

SUBJECT: Taxation related to the creation of the Hidalgo County Healthcare District

COMMITTEE: County Affairs — favorable, without amendment

VOTE: 6 ayes — Coleman, Farias, Burrows, Romero, Spitzer, Wu

0 nays

3 absent — Schubert, Stickland, Tinderholt

WITNESSES: For — Ramiro Garza, City of Edinburg; Bobby Villarreal, Hidalgo County Judge Ramon Garcia; Aaron Barreiro; Staphany Ortega; (*Registered, but did not testify*: Richard Garcia, City of Edinburg; Amber Hausenfluck, City of McAllen; Jim Allison, County Judges and Commissioners Association of Texas; Chuck Girard, Hospital Corporation of America; Donald Lee, Texas Conference of Urban Counties; Jennifer Banda, Texas Hospital Association; and Dan Finch, Texas Medical Association)

Against — None

On — (*Registered, but did not testify*: Martin Baylor, the University of Texas Rio Grande Valley)

BACKGROUND: HB 3793 by Coleman, enacted by the 83rd Legislature in 2013, provided for the development of a voter-approved hospital district in Hidalgo County. Special District Local Laws Code, ch. 1122 currently requires a ballot proposition on the question of creating the Hidalgo County Hospital District to specify that the creation of the district would provide for the imposition of an ad valorem tax at a rate not to exceed 75 cents on each \$100 valuation on all taxable property in the district.

DIGEST: HB 1596 would change the name of the proposed hospital district in Hidalgo County, lower the cap on the taxation rate under the proposed hospital district, specify the composition and role of the district's board of directors, and provide for the transfer of funds from the Commissioners

Court of Hidalgo County to the proposed hospital district.

**Hidalgo County Healthcare District.** The bill would remove references in statute to the Hidalgo County Hospital District and replace them with the Hidalgo County Healthcare District. The bill would specify that the Hidalgo County Healthcare District would be financed as a hospital district.

The bill would specify that the healthcare district would have full responsibility for providing medical and hospital care for the district's indigent residents in addition to its other responsibilities as required under the bill, another applicable statute, and the state constitution.

**Ballot proposition and taxation rate.** The bill would change the wording in statute for a ballot proposition on the question of creating the Hidalgo County Healthcare District to specify that the creation of the district would provide for the imposition of an ad valorem tax at a rate not to exceed 25 cents on each \$100 valuation on all taxable property in the district, rather than 75 cents. The ballot proposition would specify that district funds would be used for district purposes, including:

- improving health care services for residents of Hidalgo County;
- supporting the School of Medicine at the University of Texas Rio Grande Valley;
- training physicians, nurses, and other health care professionals;
- obtaining federal or state funds for health care services; and
- providing community health clinics, primary care services, behavioral and mental health care services, and prevention and wellness programs.

Unless a higher rate of taxation was approved at an election, the tax rate on all taxable property in the district could not exceed 25 cents on each \$100 valuation of property. The healthcare district's board could order an election to increase the district's maximum ad valorem tax rate to a rate greater than the maximum rate of 25 cents per \$100 property valuation.

The board could impose taxes at the rate authorized by a proposition if the majority of voters voted in favor of the proposition in the election. The bill would specify the proposition language for such an election. The bill would not authorize the board to impose taxes at a higher rate than 75 cents per \$100 valuation, the maximum ad valorem tax rate authorized by Tex. Const., Art. 9, sec. 9. The election would not have to be held on certain days as required by Election Code, sec. 41.001(a).

If the board adopted a tax rate that exceeded the rollback tax rate calculated as provided by Tax Code, ch. 26, related to appraisal and assessment, the qualified voters in the district could petition to require that an election be held to determine whether or not to reduce the tax rate adopted by the board for that year to the rollback tax rate. The board would ensure that all healthcare district residents would receive all ad valorem tax exemptions and limitations that the residents are entitled to receive under the Constitution. The bill would require the board to adopt an exemption from ad valorem taxation by the district of a portion of the appraised value of a district resident's residence homestead, as provided by Tax Code, sec. 11.13(d). The amount of the exemption required to be adopted by the board under the bill would be \$3,000 of the appraised value of a district resident's homestead.

