

BILL ANALYSIS

Senate Research Center

H.B. 1596
By: Guerra et al. (Hinojosa)
Intergovernmental Relations
5/8/2015
Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

H.B. 1596 is a local bill that will allow for the creation of a Hidalgo County Healthcare District. This is critical for our families in the Rio Grande Valley to provide resources to support a medical school, to cover our community's healthcare needs for both the insured and uninsured, and to decrease the tax burden on our county taxpayers.

The Rio Grande Valley has some of the highest rates of uninsured individuals and among the worst health care outcomes in the nation. In Hidalgo County, almost 40 percent of residents are uninsured, compared to 24 percent in Texas.

H.B. 1596 will allow Hidalgo County to improve our indigent care program as well as leverage federal funds through the 1115 Waiver. This will go a long way in helping to grow the medical school and extend medical services, including mental and behavioral health, for all residents and stabilize our property taxes.

Last session I passed enabling legislation to create Hidalgo County Hospital District. However, in response to feedback received from Hidalgo County voters, elected officials, and community leaders about the hospital district, we worked together to draft H.B. 1596, which puts safeguards in place to ensure the most protections for taxpayers.

The name was changed to "Hidalgo County Healthcare District" to allow for a more comprehensive approach to the system we hope to implement with voter approval. The key changes to the healthcare district legislation:

- The tax rate is now capped at 25 cents per \$100 valuation instead of 75 cents.
- The budget and tax rate must be approved by the Hidalgo County Commissioners Court to ensure proper oversight and control.
- If a Hidalgo Healthcare District is created in the future with voter approval this legislation will require the county to reduce its tax rate accordingly, because the county will no longer be responsible for indigent care services. This will decrease the tax burden on our county taxpayers.
- The board composition was changed to add an additional member.

If the Hidalgo County Commissioners call an election, and the voters choose to create the district, then there are safeguards in place to protect both the county and our local taxpayers.

H.B. 1596 is an investment that will bring much needed dollars into our local economy, support our medical school, produce an educated and healthy workforce, and a healthier Hidalgo County for all of our families and children.

H.B. 1596 amends current law relating to the Hidalgo County Healthcare District, and decreases the possible maximum rate of a tax.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends the heading to Chapter 1122, Special District Local Laws Code, to read as follows:

CHAPTER 1122. HIDALGO COUNTY HEALTHCARE DISTRICT

SECTION 2. Amends Section 1122.001(3), Special District Local Laws Code, to redefine "district."

SECTION 3. Amends Section 1122.002, Special District Local Laws Code, as follows:

Sec. 1122.002. DISTRICT AUTHORIZATION. Authorizes the Hidalgo County Healthcare, rather than Hospital, District (district) to be created and, if created, operate and be financed as a hospital district as provided by Section 9 (Hospital Districts; Creation, Operation, Powers, Duties and Dissolution), Article IX, Texas Constitution, and by this chapter.

SECTION 4. Amends Sections 1122.021(b), (f), and (g), Special District Local Laws Code, as follows:

(b) Requires the Hidalgo County Commissioners Court to order an election for the registered voters of Hidalgo County on the question of creation of the district if the commissioners court receives a petition requesting an election that is signed by at least 50 registered voters who are residents of Hidalgo County. Makes a conforming change.

(f) Requires that the ballot for an election under this section be printed to permit voting for or against the proposition and sets forth the required language for the ballot.

(g) Makes a conforming change.

SECTION 5. Amends Section 1122.051, Special District Local Laws Code, as follows:

Sec. 1122.051. DIRECTORS; TERM. (a) Requires the district, if the creation of the district is approved at the election held under Section 1122.021, to be governed by a board of 10 directors, rather than a nine-member board, appointed as follows:

(1) the county judge of Hidalgo County shall appoint one director;

(2) each county commissioner serving on the Hidalgo County Commissioners Court shall appoint one director;

(3) the governing bodies of the most populous municipality in Hidalgo County shall appoint two directors; and

(4) the governing bodies of the second, third, and fourth most populous municipalities in Hidalgo County shall each appoint one director.

Deletes existing text relating to the appointment of directors as follows: the Hidalgo County Commissioners Court shall appoint four directors, the governing body of the municipality with the largest population in Hidalgo County shall appoint two directors, the governing body of the municipality with the second largest population in Hidalgo County shall appoint one director, the governing body of a municipality with the third largest population in Hidalgo County shall appoint one director, and the

governing body of a municipality with the fourth largest population in Hidalgo County shall appoint one director.

Makes nonsubstantive changes.

