offer credit in areas and to borrowers who may not otherwise qualify for conventional loans on affordable terms.

---

**Summary of Bill:**

In connection with the issuance of bonds, public hospital districts may grant a lien on its property pursuant to a mortgage, deed of trust, security agreement, or any other security instrument allowed under applicable law. The bonds must be issued, however, in connection with a federal program providing mortgage insurance, including the mortgage insurance programs administered by the FHA.

---

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) Credit and bond markets have frozen under the current economic crisis and this has caused problems in financing projects. This has especially left public hospital districts with very limited options for securing financing. Most of them are small and operate in rural parts of the state. This bill is really aimed at those rural districts with fewer residents in the community. Since credit is so tight, it really helps to have mortgage insurance. This bill would allow public hospital districts to get mortgage insurance through the Federal Housing Administration. Passing this bill would not mean that public hospital districts would automatically get the insurance. They would still need to go through the vigorous federal process. This is just another tool. Non-profit hospitals have already been using this mortgage insurance and have been able to secure financing.

(Opposed) None.

**Persons Testifying:** Representative Kelley, prime sponsor; and Jeff Mero, Association of Public Hospitals.

**Persons Signed In To Testify But Not Testifying:** None.