Be it enacted by the Legislature of the State of Texas:

SECTION 1. The heading to Chapter 288, Health and Safety Code, is amended to read as follows:

CHAPTER 288. HEALTH CARE FUNDING DISTRICTS IN CERTAIN COUNTIES LOCATED ON TEXAS-MEXICO BORDER [THAT ARE ADJACENT TO COUNTIES WITH POPULATION OF 50,000 OR MORE]

SECTION 2. Subdivisions (2) and (3), Section 288.001, Health and Safety Code, are amended to read as follows:

(2) “District” means a county health care funding district created under this chapter.

(3) “Paying hospital” means an institutional health care provider required to make a mandatory payment under this chapter.

SECTION 3. Section 288.002, Health and Safety Code, is amended to read as follows:

Sec. 288.002. CREATION OF DISTRICT. A district may be created by order of the commissioners court of each county located on the Texas-Mexico border that has a population of:

(1) 500,000 or more and is adjacent to two or more counties each of which has a population of 50,000 or more;

(2) 350,000 or more and is adjacent to a county described by Subdivision (1); or

(3) less than 300,000 and contains one or more municipalities with a population of 200,000 or more.

SECTION 4. Subchapter A, Chapter 288, Health and Safety Code, is amended by adding Sections 288.0031 and 288.0032 to read as follows:

Sec. 288.0031. DISSOLUTION. A district created under this chapter may be dissolved in the manner provided for the dissolution of a hospital district under Subchapter E, Chapter 286.

Sec. 288.0032. EXPIRATION OF CHAPTER; DISTRIBUTION OF FUNDS ON EXPIRATION. (a) A district created under this chapter is abolished and this chapter expires on December 31, 2016.

(b) The commissioners court of a county in which a district is created shall refund to each paying hospital the proportionate share of any money remaining in the local provider participation fund created by the district under Section 288.155 at the time the district is abolished.

SECTION 5. The heading to Section 288.051, Health and Safety Code, is amended to read as follows:
Sec. 288.051. COMMISSION; DISTRICT GOVERNANCE [APPOINTMENT].

SECTION 6. Section 288.051, Health and Safety Code, is amended by amending Subsection (a) and adding Subsections (c) and (d) to read as follows:

(a) Each district created under Section 288.002 is governed by a commission consisting of the commissioners court of the county in which the district is created [of five members appointed as provided by this section].

(c) Service on the commission by a county commissioner or county judge is an additional duty of that person's office.

(d) A district is a component of county government and is not a separate political subdivision of this state.

SECTION 7. Section 288.101, Health and Safety Code, is amended to read as follows:

Sec. 288.101. LIMITATION ON [TAXING] AUTHORITY TO REQUIRE MANDATORY PAYMENT. Each district may require a mandatory payment [impose taxes] only in the manner provided by this chapter.

SECTION 8. Section 288.102, Health and Safety Code, is amended to read as follows:

Sec. 288.102. MAJORITY VOTE REQUIRED. (a) A district may not require [impose] any mandatory payment [tax] authorized by this chapter, spend any money, including for the administrative expenses of the district, or conduct any other business of the commission without an affirmative vote of a majority of the members of the commission.

(b) Before requiring a mandatory payment [imposing a tax] under this chapter in any one year, the commission must obtain the affirmative vote required by Subsection (a).

SECTION 9. Subsection (a), Section 288.104, Health and Safety Code, is amended to read as follows:

(a) The commission may adopt rules governing the operation of the district, including rules relating to the administration of a mandatory payment [tax] authorized by this chapter.

SECTION 10. Section 288.151, Health and Safety Code, is amended to read as follows:

Sec. 288.151. HEARING [BUDGET]. (a) Each year, the commission of a district shall hold a public hearing on [prepare a budget for the following fiscal year that includes:

(1) proposed expenditures and disbursements;

(2) estimated receipts and collections; and

(3) the amounts of any mandatory payments [taxes] that the commission intends to require [impose] during the year and how the revenue derived from those payments is to be spent.

(b) [The commission shall hold a public hearing on the proposed budget.] Not later than the 10th day before the date of the hearing, the commission shall publish at least once notice of the hearing in a newspaper of general circulation in the county in which the district is located.

(c) A representative of a paying hospital [Any district taxpayer] is entitled to appear at the time and place designated in the public notice and to be heard regarding any matter related to the mandatory payments required by the district under this chapter [item shown in the proposed budget].

SECTION 11. Subsection (b), Section 288.154, Health and Safety Code, is amended to read as follows:

(b) All income received by a district, including the revenue from mandatory payments remaining after deducting discounts and fees for assessing and collecting the payments are deducted [taxes], shall be deposited with the district depository as provided by Section 288.203 and may be withdrawn only as provided by this chapter.

SECTION 12. Subchapter D, Chapter 288, Health and Safety Code, is amended by adding Sections 288.155 and 288.156 to read as follows:

Sec. 288.155. LOCAL PROVIDER PARTICIPATION FUND; AUTHORIZED USES OF MONEY. (a) Each district shall create a local provider participation fund.