(b) Provides that directors serve staggered three-year, rather than four-year terms, with three or four directors' terms expiring each year. Requires the initial directors appointed under this section to draw lots as follows to determine:

(1) for the directors appointed by the governing bodies of the municipalities in Hidalgo County described by Subsection (a), which two directors serves a one-year term, which two directors serve a two-year term, and which director serves a three-year term;

(2) for the directors appointed by the Hidalgo County Commissioners Court, including the director appointed by the county judge of Hidalgo County, which two directors serve a one-year term, which director serves a two-year term, and which two directors serve a three-year term; and

Deletes existing text providing that the terms of the initial directors are as follows: the directors appointed by the governing bodies of the municipalities in Hidalgo County described by Subsection (a) shall draw lots to determine which two directors serve a one-year term, which director serves a two-year term, which director serves a three-year term, and which director serves a four-year term, and the directors appointed by the Hidalgo County Commissioners Court shall draw lots to determine which director serves a one-year term, which director serves a two-year term, which director serves a three-year term, and which director serves a four-year term.

Makes nonsubstantive changes.

(c) Requires successor directors, on expiration of the initial directors' terms, to be appointed for a three-year term by the person or governing body that appointed the initial director.

(d) Creates this subsection from existing text. Prohibits a director from serving more than three consecutive three-year terms, rather than prohibits a director from serving more than two consecutive four-year terms.

SECTION 6. Amends Section 1122.052, Special District Local Laws Code, as follows:

Sec. 1122.052. QUALIFICATIONS. Requires the Hidalgo County Commissioners Court to by order provide for the qualifications of appointees to the board. Requires that the qualifications provide that a person is not eligible for appointment to the board if the person is:

(1) Makes no change to this subdivision;

(2) an employee of a municipality located in the district;

(3) redesignates existing Subdivision (2) as Subdivision (3) and makes no further changes to this subdivision;

(4) related within the third degree of consanguinity or affinity, as determined under Subchapter B (Relationships by Consanguinity or by Affinity), Chapter 573 (Degrees of Relationship; Nepotism Prohibitions), Government Code, to a member of the Commissioners Court of Hidalgo County, to a member of the governing body of a municipality located in the district, or to a person described

by Subdivision (1), (2), or (3), rather than a member of the commissioners court or to a person described in Subdivision (1) or (2).

SECTION 7. Amends Sections 1122.056 and 112.057, Special District Local Laws Code, as follows:

Sec. 1122.056. BOARD VACANCY. Requires that a vacancy in the office of director be filled for the remainder of the unexpired term by appointment by the person or governing body that appointed the vacating director, rather than requires the remaining directors, if a vacancy occurs in the office of directors, to appoint a director for the remainder of the unexpired term.

Sec. 1122.057. VOTING REQUIREMENT. Authorizes the county judge of Hidalgo County, in the event of a tie vote among the directors, to cast the deciding vote.

SECTION 8. Amends Sections 1122.101, 1122.102, 1122.103, and 1122.106, Special District Local Laws Code, as follows:

Sec. 1122.101. DISTRICT RESPONSIBILITY. Provides that the district has full responsibility for operating hospital facilities and providing medical and hospital care for the district's indigent, rather than needy, residents as required under this chapter, another applicable statute, and the constitution of this state.

Sec. 1122.102. MANAGEMENT, CONTROL, AND ADMINISTRATION. Requires the board to manage, control, and administer the district, rather than the hospital system, and the money and resources of the district.

Sec. 1122.103. RULES. Authorizes the board to adopt rules governing:

- (1) the operation of the district and any district hospital, rather than the hospital and hospital system; and
- (2) the duties, functions, and responsibilities of district staff and employees.

Sec. 1122.106. DISTRICT PROPERTY, FACILITIES, AND EQUIPMENT. (a) Requires the board to determine:

- (1) the type, number, and location of buildings required to maintain an adequate health care district, rather than hospital system; and
- (2) the type of equipment necessary to provide medical care in the district, rather than the type of equipment necessary for hospital care.

(b) Authorizes the board to:

- (1) acquire property, facilities, and equipment for use by the district, rather than equipment for the district in the hospital system;
- (2)-(4) Makes no change to these subdivisions.

SECTION 9. Amends Section 1122.151(a), Special District Local Laws Code, by requiring the board and the district administrator to jointly prepare a proposed annual budget for the district.

SECTION 10. Amends Sections 1122.152(d) and (e), Special District Local Laws Code, as follows:

(d) Requires the board to adopt a budget by acting on the proposed budget, rather than the budget proposed by the district administrator, at the conclusion of the hearing. Authorizes the board to make a change in the proposed budget that the board determines to be in the interests of the taxpayers.

(e) Provides that the budget is effective only after:

(1) adoption by the board; and

(2) approval by the Hidalgo County Commissioners Court.

SECTION 11. Amends Section 1122.153, Special District Local Laws Code, as follows:

Sec. 1122.153. AMENDMENT OF BUDGET. Authorizes the budget, after adoption, to be amended if the proposed amendment is adopted by the board and approved by the Hidalgo County Commissioners Court, rather than authorizes the budget to be amended on the board's approval.

SECTION 12. Amends Section 1122.201, Special District Local Laws Code, as follows:

Sec. 1122.201. GENERAL OBLIGATION BONDS. Authorizes the board, if authorized by election, to issue and sell general obligation bonds in the name and on the faith and credit of the district to equip buildings or improvements for district, rather than hospital, purposes, among other authorized uses for the bonds.

