

**SUBJECT:** Allowing hospital district voters to increase ad valorem tax-rate cap

**COMMITTEE:** Local Government Ways and Means — favorable, without amendment

**VOTE:** 7 ayes — Hill, Hegar, Laubenberg, McReynolds, Mowery, Puente,  
Quintanilla

0 nays

**WITNESSES:** For — Douglas Langley, Coleman County Medical Center; Robert A. Pascasio, Chambers County Public Hospital District No. 1; Bob Turner, Coleman Development Co.

Against — None

**BACKGROUND:** Texas Constitution, Art. 9, sec. 9 authorizes the Legislature, by general or special law, to provide for the creation, operation, and dissolution of hospital districts. It authorizes a hospital district to levy taxes at a rate not to exceed \$0.75 per \$100 of taxable property valuation to pay the district's debts and maintenance and operation expenses.

Health and Safety Code, ch. 285 contains special provisions relating to the operations of hospital districts, including districts with their own enabling legislation and those created under general law. Most hospital districts were created by enacting separate legislation establishing the boundaries, powers, and duties of individual districts in a local community. Since 1991, hospital districts have been created under the general-law statute, Health and Safety Code, chapter 286, which governs hospital districts created by voter approval. This statute allows a community's registered voters to use the petition and election process to establish a hospital district. In the election that creates the district, the voters set the limit for the district's ad valorem tax rate.

In 2000, Attorney General John Cornyn issued an opinion (JC-0247) stating that a general-law hospital district governed by Health and Safety Code, chapter 286 could not hold an election to increase its maximum tax rate because the statute contains no provisions authorizing such an election.

**DIGEST:** HB 2073 would authorize the registered voters of a hospital district that is authorized to impose ad valorem taxes to file a petition with the district's governing body requesting an election to authorize an increase in the maximum tax rate.

The petition would have to be signed by at least 100 registered voters in the district or a number equal to 15 percent of the registered voters, whichever was less. The petition would have to state the maximum rate to be voted on, which could not exceed \$0.75 per \$100.

A hearing on the petition could not be set earlier than the tenth day after the governing body issued the order. If the governing body found that the petition was in order and that an increase in the maximum tax rate would benefit the district, it would have to order an election. The election would have to be held between 45 and 60 days after the date the election was ordered. If the majority of voters favored the proposition, the tax rate would be increased to the rate stated on the petition.

The ballot would have to permit voting for or against the proposition: "The increase by the (name of hospital district) of the rate of annual taxes imposed for hospital purposes to a rate not to exceed (amount prescribed by the petition, not to exceed 75 cents) on each \$100 valuation of all taxable property in the district."

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, 2003.

**SUPPORTERS SAY:** No express statutory authority exists whereby a hospital district converted or created under Health and Safety Code, chapter 286 can raise its maximum tax rate when the tax-rate limit set at the election that created the district is less than the maximum rate allowed by the Constitution. HB 2073 would allow the voters of any hospital district, whether created by special or general law, to petition for and vote in an election to increase the maximum tax rate without having to ask the Legislature's permission.

Although the bill would have statewide implications, it particularly would help small, rural counties that are having difficulty maintaining services. The

bill would allow communities flexibility to exercise local control and meet the needs of residents at a level they are willing to support.

The circumstances of a hospital district and the health-care needs of the community may change dramatically over time, and a district may require additional tax revenue to continue providing hospital or emergency medical services or to upgrade an emergency room. Allowing a hospital district's residents to vote on whether or not to raise the tax rate within the statutory cap of 75 cents would preserve the balance of legislative and local control.

While the maximum tax rate for hospitals is 75 cents per \$100, the hospital district board sets the actual rate each year (subject to rollback), but few districts come close to the cap. For example, in 2000, the average tax rate for the 133 hospital districts that collected taxes was about \$0.22 per \$100.

The state is proposing reductions in Medicaid reimbursement, and the federal government is considering reducing Medicare payments. Some counties need additional local revenue to provide health-care services at current levels. Coleman County voters, for example, created the hospital district with a maximum rate of \$0.25 per \$100. The district's tax rate reached that cap this year. Coleman County expects to lose about \$50,000 this year because of Medicare limitations and restrictions on reimbursement. Medicare programs are based on volume, which makes it difficult for small counties to maintain health services because they do not have the volume to generate adequate reimbursement. A local hospital might have to close or severely limit services if it cannot obtain an additional local subsidy. This would seriously harm the community, forcing residents to travel outside the county to obtain hospital care, including emergency care.

**OPPONENTS  
SAY:**

HB 2073 could result in increased property taxes for residents of hospital districts. These are tight fiscal times for everyone in Texas, and local property taxes for all taxing units may have to be raised to make up for decreases in state and federal spending. The mechanism in HB 2073 for raising hospital district tax caps could add to the heavy burden that local taxpayers already bear.