

ARIZONA STATE SENATE

RESEARCH STAFF



TO: JOINT LEGISLATIVE AUDIT
COMMITTEE
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Representative John Allen, Co-Chair

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Health and Human Services Committee
Telephone: (602) 926 -3171

DATE: December 23, 2015

SUBJECT: Sunset Review of the Arizona Health Facilities Authority

Attached is the final report of the sunset review of the Arizona Health Facilities Authority, which was conducted by the Senate Health and Human Services and the House of Representatives Health Committee of Reference.

This report has been distributed to the following individuals and agencies:

Governor of the State of Arizona
The Honorable Doug Ducey

President of the Senate
Senator Andy Biggs

Speaker of the House of Representatives
Representative David Gowan

Senate Members
Senator Nancy Barto, Co-Chair
Senator David Bradley
Senator Lynne Pancrazi
Senator Kelli Ward
Senator Kimberly Yee

House Members
Representative Heather Carter, Co-Chair
Representative Regina Cobb
Representative Randall Friese
Representative Jay Lawrence
Representative Eric Meyer

Arizona Health Facilities Authority
Arizona State Library, Archives & Public Records

Senate Resource Center
Senate Republican Staff
Senate Democratic Staff
Senate Research Staff

Office of the Chief Clerk
House Republican Staff
House Democratic Staff
House Research Staff

Senate Health and Human Services and House of Representatives Health Committee of Reference Report

ARIZONA HEALTH FACILITIES AUTHORITY

Background

Pursuant to A.R.S. § 41-2953, the Joint Legislative Audit Committee assigned the sunset review of the Arizona Health Facilities Authority (Authority) to the Senate Health and Human Services and the House of Representatives Health Committee of Reference (Committee of Reference).

Laws 1974, Chapter 128 established the Authority to improve healthcare and reduce healthcare costs in Arizona through the issuance of tax-exempt bonds. Proceeds from these bonds are used to provide low-interest loans to healthcare facilities for financing projects. The Authority's governing Board of Directors (Board) is responsible for project acquisition, accepting grants and contributions, bond issuance, acting as a lessee or lessor and entering into and executing contracts.

The Board is comprised of seven members appointed by the Governor who serve staggered seven year terms. No more than four members may belong to the same political party, and all members must be Arizona residents. Board members receive \$50 for each meeting they attend and reimbursement for any necessary expenses that occur while performing their duties. Any additional compensation is prohibited (A.R.S. § 36-483).

The Authority does not receive state funding. All costs and expenses are paid from bond proceeds, leases or other revenues generated by the Authority (A.R.S. § 36-486). The Authority terminates July 1, 2016, unless continued by the Legislature (A.R.S. § 41-3016.16).

Committee of Reference Sunset Review Procedures

The Committee of Reference held one public meeting on December 7, 2015, to review the sunset factors and the responses to the statutorily required agency questions and to receive public testimony.

Committee Recommendations

The Committee of Reference recommended that the Legislature continue the Authority for eight years.

Attachments

1. Meeting Notice
2. Minutes of Committee of Reference Meeting with Applicable Attachments
3. List of Individuals who Registered their Position on Presentations
4. Authority Response to the Sunset Factors

Interim agendas can be obtained via the Internet at <http://www.azleg.state.az.us/InterimCommittees.asp>

ARIZONA STATE LEGISLATURE

INTERIM MEETING NOTICE
OPEN TO THE PUBLIC

SENATE HEALTH AND HUMAN SERVICES AND HOUSE HEALTH COMMITTEE OF REFERENCE FOR THE SUNSET REVIEWS OF: THE ARIZONA HEALTH FACILITIES AUTHORITY; THE ARIZONA RADIATION REGULATORY AGENCY; THE MEDICAL RADIOLOGIC TECHNOLOGY BOARD OF EXAMINERS; AND THE SUNRISE APPLICATIONS OF THE ARIZONA PHARMACY ASSOCIATION AND THE ARIZONA COMMUNITY PHARMACY COMMITTEE; AND THE ARIZONA NURSES ASSOCIATION

Date: Monday, December 7, 2015
Time: 9:00 A.M.
Place: SHR 1

AGENDA

1. Call to Order
2. Roll Call
3. Sunrise Application-- Arizona Nurses Association
 - Presentation by the Arizona Nurses Association
 - Public Testimony
 - Discussion and Recommendation by the Committee of Reference
4. Sunrise Application-- Arizona Pharmacy Association/Arizona Community Pharmacy Committee
 - Presentation by the Arizona Pharmacy Association
 - Public Testimony
 - Discussion and Recommendation by the Committee of Reference
5. Sunset Review of the Arizona Health Facilities Authority
 - Presentation by the Arizona Health Facilities Authority
 - Public Testimony
 - Discussion and Recommendation by the Committee of Reference
6. Sunset Review of the Arizona Radiation Regulatory Agency
 - Presentation by the Office of the Auditor General
 - Presentation by the Arizona Radiation Regulatory Agency
 - Public Testimony
 - Discussion and Recommendation by the Committee of Reference
7. Sunset Review of the Medical Radiologic Technology Board of Examiners
 - Presentation by the Office of the Auditor General
 - Presentation by the Medical Radiologic Technology Board of Examiners
 - Public Testimony
 - Discussion and Recommendation by the Committee of Reference
- 8. Presentation by the Arizona State Association of Physician Assistants
9. Adjourn

Members:

Senator Nancy Barto, Co-Chair
Senator David Bradley
Senator Lynne Pancrazi
Senator Kelli Ward
Senator Kimberly Yee

Representative Heather Carter, Co-Chair
Representative Gina Cobb
Representative Randall Friese
Representative Jay Lawrence
Representative Eric Meyer

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ARIZONA STATE LEGISLATURE

SENATE HEALTH AND HUMAN SERVICES AND HOUSE HEALTH COMMITTEE OF REFERENCE FOR THE SUNSET REVIEWS OF: THE ARIZONA HEALTH FACILITIES AUTHORITY; THE ARIZONA RADIATION REGULATORY AGENCY; THE MEDICAL RADIOLOGIC TECHNOLOGY BOARD OF EXAMINERS; AND THE SUNRISE APPLICATIONS OF THE ARIZONA PHARMACY ASSOCIATION AND THE ARIZONA COMMUNITY PHARMACY COMMITTEE; AND THE ARIZONA NURSES ASSOCIATION

Minutes of the Meeting
December 7, 2015
9:00 a.m., Senate Hearing Room 1

Members Present:

Senator Nancy Barto, Co-Chair
Senator David Bradley
Senator Lynne Pancrazi
Senator Kelli Ward
Senator Kimberly Yee

Representative Heather Carter, Co-Chair
Representative Gina Cobb
Representative Randall Friese
Representative Jay Lawrence

Members Absent:

Representative Eric Meyer

Staff:

Emily Mercado, Senate Research Analyst
Ingrid Garvey, House Research Analyst
Brittany Green, House Research Assistant Analyst

Co-Chairman Barto called the meeting to order at 9:19 a.m. and attendance was noted.

