

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

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HOUSE BILL 1120*
Committee Substitute Favorable 6/23/99

Short Title: Authorize Public Hospital Debt.

(Public)

Sponsors:

Referred to:

April 15, 1999

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE PUBLIC HOSPITALS TO ENGAGE IN INSTALLMENT
PURCHASE FINANCING AND TO ISSUE REVENUE ANTICIPATION NOTES.

The General Assembly of North Carolina enacts:

Section 1. G.S. 160A-20(h) is amended by adding a new subdivision to read:

"(h) As used in this section, the term 'unit of local government' means any of the following:

...

(12) A nonprofit corporation or association operating or leasing a public hospital as defined in G.S. 159-39."

Section 2. G.S. 160A-20 is amended by adding a new subsection to read:

"(e1) A nonprofit corporation or association operating or leasing a public hospital may only enter into a contract pursuant to this section if the nonprofit corporation or association will have an ownership interest in the property being financed, including a leasehold interest, and the security interest granted in such property being financed shall only be to the extent of such property interest. In addition, any contract entered into by a nonprofit corporation or association operating or leasing a public hospital pursuant to this section is subject to the approval of the city, county, hospital district, or hospital authority

1 which owns such hospital. Approval of the city, county, hospital district, or hospital
2 authority may be withheld only under one or more of the following circumstances:

- 3 (1) The contract would cause the city, county, hospital district, or
4 hospital authority to breach or violate any covenant in an existing
5 financing instrument entered into by such entity.
6 (2) The contract would restrict the ability of the city, county, hospital
7 district, or hospital authority to incur anticipated bank eligible
8 indebtedness under federal tax laws.
9 (3) The entering into of the contract would have a material adverse
10 impact on the credit ratings of the city, county, hospital district,
11 or hospital authority or otherwise materially interfere with an
12 anticipated financing by such entity."

13 Section 3. G.S. 159-170 reads as rewritten:

14 **"§ 159-170. Revenue anticipation notes.**

15 (a) Authorization; Term. – A unit of local government or a nonprofit corporation
16 or association operating or leasing a public hospital as defined in G.S. 159-39, is
17 authorized to borrow money for the purpose of paying appropriations made or expenses
18 budgeted or incurred for the current fiscal year in anticipation of the receipt of revenues,
19 other than taxes, estimated in its budget to be realized or collected in cash during the
20 fiscal year, and to issue its negotiable notes in evidence thereof. A nonprofit corporation
21 or association operating or leasing a public hospital may only borrow money pursuant to
22 this section if it is legally entitled to collect and pledge such revenues to the payment of
23 the noted as provided in this section. A revenue anticipation note shall mature not later
24 than 30 days after the close of the fiscal year in which it is issued, and may not be
25 renewed beyond that time.

26 (b) Limit on Amount; Disclosure. – No revenue anticipation loan shall be made if
27 the amount thereof, together with the amount of all revenue anticipation notes authorized
28 or outstanding on the date the loan is authorized, would exceed eighty percent (80%) of
29 the revenues of the issuing unit, unit or the nonprofit corporation or association operating
30 or leasing a public hospital, other than taxes, estimated in its budget to be realized or
31 collected in cash during the fiscal year. Each revenue anticipation note shall bear on its
32 face a statement to the effect that it is payable solely from budgeted nontax revenues of
33 the issuing unit and or the nonprofit corporation or association operating or leasing a
34 public hospital and that the faith and credit of the issuing unit or, in the case of revenue
35 anticipation notes issued by a nonprofit corporation or association operating or leasing a
36 public hospital, the local government unit that owns the public hospital are not pledged
37 for the payment of the note, and note. Each note shall also bear on its face or reverse the
38 following certificate signed by the finance officer: 'This note and all other revenue
39 anticipation notes of (issuing unit) (issuer) authorized or outstanding as of (date) amount
40 to eighty percent (80%) or less of the budgeted nontax revenues for the current fiscal year
41 as of the above date.' No revenue anticipation note shall be valid without this certificate.

42 (c) Faith and Credit Not Pledged. – Revenue anticipation notes issued under this
43 section shall be special obligations of the issuing unit, unit or the nonprofit corporation or

1 association operating or leasing a public hospital. Neither the credit nor the taxing power
2 of the issuing unit or, in the case of revenue anticipation notes issued by a nonprofit
3 corporation or association operating or leasing a public hospital, the local government
4 unit that owns the public hospital may be pledged for the payment of revenue anticipation
5 notes, and no notes. No holder of a revenue anticipation note shall have the right to
6 compel the exercise of the taxing power by the issuing unit or, in the case of revenue
7 anticipation notes issued by a nonprofit corporation or association operating or leasing a
8 public hospital, the local government unit that owns the public hospital or the forfeiture
9 of any of its property in connection with any default thereon.

10 (d) Any revenue anticipation notes issued by a nonprofit corporation or association
11 operating or leasing a public hospital pursuant to this section are subject to the approval
12 of the city, county, hospital district, or hospital authority which owns the hospital.
13 Approval of the city, county, hospital district, or hospital authority may be withheld only
14 under one or more of the following circumstances:

15 (1) The contract would cause the city, county, hospital district, or
16 hospital authority to breach or violate any covenant in an existing
17 financing instrument entered into by such entity.

18 (2) The contract would restrict the ability of the city, county, hospital
19 district, or hospital authority to incur anticipated bank eligible
20 indebtedness under federal tax laws.

21 (3) The entering into of the contract would have a material adverse
22 impact on the credit ratings of the city, county, hospital district,
23 or hospital authority or otherwise materially interfere with an
24 anticipated financing by such entity."

25 Section 4. This act is effective when it becomes law.