The district could not enter into an agreement to participate in reinvestment zone designated by a municipality or a county under Tax Code, ch. 311, the Tax Increment Financing Act.

**Healthcare district board.** The bill also would specify the composition, qualifications, appointment process, and terms of the nine-member, appointed board of directors for the proposed Hidalgo County Healthcare District. An employee of a municipality located in the healthcare district would not be eligible for appointment to the board, and neither would a person who was related within the third degree by blood or affinity to a member of the Commissioners Court of Hidalgo County, a member of the governing body of a municipality located in the district, an employee of Hidalgo County, an employee of a municipality located in the healthcare district, or a district employee. If a board member vacated a position, the

person or governing body that appointed the vacating board member would appoint a new person to fill that position.

The board would manage, control, and administer the healthcare district. The board would determine the type, number, and location of buildings required to maintain an adequate healthcare district and the type of equipment necessary to provide medical care in the district. The board could adopt rules governing the operation of the district and any district hospital, in addition to other rule-adoption allowed in current statute. The board also could acquire property, facilities, and equipment for use by the district.

The bill would require the board and the district administrator to jointly prepare a proposed annual budget for the district. The budget would be effective only after it was adopted by the board and approved by the Hidalgo County Commissioners Court. A proposed amendment to the budget could be adopted only if it was adopted by the board and approved by the Hidalgo County Commissioners Court.

The bill would allow the board to issue and sell general obligation bonds to equip buildings or improvements for district purposes. The board could issue revenue bonds for district purposes rather than for hospital or hospital system purposes.

**Transfer of funds.** On the creation of the Hidalgo County Healthcare District, or as soon as practicable after the district was created, the Commissioners Court of Hidalgo County would transfer to the district all operating funds and any funds held in reserve for operating expenses that had been budgeted by the county to pay the costs associated with administering a county program to provide to residents of the district indigent care assistance during the fiscal year in which the district was created.

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, 2015.

**SUPPORTERS  
SAY:**

HB 1596 is a local bill to amend statute to provide protection to local taxpayers if a tax district was created in the future with voter approval. The bill is necessary to allow Hidalgo County to cover health care needs for the insured and uninsured residents of the county and to reduce the burden on taxpayers.

Last session, HB 3793 by Coleman was enacted to allow for a voter-approved hospital district. HB 1596 would add safeguards to the existing statute to ensure protections for property taxpayers. Creating a healthcare district through this bill would allow Hidalgo County to improve its indigent care program and reduce the local tax burden by accessing federal funds for healthcare through the sec. 1115 federal Medicaid waiver, which the county would not be able to do without the creation of a hospital district. If a hospital district does not exist in Hidalgo County, taxpayers would have to pay for healthcare needs that otherwise would be funded through federal funds.

In other parts of the state, a healthcare district has proven crucial to the growth of a medical school. The bill would change the name of the proposed district to the Hidalgo County Healthcare District from the Hidalgo County Hospital District to reflect that, if approved by voters, the district would encourage the growth of the Rio Grande Valley's newly authorized medical school. Making clear that the district was health care focused, not just hospital focused, would reflect the fact that the healthcare district, along with the medical school, would create thousands of new jobs, attract health-related business to the valley, and bring much-needed healthcare providers to an underserved area.

Current law provides a tax rate cap of 75 cents per \$100 property valuation. HB 1596 would reduce this cap to 25 cents in statute as well as in the proposed ballot proposition language regarding the creation of the healthcare district, further protecting taxpayers. The bill also would protect taxpayers by requiring any tax proposal from the district's board to be approved by the elected county commissioners, ensuring proper oversight and allowing veto power over a budget proposed by a healthcare

district's board. The bill would require the healthcare district to provide for all the proper tax exemptions for a residence homestead of a fully disabled veteran or the disabled veteran's surviving spouse.

The board of directors for the Hidalgo County Healthcare District would be appointed by the Hidalgo County Commissioners Court and the governing entities of the municipalities in the healthcare district, who are elected and also would be accountable to the public for their appointments.

**OPPONENTS  
SAY:**

HB 1596 would create a board of directors for the proposed Hidalgo County Healthcare District that would be appointed, rather than elected, and would have the power to tax property owners. The unelected board would not be sufficiently accountable to taxpayers and could be overly open to influence from outside funders.