

## LEGISLATIVE BUDGET BOARD

Austin, Texas

### FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

March 28, 2003

**TO:** Honorable Fred Hill, Chair, House Committee on Local Government Ways and Means

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: HB918** by Eiland (Relating to the authority of certain counties to implement a pilot program to provide certain indigent health care services and to the funding of the program.),  
**Committee Report 1st House, As Amended**

**No significant fiscal implication to the State is anticipated.**

The bill would add a new section to Chapter 324, the County Health Services Sales and Use Tax Code, to implement an indigent health care pilot program for certain counties. The bill would allow a county to implement an indigent health care program if the county had a population of more than 190,000 and contained a public medical school or health science center but no hospital district.

A county could fund the program either by imposing a sales and use tax or by state appropriation. The sales and use tax imposed by the county would be in the increments of one-eighth of one percent, with a minimum tax rate of one-eighth of one percent and maximum rate of one percent. Revenue from the tax authorized by the bill only could be used for the pilot program.

The bill would allow a county to adopt the tax at a rate, up to one percent, that, when combined with other local sales tax rates, exceeded the statutory two percent cap on combined local tax rates.

If the Legislature increased the state sales tax rate above the current 6.25 percent rate, the tax rate for the pilot program would automatically decrease to the highest rate that would not result in a tax rate of more than 7.25 percent when the tax authorized by this bill was combined with the new state tax rate. If the state appropriated \$6 million or more during any fiscal year to the program, the county would have to suspend collection of the tax for the program and to notify the Comptroller's Office. The State Auditor would review the pilot program and report the findings to the Legislature.

The tax and the pilot program would expire on the sixth anniversary of the date the tax originally took effect, unless the imposition of the sales and use tax was reauthorized.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2003.

The bill would have no impact on the Texas Department of Health because of the cap on the County Indigent Health Care fund. Any additional costs associated with funding a pilot program in any eligible county under the addition of Subchapter E to the Tax Code (Chapter 324, County Health Services and Use Tax) would be absorbed by the county.

#### **Local Government Impact**

Only five counties would be eligible under the provisions of the bill. These counties are Bell County, Cameron County, Hidalgo County, Galveston County, and Webb County. Currently, only Bell and Webb Counties have a county sales and use tax. If, for example, Webb County were to implement an indigent health care program under the provisions of the bill and approved and imposed a sales and use tax at the maximum allowable rate of one percent, the sales and use tax revenue to Webb

County in the first full fiscal year of implementation would be approximately \$18 million.

**Source Agencies:** 304 Comptroller of Public Accounts, 501 Department of Health

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