



TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Operating Policy and Procedure

HSC OP: 50.01, **Extension of State Credit**

PURPOSE: The purpose of this Health Sciences Center Operating Policy and Procedure (HSC OP) is to establish policy in compliance with state law for the extension of credit to individuals, business entities, or other governmental agencies.

REVIEW: This HSC OP will be reviewed on June 1 of every fourth year (E4Y) by the Director of Accounting Services, with recommendation for revisions forwarded to the Executive Vice President for Finance and Administration by June 15.

POLICY/PROCEDURE:

1. Constitutional Prohibition.

- a. Article 3, Section 50 of the Texas State Constitution states: "The Legislature shall have no power to give or to lend, or to authorize the giving or lending, of the credit of the State in aid of, or to any person, association or corporation, whether municipal or other, or to pledge the credit of the State in any manner whatsoever, for the payment of the liabilities, present or prospective, of any individual, association, or individuals, municipal or other corporation whatsoever."
- b. The interpretive commentary further states: "Any plan which in effect loans or gives the credit of the State is forbidden regardless of the particular form of the transaction."

2. Institutional Policy.

- a. In view of the constitutional prohibition against the extension of the state's credit, the institution may not deliver merchandise or provide services to outside individuals, associations, or corporations, unless payment is received or services are rendered.
- b. The prohibition against the extension of credit does not apply to:
 - (1) Federal, state, or county governmental agencies;
 - (2) Political subdivisions of the State of Texas;
 - (3) Patient services provided under the Practice Income Plans; or
 - (4) Tuition and fees installment payment options allowed in the Texas Education Code, section 54.007, and HSC OP 50.22;
 - (5) Billing of a service that cannot be predetermined and that is customarily billed after the service has been provided, such as utility or telephone service;
 - (6) A billing which results from a sponsored program, grant or other contractual agreement, including a fee contract driven by cost reimbursement arrangements and fixed price agreements.
- c. In those instances where a state agency is not prohibited from extending credit, TEX. GOV'T CODE Ann. § 403.0551 (Vernon Supp. 2000) authorizes the Texas Comptroller of Public Accounts to offset state payments against a person's indebtedness, delinquency or default. In addition, TEX. GOV'T CODE Ann. § 403.055 and similar statutes (known collectively as "warrant hold statutes"), contain provisions requiring that state agencies report to the Texas Comptroller of Public Accounts the names of persons who have an indebtedness or tax delinquency to the state.