

- SUBJECT:** Means of dissolving the Montgomery County Hospital District
- COMMITTEE:** County Affairs — committee substitute recommended
- VOTE:** 7 ayes — Ramsay, B. Brown, Chisum, Farabee, Krusee, Salinas, Swinford  
0 nays  
2 absent — G. Lewis, Hilderbran
- WITNESSES:** (*On original bill:*)  
For — None  
  
Against — Barbara Berry, NAACP and Montgomery County Hospital District; Curry Starlett, Deborah Giger, Allen Johnson, Jay Lance Kovar, and Carl White, Montgomery County Hospital District; Raymond McNeel; John Sallee; Genell Tharpe
- BACKGROUND:** Current law enables hospital districts established after 1989 to organize and dissolve according to standard guidelines. The Montgomery County Hospital District was established before 1989, and its enabling statute does not contain dissolution language. The hospital district encompasses most of Montgomery County, which has a population of about 237,000, with about 150,000 residents registered to vote.
- Hospital districts are responsible for medical services to their “needy inhabitants” under Art. 9, sec. 4 of the Texas Constitution and may have additional or more specific responsibilities for indigent health care under the statute creating the hospital district.
- The Indigent Health Care and Treatment Act (Health and Safety Code, chapter 61) requires counties that are not in the service area of a hospital district or public hospital to provide indigent health-care services to needy residents who meet the income eligibility standards of the former Aid to Families with Dependent Children program, which means that an eligible individual’s family income must be equal to or less than 11 percent of the federal poverty level.

**DIGEST:** CSHB 1111 would provide a process for the dissolution of the Montgomery County Hospital District.

The bill would allow the district's board of directors to call an election on the question of dissolving the district and disposing of the district's assets and obligations. The board would have to order an election on this question if it received a petition signed by a number of district residents equal to at least 15 percent of registered voters in the district.

The election would have to be held at least 90 days after the date the election was ordered and either the first Saturday in May or the date of the general election for state and county officers, whichever was earlier.

If a majority of the votes in the election did not favor dissolution of the district, the board would have to continue to administer the hospital district. The bill would prohibit another election on the question of dissolution from being held before the fourth anniversary of the most recent election.

**Election called by petition.** If a majority of the votes favored dissolution in an election called in response to a petition, the board would have to find that the district was dissolved. The board then would have to transfer the land, buildings, improvements, equipment, and other assets that belonged to the district to Montgomery County within 45 days after the election. The county would assume all debts and obligations of the district at the time of the transfer.

**Election called by board.** If a majority of the votes favored dissolution in an election called by the board, the board would have to find that the district was dissolved and would have to transfer the district's ambulance service, any mobile clinics, and related equipment to Montgomery County within 45 days of the election. The board then either would have to transfer the land, buildings, improvements, equipment, and other assets to the county or, if the board found that the district was dissolved but did not transfer the assets, it would have to continue to administer these assets until all funds had been disposed of and all of the district's debts had been settled.

After the board found that the district was dissolved, it would have to determine the amount of debt owed by the district and impose a tax on property included in the district's tax rolls that was in proportion of the debt

to the property value. The board could bring suit to enforce payment of taxes and to foreclose liens to secure the payment of taxes due the district.

When all outstanding debts and obligations had been paid, the board would have to return a pro-rata share of all unused tax money to each taxpayer in the district. Taxpayers could request that their share of surplus tax money be credited to their county taxes. Upon receiving such a request, the board would have to transfer the funds to the county tax assessor-collector.

Finally, the board would have to file a report with the county commissioners court summarizing its actions in dissolving the district. Within 10 days of receiving the report, the commissioners court would have to enter an order dissolving the district.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house.

**SUPPORTERS  
SAY:**

All hospital districts established after 1989 include provisions for dissolution. Residents in Montgomery County Hospital District should have the same right to petition for the dissolution of this taxing entity.

CSHB 1111 would not require the dissolution of the hospital district but only would provide the means of dissolution. Dissolving the district could increase accountability to local taxpayers by placing control of its budget and taxation in the hands of county commissioners. Some taxpayers are upset because the hospital district recently has increased its budget and is expected to raise property taxes significantly.

