

**HEARING AGENDA**  
SENATE FINANCE COMMITTEE  
SENATOR STEVE OGDEN, CHAIRMAN  
WEDNESDAY, JULY 7, 2010, 10:00 A.M.  
CAPITOL EXTENSION E1.036

*Review the capacity of rural hospitals, rural hospital infrastructure, and the statewide impact of services provided by rural hospitals. Make recommendations for funding options to help communities that do not have adequate resources to replace aging infrastructure and consider the creation of a rural hospital infrastructure support program similar to the courthouse preservations fund.*

*Review the effect that Texas Business Tax credits, such as a research and development credit, have on economic development in Texas. Determine whether the costs of various tax credits would be adequately offset by the net increase in state sales tax and other revenues and jobs produced by each credit. Focus on businesses relocating to or from the State of Texas, the impact on the tax base, employment, and the overall economic condition of the state.*

*The Legislative Budget Board effectiveness and efficiency review of Chapter 313, Tax Code. Consider whether tax provisions provide a net benefit to the state.*

- I. Call to Order
- II. Roll Call
- III. Committee Business

A. Invited Testimony

- 1. Current Taxes and Trends in Counties, Rural Hospitals, and Nursing Facilities

Comptroller of Public Accounts -

*Robin Corrigan, Team Lead, Sales Tax Policy*

Health and Human Services Commission -

*Rick Allgeyer, Director of Strategic Decision Support*

Department of Aging and Disability Services -

*Veronda L. Durden, Assistant Commissioner, Regulatory Services*

(over)

2. Infrastructure Funding Options

Texas Organization of Rural & Community Hospitals -

*Don McBeath, Director of Advocacy*

Preferred Management Corporation -

*Mike Easley*

Touchstone Communities -

*Sandy Klein, Senior Vice-President, Management Services*

Texas Health Care Association -

*Derek Prince, Divisional Vice-President, Fundamental  
Clinical Consulting*

3. Franchise Tax Revenue Update and Franchise Tax Credits

Texas Comptroller of Public Accounts -

*John Heleman, Chief Revenue Estimator*

*Jerry Oxford, Team Lead, Franchise Tax Policy*

4. Texas Economic Development Act - Chapter 313, Tax Code Update and  
Upcoming Effectiveness and Efficiency Review

Texas Comptroller of Public Accounts -

*Robert Wood, Director Local Government Assistance and  
Economic Development*

Legislative Budget Board -

*Jeremiah Jarrell, Analyst*

B. Public Testimony

IV. Recess/Adjourn

Comptroller of  
Public  
Accounts



Presentation to the

**Senate Finance Committee**

The Honorable Steve Ogden, Chair

**July 7, 2010**

Presented by:

**Robin Corrigan**

Tax Policy Division

Texas Comptroller of Public Accounts



# Local Sales and Use Tax



## Foreword:

- In 2009, the Comptroller's office processed more than 2.5 million sales and use tax returns, allocating \$5.6 billion in local sales tax to more than 1,400 cities, transit authorities, counties and special purpose districts.
- Texas has one of the most complex local sales tax systems in the United States due to the large number of local taxing jurisdictions in the state, the constant addition of new jurisdictions, overlapping and changing jurisdictional boundaries, and the use of both origin and destination sourcing.

# Types of Taxing Jurisdictions



## 4 Main Categories:

- Cities
- Counties
- Special Purpose Districts
- Transit Authorities



# Types of Taxing Jurisdictions



## Cities:

- Incorporated cities (including towns and villages) may impose sales and use tax at a rate of up to 1%.
- Municipal Tax (Chapter 321 of Tax Code) enacted in 1968.
- 1,142 active city sales tax jurisdictions as of June 2010.
- In addition, cities may adopt an additional amount of city sales tax to be used for a specific purpose - property tax relief, industrial development, sports and community venue projects, etc. (Texas Tax Code Chapters 321 and 327)

# Types of Taxing Jurisdictions

## Counties:

- 123 Counties impose sales and use tax (as of June 2010).
- County sales tax rates range between one-half percent (.005) - one and one-half percent (.015).
- Texas counties also have the option of imposing an additional local sales tax for a combined maximum total of 2%.
- First county taxes effective Jan. 1, 1988.

## Eligibility for Tax:

A county is qualified to adopt the tax only if:

- no part of the county is located in a rapid transit authority created under Chapter 451, Transportation Code, or a regional transportation authority created under Chapter 452 of that code; and
- the combined rate of all sales and use taxes imposed by the county and other political subdivisions of this state having territory in the county would not exceed 2% at any location in the county.

# Types of Taxing Jurisdictions

## Special Purpose Districts

Special Purpose Districts (SPD) are taxing entities created for a specific function such as:

- Emergency Services
- Hospitals
- Libraries
- Crime Control
- Economic Development



# Types of Taxing Jurisdictions



## Special Purpose Districts

- Currently 174 SPDs impose sales and use tax (as of June 2010)
- SPD sales and use tax rates range from one-eighth (0.125) to 2 percent.
- SPDs are created and authorized under a wide variety of Texas Statutes including:

- Tax Code (Chapters 321, 323, 324, and 325)
- Special District Local Laws Code
- Texas Constitution
- Local Government Code
- Health & Safety Code

# Types of Taxing Jurisdictions

## SPDs Multiplying Rapidly

The number of SPDs in the state that impose sales tax is increasing at a rapid pace (44% over the past 3 years).

