

# HOUSE . . . . . No. 1124

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By Mr. Casey of Winchester, petition of Paul C. Casey and Richard T. Moore for legislation to create a community hospital capital reserve fund. Health Care Financing.

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## The Commonwealth of Massachusetts

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In the Year Two Thousand and Seven.

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AN ACT CREATING A COMMUNITY HOSPITAL CAPITAL RESERVE FUND.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

1 SECTION 1. The Health and Educational Facilities Authority  
2 Act, as enacted by Chapter 614 of the Massachusetts Acts of 1968,  
3 as heretofore amended, is hereby further amended by inserting the  
4 following after Section 2-10(f) thereof:—

5 “(g) Community Hospital Capital Reserve Fund.

6 (i) For the benefit of nonprofit community hospitals within the  
7 Commonwealth licensed by the department of public health, the  
8 Authority may create and establish one or more special funds, herein  
9 individually referred to as a Community Hospital Capital Reserve  
10 Fund, and to the extent so created, shall pay into each such Commu-  
11 nity Hospital Capital Reserve Fund any monies appropriated and  
12 made available by the Commonwealth for the purposes of such fund,  
13 any proceeds of sale of notes or bonds to the extent provided in the  
14 resolution, trust agreement, or indenture of the Authority authorizing  
15 issuance thereof, and any other monies which may be available to  
16 the Authority for the purpose of such fund from any other source or  
17 sources. All monies held in the Community Hospital Capital  
18 Reserve Fund, except as hereinafter provided, shall be used solely  
19 for the payment of the principal of bonds of the Authority which are  
20 secured by such Community Hospital Capital Reserve Fund as the  
21 same mature, the purchase of such bonds, the payment of interest on  
22 such bonds, or the payment of any redemption premium required to  
23 be paid when such bonds are redeemed prior to maturity; provided,  
24 however, that, monies in a Community Hospital Capital Reserve

25 Fund shall not be withdrawn therefrom at any time in such amount  
26 as would reduce the amount of such Fund to less than the maximum  
27 amount of principal and interest maturing and becoming due in any  
28 succeeding calendar year on outstanding bonds which are secured by  
29 such Community Hospital Capital Reserve Fund, except for the pur-  
30 pose of paying the principal of and interest on such bonds maturing  
31 and becoming due and for the payment of which other monies of the  
32 Authority are not available. Any income or interest earned by, or  
33 increment to, a Community Hospital Capital Reserve Fund due to  
34 the investment thereof shall be used by the Authority for the pur-  
35 poses of such Community Hospital Capital Reserve Fund.

36 (ii) The Authority shall not issue bonds which are secured by a  
37 Community Hospital Capital Reserve Fund at any time if the max-  
38 imum amount of principal and interest maturing or becoming due in  
39 a succeeding calendar year on such bonds then to be issued and on  
40 all other outstanding bonds of the Authority which are secured by  
41 such Community Hospital Capital Reserve Fund will exceed the  
42 amount of such Community Hospital Capital Reserve Fund at the  
43 time of issuance unless the Authority, at the time of issuance of such  
44 bonds, shall deposit in such Fund from the proceeds of the bonds so  
45 to be issued, or otherwise, an amount which, together with the  
46 amount then in such Fund, will be not less than the maximum  
47 amount of principal and interest maturing and becoming due in any  
48 succeeding calendar year on such bonds then to be issued and on all  
49 other outstanding bonds of the Authority which are secured by such  
50 Community Hospital Capital Reserve Fund.

51 (iii) To assure the continued operation and solvency of the  
52 Authority for the carrying out of the public purposes of this act, pro-  
53 vision is made in paragraph (i) for the accumulation in a Community  
54 Hospital Capital Reserve Fund of an amount equal to the maximum  
55 amount of principal and interest maturing and becoming due in any  
56 succeeding calendar year on all outstanding bonds which are secured  
57 by such Community Hospital Capital Reserve Fund. In order further  
58 to assure such maintenance of a Community Hospital Capital  
59 Reserve Fund there shall be annually appropriated and paid to the  
60 Authority for deposit in such Community Hospital Capital Reserve  
61 Fund such sum, if any, as shall be certified by the chairman of the  
62 Authority to the governor as necessary to restore such Community  
63 Hospital Capital Reserve Fund to an amount equal to the maximum

64 amount of principal and interest maturing and becoming due in any  
65 succeeding calendar year on the outstanding bonds which are  
66 secured by such Community Hospital Capital Reserve Fund. The  
67 chairman of the Authority shall annually, on or before December  
68 first, make and deliver to the governor his certificate stating the  
69 amount, if any, required to restore a Community Hospital Capital  
70 Reserve Fund to the amount aforesaid and the amount so stated, if  
71 any, shall be appropriated and paid to the Authority during the then  
72 current fiscal year of the Commonwealth. Such amount, if any, shall  
73 be repaid to the Commonwealth as soon as possible by the Authority  
74 from monies in its general fund in excess of the amount required to  
75 make and keep the Authority self-supporting.

76 (iv) For the purposes of this subsection (g), in computing the  
77 amount of a Community Hospital Capital Reserve Fund, securities  
78 in which all or a portion of such Fund are invested shall be valued at  
79 par, or if purchased at less than par, at their cost to the Authority.

80 (v) For the purposes of this subsection (g), the amount of any  
81 letter of credit, insurance contract, surety bond, or similar financial  
82 undertaking available to be drawn upon and applied to obligations to  
83 which money in the Community Hospital Capital Reserve Fund may  
84 be applied is deemed to be and shall be counted as money in said  
85 Fund. For the purposes of this subsection (g), in calculating the max-  
86 imum amount of interest due in the future on variable rate bonds or  
87 bonds with respect to which the interest rate is not at the time of cal-  
88 culation determinable, the interest rate shall be calculated at the  
89 maximum interest rate on such bonds or such lesser interest rate as  
90 shall be certified by the Authority as an appropriate proxy for such  
91 variable or nondeterminable interest rate.”

1 SECTION 2. The Health and Educational Facilities Authority  
2 Act, as enacted by Chapter 614 of the Massachusetts Acts of 1968,  
3 as heretofore amended, is hereby further amended by deleting the  
4 last sentence of Section 2-12 thereof and inserting in its place the  
5 following:—

6 “Except as otherwise permitted pursuant to Section 2-10(g) of this  
7 act, the issuance of revenue bonds under the provision of this act  
8 shall not directly or indirectly or contingently obligate the Common-  
9 wealth or any political subdivision thereof to levy or to pledge any

10 form of taxation whatever therefor or to make any appropriation of  
11 their payment.”