HOUSE RESEARCH ORGANIZATION bill analysis | 5/2/2001 | HB 2456 Gray, Eiland, et al. (CSHB 2456 by Craddick)

SUBJECT: Sales tax for an indigent health pilot program in Galveston county

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 9 ayes — Oliveira, McCall, Craddick, Hartnett, Bonnen, Y. Davis, Heflin, Keffer, Ramsay

0 nays

2 absent — Hilbert, Ritter

WITNESSES: For — Robert C. Matteson; Ben G. Raimer, Galveston County Task Force on Indigent Health Care

Against — None

On — James LeBas, Comptroller's Office

BACKGROUND: Tax Code, sec. 324.021 prohibits certain counties from imposing a sales and use tax for county health services that would make the combined rate of all sales and use taxes imposed by the county and other political subdivisions exceed two percent at any location in the county. Sec. 324.022 sets the rate of the tax for county health services at one-half percent.

Health and Safety Code, sec. 61.028 lists the primary and preventative health services a county is required to provide under the Indigent Health Care and Treatment Act. These include immunizations, screening services, hospital services, and other inpatient and outpatient services. Secondary and tertiary level services include specialist and hospital care, as defined by the Texas Department of Health.

DIGEST: CSHB 2456 would amend Tax Code, ch. 324, by adding subchapter E to create an indigent health care pilot program. This bill only would apply to counties with a population of more than 200,000 with a public medical school or health science center and no hospital district (currently, only Galveston). Counties that adopted an indigent health pilot program and the accompanying indigent health sales tax under this bill would be exempt from the two-percent limit on local sales and use taxes and the one-half percent limit on the county health services tax.

The pilot program would provide primary and preventative medical services as defined by the Indigent Health Care and Treatment Act, as well as the secondary and tertiary medical services authorized by Medicaid. The program could involve case management services, utilization review, patient outreach, education, and transportation services. County residents with a family income at or below 100 percent of the federal poverty level (FPL) would be eligible to receive all services of the pilot program. County residents with a family income at or below 200 percent of FPL would be eligible to receive primary and preventative services. The county would develop goals and performance measures to evaluate the pilot program.

The creation of the pilot program would depend on the approval of funding by local voters in a county election. The county commissioners could call an election to adopt or abolish a sales and use tax in one-eighth of one percent increments up to a maximum of one percent only if they received a petition with the signatures of at least five percent of the registered voters in the county. This bill would provide specific language for the ballot.

Unless reauthorized, the tax and the pilot program would expire six years after the tax took effect. An election to reauthorize the tax would be held in the same manner as the original election. If the tax were not reauthorized, this bill would prohibit the county from holding another election on this matter for one year. The comptroller would be authorized to delay the scheduled expiration date until the last day of the first calendar quarter after being notified of expiration.

If the state sales tax were raised above the current rate, the indigent health portion of the sales tax would be automatically decreased so that the state tax plus the indigent health tax would not exceed 7.25 percent. The indigent health tax would be suspended for any fiscal year in which the state appropriated $6 million to fund indigent health in the county.

This bill would direct the state auditor to review the pilot program and report to the Legislature. The authorization for the indigent pilot program tax would expire September 1, 2007.

CSHB 2456 would add sec. 26.0435 to the Tax Code to direct the county tax assessor to conduct tax calculations after the sales and use tax election if one had been set for that year. If voters approved the indigent health tax, the assessor would subtract the value of 50 percent of the county's expenditures on indigent health in the last year from the county's effective and rollback ad valorem tax rates. If the election were held after October 1, the assessor would subtract that value from the next year.

This 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:

CSHB 2456 would create a tax only for Galveston County and only if Galveston voters approve it. Only Galveston meets the three criteria set by this bill, so it would be the only county that could consider the tax.

This bill would provide new funding for improved indigent health care. About 35 percent of Galveston's uninsured receive primary health care through community clinics, while only 2 percent have access to secondary or tertiary care. The remainder of the uninsured either go without medical care or visit the emergency rooms at Mainland Medical Center and the University of Texas Medical Branch. These institutions lose millions of dollars each year on unreimbursed indigent health care. The estimated $10 to $14 million that the sales and use tax would raise and the continuum of health care that the pilot program would create would provide a sorely needed service for the indigent citizens of Galveston county.

This bill would capitalize on Galveston's tourist industry, but would be unlikely to affect it. While the hotel and motel tax would not be affected by this bill, because it is a state tax, the city generates sales-tax revenue from tourism in other ways, such as food and shopping. By adding a sales tax, the county could capitalize on tourism by offsetting the property tax, reducing the burden on residents. The sales tax increase would be offset by a property tax decrease. If the sales tax were approved by voters, half of what the county spent on indigent health in the previous year would offset property taxes for that year. This bill would allow Galveston to improve indigent health at a reasonable cost for residents.

OPPONENTS SAY:

CSHB 2456 would pay for indigent health by unfairly taxing those who have the least. A sales tax is a regressive tax that takes a larger percentage of the income of low wage-earners than high wage-earners. Other counties fund indigent health through the creation of a hospital district and impose property taxes. Galveston county should not be authorized to use a sales tax to fund indigent health.

The county also should not be authorized to offset property taxes. This bill would offset property taxes by half of what the county spent in the previous year for indigent health. This would further shift the burden to low wage-earners as Galveston would rely on the sales tax revenue to fund expanded services and to replace half of its prior funding.

The tax authorized by this bill would defeat the purpose of the two-percent cap on local sales taxes. No other local jurisdiction now can exceed the two-percent cap because it ensures that the tax burden across the state is fairly uniform. Local jurisdictions already have some flexibility in generating revenue from a sales tax for property-tax relief, but by exceeding the cap, this bill would set a bad precedent for jurisdictions that want to raise revenue without raising property taxes.

NOTES:

The committee substitute limited county participation to those that meet population, hospital district, and medical school or health center criteria. It also included provisions pertaining to the sales tax, including the maximum and ceiling for combined taxes, while the bill as filed would have exempted counties that created an indigent health pilot program from the tax limits. The committee substitute would suspend the tax in any year where the county received in excess of $6 million from the state for indigent health and included property tax roll backs, a mandatory state auditor review, and an expiration date for the pilot program.