SECTION 13. Amends Sections 1122.204(a) and (b), Special District Local Laws Code, as follows:

(a) Changes references to hospital to district.

(b) Changes a reference to the district's hospital system to the district.

SECTION 14. Amends Section 1122.251(a), Special District Local Laws Code, by requiring the board to impose a tax on all property in the district subject to taxation by the district, rather than subject to hospital district taxation.

SECTION 15. Amends the heading to Section 1122.252, Special District Local Laws Code, to read as follows:

Sec. 1122.252. LIMITATION ON TAX RATE.

SECTION 16. Amends Section 1122.252(a), Special District Local Laws Code, as follows:

(a) Prohibits the tax rate on all taxable property in the district for all purposes from exceeding 25, rather than 75, cents on each \$100 valuation of the property according to the most recent certified tax appraisal roll of the district, unless a higher rate is approved at an election held as provided by Section 1122.2521. Makes a nonsubstantive change.

SECTION 17. Amends Subchapter F, Chapter 1122, Special District Local Laws Code, by adding Sections 1122.2521, 1122.2522, 1122.2523, 1122.2524, and 1122.2525, as follows:

Sec. 1122.2521. ELECTION REQUIRED TO INCREASE TAX RATE. (a) Authorizes the board to order an election to increase the district's maximum ad valorem tax rate to a rate greater than the maximum rate provided by Section 1122.252.

(b) Requires that the ballot for an election held under this section be printed to permit voting for or against the proposition and sets forth the required language for the ballot.

(c) Authorizes the board to impose taxes at the rate authorized by the proposition if a majority of voters voting at an election held under this section favor the proposition.

(d) Provides that this section does not authorize the board to impose taxes at a rate that exceeds the maximum ad valorem tax rate authorized by Section 9, Article IX, Texas Constitution.

(e) Provides that Section 41.001(a) (relating to general or special election dates), Election Code, does not apply to an election ordered under this section.

Sec. 1122.2522. ROLLBACK TAX RATE PROVISIONS APPLICABLE. (a) Authorizes the qualified voters of the district by petition, if in any year the board adopts a tax rate that exceeds the rollback tax rate calculated as provided by Chapter 26 (Assessment), Tax Code, 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.

(b) Provides that to the extent a conflict exists between this section and a provision of the Tax Code, the provision of the Tax Code prevails.

Sec. 1122.2523. RESIDENCE HOMESTEAD TAX PROVISIONS APPLICABLE. (a) Requires the board to ensure that all district residents receive all ad valorem tax exemptions and limitations that the residents are entitled to receive under the constitution and the Tax Code, including the exemption of the total appraised value of the residence homestead of a fully disabled veteran or the disabled veteran's surviving spouse required by Section 11.131 (Residence Homestead of 100 Percent or Totally Disabled Veteran), Tax Code.

(b) Requires 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 Section 11.13(d) (relating to the tax exemptions for disabled individuals), Tax Code. Provides that, unless the board specifies a larger amount as provided by Section 11.13(e) (relating to the amount of tax exemption provided), Tax Code, the amount of the exemption required to be adopted by the board under this subsection is \$3,000 of the appraised value of a district resident's residence homestead. Provides that Section 11.13(f) (relating to increasing or decreasing of the amount of the exemption), Tax Code, applies to an exemption adopted by the board under this subsection.

Sec. 1122.2524. PROHIBITION ON PARTICIPATION IN TAX INCREMENT FUND. Prohibits the district from entering into an agreement to participate in a reinvestment zone designated by a municipality or a county under Chapter 311 (Tax Increment Financing Act), Tax Code.

Sec. 1122.2525. REDUCTION IN AD VALOREM TAX RATE BY COUNTY. Requires the Hidalgo County Commissioners Court, in determining the county ad valorem tax rate for the first year in which the district imposes ad valorem taxes on property in the district, to:

(1) take into account the decrease in the amount the county will spend for health care purposes in that year because the district is providing health care services previously provided or paid for by the county; and

(2) reduce the county's ad valorem tax rate in accordance with the decreased amount of required spending described by Subdivision (1).

SECTION 18. Amends Section 1122.303, Special District Local Laws Code, to set forth required language to be on a ballot relating to the dissolution of the Hidalgo County Healthcare District, rather than the Hidalgo County Hospital District.

SECTION 19. Requires the Commissioners Court of Hidalgo County, on the creation of the Hidalgo County Healthcare District, or as soon as practicable after the district is created, to transfer to the district all operating funds, and any funds held in reserve for operating expenses, that have been budgeted by the county to pay the costs associated with administering a county

program to provide to residents of the district indigent health care assistance under Chapter 61 (Indigent Health Care and Treatment Act), Health and Safety Code, during the fiscal year in which the district is created.

SECTION 20. Severability clause.

SECTION 21. Effective date: upon passage or September 1, 2015.