(b) The local provider participation fund consists of:
(1) all revenue from the mandatory payment required by this chapter, including any
penalties and interest attributable to delinquent payments;

(2) money received from the Health and Human Services Commission as a refund of an
intergovernmental transfer from the district to the state for the purpose of providing the
nonfederal share of Medicaid supplemental payment program payments, provided that the
intergovernmental transfer does not receive a federal matching payment; and

(3) the earnings of the fund.

(c) Money deposited to the local provider participation fund may be used only to:

(1) fund intergovernmental transfers from the district to the state to provide the
nonfederal share of a Medicaid supplemental payment program authorized under the state
Medicaid plan, the Texas Healthcare Transformation and Quality Improvement Program
waiver issued under Section 1115 of the federal Social Security Act (42 U.S.C. Section
1315), or a successor waiver program authorizing similar Medicaid supplemental pay-
ment programs;

(2) subsidize indigent programs;

(3) pay the administrative expenses of the district;

(4) refund a portion of a mandatory payment collected in error from a paying hospital;
and

(5) refund to paying hospitals the proportionate share of the money received by the
district from the Health and Human Services Commission that is not used to fund the
nonfederal share of Medicaid supplemental payment program payments.

(d) Money in the local provider participation fund may not be commingled with other
county funds.

(e) An intergovernmental transfer of funds described by Subsection (c)(1) and any funds
received by the district as a result of an intergovernmental transfer described by that
subdivision may not be used by the district, the county in which the district is located, or
any other entity to expand Medicaid eligibility under the Patient Protection and Affordable
Care Act (Pub. L. No. 111-148) as amended by the Health Care and Education Reconcilia-

Sec. 288.156. ALLOCATION OF CERTAIN FUNDS. Not later than the 15th day after
the date the district receives a payment described by Section 288.155(c)(5), the district shall
transfer to each paying hospital an amount equal to the proportionate share of those funds to
which the hospital is entitled.

SECTION 13. The heading to Subchapter E, Chapter 288, Health and Safety Code, is
amended to read as follows:

SUBCHAPTER E. MANDATORY PAYMENTS [TAXES]

SECTION 14. Section 288.201, Health and Safety Code, is amended to read as follows:

Sec. 288.201. MANDATORY PAYMENT BASED [TAX] ON [OUTPATIENT HOSPITAL NET PATIENT REVENUE]. (a) Except as provided by Subsection (e), the [Tax] commission of a district may require [impose] an annual mandatory payment [tax] to be assessed quarterly on the net patient revenue of [all outpatient hospital visits to] an institutional health care provider located in the district. In the first year in which the mandatory payment [tax] is required [imposed], the mandatory payment [tax] is assessed on the net patient revenue [total number of outpatient hospital visits] of an institutional health care provider determined by the data reported to the Department of State Health Services under Sections 311.032 and 311.033 in the fiscal year ending in 2010 [2003]. The district shall update the amount of the mandatory payment [this tax basis with the number of outpatient hospital visits reported] on a biennial basis.

(b) The amount of a mandatory payment required under this chapter must be uniformly proportionate with the amount of net patient revenue generated by each paying hospital in the district. [A tax imposed under this section must be imposed uniformly on each institutional health care provider of outpatient hospital services located in the district.] A
mandatory payment required [tax imposed] under this section [also] may not hold harmless any institutional health care provider [of outpatient hospital services], as required under 42 U.S.C. Section 1396b(w).

(c) The commission of a district shall set the amount [rate] of the mandatory payment required [tax imposed] under this section. The amount of the mandatory payment required of each paying hospital [rate] may not exceed an amount that, when added to the amount of the mandatory payments required from all other paying hospitals in the district, equals an amount of revenue that exceeds six percent of the aggregate net patient revenue of all paying hospitals in the district ($100 for each outpatient hospital visit).

(d) Subject to the maximum amount [tax rate] prescribed by Subsection (c), the commission shall set the mandatory payments in amounts [rate of the tax at a rate] that in the aggregate will generate sufficient revenue to cover the administrative expenses of the district, to fund the nonfederal share of a Medicaid supplemental payment program, and to pay for indigent programs, except that the amount of [tax] revenue from mandatory payments used for administrative expenses of the district in a year may not exceed the lesser of four percent of the total revenue generated from the mandatory payment [tax] or $20,000.

(e) An institutional health care provider may not add a mandatory payment required [tax imposed] under this section as a surcharge to a patient.

SECTION 15. Section 288.202, Health and Safety Code, is amended to read as follows:

Sec. 288.202. ASSESSMENT AND COLLECTION OF MANDATORY PAYMENTS [TAXES]. (a) Except as provided by Subsection (b), the county tax assessor-collector shall collect a mandatory payment required [tax imposed] under this subchapter [unless] the commission employs a tax assessor and collector for the district. The county tax assessor-collector shall charge and deduct from mandatory payments [taxes] collected for the district a fee for collecting the mandatory payment [tax] in an amount determined by the commission, not to exceed the county tax assessor-collector's usual and customary charges for the collection of similar taxes.