- In June, 2007 there were 121 SPDs imposing sales and use tax.
- In August, 2008 there were 134 SPDs imposing sales and use tax.
- As of January 1, 2009, there were 151 SPDs imposing sales and use tax.
- As of March 31, 2010, there were 167 SPDs imposing sales and use tax.
- The next day, April 1, 2010, the number rose to 174 SPDs.



# Types of Taxing Jurisdictions

## Transit Authorities

Transit authorities have the option of imposing an additional local sales and use tax at rates ranging between one-fourth percent (.0025) – one percent (.01). There are 10 transit authorities that currently impose sales and use tax. (Texas Tax Code Chapter 322)

- 6 Metropolitan Transit Authorities (MTAs): Austin, Corpus Christi, Dallas, Fort Worth, Houston, and San Antonio
- 2 City Transit Departments (CTDs): El Paso and Laredo
- 1 County Transit Authority (CTA): Denton County
- 1 Advanced Transportation District (ATD): San Antonio





# Jurisdictional Boundaries and the 2% Cap

## Jurisdictional Boundaries

- Different types of taxing entities may cross or share boundaries.
- Local tax jurisdictions can encompass multiple ZIP codes.
- In some situations, a business located on one side of a street will be within the boundaries of different taxing jurisdictions than a business located on the other side of the street.

## 2% CAP

- The maximum combined amount of local sales and use tax that can be collected on a transaction is 2%.
- A jurisdiction cannot impose or increase a sales tax if the total local sales tax rate in any location within the jurisdiction would exceed 2%.
- Special rules apply to annexations and tax impositions by Emergency Service Districts in order to maintain the 2% cap.



# Jurisdictional Boundaries and the 2% CAP

## Annexations = Combined Areas



- There are 12 areas in the state where a city annexed a portion of land located within the boundaries of another taxing jurisdiction resulting in a total local tax rate that would exceed 2%. However, legislation allows the Comptroller to make the necessary adjustments to the total local tax rate to maintain a 2% rate for these unique areas.
- Sellers doing business in these areas use a unique code to report sales.
- The overlapping jurisdictions share the tax revenue generated in the combined areas.

# Jurisdictional Boundaries and the 2% CAP

## Identifying Local Taxing Jurisdictions Difficult for Taxpayers



- The multiple types of jurisdictions, varying rates and boundary differences makes accurate identification of local taxing jurisdictions very difficult for most taxpayers.
- Use of Postal City Inaccurate: While an address may be listed in a certain city for post office purposes, the address may not actually be in that city's sales tax jurisdiction, but may be within another city, a transit authority or an SPD. For example, there are areas in Travis County that have an Austin mailing address but are actually in the city limits of Pflugerville.
- Use of ZIP Codes Inaccurate: ZIP codes do not follow jurisdictional boundaries.

# Jurisdictional Boundaries and the 2% CAP

## The Montgomery County Example



- 13 Cities that impose sales tax
- No county tax
- Houston MTA transit tax applies to portion of Houston located in county.
- 20 Special Purpose Districts
- Only 2 – ESD #12 and the East Montgomery County Improvement District – have boundaries that coincide with another taxing jurisdiction. These boundaries are the result of splitting the districts.

# Jurisdictional Boundaries and the 2% CAP

## Local Use Tax Hierarchy

Local use taxes collected in this order:

- City
- County
- Special Purpose District
- Transit

If the full amount of a jurisdiction's use tax cannot be collected without exceeding the 2% cap, none of that jurisdiction's tax is collected.

## SPD Hierarchy for Use Tax

- Whenever two or more Special Purpose Districts (SPDs) are in effect at the same location, they will often be forced to "compete" for local use tax collection by retailers who, under the 2% cap for local sales and use tax, can only collect for one of the jurisdictions.



# Jurisdictional Boundaries and the 2% CAP

## Examples of Use Tax



- Seller in Charleston, Delta County (1/2% SPD tax plus 1/2% county tax) delivers taxable goods to a customer in Stafford (2% city tax).
- SALES TAX – The city of Charleston does not impose a city sales tax. Seller therefore collects the 1/2% SPD sales tax and the 1/2% Delta county tax based on location of place of business.
- USE TAX - Cannot collect any Stafford use tax because would exceed 2% cap.

# Jurisdictional Boundaries and the 2% CAP

## The Flower Mound Example



- Assume a seller in Arlington makes a delivery to a customer in Flower Mound.
- Total sales tax rate in Arlington is 8%: 6.25% state plus 1.75% city sales tax.
- Arlington seller must collect the 8% sales tax based on place of business in Arlington; can also collect up to .25% of use tax at point of delivery (if applicable).
- Total sales tax rate in Flower Mound is 8.25%: 6.25% state, 1.5% city plus two SPDs that both impose a .25% sales and use tax – a Crime Control District and a Fire Control District.

# Questions?



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## Special Purpose Districts by County

County	Special Purpose District (SPD)	TYPE	Local Code	Local Rate	Effective Date	SPD Boundary Type
Aransas	◆ Aransas County Health Services	Health Services	5004505	0.005	1/1/1992	Countywide
Austin	◆ Las Damas Management District	Management District	5008501	0.015	10/1/2008	Other
Baylor	Baylor County Hospital District	Hospital	5012505	0.01	1/1/1991	Countywide
Bell	◆ Salado Public Library District	Library	5014503	0.005	10/1/1998	Other
Bexar	Balcones Heights Crime Control District	CCD	5015502	0.005	1/1/1999	Citywide
Bexar	Castle Hills Crime Control District	CCD	5015539	0.0025	10/1/2004	Citywide
Bexar	Cibolo Canyons Special Improvement District	Improvement Dist	5015557	0.015	1/1/2008	Other
Bexar	Selma Municipal Development District	Development Dist	5015520	0.005	4/1/2002	Other
Bexar	Shavano Park Crime Control District	CCD	5015511	0.005	10/1/1999	Citywide
Bexar	Windcrest Crime Control and Prevention District	CCD	5015548	0.0025	1/1/2005	Citywide
Blanco	◆ Blanco County North Library District	Library	5016510	0.005	4/1/2003	Other
Blanco	◆ Blanco County South Library District	Library	5016501	0.005	7/1/2002	Other
Brazoria	◆ Iowa Colony Crime Control and Prevention District	CCD	5020514	0.005	1/1/2010	Citywide
Brazoria	Richwood Crime Control and Prevention District	CCD	5020505	0.025	10/1/2009	Citywide
Brewster	◆ Brewster County Emergency Services District No.1	ESD	5022503	0.01	4/1/2004	Other
Brooks	Brooks County Health Services	Health Services	5024501	0.005	1/1/2000	Countywide
Brown	Bangs Municipal Development District	Development Dist	5025500	0.0025	1/1/2008	Other
Burnet	Cottonwood Shores Crime Control and Prevention District	CCD	5027508	0.005	10/1/2007	Citywide
Chambers	Anahuac Municipal Development District	Development Dist	5036534	0.005	10/1/2008	Other
Chambers	Baytown Crime Control and Prevention District	CCD	5101632	0.00125	10/1/2006	Citywide

County	Special Purpose District (SPD)	TYPE	Local Code	Local Rate	Effective Date	SPD Boundary Type
Chambers	Baytown Fire Control, Prevention, and Emergency Medical Services District	Fire Control, EMS	5101623	0.00125	10/1/2006	Citywide
Chambers	Chambers County Health Services	Health Services	5036507	0.005	4/1/2001	Countywide
Chambers	Winnie-Stowell Hospital District	Hospital	5036525	0.0075	1/1/2005	Other
Cherokee	Cherokee County Development District No. 1	Development Dist	5037506	0.005	10/1/1999	Other
Colorado	Rice Hospital District	Hospital	5045506	0.005	10/1/1997	Other
Comal	Bulverde Area Rural Library District	Library	5046514	0.005	7/1/2000	Other
Comal	Canyon Lake Community Library District	Library	5046505	0.005	7/1/2000	Other
Comal	Comal County Emergency Services District No.3	ESD	5046523	0.01	4/1/2004	Other
Comal	Comal County Emergency Services District No.4	ESD	5046550	0.00625	10/1/2009	Other
Comal	Comal County Emergency Services District No.5	ESD	5046569	0.00625	10/1/2009	Other
Comal	Comal County Emergency Services District No.6	ESD	5046532	0.005	7/1/2005	Other
Dallas	Coppell Crime Control District	CCD	5057501	0.0025	4/1/2008	Citywide
Dallas	Grand Prairie Crime Control and Prevention District	CCD	5220745	0.0025	10/1/2007	Citywide
Dallas	Grapevine Crime Control and Prevention District	CCD	5220736	0.005	4/1/2007	Citywide
Dallas	Ovilla Municipal Development District	Development Dist	5070504	0.0025	4/1/2010	Other
Delta	Delta County Emergency Services District	ESD	5060506	0.005	10/1/1994	Countywide
Denton	Argyle Crime Control and Prevention District	CCD	5061550	0.0025	1/1/2004	Citywide
Denton	Coppell Crime Control District	CCD	5057501	0.0025	4/1/2008	Citywide
Denton	Corinth Crime Control and Prevention District	CCD	5061569	0.0025	1/1/2005	Citywide
Denton	Denton County Development District No. 4	Development Dist	5061523	0.005	10/1/1999	Other
Denton	Flower Mound Crime Control District	CCD	5061578	0.0025	4/1/2008	Citywide
Denton	Flower Mound Fire Control District	Fire Control, EMS	5061587	0.0025	4/1/2008	Citywide
Denton	Fort Worth Crime Control District	CCD	5220503	0.005	10/1/1995	Citywide
Denton	Grapevine Crime Control and Prevention District	CCD	5220736	0.005	4/1/2007	Citywide
Denton	Lakewood Village Municipal Development District	Development Dist	5061596	0.005	10/1/2009	Other

