

SUBJECT: Creating a grant to defray costs for a health facility in a rural county

COMMITTEE: County Affairs —favorable, without amendment

VOTE: 5 ayes — Coleman, Marquez, L. Gonzales, Gooden, Jackson
1 nay — Paxton
3 absent — Hamilton, W. Smith, White

WITNESSES: For — Don McBeath, Texas Organization of Rural and Community Hospitals; (*Registered, but did not testify:* Jim Allison, County Judges & Commissioners Association of Texas; Dan Finch, Texas Medical Association; Rick Thompson, Texas Association of Counties)
Against — None
On — Eric Beverly, Texas Department of Rural Affairs

DIGEST: HB 1327 would amend Government Code, sec. 403 to authorize the use of available earnings from the Permanent Fund for Rural Health Facility Capital Improvement to establish a rural safety net hospital infrastructure account. It would allocate grants to aid in the construction of new health facilities in rural areas. The rural safety net hospital infrastructure account would be a dedicated fund that could be appropriated only to the Texas Department of Rural Affairs (TDRA) to allocate funds for a grant program and for related administrative costs. In addition to appropriated funds, the account could receive gifts, grants, donations, and any interest earned.

The bill would authorize TDRA to establish a grant program. Under the program, TDRA could allocate funds to a public or nonprofit hospital located in a rural county, and the funds could be used only to construct new health care facilities. An awarded grant could not exceed 50 percent of the contracted construction costs or \$10 million, whichever amount was less. A grantee would have to provide matching funds in an amount equal to or greater than the grant award. A grant could not be awarded before September 1, 2013.

Eligibility. The department would adopt rules establishing eligibility criteria for the grant program. To be eligible for the grant, a hospital would have to be located in a county or hospital district with a total value of taxable property that was less than \$750 million and would have to be designated a critical access hospital or as a sole community hospital. It would have to provide 24-hour emergency care, and the majority of the total square footage of the facilities would have to be at least 25 years old. The department would compile and maintain a list of qualifying rural hospitals and the age of their facilities.

Priority consideration for funding would be given to hospitals that were located in a county or hospital district with a total taxable value of taxable property of not more than \$250 million. A secondary preference would be created for hospitals with the oldest facilities.

The bill would take effect September 1, 2011.

**SUPPORTERS
SAY:**

HB 1327 would establish a grant program in the Texas Department of Rural Affairs to allocate much-needed funds to aging hospitals. Texas has a number of aging hospitals that are the only point of care for residents, and it is not uncommon for these facilities to have plumbing and electric systems that are up to 50 years old. Even with a strong health care system, some type of safety net needs to be implemented to ensure Texans receive care in modern facilities.

The hospitals that would be eligible for the grant are primarily funded through local property taxes, but are located in counties or hospital districts with a tax base that is too low to generate the revenue to modernize or make improvements. Applicants would have to provide an equal match on any funding, and no grant could exceed \$10 million dollars.

**OPPONENTS
SAY:**

HB 1327 would add another long-term funding obligation for the state. The bill would create an additional dedicated account, which would further restrict and complicate use of the General Revenue Fund. By limiting the amount of general revenue available for general purpose spending, this dedicated account would tie the hands of the Legislature in channeling appropriations toward shifting or evolving priorities.

NOTES: The companion bill, SB 643 by Seliger, was referred to the Senate Agriculture and Rural Affairs Committee on February 23.