

April 15, 1999

**H 1120. AUTHORIZE PUBLIC HOSPITAL DEBT. TO AUTHORIZE PUBLIC HOSPITALS TO ENGAGE IN INSTALLMENT PURCHASE FINANCING AND TO ISSUE REVENUE**

**ANTICIPATION NOTES.** Amends GS 160A-20 on installment contracts and GS 159-170 on revenue anticipation notes to authorize public hospitals to enter into such contracts and issue such notes. Provides that use of these contracts and notes are subject to approval by the county or city that owns the hospital, which may be withheld only if the local government unit determines that the contract or note would adversely affect its credit worthiness, violate an existing bond order or covenant, or adversely affect a planned bond issuance.

**Intro. by Wright.**

Ref. to Ways & Means

GS 160A, 159

June 23, 1999

**H 1120. AUTHORIZE PUBLIC HOSPITAL DEBT.** Intro. 04/15/99. House committee substitute makes the following changes to 1st edition:

Rewrites GS 160A-20(h)(12) to change the organizational entity to which the bill applies from a 'public hospital' to a 'nonprofit corporation or association operating or leasing a public hospital' (nonprofit). Generally makes conforming changes throughout GS 160A-20 and GS 159-70.

Rewrites GS 160A-20(e1) to provide that a nonprofit may enter into an installment purchase contract only if it will have an ownership interest in the property being financed (including a leasehold interest) and the security interest granted shall be only to the extent of such a property interest. Provides that any contract entered into by such a nonprofit is subject to the approval of the city, county, hospital district, or hospital authority (owner) that owns the hospital. Provides that this approval may be withheld only in one or more of the following circumstances: (1) the contract would cause the owner to breach or violate any covenant in an existing financial instrument; (2) the contract would restrict the ability of owner to incur anticipated bank-eligible indebtedness under the federal tax laws; or (3) the contract would have a materially adverse impact on the credit ratings of the owner or would otherwise materially interfere with an anticipated financing by such an entity.

Rewrites GS 159-170 to provide that a nonprofit may borrow money under revenue anticipation notes only if it is legally entitled to collect and pledge such revenues to the payment of the notes. Provides that the note shall include a statement that it is payable solely from budgeted nontax revenues and if the revenue anticipation notes are issued by the nonprofit, the faith and credit of the local government that owns the public hospital are not pledged for the payment of the note. Also provides that the exercise of the taxing power of the local government may not be compelled by the holder of a note. Provides that revenue anticipation notes issued by a nonprofit are subject to the approval of the owner. Provides that approval may be withheld only in one of the same three circumstances that would prevent the approval of an installment purchase financing contract (set forth in the preceding paragraph of this digest).

Deletes provisions of former GS 159-170(d) concerning the approval of certain public hospital notes.

July 12, 1999

**H 1120. AUTHORIZE PUBLIC HOSPITAL DEBT.** Intro. 4/15/99. Senate amendment makes the following changes to 2nd edition. Adds validation provision to act. Adds to title following language:

**AND TO VALIDATE PRIOR CONVEYANCES BY MUNICIPALITIES OR HOSPITAL AUTHORITIES OF HOSPITAL FACILITIES SERVING AS COLLATERAL IN A TRANSACTION INVOLVING NORTH CAROLINA MEDICAL CARE COMMISSION BONDS.** Specifies that notwithstanding the requirements of GS 131E-8, -13, or -14 (dealing with sale or lease of hospital facilities), GS 153A-176, and GS Ch 160A, Art. 12 (dealing with disposition of county and city property), and any past compliance or failure to comply with those requirements, the prior conveyance by a municipality or a hospital authority, as defined in GS 131E-6(5) or -16(14), respectively, of a hospital facility that currently serves as collateral in a transaction involving cited

bonds issued under GS Ch. 143B, Art. 3, Part 10 is validated. Validation section does not apply to litigation pending on or before act's effective date (when it becomes law).