

# HOSPITAL FINANCE AUTHORITY ACT (EXCERPT)

Act 38 of 1969

## CHAPTER 1

### 331.31 Hospital finance authority act; short title.

Sec. 1. This act shall be known and may be cited as the "hospital finance authority act".

**History:** 1969, Act 38, Imd. Eff. July 14, 1969.

### 331.32 Legislative declaration.

Sec. 2. It is declared that, for the benefit of the people of this state and the improvement of their health, welfare, and living conditions, it is essential that hospitals within this state be provided with appropriate means at reasonable cost to maintain, expand, enlarge, and establish health care, hospitals, nursing care, certain retirement housing, and other related facilities; that hospitals be provided with the ability to refinance indebtedness; and that authorities created or incorporated under this act be provided with the ability to refund or to refund in advance obligations issued for the benefit of hospitals. This act shall provide a method to enable hospitals in this state to provide or maintain at reasonable cost pursuant to reasonable terms the facilities, structures, and services needed to accomplish the purposes of this act, all to the public benefit and good, to the extent and manner provided in this act.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969;—Am. 1978, Act 277, Imd. Eff. July 3, 1978;—Am. 1994, Act 428, Imd. Eff. Jan. 6, 1995.

### 331.33 Definitions.

Sec. 3. As used in this act:

- (a) "State authority" means the hospital finance authority created by this act.
- (b) "Local authority" means a public municipal corporation incorporated under this act.
- (c) "Incorporating unit" means a county, city, village, or township or a combination of 1 or more counties, cities, villages, or townships incorporating a local authority pursuant to this act.
- (d) "Governing body" means the board charged with the governing of the incorporating unit.
- (e) Except as provided in subdivision (f)(iii), "hospital" means a public or nonpublic corporation, association, institution, or establishment located within this state for the care of the sick or wounded or of those who require medical treatment or nursing care or home for the aged or which provides retirement housing facilities described in subdivision (f)(iii) operated without profit to an individual, corporation, or association. Hospital includes a nonprofit corporation or other nonprofit organization engaged in some phase of hospital, nursing care, home for the aged, or, to the extent described in subdivision (f)(iii), retirement housing activity or in owning, controlling, or providing a supporting service to a hospital or public corporation that operates or owns a hospital facility. Hospital does not include a health facility or agency located in a correctional institution, a veterans facility operated by this state or the federal government, or a facility owned and operated by the department of community health.
- (f) "Hospital facilities" means any of the following:
  - (i) A building or structure suitable and intended for, or incidental or ancillary to, use by a hospital and includes nursing homes, homes for the aged, outpatient clinics, laboratories, laundries, nurses', doctors', or interns' residences, administration buildings, facilities for research directly involved with hospital care, maintenance, storage, or utility facilities, parking lots, and garages and all necessary, useful, or related equipment, furnishings, and appurtenances and all lands necessary or convenient as a site for these facilities.
  - (ii) An office facility not less than 80% of which is intended for lease to direct providers of health care, and that has been determined by the department of public health to meet a demonstrated need and to be geographically or functionally related to 1 or more other hospital facilities, if the authority that is issuing the bonds determines the financing of the office facility is necessary to accomplish the purposes and objectives of this act.
  - (iii) For the purpose of refinancing or refunding debt described in this subdivision only, retirement housing facilities owned by a nonpublic, nonprofit organization on September 1, 1994, placed in service on or before September 1, 1994, and for which there was outstanding on September 1, 1994 debt incurred for the construction or acquisition of the retirement housing facilities, which debt is not eligible for refinancing by the Michigan state housing development authority solely by reason of the provisions of section 44c(2) of the state housing development authority act of 1966, 1966 PA 346, MCL 125.1444c; provided that the refinancing debt, incurred with an authority created by or incorporated under this act to refinance the retirement housing facilities, is debt that a nonprofit hospital or nonprofit nursing home or a nonprofit entity which owns or controls or is owned or controlled by a nonprofit hospital or nonprofit nursing home is

obligated to repay and that no allocation of the state volume limitation on tax exempt obligations is required with respect to the refinancing debt or obligations issued by an authority created by or incorporated under this act to fund that refinancing debt. As used in this subparagraph:

(A) "Hospital" means that term as defined in section 20106 of the public health code, 1978 PA 368, MCL 333.20106.

(B) "Nursing home" means that term as defined in section 20109 of the public health code, 1978 PA 368, MCL 333.20109.

(g) "Hospital loan" means a loan made by the state authority or a local authority to a hospital.

(h) "Project costs" means the total of the reasonable or necessary costs incurred for carrying out the works and undertakings for the acquisition or construction of hospital facilities under this act. These include the costs of studies and surveys; plans and specifications; architectural and engineering services; legal, organization, marketing, or other special services; financing, acquisition, demolition, construction, equipment, and site development of new and rehabilitated buildings; rehabilitation, reconstruction, repair, or remodeling of existing buildings; interest and carrying charges during construction and before full earnings are achieved and operating expenses before full earnings are achieved or a period of 1 year following the completion of construction, whichever occurs first; and a reasonable reserve for payment of principal and interest on bonds or notes of the authority. Project costs include reimbursement of a hospital for the costs described in this subdivision expended by a hospital either from its own funds or from money borrowed by the hospital for such purposes before issuance and delivery of bonds by the authority for the purpose of providing funds to pay the project costs. Project costs also includes the refinancing of any existing debt of a hospital necessary in order to permit the hospital to borrow or lease from the authority and give adequate security for the loan or lease. The determination of the authority with respect to the necessity of refinancing and adequate security for a loan or lease is conclusive except with respect to the approval of the municipal finance commission or its successor agency when prior approval is required.

(i) "Direct provider of health care" means a person or organization whose primary current activity is the provision of health care to individuals, and includes a licensed or certified physician, dentist, nurse, podiatrist, physician's assistant, or an organization comprised of these health professionals or employing these health professionals.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969;—Am. 1970, Act 142, Imd. Eff. Aug. 1, 1970;—Am. 1974, Act 137, Imd. Eff. June 5, 1974;—Am. 1978, Act 277, Imd. Eff. July 3, 1978;—Am. 1983, Act 48, Imd. Eff. May 16, 1983;—Am. 1992, Act 302, Imd. Eff. Dec. 21, 1992;—Am. 1994, Act 428, Imd. Eff. Jan. 6, 1995;—Am. 2008, Act 294, Imd. Eff. Oct. 6, 2008.