If the hospital district were dissolved, the property tax levied for the district would cease also. The county then could levy a more reasonable tax to provide the same or better level of health-care service in Montgomery County because of efficiencies in administration. The county also would do a better job of managing the budget to provide health care.

The county commissioners court would take over responsibility for hospital services, including emergency medical services and indigent health care, if voters approved dissolution of the hospital district. Dissolution would not affect the level of indigent health care because Columbia Hospital would

continue to operate the hospital at least through the end of their contract, which ends in about 10 years.

The county would not reduce the level of indigent health care now provided by the hospital district. Although Texas counties in general are required to provide indigent care only to residents with incomes at or below 11 percent of the federal poverty level, Montgomery County has the authority to increase its standards.

The committee substitute increased the threshold of signatures required for a successful petition for an election to dissolve the district to ensure that a significant number of people supported dissolution before an election could be called. If the number of required signatures were too low, a small majority could force its will on the rest of the residents who depend on the district's hospital for health care.

OPPONENTS  
SAY:

CSHB 1111 is not necessary because voters in the Montgomery County Hospital District have voted twice against dissolving the district. The push to dissolve the district is motivated by the county's desire to gain control of new indigent care-related revenues that the state is allocating to counties and hospital districts in the wake of the state's multibillion-dollar settlement of its lawsuit against the tobacco industry.

The hospital district should not be dissolved because it is an appropriate and responsive public entity to administer indigent health care. Its board contains members who are health-care professionals and others interested in the county's health status and services. County commissioners have no such expertise, and their attention to the needs of the indigent would have to compete with other county priorities. The county would provide no more accountability to the taxpayers than does the district's board, which also is elected.

Also, if the hospital district were dissolved, the level of indigent health care could be lowered and poor residents would suffer. The Montgomery County Hospital District provides indigent health care for residents at 150 percent of the federal poverty level. The county would have to provide indigent health care only to those at about 11 percent of the federal poverty level. The state assistance to counties through the indigent care fund does not reimburse

counties that provide care to indigents whose income is higher than the established standard. This would discourage Montgomery County from maintaining the district's high eligibility standard.

OTHER  
OPPONENTS  
SAY:

The committee substitute weakened the original intent of this bill. The petition requirement in the original bill was more reasonable. The threshold of voters the substitute would require for a successful petition is too high. Obtaining a number of signatures equal to 15 percent of the district's registered voters — about 23,000 signatures — would be nearly impossible. This threshold is designed to thwart any petition for an election on dissolution of the district.

CSHB 1111 would not require the same dissolution procedures for an election requested by petition as for an election called by the board of directors. Requirements and procedures for transferring assets and services should be the same no matter who calls an election for dissolution.

NOTES:

The original bill would have required that a successful petition be signed by a number of district residents equal to at least 5 percent of the total vote received in the district by all candidates for governor in the last gubernatorial election, about 1,750.

The companion bill, SB 1675 by Bernsen, has been referred to the Senate Intergovernmental Relations Committee and is similar to the original version of HB 1111. In the Senate bill, however, the petition threshold would be 15 percent of all votes received in the last gubernatorial election.

Both SB 1675 and the original version of HB 1111 would require that the election occur no later than the 60th day after the election was called, instead of at least 90 days, as required by CSHB 1111. Both the Senate and original House versions would prohibit another election on the dissolution of the hospital district before the first anniversary of the most recent election. CSHB 1111 would extend that to the fourth anniversary.

SB 1675 and the original version of HB 1111 do not contain provisions for transferring ambulance service, mobile clinics, and related equipment to the county upon dissolution of the Montgomery County Hospital District.

HB 1398 by Coleman and Farabee, which would require that the minimum eligibility standards for counties and public hospitals incorporate a net income eligibility level equal to 25 percent of the federal poverty level, has been set on the Wednesday, May 5, calendar.

HB 1161 by Junell would place in statute mechanisms agreed to between the state and counties and hospital districts (in *State of Texas v. The American Tobacco Co., et al.*, No. 5-96CV-91, U.S. District Court, Eastern District of Texas) on the allocation of a portion of the state's tobacco settlement receipts to pay for unreimbursed indigent care, was scheduled for a public hearing in the Senate Finance Committee on May 4.