

- SUBJECT:** Indigent health-care pilot program funded by local sales tax
- COMMITTEE:** Local Government Ways and Means — favorable, with amendment
- VOTE:** 6 ayes — Hegar, Hill, Laubenberg, McReynolds, Mowery, Quintanilla
0 nays
1 absent — Puente
- WITNESSES:** For — Donald Lee, Texas Conference of Urban Counties; Ben Raimer, M.D., Galveston Community Access Coalition
Against — None
On — Bob Bearden, Comptroller’s Office; Fouad Berrahou, Texas Department of Health; Caton Fenz, Harris County Commissioners Court
- BACKGROUND:** Tax Code, sec. 324.021 prohibits a county from imposing a sales and use tax for county health services that would make the combined rate of all sales and use taxes imposed by the county and other political subdivisions within the county exceed 2 percent at any location in the county. Sec. 324.022 sets the rate of the tax for county health services at one-half percent.
Health and Safety Code, sec. 61.028 lists the primary and preventative health services a county must provide under the Indigent Health Care and Treatment Act. These include immunizations, screening services, hospital services, and other inpatient and outpatient services. Secondary and tertiary level services include specialist and hospital care, as defined by the Texas Department of Health.
- DIGEST:** HB 918, as amended, would allow the creation of an indigent health-care pilot program in a county with a population of more than 190,000 that had a public medical school or health science center but no hospital district. A county that adopted the pilot program and the accompanying indigent health sales tax would be exempt from the 2 percent limit on local sales and use taxes and the one-half percent limit on the county health services tax.

The pilot program would have to provide primary and preventative medical services as defined by the Indigent Health Care and Treatment Act, as well as the secondary and tertiary medical services authorized by Medicaid. The program could involve case management services, utilization review, patient outreach, education, and transportation services. County residents with a family income at or below 100 percent of the federal poverty level (FPL) would be eligible to receive all services of the pilot program. County residents with a family income at or below 200 percent of FPL would be eligible to receive primary and preventative services. The county would have to develop goals and performance measures to evaluate the pilot program.

Creation of the pilot program would depend on approval of funding by local voters in a county election. The county commissioners court could call an election to adopt or abolish a sales and use tax in increments of one-eighth of 1 percent, up to a maximum of 1 percent, only if they received a petition with the signatures of at least 5 percent of the county's registered voters. The bill would prescribe specific language for the ballot.

Unless reauthorized, the tax and the pilot program would expire six years after the tax took effect. An election to reauthorize the tax would have to be held in the same manner as the original election. If the tax were not reauthorized, the county could not hold another election on this issue for at least one year. The comptroller could delay the scheduled expiration of the tax until the last day of the first calendar quarter after being notified of expiration.

If the state sales tax were raised above the current rate, the indigent health portion of the sales tax would be decreased automatically so that the state tax plus the indigent health tax would not exceed 7.25 percent. The indigent health tax would have to be suspended for any fiscal year in which the state appropriated at least \$6 million to fund indigent health in the county.

The state auditor would have to review the pilot program and report to the Legislature. Authorization for the indigent pilot program tax would expire September 1, 2009.

CSHB 2456 would direct the county tax assessor to conduct tax calculations after the sales and use tax election if one had been set for that year. If voters approved the indigent health tax, the assessor would have to subtract the value

of 50 percent of the county's expenditures on indigent health in the previous year from the county's effective and rollback ad valorem tax rates. If the election were held after October 1, the assessor would have to subtract that value from the next tax year.

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:**

HB 918, as amended, would allow an indigent health tax in certain counties — Galveston, Bell, Cameron, Hidalgo, and Webb — only if local voters approved the tax. Currently, only these five counties meet the bill's criteria, so only they could consider the tax. This bill is very similar to HB 2456 by Gray in the 77th Legislature, which passed the House late in the 2001 session but died in the Senate. While that bill focused on Galveston County, the brackets used to identify Galveston also would allow Bell, Cameron, Hidalgo, and Webb counties to participate.

HB 918 would provide new funding for improved indigent health care. About 35 percent of Galveston's uninsured residents receive primary health care through community clinics, and the rest either go without medical care or visit emergency rooms at Mainland Medical Center and the University of Texas Medical Branch. These institutions lose millions of dollars each year on unreimbursed indigent health care. Other counties are in the same situation or worse. Cameron, Hidalgo, and Webb counties, in the Texas-Mexico border region, have very high rates of uncompensated care. The funding that the sales and use tax would raise and the continuum of health care that the pilot program would create would provide a sorely needed service for indigent citizens of those counties.

Counties with a thriving tourism industry could capitalize on it. While this bill would not affect the state hotel and motel tax, counties generate sales-tax revenue from tourism in other ways, such as through food sales and shopping. A county that added an indigent health sales tax could capitalize on tourism by reducing the property tax burden on local residents. If voters approved the new sales tax, half of what the county spent on indigent health in the previous year would offset property taxes for that year. This bill would allow counties to improve indigent health at a reasonable cost for residents.

**OPPONENTS
SAY:**

HB 918 would pay for indigent health by unfairly taxing those who can afford it the least. A sales tax is a regressive tax that takes a larger percentage of the income of low-income consumers than of higher-income consumers. Other counties fund indigent health by creating hospital districts and imposing property taxes. These five counties should not be authorized to use a sales tax to fund indigent health. The bill would allow them to offset property taxes by half of what the county spent in the previous year for indigent health. This would shift more of the burden to low-income consumers as counties would rely on the sales-tax revenue to fund expanded services and to replace half of their prior funding.

The tax authorized by this bill would defeat the purpose of the 2 percent cap on local sales taxes. No other local jurisdiction can exceed the 2 percent cap, which ensures that the tax burden across the state remains fairly uniform. Local jurisdictions already have some flexibility in generating revenue from a sales tax for property-tax relief. By allowing these counties to exceed the cap, HB 918 would set a bad precedent for jurisdictions that want to raise revenue without raising property taxes.

NOTES:

The committee amended the filed version of HB 918 by changing the county's population bracket from "more than 200,000" to "more than 190,000."