(b) If determined by the commission to be appropriate, the commission may contract for the assessment and collection of mandatory payments [taxes] in the manner provided by Title 1, Tax Code, for the assessment and collection of ad valorem taxes.

(c) Revenue from a fee charged by a county tax assessor-collector for collecting the mandatory payment [tax] shall be deposited in the county general fund and, if appropriate, shall be reported as fees of the county tax assessor-collector.

SECTION 16. Section 288.203, Health and Safety Code, is amended to read as follows:

Sec. 288.203. DEPOSIT OF [TAX] REVENUE FROM MANDATORY PAYMENTS. Revenue [generated by a district] from the mandatory payment required by [tax imposed under] this chapter shall be deposited in the district's local provider participation fund [subchapter may be used only to:]

(1) provide the nonfederal share of a Medicaid supplemental payment program;

(2) subsidize indigent programs; and

(3) pay administrative expenses of the district.

SECTION 17. Section 288.204, Health and Safety Code, is amended to read as follows:

Sec. 288.204. INTEREST, PENALTIES, AND DISCOUNTS. Interest, penalties, and discounts on mandatory payments required [taxes imposed] under this subchapter are governed by the law applicable to county ad valorem taxes.

SECTION 18. Section 288.205, Health and Safety Code, is amended to read as follows:

Sec. 288.205. PURPOSE; CORRECTION OF INVALID PROVISION OR PROCEDURE. (a) The purpose of this chapter is to generate revenue from a mandatory payment required [tax imposed] by the district to provide the nonfederal share of a Medicaid supplemental payment program.

(b) To the extent any provision or procedure under this chapter causes a mandatory payment [tax] under this chapter to be ineligible for federal matching funds, the district may provide by rule for an alternative provision or procedure that conforms to the requirements of the federal Centers for Medicare and Medicaid Services.
SECTION 19. Sections 288.003 and 288.004; Subsection (b), Section 288.051; Sections 288.052, 288.053, 288.054, 288.055, 288.056, 288.057, 288.058, and 288.103; Subsection (b), Section 288.104; and Sections 288.106, 288.107, 288.153, and 288.206, Health and Safety Code, are repealed.

SECTION 20. If before implementing any provision of this Act a state agency determines that a waiver or authorization from a federal agency is necessary for implementation of that provision, the agency affected by the provision shall request the waiver or authorization and may delay implementing that provision until the waiver or authorization is granted.

SECTION 21. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2013.

Passed the Senate on April 11, 2013: Yeas 28, Nays 3; the Senate concurred in House amendments on May 24, 2013: Yeas 28, Nays 3; passed the House, with amendments, on May 21, 2013: Yeas 142, Nays 4, two present not voting.

Approved June 14, 2013.

Effective June 14, 2013.

CHAPTER 1370

S.B. No. 1658

AN ACT

relating to the effect of certain state aid on school districts required to take action to equalize wealth under the school finance system.

Be it enacted by the Legislature of the State of Texas:

SECTION 1. The heading to Section 41.0041, Education Code, is amended to read as follows:

Sec. 41.0041. EFFECT OF [ADDITIONAL] STATE AID [FOR TAX REDUCTION].

SECTION 2. Subsections (b), (c), and (d), Section 41.0041, Education Code, are amended to read as follows:

(b) When the commissioner initially identifies a school district under Section 41.004 as having a wealth per student for a school year that exceeds the equalized wealth level, the commissioner shall estimate:

(1) the amount of state revenue to which the district is entitled under Chapter 42 [Section 42.2516] for that school year; and

(2) the cost to the district to purchase attendance credits under Subchapter D in an amount sufficient to reduce the district's wealth per student to the equalized wealth level for that school year.

(c) If the commissioner determines that the amount described by Subsection (b)(1) exceeds the amount described by Subsection (b)(2), the commissioner shall notify the district of the commissioner's determination. In lieu of exercising an option described by Section 41.003, the district's board of trustees may authorize the commissioner to withhold from the state revenue to which the district is entitled under Chapter 42 [Section 42.2516] an amount equal to the amount described by Subsection (b)(2).

(d) In calculating the amount of state revenue to be withheld from a school district under this section, the commissioner shall calculate the cost for the district to reduce the district's wealth per student to the equalized wealth level using the final attendance and tax rate data for the school year and shall award the district any available credit or discount under Subchapter D as if the district had exercised the option under Section 41.003(3) in a timely manner. If the final amount calculated for the cost for the district to reduce the district's wealth per student to the equalized wealth level for a school year exceeds the amount of state revenue to which the district is entitled under Chapter 42 [Section 42.2516] for that year: