

SUBJECT: Authorizing a referendum on the Sutton County Hospital District tax rate

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 9 ayes — Oliveira, McCall, Craddick, Hartnett, Bonnen, Heflin, Keffer, Ramsay, Ritter

1 nay — Y. Davis

1 absent — Hilbert

WITNESSES: None

BACKGROUND: The Sutton County Hospital District operates the nonprofit Hudspeth Memorial Hospital in Sonora. It serves a multicounty region north of Big Bend. The nearest hospitals are in San Angelo and Kerrville. The district's current annual ad valorem tax rate is 27.8 cents per \$100 of taxable property valuation. State law allows the hospital board to call an election on the question of increasing the district's maximum tax rate to 35 cents per \$100 if the board receives a petition signed by at least 15 percent of the district's registered voters.

DIGEST: HB 182 would allow the Sutton County Hospital District to call an election to raise its maximum tax rate from 35 cents to 75 cents per \$100 of valuation.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2001.

SUPPORTERS SAY: The Legislature last raised the hospital district's maximum allowable tax rate in 1995. The district has raised its tax rate only three times since its inception in 1983. However, as health-care costs continue to rise, the district's tax base continues to erode, largely because of the depletion of the area's natural gas reserves. Consequently, the district may reach its statutory tax-rate cap in two or three years. Its current tax rate is insufficient to maintain necessary services. The hospital had to close its nursing home in September 2000. To remain viable, the district must have the flexibility to generate additional revenue in the face of rising costs and falling property

values.

Unless it can submit a substantial rate-cap increase to the local voters, the board conceivably could have to close Hudspeth Memorial Hospital. That loss of health care would create a severe hardship for the residents of Sutton County and the surrounding area.

Local residents are eager to increase revenue to keep the hospital open and reopen the nursing home. Giving them that option would make sense in the face of the health-care crisis and shortage of professionals facing rural Texas.

OPPONENTS
SAY:

Raising the cap to 75 cents would be an increase of more than 100 percent. The board should not be allowed to seek a one-time increase that large.

OTHER
OPPONENTS
SAY:

It would be premature to raise the hospital district's maximum tax rate when the current rate is still well below the cap. The district should try to make the hospital viable under the current cap before seeking a new one.