SUNRISE APPLICATION-- ARIZONA NURSES ASSOCIATION

Presentation by the Arizona Nurses Association

Rory Hays, Counsel Lobbyist, Arizona Nurses Association (AzNA), distributed a rough draft dated December 1, 2015, Folder 397 (Attachment A) and a proposed amendment to legislative council draft (Attachment B). Ms. Hays explained the changes being requested to the scope of practice for nurses in Arizona and answered questions posed by the Committee.

Public Testimony

Ali Baghai, Certified Registered Nurse Anesthetist (CRNA), explained the history of CRNAs and changes needed in statute. Mr. Baghai answered questions posed by the Committee.

Dr. Rob Schuster, General and Bariatric Surgeon, gave an overview of his background and testified in support of the expanded scope of practice for CRNAs. Dr. Schuster answered questions posed by the Committee.

Denise Link, Women's Health Nurse Practitioner, distributed a letter dated October 25, 2015 (Attachment C) and explained the services she provides to patients. Ms. Link explained difficulties providing services in this state.

Janice Bovee, Certified Nurse Midwife, distributed a handout entitled "Different Types of "Midwives"" (Attachment D) and gave an overview of her background. Ms. Bovee testified on the problems with wording of current statute and the different categories of nurses.

Ms. Hays distributed letters from nurses to the Committee (Attachment E).

Rachel Behrendt, Clinical Nurse Specialist (CNS) in the State of New Jersey, Chief Nursing Officer of a hospital in Arizona, testified for the need for expanding coverage for CNSs within the health care system and the need for prescriptive authority. Ms. Behrendt answered questions posed by the Committee.

Ms. Hays answered additional questions posed by the Committee.

Neal Jensen, CEO, Cobre Valley Regional Medical Center, testified concerning the shortage of physicians and anesthesiologists. Mr. Jensen testified in support of clarifying the wording of statute.

Shari Burns, Certified Registered Nurse Anesthetist (CRNA), gave an overview of her background and testified regarding pharmacology and anesthesiology. Ms. Burns answered questions posed by the Committee.

Dr. Frank Fara, Obstetrician and Gynecologist, testified in support of CNRAs and answered questions posed by the Committee.

Mr. Baghai answered additional questions posed by the Committee.

Ms. Hays answered additional questions posed by the Committee.

Kelsey Lundy, Lobbyist, Arizona Association of Nurse Anesthetists (AZANA), answered questions posed by the Committee.

Ms. Bovee answered additional questions posed by the Committee.

Pamela Randolph, Associate Director of Education and Evidence Based Regulation, answered questions posed by the Committee.

Mr. Baghai answered additional questions posed by the Committee.

Steve Barclay, Attorney, registered lobbyist, Arizona Medical Association (ARMA), distributed the following attachments:

- “Know Your Doctor” (Attachment F)
- House Summary sheet for SB 1362 from 2012 (Attachment G)
- Maps of Arizona from the AMA (Attachment H)
- Letter dated December 7, 2015 from the American Society of Anesthesiologists (Attachment I)
- Letter dated December 4, 2015 from Ronnie K. Dowling, M.D. (Attachment J)
- Letter dated March 31, 2012 and Information pamphlet from the AzANA (Attachment K)
- Letter dated December 7, 2015 from Gretchen B. Alexander, M.D. (Attachment L)

Mr. Barclay testified regarding the dangers of the sunrise application for the Arizona Nurses Association and answered questions posed by the Committee.

Ms. Hays answered questions posed by the Committee.

Dr. Raymond Woosley, testified about information that is needed to properly prescribe medication and the dangers of mistakes.

Dr. William Thompson, Valley Pain Consultants, explained what a pain medicine physician does and that it is a multi-specialty practice. Dr. Thompson explained the risks and answered questions posed by the Committee.

Dr. Ross Goldberg, General Surgeon, explained the difference in training between doctors and nurses. Dr. Goldberg answered questions posed by the Committee.

Mr. Barclay answered additional questions posed by the Committee.

Dr. Woosley answered questions posed by the Committee.

Dr. Jane Fitch, Professor and Chair of the Department of Anesthesiology, University of Oklahoma Health Sciences Center, gave a brief overview of her background, testified about the importance of length of training and depth of knowledge. Dr. Fitch answered questions posed by the Committee.

Juan Quintana, President, American Association of Nurse Anesthetists (AANA), testified regarding the confusion caused by the current wording of statutes and answered questions posed by the Committee.

Mr. Barclay answered additional questions posed by the Committee.

Dr. Jeff Mueller, M.D., Anesthesiologist, answered questions posed by the Committee.

Dr. Fitch answered additional questions posed by the Committee.

Ms. Hays summed up the sunrise application of the Arizona Nurses Association and answered questions posed by the Committee.

Mr. Barclay answered questions posed by the Committee and offered additional comments.

Discussion and Recommendation by the Committee of Reference

Senator Yee moved that the Committee of Reference recommend to the full Legislature that the Advanced Practice Registered Nurse Sunrise application be approved with consideration that oversight of new practitioners be included in the legislation for the oversight and clarification of the prescribing context for psychiatric clinical nurse specialists and clarification of licensure requirements and with the commitment that there be further discussions among stakeholders. Representative Carter requested a roll call vote and Representative Cobb seconded the motion. The motion CARRIED by a roll call vote of 5-4-1 (Attachment 1).

Representatives Cobb, Friese, Lawrence and Carter explained their votes. Senators Bradley, Pancrazi, Ward, Yee and Barto explained their votes.

SUNRISE APPLICATION–ARIZONA PHARMACY ASSOCIATION/ARIZONA COMMUNITY PHARMACY COMMITTEE

Presentation by the Arizona Pharmacy Association

Jeff Gray, Arizona Pharmacy Association, explained a handout previously sent to members (Attachment M) regarding the current and requested scope of practice for pharmacists.

Public Testimony

Kelly Ridgway, answered questions posed by the Committee.

Discussion and Recommendation by the Committee of Reference

Senator Yee moved the approval of the Sunrise Application by the Arizona Pharmacy Association, Arizona Community Pharmacy Committee. The motion CARRIED by voice vote.

SUNSET REVIEW OF THE ARIZONA HEALTH FACILITIES AUTHORITY

Presentation by the Arizona Health Facilities Authority

Blaine Bandi, Executive Director, Arizona Health Facilities Authority (AHFA), gave a brief overview of the AHFA and the need for its continuation.

Discussion and Recommendation by the Committee of Reference

Senator Yee moved the approval of the Sunset Review of the Arizona Health Facilities Authority.

Senator Yee clarified her motion and moved that the Committee of Reference recommend to the full Legislature that the Arizona Health Facilities Authority be continued for eight years and authorize staff to draft any conforming legislation. The motion CARRIED by voice vote.

Representative Carter made a statement regarding the length of time an agency is continued and costs associated with it.