County	Special Purpose District (SPD)	TYPE	Local Code	Local Rate	Effective Date	SPD Boundary Type
Denton	Southlake Crime Control District	CCD	5220594	0.005	4/1/1998	Citywide
Duval	Duval County Emergency Services District No. 1	ESD	5066519	0.0025	4/1/2009	Other
Duval	San Diego Municipal Development District	Development Dist	5066500	0.005	7/1/2002	Other
Eastland	Eastland Memorial Hospital District	Hospital	5067509	0.005	1/1/1994	Other
Ector	Ector County Hospital District	Hospital	5068508	0.0075	1/1/1991	Countywide
El Paso	◆ El Paso County Emergency Services District No. 2	ESD	5071503	0.005	10/1/2001	Other
Ellis	Grand Prairie Crime Control and Prevention District	CCD	5220745	0.0025	10/1/2007	Citywide
Ellis	Ovilla Municipal Development District	Development Dist	5070504	0.0025	4/1/2010	Other
Erath	◆ Erath County Development District No. 1	Development Dist	5072502	0.005	10/1/2005	Other
Fort Bend	Aliana Management District	Management District	5079505	0.02	4/1/2010	Other
Fort Bend	Harris-Fort Bend Emergency Services District No. 100	ESD	5101669	0.01	4/1/2008	Other
Galveston	Dickinson Management District No. 1	Management District	5084508	0.005	1/1/2009	Other
Goliad	Goliad Municipal Development District	Development Dist	5088504	0.005	7/1/2008	Other
Harris	Airline Improvement District	Improvement Dist	5101589	0.01	1/1/2006	Other
Harris	Aldine Community Improvement District	Improvement Dist	5101534	0.01	1/1/2002	Other
Harris	Baytown Crime Control and Prevention District	CCD	5101632	0.00125	10/1/2006	Citywide
Harris	Baytown Fire Control, Prevention, and Emergency Medical Services District	Fire Control, EMS	5101623	0.00125	10/1/2006	Citywide
Harris	Baytown Municipal Development District	Development Dist	5036516	0.005	10/1/2001	Other
Harris	Harris County Emergency Services District No. 10	ESD	5101730	0.01	10/1/2008	Other
Harris	Harris County Emergency Services District No. 12	ESD	5101721	0.005	10/1/2008	Other
Harris	Harris County Emergency Services District No. 14	ESD	5101767	0.02	4/1/2010	Other
Harris	Harris County Emergency Services District No. 2	ESD	5101678	0.01	7/1/2008	Other

County	Special Purpose District (SPD)	TYPE	Local Code	Local Rate	Effective Date	SPD Boundary Type
Harris	Harris County Emergency Services District No. 21	ESD	5101614	0.01	1/1/2006	Other
Harris	Harris County Emergency Services District No. 4	ESD	5101703	0.01	10/1/2008	Other
Harris	Harris County Emergency Services District No. 5	ESD	5101598	0.01	10/1/2006	Other
Harris	Harris County Emergency Services District No. 50	ESD	5101749	0.01	10/1/2009	Other
Harris	Harris County Emergency Services District No. 6	ESD	5101712	0.005	10/1/2008	Other
Harris	Harris County Emergency Services District No. 60	ESD	5101687	0.01	7/1/2008	Other
Harris	Harris County Emergency Services District No. 80	ESD	5101605	0.01	1/1/2006	Other
Harris	Harris County Improvement District No. 18	Improvement Dist	5101758	0.01	4/1/2010	Other
Harris	Harris-Fort Bend Emergency Services District No. 100	ESD	5101669	0.01	4/1/2008	Other
Harris	Jersey Village Crime Control District	CCD	5101525	0.005	4/1/1999	Citywide
Harris	Morgan's Point Municipal Development District	Development Dist	5101561	0.005	1/1/2005	Other
Harris	NASA Area Management District	Management District	5101641	0.0025	1/1/2008	Other
Harris	Old Town Spring Improvement District	Improvement Dist	5101543	0.01	4/1/2002	Other
Harris	Pasadena Crime Control District	CCD	5101516	0.005	4/1/1999	Citywide
Harris	Pearland Municipal Management District No. 1	Management District	5101650	0.005	4/1/2008	Other
Harris	Seabrook Crime Control District	CCD	5101570	0.005	10/1/2005	Citywide
Harris	South Houston Crime Control District	CCD	5101552	0.0025	4/1/2002	Citywide
Harris	Spectrum Management District	Management District	5101696	0.005	10/1/2008	Other
Harris	The Woodlands Township	Improvement Dist	5170503	0.01	10/1/1994	Other
Harris	The Woodlands Township Economic Development Zone	Improvement Dist	5170629	0.01	4/1/2008	Other
Hays	◆ Driftwood Economic Development Municipal Mgt. District	Development Dist	5105558	0.0125	4/1/2010	Other
Hays	◆ Dripping Springs Community Library District	Library	5105512	0.0025	4/1/2000	Other
Hays	◆ Hays County Emergency Services District No. 3	ESD	5105530	0.015	10/1/2008	Other
Hays	◆ Hays County Emergency Services District No. 8	ESD	5105549	0.005	10/1/2008	Other

County	Special Purpose District (SPD)	TYPE	Local Code	Local Rate	Effective Date	SPD Boundary Type
Hays	◆ Wimberley Village Library District	Library	5105503	0.005	4/1/2000	Other
Henderson	Malakoff Crime Control District	CCD	5107501	0.00375	4/1/2009	Citywide
Hidalgo	Palmhurst Crime Control District	CCD	5108500	0.005	4/1/2005	Citywide
Hidalgo	Palmview Crime Control and Prevention District	CCD	5108528	0.005	4/1/2006	Citywide
Hidalgo	Penitas Crime Control and Prevention District	CCD	5108537	0.005	4/1/2007	Citywide
Hidalgo	Sullivan City Crime Control and Prevention District	CCD	5108519	0.005	1/1/2006	Citywide
Hood	◆ Hood County Development District No. 1	Development Dist	5111505	0.005	10/1/1999	Other
Hutchinson	Fritch Crime Control District	CCD	5117509	0.0025	10/1/2002	Citywide
Jasper	Jasper County Development District No. 1	Development Dist	5121503	0.005	10/1/2006	Other
Jeff Davis	◆ Jeff Davis County Emergency Services District No. 1	ESD	5122511	0.01	1/1/2006	Other
Jeff Davis	◆ Jeff Davis County Health Services	Health Services	5122502	0.005	10/1/1991	Countywide
Jim Hogg	◆ Jim Hogg County Assistance District	Assistance Dist	5124519	0.005	4/1/2007	Countywide
Jim Hogg	◆ Jim Hogg County Health Services	Health Services	5124500	0.005	4/1/1997	Countywide
Johnson	Crowley Crime Control District	CCD	5220718	0.005	10/1/2005	Citywide
Kaufman	Kaufman County Development District	Development Dist	5129505	0.005	10/1/1997	Other
Kimble	Kimble County Emergency Services District	ESD	5134508	0.005	1/1/1995	Countywide
Kinney	◆ Kinney County Health Services	Health Services	5136506	0.005	4/1/1993	Countywide
Lamar	◆ Reno Crime Control and Prevention District	CCD	5139503	0.005	1/1/2003	Citywide
Mason	◆ Mason County Health Services	Health Services	5157500	0.01	4/1/1999	Countywide
Maverick	◆ Maverick County LFW and CDC District	LFW & CDC	5159508	0.005	1/1/1996	Countywide
McCulloch	◆ McCulloch County Hospital District	Hospital	5160505	0.0025	7/1/1993	Countywide
Milam	◆ Rockdale Hospital District	Hospital	5166509	0.005	10/1/1994	Other

County	Special Purpose District (SPD)	TYPE	Local Code	Local Rate	Effective Date	SPD Boundary Type
Milam	◆ Rockdale Municipal Development District	Development Dist	5166518	0.005	1/1/2010	Other
Montgomery	East Montgomery County Improvement District	Improvement Dist	5170512	0.01	1/1/1998	Other
Montgomery	East Montgomery County Improvement District A	Improvement Dist	5170692	0.015	4/1/2010	Other
Montgomery	East Montgomery County Improvement District Economic Development Zone No. 1	Improvement Dist	5170647	0.005	10/1/2008	Other
Montgomery	East Montgomery County Improvement District Economic Development Zone No. 2	Improvement Dist	5170683	0.005	1/1/2010	Other
Montgomery	Montgomery County Emergency Services District No. 1	ESD	5170610	0.02	4/1/2008	Other
Montgomery	Montgomery County Emergency Services District No. 12	ESD	5170558	0.005	10/1/2004	Citywide
Montgomery	Montgomery County Emergency Services District No. 12-A	ESD	5170638	0.01	10/1/2008	Other
Montgomery	Montgomery County Emergency Services District No. 3	ESD	5170594	0.02	10/1/2006	Other
Montgomery	Montgomery County Emergency Services District No. 4	ESD	5170674	0.015	10/1/2009	Other
Montgomery	Montgomery County Emergency Services District No. 5	ESD	5170656	0.02	10/1/2008	Other
Montgomery	Montgomery County Emergency Services District No. 6	ESD	5170567	0.005	1/1/2005	Other
Montgomery	Montgomery County Emergency Services District No. 7	ESD	5170576	0.005	1/1/2005	Other
Montgomery	Montgomery County Emergency Services District No. 9	ESD	5170585	0.02	10/1/2007	Other
Montgomery	Shenandoah Municipal Development District	Development Dist	5170665	0.005	10/1/2009	Other
Montgomery	The Woodlands Township	Improvement Dist	5170503	0.01	10/1/1994	Other



County	Special Purpose District (SPD)	TYPE	Local Code	Local Rate	Effective Date	SPD Boundary Type
Montgomery	The Woodlands Township Economic Development Zone	Improvement Dist	5170629	0.01	4/1/2008	Other
Montgomery	Town Center Economic Development Zone No. 1	Improvement Dist	5170521	0.01	1/1/2001	Other
Montgomery	Town Center Economic Development Zone No. 2	Improvement Dist	5170530	0.01	10/1/2003	Other
Montgomery	Town Center Economic Development Zone No. 3	Improvement Dist	5170549	0.01	10/1/2003	Other
Montgomery	Town Center Economic Development Zone No. 4	Improvement Dist	5170601	0.01	4/1/2007	Other
Moore	Fritch Crime Control District	CCD	5117509	0.0025	10/1/2002	Citywide
Nacogdoches	Nacogdoches County Hospital District	Hospital	5174509	0.01	7/1/1992	Countywide
Nueces	Aransas Pass Crime Control District	CCD	5205511	0.005	10/1/2009	Other
Nueces	Aransas Pass Municipal Development District	Development Dist	5205502	0.005	10/1/1998	Other
Nueces	Corpus Christi Crime Control District	CCD	5178505	0.00125	4/1/1998	Citywide
Orange	Orange County Emergency Services District No. 3	ESD	5181500	0.015	10/1/2009	Other
Parker	Azle Crime Control and Prevention District	CCD	5184516	0.0025	10/1/2001	Citywide
Red River	Bogata Crime Control District	CCD	5194505	0.005	10/1/2000	Citywide
Reeves	Reeves County Hospital District	Hospital	5195504	0.005	1/1/1991	Countywide
Rockwall	Rockwall County Public Safety and Fire Assistance District	Public Safety & Fire Assit	5199500	0.005	10/1/2005	Other
Rusk	Overton Municipal Development District	Development Dist	5201506	0.005	4/1/2005	Other
San Patricio	Aransas Pass Crime Control District	CCD	5205511	0.005	10/1/2009	Other
San Patricio	Aransas Pass Municipal Development District	Development Dist	5205502	0.005	10/1/1998	Other
San Patricio	Corpus Christi Crime Control District	CCD	5178505	0.00125	4/1/1998	Citywide
Schleicher	Schleicher County Health Services	Health Services	5207500	0.005	4/1/1997	Countywide
Shelby	Timpson Public Library District	Library	5210505	0.005	7/1/2003	Other

County	Special Purpose District (SPD)	TYPE	Local Code	Local Rate	Effective Date	SPD Boundary Type
Tarrant	Azle Crime Control and Prevention District	CCD	5184516	0.0025	10/1/2001	Citywide
Tarrant	Benbrook Library District	Library	5220610	0.005	10/1/1999	Citywide
Tarrant	Blue Mound Crime Control District	CCD	5220665	0.005	10/1/2001	Citywide
Tarrant	Colleyville Crime Control District	CCD	5220629	0.005	7/1/1999	Citywide
Tarrant	Crowley Crime Control District	CCD	5220718	0.005	10/1/2005	Citywide
Tarrant	Dalworthington Gardens Crime Control District	CCD	5220601	0.005	4/1/1999	Citywide
Tarrant	Eules Crime Control District	CCD	5220521	0.0025	4/1/1996	Citywide
Tarrant	Everman Crime Control District	CCD	5220692	0.0025	10/1/2002	Citywide
Tarrant	Forest Hill Library District	Library	5220638	0.0025	7/1/2000	Citywide
Tarrant	Fort Worth Crime Control District	CCD	5220503	0.005	10/1/1995	Citywide
Tarrant	Grand Prairie Crime Control and Prevention District	CCD	5220745	0.0025	10/1/2007	Citywide
Tarrant	Grapevine Crime Control and Prevention District	CCD	5220736	0.005	4/1/2007	Citywide
Tarrant	Haltom City Crime Control District	CCD	5220530	0.0025	4/1/1996	Citywide
Tarrant	Hurst Crime Control District	CCD	5220512	0.005	1/1/1996	Citywide
Tarrant	Keller Crime Control District	CCD	5220683	0.0025	4/1/2002	Citywide
Tarrant	Lake Worth Crime Control District	CCD	5220709	0.0025	7/1/2004	Citywide
Tarrant	North Richland Hills Crime Control District	CCD	5220549	0.005	7/1/1996	Citywide
Tarrant	Richland Hills Crime Control and Prevention District	CCD	5220727	0.00375	4/1/2006	Citywide
Tarrant	River Oaks Crime Control District	CCD	5220576	0.005	1/1/1997	Citywide
Tarrant	Saginaw Crime Control District	CCD	5220585	0.00375	4/1/1998	Citywide
Tarrant	Sansom Park Crime Control District	CCD	5220674	0.005	4/1/2002	Citywide
Tarrant	Southlake Crime Control District	CCD	5220594	0.005	4/1/1998	Citywide
Tarrant	Watauga Crime Control District	CCD	5220567	0.005	7/1/1996	Citywide
Tarrant	Westworth Village Crime Control District	CCD	5220647	0.005	10/1/2000	Citywide
Tarrant	White Settlement Crime Control District	CCD	5220558	0.005	7/1/1996	Citywide
Travis	East Travis Gateway Library District	Library	5227579	0.005	4/1/2007	Other
Travis	Lake Travis Community Library District	Library	5227560	0.0025	10/1/2004	Other
Travis	Travis County Emergency Services District No. 11	ESD	5227542	0.01	4/1/2004	Other
Travis	Travis County Emergency Services District No. 11-A	ESD	5227613	0.015	4/1/2010	Other
Travis	Travis County Emergency Services District No. 2	ESD	5227524	0.005	1/1/2001	Other
Travis	Travis County Emergency Services District No. 3	ESD	5227551	0.02	7/1/2004	Other
Travis	Travis County Emergency Services District No. 4	ESD	5227533	0.01	10/1/2001	Other
Travis	Travis County Emergency Services District No. 5	ESD	5227597	0.01	7/1/2008	Other

County	Special Purpose District (SPD)	TYPE	Local Code	Local Rate	Effective Date	SPD Boundary Type
Travis	Travis County Emergency Services District No. 6	ESD	5227604	0.01	4/1/2009	Other
Travis	Travis County Emergency Services District No. 8	ESD	5227588	0.0075	4/1/2007	Other
Travis	Wells Branch Community Library District	Library	5227515	0.005	7/1/1999	Other
Travis	Westbank Community Library District	Library	5227506	0.005	10/1/1998	Other
Uvalde	Uvalde County Health Services	Health Services	5232509	0.005	1/1/1991	Countywide
Waller	Prairie View Crime Control and Prevention District	CCD	5237504	0.0025	4/1/2007	Citywide
Williamson	Liberty Hill Public Library District	Library	5246512	0.0025	7/1/2003	Other
Williamson	Williamson County Emergency Services District No. 7	ESD	5246521	0.0025	10/1/2009	Other
Wilson	La Vernia Municipal Development District	Development Dist	5247502	0.005	4/1/2008	Citywide
Winkler	Winkler County Health Services	Health Services	5248501	0.005	4/1/1996	Countywide



Health and  
Human  
Services  
Commission -

No written  
Testimony

Department of  
Aging and  
Disability  
Services



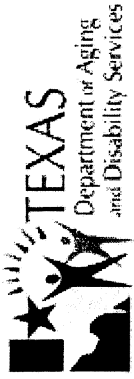
## Senate Committee on Finance

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Department of Aging and Disability Services  
Veronda L. Durden, Assistant Commissioner,  
Regulatory Services

July 7, 2010



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This presentation will cover:

- Number and occupancy of nursing facilities in Texas
- Number of individuals served in Medicaid nursing facilities
- Nursing facility closures and openings
- Payer mix for nursing facility care
- Estimated expenditures

**Background:**

- There are currently 1,196 nursing facilities in 228 of Texas' 254 counties.



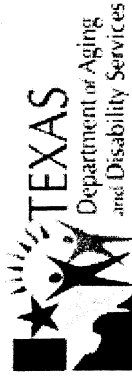


# Nursing Facilities in Texas

Fiscal Year	Number of Facilities**	Facilities: Percent Growth/Loss	Number of Licensed or Certified Beds	Licensed or Certified Beds: Percent Growth/Loss
1999	1,314		131,006	
2000	1,274	-3.0%	129,595	-1.1%
2001	1,223	-4.0%	126,925	-2.1%
2002	1,194	-2.4%	124,448	-2.0%
2003	1,176	-1.5%	123,637	-.07%
2004	1,162	-1.2%	123,729	+0.1%
2005	1,158	-0.3%	123,922	+0.2%
2006	1,169	+0.9%	125,660	+1.4%
2007	1,179	+0.9%	128,030	+1.9%
2008	1,179	0.0%	128,756	+0.6%
2009	1,196	+1.4%	131,174	+1.9%
2010*	1,196	-0.0%	131,807	+0.5%
<b>Percent Change FY 1999 to 2010</b>		<b>-9.2%</b>		<b>+0.6%</b>

\*FY 2010 as of June 7, 2010. Source: DADS Regulatory Services' Annual Reports FY 1999 – 2009 and the Compliance, Assessment, Regulation, Enforcement System (CARES), Compiled June 29, 2010

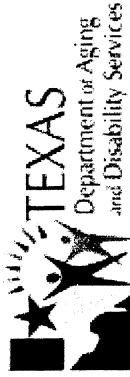
\*\* Includes hospital based skilled nursing units



# Nursing Facility Occupancy in Texas

Fiscal Year	Number of Occupants	Occupants: Percent Growth/Loss	Occupancy Rate
1999	96,922		74.0
2000	94,092	-2.9%	72.7
2001	91,987	-2.2%	72.5
2002	91,595	-0.4%	73.6
2003	90,319	-1.0%	73.1
2004	91,464	+1.3%	73.9
2005	91,393	-0.1%	73.8
2006	90,380	-1.1%	71.9
2007	91,496	+1.2%	71.5
2008	90,729	-0.8%	70.5
2009	91,517	+0.9%	69.8
2010*	86,610	-5.4%	65.7
<b>Percent Change FY 1999 to 2010</b>		<b>-10.6%</b>	

\*FY 2010 as of June 7, 2010. Source: DADS Regulatory Services' Annual Reports FY 1999 – 2009 and the Compliance, Assessment, Regulation, Enforcement System (CARES), Compiled June 29, 2010



# Medicaid Nursing Facility (NF) Occupancy

Fiscal Year	Avg. Daily Census: Medicaid NF	Avg. Individuals Served Per Month: Medicaid Funded Co-payment for Medicare Skilled NF	Total Avg. Individuals Served Per Month: Medicaid
2005	58,939	5,754	64,693
2006	57,731	6,098	63,829
2007	56,861	6,373	63,234
2008	55,914	6,610	62,524
2009	55,082	6,703	61,785
2010*	55,470	6,779	61,249
2011*	55,153	7,007	62,160
2012*	55,153	7,228	62,381
2013*	55,153	7,449	62,602

\* Projected Source: DADS Budget (census information provided by HHSC Systems Forecasting)

Note: A relatively low percentage of the population aged 65 to 74 needs nursing facility care. The utilization increases significantly for the 75+ population. Therefore, while the "baby boomers" will begin turning 65 in FY 2011, the brunt of the demand for NF care will not hit until FY 2021, when "baby boomers" will begin turning 75.



## Nursing Facility (NF) Closures and Openings

	NF Closures	NF Openings	Net Change
<b>2005</b>	5	10	+5
<b>2006</b>	9	17	+8
<b>2007</b>	20	28	+8
<b>2008</b>	19	24	+5
<b>2009</b>	7	30	+23
<b>2010*</b>	5	8	+3
<b>Total</b>	65	117	+52

\* As of June 25, 2010



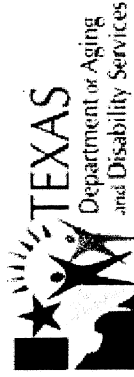
## Nursing Facility (NF) Closures and Openings

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Of the 65 nursing facilities that closed from 2005 - 2010:

- 3 subsequently re-opened
- 7 were replaced with one or more replacement Medicaid licensed and certified nursing facilities
- 41 have had an applicant apply to construct one or more replacement Medicaid facilities and the replacement facility has not yet been licensed and certified
- 5 facilities transferred the Medicaid beds to another existing nursing facility
- 6 requested to re-open or build a replacement Medicaid facility but the time period expired without any action taken by the owner and the Medicaid beds were de-allocated
- 2 have closed so recently (less than 90 days) that the owner has not made a determination about the intended use of the Medicaid beds
- 1 was a Medicare-only skilled nursing facility that has not reopened



## Payer Mix For Nursing Facility Care

2007 NF Cost Reports for 1,015 Medicaid Contracted NFs		
Payer	Annual Days of Service	Percent
Medicaid	20,559,946	69.6%
Medicare	3,720,692	12.6%
Private	5,260,566	17.8%
<b>Total</b>	<b>29,541,204</b>	<b>100.0%</b>

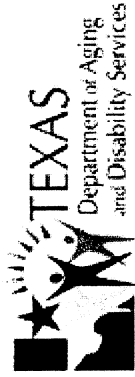
Source: HHSC Rate Setting

An estimated 96% of all NF care is delivered in Medicaid Contracted NFs. Information on the "Medicare vs. Private" mix is not available for the facilities that do not have a Medicaid contract.

