



**House
Legislative
Analysis
Section**

Washington Square Building, Suite 1025
Lansing, Michigan 48909
Phone: 517/373-6466

HOSP. FIN. AUTH. ACT/INC. PUB. HOSPITAL

RECEIVED

House Bill 5268
Sponsor: Rep. Rick Sitz SEP 13 1988
Committee: Appropriations

Mich. State Law Library

Complete to 8-24-88

A SUMMARY OF HOUSE BILL 5268 AS INTRODUCED 12-30-88

The Hospital Finance Authority Act at present allows the State Hospital Finance Authority to lend money to nonprofit hospitals for improvements or to refinance hospital indebtedness. The act also provides for the incorporation of local hospital authorities and authorizes them to acquire, construct, improve, own and operate a hospital. The bill would include both public hospitals and private nonprofit hospitals under the act. The bill would also redefine the term "hospital" to include a public corporations, meaning a "city, village, township, county, authority, university, public agency, or any combination or those entities established by or under the state constitution or the laws of this state."

Under the bill, the state authority's powers would be expanded to include:

- the authority to construct; acquire by gift, purchase, lease, or condemnation; reconstruct, remodel, improve, add to, enlarge, repair, own, sell, lease and acquire sites for hospital facilities.

- the authority to enter into a lease or lease-purchase agreement with a hospital for the lease or purchase of the hospital facilities. Rents charged for the use of the facilities would be fixed and revised to produce income and revenues which, together with other available money, would pay first for operation and maintenance costs, and then the interest and principal upon all bonds or notes.

- the authority to mortgage or otherwise encumber hospital facilities in favor of the holders of the bonds or notes, and pledge and create a lien in their favor on all or part of the funds available for payment of principal and interest.

- the authority to sell hospital facilities on an installment sale basis or otherwise, and to convey part of all of the facilities, including, without limitation, a sale and conveyance subject to a mortgage or other security interest, and to determine the price and time of the sale. On an installment sale contract, the purchase price would have to be sufficient to pay all of the costs of the state authority for financing the acquisition and sale, and could be assigned in whole or in part to a trustee or other assignee.

- the authority to sell and convey leased health care facilities to the lessee hospital, if the sale price were payable in such amounts and at such times as would be sufficient - together with other funds available for that purpose - to pay all costs related to any outstanding bonds or notes issued to finance the leased hospital facilities, and to retire the bonds or notes.

Bonds or notes issued to finance the acquisition of hospital facilities for lease or sale to public corporations would be limited obligations of the

House Bill 5268 (8-24-88)

state authority, payable solely from the revenues, properties, and other sources pledged for that purpose.

Under the bill, the governing body of any public corporation could transfer its real or personal property (with the exception of cemetery property) to the state authority. The bill would also allow a a public corporation to borrow from the state authority, or to lease or purchase hospital facilities, subject to applicable constitutional or statutory limits on the incurrence of indebtedness.

MCL 331.33 et al.