SUNSET REVIEW OF THE ARIZONA RADIATION REGULATORY AGENCY AND SUNSET REVIEW OF THE MEDICAL RADIOLOGIC TECHNOLOGY BOARD OF EXAMINERS

Presentation by the Office of the Auditor General

Marc Owen, Office of the Auditor General (OAG), distributed and explained a PowerPoint presentation (Attachment N) on the audit of the Arizona Radiation Regulatory Agency, the Arizona Radiation Regulatory Hearing Board and the Medical Radiologic Technology Board of Examiners. Mr. Owen answered questions posed by the Committee.

Presentation by the Arizona Radiation Regulatory Agency

Aubrey Godwin, Director, Arizona Radiation Regulatory Agency (ARRA), gave an overview of the agency and its response to the OAG audit.

Public Testimony

Kevin Nelson, Medical Health Physicist and Radiation Safety Officer, Mayo Clinic Arizona, testified regarding concerns about private industry inspectors and answered questions posed by the Committee.

Mr. Owen answered additional questions posed by the Committee.

Dr. Robert Metzger, Radiation Physicist, Arizona Chapters of the American Association of Physicists in Medicine and the Health Physics Societies, distributed written comments to the Committee regarding the Sunset Review of the ARRA, Arizona Radiation Regulatory Board (ARRB) and the Medical Radiologic Technology Board of Examiners (MRTBE) (Attachment O) and the necessity of the continuation of the ARRB.

Dr. Stephen Sapareto, Medical Physicist, Radiation Safety Officer, Banner M.D. Anderson Cancer Center, testified in support of the continuation of the ARRA, ARRB and MRTBE.

Donna Breen, Board Member, MRTBE, testified regarding technicians lapsing certifications should the board sunset.

Susan Cazaux, Chairman of the Board, Arizona State Society of Radiologic Technologists, testified in support of the continuation of the ARRA, ARRB and MRTBE.

Mr. Godwin clarified discrepancies found in wording for technicians.

Discussion and Recommendation by the Committee of Reference

Senator Yee moved the Committee of Reference recommend to the full Legislature that the Arizona Radiation Regulatory Agency and the Radiation Regulatory Board be continued for two years and authorize staff to draft legislation that directs the agency to implement a self-inspection verification system and any conforming legislation.

Members made statements regarding the two year continuation, the stake holder agreements, and the need for the agency and board.

The motion CARRIED by voice vote.

Discussion and Recommendation by the Committee of Reference

Senator Yee moved the Committee of Reference recommend to the full Legislature that the Medical Radiologic Technology Board of Examiners be continued for two years and authorize staff to draft legislation that directs the board to implement a self-inspection verification system and any conforming legislation. The motion CARRIED by voice vote.

PRESENTATION BY THE ARIZONA STATE ASSOCIATION OF PHYSICIAN ASSISTANTS

Christopher Davis, Arizona State Association of Physician Assistants, Interventional Radiology PA, gave an overview of progress on the sunrise application submitted last year.

Senator Ward made statements regarding her resignation from the Legislature to run for Congress.

Attached is a list noting the individuals who registered their position on the agenda items (Attachment P).

There being no further business, the meeting was adjourned at 3:22 p.m.

Respectfully submitted,

Shelley Ponce
Committee Secretary

(Audio recordings and attachments are on file in the Secretary of the Senate's Office/Resource Center, Room 115. Audio archives are available at <http://www.azleg.gov>)

Speakers For Sunset Review of the Arizona Health Facilities Authority

[BACK TO AGENDA](#)

Spk	Position	Name	Representing	
If Necessary	For	Steven Moortel	<i>Arizona Health Facility Authority</i>	
If Necessary	For	Gregory Harris	<i>Arizona Health Facilities Authority</i>	
If Necessary	For	Julie Arvo MacKenzie	Self	



August 21, 2015

Senator Nancy Barto
Chair, Health Committee of Reference
Arizona State Senate
1700 West Washington
Phoenix, AZ 85007

Re: Sunset Review Factors pursuant to A.R.S. §41-2954
in connection with the Arizona Health Facilities Authority

Dear Senator Barto:

In response to your letter dated May 14, 2015 and in accordance with the sunset review process prescribed in Title 41, Chapter 27, Arizona Revised Statutes, including the provisions of A.R.S. § 41-2954, I offer the following response to the sunset consideration factors for the Arizona Health Facilities Authority (the "Authority"):

1. The objective and purpose in establishing the agency and the extent to which the objective and purpose are met by private enterprises in other states.

The Authority continues to successfully meet its objectives and purpose by working diligently to expand the availability of essential health services while lowering the cost of those services throughout Arizona at no tax payer expense. Attachment A included with this letter is a list of the borrower names, purposes, locations, and amounts of the projects financed with proceeds of the Authority's bonds since its last sunset review in 2005.

The Arizona legislature established the Authority in 1977 as a political subdivision to issue bonds with the goal of improving health care for residents of Arizona by providing less expensive financing for health care facilities. The Authority achieves this goal through Section 103 of the Internal Revenue Code ("Section 103") which exempts interest on the Authority's bonds from federal and state income tax. This tax exemption creates a market for the bonds at lower interest rates than would otherwise be available with conventional, taxable financing, reducing costs to borrowers. After issuing a series of bonds, the Authority loans the bond proceeds to the particular health care organization requesting the bond issue. This "conduit" bond issuance structure results in reduced health care costs and enhanced availability of services for Arizona residents. Additionally, Authority bond financed projects significantly enhance the Arizona economy by supporting thousands of jobs both in the construction industry as well as in the health services industry.

The Authority's statutes enable it to issue bonds for hospitals and health systems throughout the state including rural hospitals, non-hospital facilities, as well as large urban hospitals. These provisions permit the Authority to issue bonds for a wide array of health care projects, both geographically and for diverse patient service purposes.

The provision of the federal tax code that creates the favorable tax treatment of bonds issued by conduit issuers such as the Authority is not available to private enterprises. Under Section 103, a conduit issuer must be a political subdivision, a quasi-governmental entity or a constituted authority empowered to issue bonds on behalf of a political subdivision. Because the federal tax code does not permit a private enterprise to be a conduit issuer, the work of the Authority cannot be accomplished by a private enterprise in Arizona or in any other state. For your reference a copy of 26 U.S.C. § 103 is enclosed with this report as Attachment B.

2. The extent to which the agency has met its statutory objective and purpose and the efficiency with which it has operated.

Since 2005 the Authority has issued over \$4 billion in tax-exempt bonds for the construction and renovation of health care facilities and the acquisition of essential equipment and technology, establishing the Authority as the largest issuer of health care bonds in Arizona. These bond financings have benefited rural and urban hospitals, blood banks, assisted living facilities, a pediatric hospital, a community health center, a medical and dental school, behavioral health providers, and a regional behavioral health authority.

The Authority's operations are funded solely by the revenues generated from its bond financing activities. The State is not responsible for any cost incurred by the Authority. A.R.S. §36-486. The Authority receives no state funding. Further, the Authority creates no state liability for the repayment of its bonds.

In addition to improving access to health care, the Authority is also an economic catalyst for Arizona. An economic impact study conducted by IHS Economics found that projects financed with Authority bond proceeds significantly enhance the Arizona economy. From initial planning to operational opening, Authority bond financed projects annually support: 4,000 jobs; \$200 million in labor income; \$291 million in gross domestic product; \$22 million in state and local taxes; and \$40 million in federal taxes. These figures solely reflect the impact of the design, construction and equipping stages of the projects.

Additionally, the bond financed projects have a more substantial economic impact when the permanent employment required to staff the new health care facilities is taken into account. The benefits of permanent staffing are long term, community centric and impact diverse occupations.

The operations of the Authority are extremely efficient, managed entirely by a staff of two: an Executive Director and a General Counsel. In 1999 the Authority hired its first Executive Director, Blaine Bandi. Mr. Bandi represents the Authority with over 30 years of experience in health care administration and has significant experience in the areas of health care planning, primary care administration and rural medically underserved populations in Arizona. In 2013 the Authority brought its General Counsel in house by hiring Julie Arvo MacKenzie. Ms. Arvo MacKenzie has spent more than 25 years as an attorney serving clients in the area of tax-exempt bond financing. In addition to acting as bond counsel on numerous bond issues over the years, Ms. Arvo MacKenzie began working with the Authority in 2000 when her firm was hired as the Authority's general counsel.

Within a crowded field of conduit issuers, private sector professionals in the health care and financial services industries have consistently recognized the Authority's responsiveness by making it the largest health care issuer in Arizona. Also, its fee structure is the lowest among active tax-exempt bond issuers in Arizona, which creates a competitive advantage when combined with its consumer adaptive policies and uniquely experienced staff.

3. The extent to which the agency serves the entire state rather than specific interests.

The Authority operates within the public interest of all Arizona residents. As noted in #1 above, the Arizona legislature established the Authority to issue bonds to improve health care for residents of Arizona by providing less expensive financing for health care facilities. The issuance of bonds by the Authority has greatly reduced the cost of capital for Arizona health care entities. These savings mean that health care organizations can expand facilities, increase availability of health care services, and acquire enhanced technology at a lower cost, which translates directly into reduced health care costs for patients, insurers and other payers and purchasers of health benefits.

Since its inception, the Authority's financings have been distributed throughout the state. With more than 70% of all Arizona residents located within the Phoenix and Tucson metropolitan areas, much of the work financed by the Authority has occurred in the state's urban population centers. Despite the concentration of health care services in urban areas, Authority financings are representative of the population diversity of Arizona. Since its last sunset review in 2005, the Authority's bonds have financed essential projects in geographically, culturally and economically diverse communities across the state. Residents of Page, Yuma, Kingman, Prescott, Wickenburg, Cobre Valley and other rural and underserved areas of the state have benefited from enhanced health care services and employment opportunities resulting from the issuance of Authority bonds.

4. The extent to which rules adopted by the agency are consistent with the legislative mandate.

The legislative mandate related to the Authority is to issue bonds to improve health care for residents of Arizona by providing less expensive financing for the construction and improvement of health care facilities in Arizona. The Authority "competes" with other entities, both inside and outside the state, to issue tax-exempt bonds for the benefit of health care organizations under Section 103. Thus, the Authority does not control or regulate the issuance of bonds for health care projects within Arizona. Its rules address its operations and do not set governmental standards for other conduit issuers to follow or enforce compliance with provisions of the law regulating bond issuance.

The Authority's statutes required the initial board members of the Authority to adopt rules consistent with the provisions of Title 41, Chapter 6, Arizona Revised Statutes, known as the "Administrative Procedure Act" or "APA". The Authority and the Governor's Regulatory Review Council agree that the Authority's adoption of its initial rules was consistent with the Authority's statutes and its current rules are in compliance with all applicable rulemaking provisions.

5. The extent to which the agency has encouraged input from the public before adopting its rules and the extent to which it has informed the public as to its actions and their expected impact on the public.

The Authority's statutes define it as "a political subdivision and instrumentality of this state" A.R.S. § 36-491.07(B). Because A.R.S. § 41-1001(1) indicates that a political subdivision is not an agency, the Authority is not considered an agency for purposes of the APA. Therefore, its adoption of rules is not subject to the rulemaking requirements of the APA.

As mentioned in the response to # 4 above, the Authority is not empowered to regulate the business of bond issuance and has neither autonomous authority nor oversight responsibility of any area of activity, so the need for the public's protection by the mechanics of rulemaking procedures is not inherent in the Authority's role as conduit bond issuer.

The Legislature created the Authority to act as a conduit issuer of tax-exempt bonds. The Authority adheres to the principles of information and decision-making transparency. The Authority holds monthly board of director meetings that, pursuant to state law, are always open to the public. The meetings are properly announced at least 24 hours in advance in compliance with the State's open meeting laws. The Authority makes its current meeting agenda available to the public by posting it at the Arizona Department of Health Services and on the Authority's website (www.azhfa.com). The Authority also maintains an email list of interested persons that have indicated a desire to receive the Authority's meeting notices and agendas and, at every Authority meeting, members of the public are invited to comment. Additionally, the Authority's website provides information regarding the Authority's purpose, bond financing materials and information, historical listings of its bond issues, and the names of the seven member board of directors of the Authority - all of whom are public members.

In addition, the Authority is required by laws and regulations under the Internal Revenue Code to provide for public hearings in connection with the issuance of new bonds. These public hearing are separate and distinct from the Authority's monthly meetings. Notices of these public hearing are published in newspapers of general circulation and are posted on the Authority's website.

When the Authority issues bonds at the request of a particular organization, this action does not negatively impact the public. During its board meetings, the Authority discusses and considers any bond issuance request it receives from health care organizations that have chosen to finance their projects on a tax-exempt basis through the Authority. In connection with its thorough review of a proposed tax-exempt bond issue, the Authority considers many factors, including the likelihood that the borrower can repay the bonds. Significantly, by law, if a borrower defaults in the payment of its debt service obligations, the investors bear the risk, not the public. Neither the State nor the Authority incurs any liability for repayment of the bonds. Protection of the bondholders, as investors, is governed by disclosure rules and regulations and other provisions contained in federal securities laws.

6. The extent to which the agency has been able to investigate and resolve complaints that are within its jurisdiction.

As previously mentioned, the Authority is not a regulatory agency and has no power to define bond issuance qualifications, enforce standards or monitor activities. Neither was the Authority given broad powers to investigate activities that breach any of the State's laws. The Authority's work consists mainly of communications with potential borrowing entities and bond financing professionals who have chosen the Authority as the conduit issuer of bonds for a proposed health care facility project.

Moreover, borrowers have many options when selecting a bond issuing entity, including various industrial development authority corporations, so that any specific decision made by the Authority is not a barrier to participation in the tax-exempt bond financing market.

In addition, potential borrowers have easy access to information about the Authority or to Authority staff who are readily available by phone or email. Further, as a matter of policy and the open meeting law, every Authority meeting is open to the public, which provides an opportunity for public comment. The Authority would give appropriate consideration to any concern brought to its attention.

7. The extent to which the Attorney General or any other applicable agency of state government has the authority to prosecute actions under the enabling legislation.

The Authority is not a regulatory agency and does not have the ability to investigate activity, impose fines, initiate legal actions, enforce laws or control the conduct of corporations that operate health care facilities in the state. The Authority's enabling legislation authorizes it to enter into contracts relating to

the issuance of bonds for the purpose of lowering the cost of building and renovating health care facilities that, in turn, increases access to quality care and improves the health of residents of the state.

8. The extent to which agencies have addressed deficiencies in their enabling statutes that prevent them from fulfilling their statutory mandate.

The Authority has sought and received statutory changes on at least three separate occasions to improve the ability of borrowers to finance critical health care projects through the Authority.

In 1997, the Legislature amended the Authority's enabling legislation to authorize the Authority to issue bonds for a broader variety of health care entities and projects, including living facilities for the elderly and disabled.

In 2003 and 2007 the Authority again led a successful effort to secure changes to its enabling legislation. With these changes, the Legislature permitted the Authority to issue bonds for nonprofit health care organizations with multi-state operations, if the board of directors of the Authority determines that the issuance of the bonds will provide a benefit to Arizona.

In 2013 the Legislature made a technical correction to the law to align the definition of "bonds" under the Authority's statutes with that of 26 United States Code Section 103.

For your reference, a copy of the Authority's current statutes is included as Attachment C.

9. The extent to which changes are necessary in the laws of the agency to adequately comply with the factors listed in this subsection.

The Authority is in compliance with its enabling statutes and no statutory changes are necessary at this time.

10. The extent to which the termination of the agency would significantly affect the public health, safety or welfare.

Termination of the Authority would lessen the options for the state's health care organizations when selecting a conduit bond issuer for their capital project needs. The Authority is currently the largest issuer of health care bonds in Arizona. The Authority effectively reduces borrowing costs for essential health care providers. The Authority maintains the lowest fee structure of active tax-exempt bond issuers in Arizona, while providing a high level of service with its small staff. As the cost and fee leader in this market, the continuation of the Authority benefits the residents of every Arizona community with bond financed health care projects.

The Authority pays its own expenses, and does so without receipt of state funds. If the Authority were terminated, this cost effective vehicle for tax-exempt bond financing would be lost, thereby limiting the options of Arizona's health care organizations in their decision to finance projects needed to service Arizona's growing population. Indeed, the Authority's termination could ultimately result in Arizona residents paying higher health care costs than would otherwise be available with the continued existence of the Authority.

The State is not responsible for any costs incurred by the Authority, including the Authority's operational and administrative costs. Accordingly, Arizona's health care organizations and residents are realizing the benefits created by the Authority's bond financings without the State having to incur any of the operational and administrative costs.

Additionally, the termination of the Authority would create a legal issue with respect to its outstanding bonds. Pursuant to A.R.S. § 36-491.04, upon the termination of the Authority the State would need to provide for the protection of the bondholders, but the fact of the Authority's termination could still adversely affect the performance of its existing bonds in the secondary market. This in turn may cause the bondholders to suffer a loss of value in the bond market and increase costs for the existing borrowers in the form of higher interest rates on outstanding or future bonds.

11. The extent to which the level of regulation exercised by the agency compares to other states and is appropriate and whether less or more stringent levels of regulation would be appropriate.

As previously indicated, the Authority does not serve a regulatory function nor does it exercise oversight, enforce governmental standards or ensure compliance with state laws. Because the Authority does not regulate business, there are no regulations that can be evaluated to determine whether they are appropriate or whether they should be more or less stringent. The Authority and its actions are subject to its rules, enabling legislation, state statutes and federal tax and securities laws. The Authority believes these limits on its powers to be appropriate.

12. The extent to which the agency has used private contractors in the performance of its duties as compared to other states and how more effective use of private contractors could be accomplished.

The Authority contracts with private contractors for certain financial, auditing and information technology services. The Authority's use of private contractors is comparable to that of other state financing authorities.

Before 1999 the Authority had no employees and was entirely dependent on private contractors in the performance of its duties. With the addition of an Executive Director and General Counsel, the Authority has greatly expanded its level of service while reducing its costs and limiting its exposure to uncertain increases in expenses. Borrowers recognize the Authority staff as a focused, knowledgeable resource throughout the duration of the bond financing relationship.

The Authority believes its current use of private contractors to be optimal. Based upon its past experience, greater reliance on outside services would be expected to increase borrower costs and reduce borrower satisfaction.

13. The extent to which the agency potentially creates unexpected negative consequences that might require additional review by the committee of reference, including increasing the price of goods, affecting the availability of services, limiting the abilities of individuals and businesses to operate efficiently and increasing the cost of government.

There is no potential for the Authority to create unexpected negative consequences relating to the identified concerns. The Authority is not a regulatory agency and lacks the capacity to take any action that would adversely affect the price or availability of goods or services, limit efficient operation of any individual or business or increase the cost of government.

The Authority is a conduit issuer of tax-exempt bonds. Interest on the Authority's bonds is exempt from federal and state income tax, which permits borrowers to obtain lower market interest rates than would otherwise be available with conventional, taxable financing. As a result, Authority borrowers reduce their cost of capital and are positioned to delay or mitigate any price increase for services, expand the

availability of services and increase their economic contribution to their local economy. The Authority receives no state funding and has no impact on the cost of state government. The Authority's bond issues are a tangible economic catalyst. The Authority's bond financed projects support thousands of local jobs and generate millions in state and local taxes.

1. Identify the problem or the needs that the agency is intended to address

The Authority was created to provide a mechanism for nonprofit health care entities to access low cost capital funds. The Authority issues tax-exempt bonds to assist health care organizations finance their capital needs. Interest on the Authority's bonds is exempt from federal and state income tax, which permits the borrowing entities to obtain lower market interest rates than the interest rate that would otherwise be available. In this way the Authority acts as a "conduit" to provide a less expensive financing mechanism for such health care organizations than they could obtain on their own. As a result of the issuance of the Authority's tax-exempt bonds, project costs are reduced for the health care organization and the availability of health care services is improved for residents of Arizona.

2. State, to the extent practicable, in quantitative and qualitative terms, the objectives of the agency and its anticipated accomplishments.

The primary objective of the Authority is to issue tax-exempt bonds to assist in financing health care construction and improvement projects on behalf of nonprofit health care organizations. Attachment A, included with this letter, contains a list of the borrower names, purpose of the use of bond proceeds, general locations and amounts issued.

3. Identify any other agencies having similar, conflicting or duplicate objectives, and an explanation of the manner in which the agency avoids duplication or conflict with other such agencies.

There are no state agencies with similar, conflicting or duplicate objectives. There are state agencies which issue bonds. However, in all instances, they are fundamentally different from the Authority in terms of their purpose and reliance on the State's support.

The Arizona Housing Finance Authority was empowered to issue bonds for housing, not health care. It has only issued a small number of bond issues; many of its potential borrowers have chosen to go through county or city industrial development authorities instead. The Water Infrastructure Finance Authority (WIFA) provides financial assistance to water providers by using its bond bank to originate loans. WIFA has received funds from the Arizona Legislature for its water supply development revolving fund, although its main funding source originates from the federal government under the Safe Drinking Water Act. In contrast to the Authority, WIFA's employees are state employees and WIFA "awards" governmental resources based upon a priority system. WIFA does not issue bonds to health entities. Greater Arizona Development Authority (GADA) was created to assist political subdivisions develop infrastructure and public facilities. GADA was initially funded from the state general fund and its programs are administered by WIFA. Repayment of its loans is enforced, in part, by the withholding of shared revenues by the state treasurer. GADA has not issued bonds to health entities.

4. Assess the consequences of eliminating the agency or of consolidating it with another agency.

As noted in #10 above, termination of the Authority would eliminate the most utilized and cost effective bond financing option for Arizona's health care entities. The Authority is consistently ranked as the

largest issuer of health care bonds in Arizona. This ranking demonstrates the Authority's expertise and responsiveness to the health care and financial services sectors. Because the Authority has been a leader in reducing the administrative fees paid by borrowers accessing the tax-exempt bond market, terminating the Authority ultimately may adversely affect the cost of health care in the state. The absence of the Authority would limit the ability of health care organizations to finance projects needed to service Arizona's growing population. Eliminating the Authority could potentially cause the bondholders to suffer a loss in their investment and create confusion in the market place about the value and validity of the Authority's outstanding bonds.

The Authority believes consolidating the services it offers with those of a state agency would not be in the best interests of the residents of Arizona and the health care organizations serving them. There are no agencies having similar or duplicate objectives. Consolidation with a state agency would create unnecessary obstacles to bond financings and impinge on the private sector's preference for financing health care projects. Additionally, consolidation with a state agency would require legislative financial support and would lead to an increase in the fees the Authority charges borrowers, thus diminishing the original intent of creating the Authority to provide less expensive bond financing.

On behalf of the Arizona Health Facilities Authority, I thank you for the opportunity to respond to your letter. If you have additional questions, or require clarification, please contact Blaine Bandi, Executive Director of the Authority, at 602-375-2770.

Sincerely,



Margery Brown, Chair
Arizona Health Facilities Authority

Cc: Representative Heather Carter, COR Co-Chair
Emily Mercado, Senate Committee Research Analyst
Ingrid Garvey, House Committee Research Analyst

Attachment A: Sunset Review Factors

**Arizona Health Facilities Authority
Approved Revenue Bonds and Lease-Financing Obligations
Current to 2005**

Organization	Purpose	Location	Original Issue \$ Amount (in millions)
Yuma Regional Medical Center	Equipment and Expansion	Yuma	20.0
Mariposa Point - Gilbert AL Partners, LP	Assisted Living & Memory Care	Gilbert	17.0
Tucson Medical Center	Equipment	Tucson	10.0
Southwest Behavioral Health Services.	Behavioral Health	PHX/Prescott	6.5
HonorHealth (Scottsdale/ JCL Lincoln)	EMR and other Equipment	PHX/Scottsdale	303.5
Banner Health	Expansion and Renovation	Various	200.6
Cobre Valley Regional Medical Center	New Hospital Building	Globe	33.0
Royal Oaks Life Care Community	Memory Care Units	Sun City	41.3
Mountain Park Health Center	Community Health Center	Phoenix	14.6
Blood Systems	Blood Bank	Various	27.0
The Terraces	Senior Assisted Living	Phoenix	48.6
Phoenix Children's Hospital	Children's Hospital	Phoenix	275.0
Banner Health	New Patient Tower and Rooms	PHX/Mesa	67.8
Banner Health	Refinancing Facility Improvements	Various	179.1
Kingman Regional Medical Center	Hospital Improvements/ Equipment	Kingman	12.6
Phoenix Children's Hospital	Children's Hospital	Phoenix	284.6
Dignity Health	Refinancing Facility Improvements	Arizona	75.0
Dignity Health	Refinancing Facility Improvements	Arizona	128.3
Yavapai Regional Medical Center	Information Technology Lease	Prescott	9.4
John C. Lincoln Health Network	Electronic Records Equipment Lease	Phoenix	25.0
Tuba City Regional Health Care Corp	Equipment Lease	Tuba City	3.0
John C. Lincoln Health Network	Medical Equipment Lease	Phoenix	11.0
Triple R/Lifewell	Behavioral Health	Phoenix	4.2
La Loma Village	Senior Assisted Living	Litchfield Park	47.0
Terros, Inc.	Behavioral Health	Phoenix	2.9
A.T.Still University/ Kirksville College	Refinancing Medical and Dental School	Mesa	14.4
Dignity Health /CHW	Refinancing Facility Improvements	Arizona	74.1
Yavapai Regional Medical Center	Refinancing Facility Improvements	Prescott	6.4

Organization	Purpose	Location	Original Issue \$ Amount
Banner Health	Refinancing Facility Improvements	Various	397.1
Tuba City Regional Health Care Corp.	Equipment Lease	Tuba City	10.0
Banner Health	Hospital Acquisition and Refinancing	Sun City/Various	917.9
Banner Health	Refinancing Facility Improvements	Various	197.5
Dignity Health /CHW	Refinancing Facility Improvements	Arizona	264.7
Banner Health	Refinancing Facility Improvements	Various	227.2
Royal Oaks Life Care Center	Senior Assisted Living Remodeling, HVAC	Sun City	12.5
The Terraces	Senior Assisted Living	Phoenix	41.0
La Frontera Center	Behavioral Health-Group Home Acquisition	Tucson	1.8
Lifewell/New Arizona Family	Behavioral Health	Phoenix	4.7
Phoenix Children's Hospital	Children's Hospital	Phoenix	450.0
The Beatitudes Campus	Senior Assisted Living	Phoenix	83.0
John C. Lincoln Health Network	Equipment Lease	Phoenix	28.2
University Medical Imaging LLC	Equipment Lease	Tucson	7.7
La Loma Village	Senior Assisted Living	Litchfield Park	42.0
La Frontera Center	Behavioral Health-Construct Clinical Space	Tucson	4.5
Dignity Health/CHW	Construct Gilbert Hospital, Technology	Arizona	190.0
Dignity Health/CHW	Refinancing Facility Improvements	Arizona	108.7
Wickenburg Community Hospital	Hospital Improvements	Wickenburg	6.0
Banner Health	Expansion of Hospital Facilities	Various	836.2
Sun Health Corporation	Equipment Lease	Sun City	4.5

ATTACHMENT B

26 U.S. Code § 103 - Interest on State and local bonds

(a) Exclusion

Except as provided in subsection (b), gross income does not include interest on any State or local bond.

(b) Exceptions

Subsection (a) shall not apply to—

(1) Private activity bond which is not a qualified bond

Any private activity bond which is not a qualified bond (within the meaning of section 141).

(2) Arbitrage bond

Any arbitrage bond (within the meaning of section 148).

(3) Bond not in registered form, etc.

Any bond unless such bond meets the applicable requirements of section 149.

(c) Definitions

For purposes of this section and part IV—

(1) State or local bond

The term "State or local bond" means an obligation of a State or political subdivision thereof.

(2) State

The term "State" includes the District of Columbia and any possession of the United States.

ATTACHMENT C

36-481. Definitions

In this chapter, unless the context otherwise requires:

1. "Acquire" means purchase, lease as lessee, obtain an interest as mortgagee or beneficiary under a deed of trust, erect, build, construct, reconstruct, remodel, repair, replace, alter, extend, better, equip, furnish, develop, improve or embellish any health care facility, or site acquisition, preparation and development and all incidental expenditures.
2. "Agreement" means any loan or other agreement, contract, note, mortgage, deed of trust, trust indenture, lease, sublease or other such instrument entered into by the authority.
3. "Authority" means the Arizona health facilities authority.
4. "Board" means the board of directors of the authority.
5. "Bonds" means any bonds issued pursuant to this chapter and includes any obligation, in any form, entered into by the authority that pays interest that is exempt from gross income pursuant to 26 United States Code section 103.
6. "Costs" means all costs incurred in the issuance of bonds, including, but not limited to, legal, accounting, consulting, printing, advertising and travel expenses, plus an amount equal to not more than one-tenth of one per cent of the principal amount of any bonds issued to be used to defray the authority's operational and administrative costs and may also include interest on bonds issued pursuant to this chapter for a reasonable time prior to and during construction and after completion of construction of any project.
7. "Federal agency" means the United States, the President of the United States, the department of health and human services, the department of the treasury or any other agency or agencies of the United States as may be designated or created to make loans or grants or both.
8. "Health care facility" or "project" means a structure suitable for use as a hospital, either general or specializing in the treatment of certain diseases, or suitable for use as a clinic, rehabilitation center, therapy facility, outpatient clinic, nursing home, blood bank, ambulance facility, extended care facility or other health care facility or any combination of the foregoing and includes all the customary and necessary supporting services and equipment such as dispensary, pharmacy, parking facilities, laundry facilities, nurses' and interns' residences, offices and administration buildings, living facilities for the elderly or persons with a disability, cafeterias and food service facilities, research, laboratory and diagnostic facilities, education facilities, medical and surgical equipment, tools and machinery, but not such items as fuel or stored energy and supplies or disposable items that are customarily deemed to result in a current operating charge wherever situated.
9. "Participating facility" means a corporation, limited liability company, partnership or other entity that is specifically empowered to operate and maintain one or more health facilities, the university of Arizona hospital and any political subdivisions specifically empowered to lease as lessee one or more health care facilities.
10. "Trustee" means any bank or trust company with authority to exercise trust powers in this state.

36-482. Establishment of authority

There is established the Arizona health facilities authority. Solely for purposes of this chapter the authority shall be a municipality which may contract with any participating facility.

36-483. Governing board; members; appointment; qualifications; terms; officers; meetings; compensation

A. The authority's governing board shall be a board of directors, which shall consist of seven members to be appointed by the governor pursuant to section 38-211. All members shall be residents of this state and not more than four shall be members of the same political party. Any member may be removed from the board for cause or at will by the governor with the consent of the senate.

B. Except for the term of the board members initially appointed, each member shall serve for a term of seven years. Of the members of the board first appointed, one shall be appointed for a term ending on the third Monday in January of 1976, and one each for terms ending one, two, three, four, five and six years thereafter. Vacancies occurring other than by expiration of term shall be filled in the same manner for the remainder of the unexpired term.

C. The initial board members shall organize the board for the transaction of business and consistent with provisions of title 41, chapter 6, shall adopt rules and regulations therefor. The board shall annually elect from among its members a chairman, a secretary and a treasurer.

D. The board rules and regulations shall provide for regular annual meetings of the board. The chairman may call a special meeting at any time. The board rules and regulations shall provide a method of giving notice of special meeting.

E. Each member of the board shall receive fifty dollars for each board meeting attended and shall be paid any necessary expenses while engaged in the performance of his duties but shall receive no other compensation.

36-484. Board members' bond

Upon taking office each board member shall file a surety bond with the authority in the penal sum of one thousand dollars, conditioned upon the faithful performance of the duties of his office.

36-485. Powers of board

The board may:

1. Adopt an official seal and alter the same at its pleasure.
2. Maintain an office.
3. Acquire any project or projects on behalf of the authority.
4. Accept grants of money or materials or property of any kind from a federal, state, county or municipal agency or others, on terms and conditions as may be imposed.
5. Waive any privilege or immunity in order to accept any grant, gift, subsidy or contribution when deemed necessary by the board.
6. Issue bonds as provided in this chapter for projects located in this state.
7. Issue bonds as provided in this chapter on behalf of a participating facility for projects located outside or in this state, if the board determines that the issuance of bonds will provide a benefit in this state.
8. Act as either lessee or lessor in the manner provided in this chapter.
9. Make and enter into agreements, execute all instruments, perform all acts and do all things necessary or convenient to carry out the powers granted in this chapter.

10. Employ or contract with engineers, architects, attorneys, accountants, construction and financial experts and other persons as may be necessary in its judgment and fix their compensation.

11. Appoint employees as it deems necessary who shall serve at the pleasure of the board and receive compensation as the board shall fix.

12. Issue bonds for the purpose of refunding at or prior to maturity outstanding bonds or other indebtedness of any participating facility.

36-486. Costs of operation and administration of authority; taxation

A. The state shall not be responsible for any cost incurred by the authority, including but not limited to, compensation for board members and employees, other operational and administrative expenses and the costs incurred in the issuance of bonds.

B. All costs and expenses of the authority shall be paid from bond proceeds or from lease or other revenues of the authority.

C. The authority and its income and all bonds issued by it and the income therefrom shall be exempt from all taxation in this state, except that property of the authority shall be subject to all applicable ad valorem taxes. If such property is leased, such ad valorem taxes shall be charged to the lessee as fully as if the lessee were the owner of such leased property except that no ad valorem tax shall be imposed upon any property of the authority which is leased to a person qualified for exemption from such taxes pursuant to article IX, section 2, Constitution of Arizona, and no charge for such tax shall be made to any such lessee. In addition, lease payments received by the authority from property owned by the authority shall be exempt from transaction privilege taxes imposed by the state or any of its political subdivisions.

36-491. Issuance of bonds

A. The board is authorized, for and on behalf of the authority, to issue bonds for the purpose of improving health care for residents of this state by providing less expensive financing for one or more health care facilities.

B. Such bonds may be issued in one or more series, bear such date or dates, be in such denomination or denominations, mature at such time or times, not exceeding forty years from the respective dates thereof, mature in such amount or amounts, bear interest at such rate or rates payable at least annually, be in such form either coupon or registered, carry such registration privileges, be executed in such manner, be payable in such medium of payment, at such place or places, be refundable either at or in advance of maturity, be subject to such terms of redemption, with or without premium, as the board directs. The bonds may be sold at either public or private sale in such manner and upon such terms as may be determined by the board to be most advantageous, with appropriate disclosures of all material information relating to the bonds and the security therefor. Such bonds shall be fully negotiable within the meaning and for all purposes of title 47. Such bonds and interest thereon shall be exempt from all taxes of the state or any of its political subdivisions.

C. Principal and interest on the bonds shall be payable solely from the revenues derived by the authority from the agreements authorized by this chapter. Unless agreed to in writing by each participating facility affected, the authority shall not

pledge for the payment of the bonds issued for acquisition of any health care facility payments received from another participating facility.

D. Any agreement authorizing the issuance of bonds may provide for:

1. Execution of a trust indenture and assignment to a trustee of the agreements relating to the health care facility to be acquired by the series or issue of bonds in order to protect the bondholder or bondholders and facilitate the payment of the principal and interest on the bonds.
2. Payment of the bonds solely from the monies paid by the obligated participating facility or facilities.
3. Capitalization of a bond reserve from bond proceeds or other payments made by the participating facility when the board deems necessary.
4. Limitations on the issuance of future bonds or restrictions or formulas relative to the issuance of future bonds of equal or secondary lien, or for a lien upon or pledge of the revenues received from or by any participating facility.
5. Restrictions as to liens, encumbrances or alienation of any project or health care facility.
6. Covenants as to the procedures by which the terms of any agreement for the benefit of a holder or holders of such bonds may be amended or abrogated, the amount or percentage of bonds the holder or holders of which must consent thereto and the manner in which such consent may be given.
7. Assignment to a trustee of any or all agreements made or entered into by the authority and vesting in the trustee the right to enforce any covenant made to secure or pay the bonds.
8. Execution and delivery of trust agreements setting forth the powers, duties and remedies available to trustees, limiting liabilities, describing what occurrences shall constitute default and prescribing terms and conditions upon which trustees or holders of bonds of any specified amount or percentage of such bonds may exercise and enforce any rights, covenants and remedies.
9. Vesting in a trustee or holder of any specified amount or percentage of bonds the right to apply to any court of competent jurisdiction for, and have granted, the appointment of a receiver to act under the terms of any agreement.
10. A provision for reclamation of the facility if a payment required under an agreement or any other condition required in an agreement is not timely paid or is breached.
11. A provision for the appointment of a receiver to operate the facility during a period of default in the regular payment or performance under an agreement.
12. A prohibition against the leasing or subleasing of the facility without the specific written permission of the authority to any other project operator.

E. Bonds bearing the signatures of officers in office on the date of the signing thereof shall be valid and binding obligations, notwithstanding that before delivery and payment therefor any or all persons whose signatures appear thereon shall have ceased to be officers of the authority. The validity of the bonds shall not be dependent on nor affected by the validity or regularity of any proceedings to acquire the project financed by the bonds or taken in connection therewith. No action shall be brought questioning the legality of any agreement, proceedings or issuance of bonds hereunder after two months from the date the bonds are authorized to be issued by the board.

36-491.01. Monies of institution

A. Monies derived from the sale of bonds under the provisions of this article shall be deposited in separate bank accounts in such banks or trust companies as may be designated by the board. All deposits of such money shall, if required by the board, be secured by obligations issued or guaranteed by the United States of a market value equal at all times to the amount of the deposit. All banks and trust companies are authorized to give such security. In the alternative, proceeds from the sale of bonds may be invested and reinvested in a manner authorized by the board, including obligations issued or guaranteed by the United States. Such monies shall be considered as held for and on behalf of the authority.

B. Except monies allocated for payments of costs or for capitalized reserve funds, all other monies of the authority derived from the sale of bonds shall be used to acquire or to provide financing or refinancing for participating facilities to acquire the health care facility or facilities for which the bonds were issued.

C. This section shall not be construed as limiting the power of the board to agree in connection with the issuance of the bonds as to the custody and disposition of monies received from the sale of such bonds or the income and revenue pledged and assigned to or in trust for the benefit of the holder or holders thereof.

36-491.02. Additional powers of authority

In addition to the powers granted by this chapter, the authority may:

1. Enter into covenants and agreements with any federal agency, private agency, corporation or individual to perform any and all acts as may be necessary, convenient or desirable in order to secure such bonds, or which, in the judgment of the board, tend to make the bonds more marketable, and to perform all acts not inconsistent with the constitution of this state, as may be necessary, convenient or desirable for the issuance of such bonds and for their security.
2. Enter into any and all contracts and agreements necessary to accomplish the acquisition of the project or projects including agreements for construction, engineering and architectural services and agreements covering disposition and application of the proceeds received from the sale of the bonds.
3. Sue and be sued.

36-491.03. Agreements

A. The authority shall not be empowered to operate any project.

B. All projects acquired or financed by the authority shall be operated by or on behalf of either a participating facility, or any combination or joint venture between participating facilities.

C. Each agreement shall contain, but shall not be limited to, the following provisions:

1. A provision for payment or accrual of annual amounts sufficient to pay the full cost of acquisition of the facility, including interest on and costs incurred in issuance of any bonds to finance such acquisition.
2. A term which at a minimum shall be equal to the full life of any bonds issued to finance the acquisition of the facility and at a maximum fifty years.
3. Provisions requiring that the participating facility assume all liability occurring at or caused by the operation of the facility and to adequately insure the authority against any loss or damages caused by the operation of the facility.

D. Any lease or sublease agreements may contain a clause permitting the participating facility to purchase the facility upon the retirement of all bonds secured by such lease or sublease for a price to be specified in the agreement.

36-491.04. No abrogation of rights

The state of Arizona hereby pledges to the holders of any obligations issued under this chapter, and with those parties who may enter into agreements with the authority pursuant to the provisions of this chapter that the state will not limit or alter the rights hereby vested in the authority until all bonds, together with the interest thereon, are fully paid and discharged and all agreements are fully performed, provided nothing contained in this chapter shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the holders of such obligations of the authority or those entering into such agreements with the authority.

36-491.05. Bonds as legal investments

Bonds issued by the authority are securities in which all public officers and bodies of this state and all counties, cities, towns and other municipal corporations, political subdivisions and public bodies and public officers of any thereof, all banks, bankers, trust companies, savings banks and institutions, building and loan associations, savings and loan associations, investment companies, insurance companies and associations and all executors, administrators, guardians, trustees and other fiduciaries may legally invest any sinking funds, monies or other funds belonging to them or under their control.

36-491.06. Bond obligations of the authority

All bonds issued pursuant to this article shall be obligations of the authority and payable only in accordance with the terms thereof and shall not be obligations general, special or otherwise of this state. Such bonds shall not constitute a legal debt of this state, and shall not be enforceable against the state, nor shall payment thereof be enforceable out of any funds of the authority other than the income and revenue pledged and assigned to, or in trust for the benefit of, the holder or holders of such bonds.

36-491.07. Supplemental law; governmental activities

A. The powers conferred by this chapter shall be in addition and supplemental to the powers conferred by any other law, general or special, and shall be deemed full authority for the acquisition of health care facilities and issuance of bonds for such purpose, for entering into agreements in connection therewith and for the authorization, issuance and sale of the bonds pursuant to this article and without regard to the procedure required by any other such law, except as provided for in title 44, chapter 12, article 4.

B. The authority shall be a body, corporate and politic, and a political subdivision and instrumentality of this state which shall be deemed to be acting in all respects for the benefit of the residents of this state and performing a governmental function in carrying out the purposes of this chapter.