## Census and Expenditures

<b>Medicaid Census and Expenditures for Nursing Facilities (NF)</b>			
<b>Fiscal Year</b>	<b>Average Daily Census: Medicaid NF</b>	<b>Annual Medicaid Expenditures</b>	<b>Average Monthly Medicaid Cost Per Individual Served</b>
<b>2005</b>	58,939	1,602,165,504	2,365.29
<b>2006</b>	57,731	1,713,669,549	2,473.64
<b>2007</b>	56,861	1,750,941,899	2,566.11
<b>2008</b>	55,914	1,793,130,939	2,672.45
<b>2009</b>	55,082	1,970,751,955	2,981.51
<b>2010 projected</b>	55,470	2,111,087,929	3,171.52
<b>2011 projected</b>	55,153	2,107,369,021	3,184.13

Includes individuals receiving Medicaid Funded co-payment for Medicare Skilled Nursing Facility as well as Medicaid Nursing Facility Care



## Estimated Expenditures

<b>Nursing Facility (NF) and Community Based Alternatives (CBA) Estimated Expenditures and Cost per Individual Served : FY 2010</b>			
	<b>Average Number of Individuals Served Per Month</b>	<b>Estimated Annual Expenditures</b>	<b>Average Monthly Cost Per Individual Served</b>
<b>NF</b>	55,470	\$ 2,111,087,929	\$ 3,171.52
<b>CBA</b>	25,691	\$ 481,601,857	\$ 1,562.16

Source: DADS Budget/ HHSC Systems Forecasting. Includes individuals receiving Medicaid Funded co-payment for Medicare Skilled Nursing Facility as well as Medicaid Nursing Facility Care



Texas  
Organization of  
Rural and  
Community  
Hospitals



# Texas Organization of Rural & Community Hospitals

## TEXAS SENATE FINANCE COMMITTEE

JULY 7, 2010

### DOCUMENTS REGARDING INTERIM CHARGE #8

“Review the capacity of rural hospitals, rural hospital infrastructure, and the statewide impact of services provided by rural hospitals. Make recommendations for funding options to help communities that do not have adequate resources to replace aging infrastructure and consider the creation of a rural hospital infrastructure support program similar to the courthouse preservations fund.”

- I. Summary of hospital infrastructure in low tax base counties and proposal to address the challenges
- II. Spreadsheet detailing tax capabilities and limitations in low tax base counties
- III. Trauma coverage maps (Major trauma centers only and all hospitals)
- IV. Statute establishing state rural health facility capital improvement fund
- V. Statute establishing Minnesota rural hospital fund
- VI. Texas Courthouse Preservation fund factsheet
- VII. American Hospital Association hospital economic impact paper

All information provided by the Texas Organization of Rural & Community Hospitals from various sources.

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[www.torchnet.org](http://www.torchnet.org)

**TEXAS RURAL SAFETY-NET HOSPITAL INFRASTRUCTURE PROGRAM AND FUND**  
*A program to protect the rural Texas health system*

Proposed by the rural hospitals of Texas  
and  
prepared by the Texas Organization of Rural & Community Hospitals

Texas is facing a health care crisis in the near future as many rural communities will find their hospital facilities so outdated and noncompliant with life safety codes and other requirements that some could be forced to close. The problem is many of these hospitals are located in areas that lack sufficient local financial resources and tax base to adequately update or replace them.

Of statewide concern is the fact that many of these hospitals are a critical component of the trauma care safety-net across Texas. Without them, many Texans will find themselves beyond the life saving reach of the major urban medical centers.

**AGING RURAL HOSPITALS**

Many Texas rural hospitals are aging. They are neither operating nor utility efficient. They are not in compliance with newer life safety code requirements and other requirements. They are decades old and worn out. The state licensing authority and the federal government have historically exempted or "grandfathered" the hospitals from complying with the newer codes. However, in recent years, the federal government has dropped such exemptions for many health care facilities, such as nursing homes. It is anticipated that future requirements will impose current life safety codes on these rural hospitals that far exceed their current conditions.

The challenge in Texas is that so many of our rural hospitals were built more than 40 years ago with federal Hill-Burton Act funds. Without the existence of that program, many of our rural hospitals would have never been constructed. The Hill-Burton program stopped funding hospitals in 1997 and there is no current program at the federal level to replace the now outdated facilities. In most case, even renovating some of these facilities is financially unfeasible.

**INADEQUATE LOCAL RESOURCES**

While the responsibility of replacing aging hospitals now rests with the state or local governments, and communities, a number of the state's aging rural hospitals are located in counties with limited financial resources and an inadequate tax base to fund the expense of updating or replacing these facilities. There is not enough range between their current tax rates and the maximum tax cap under the law, to retire debt service on bond amounts sufficient to replace the hospital.

In fact, forth-two (42) Texas counties with a hospital have a tax base of less than \$750 million which would be difficult to generate enough tax dollars to pay for a new facility.

**Twenty-two of those counties have a tax base less than \$400 million.**

**Six (6) of those have a tax base of less than \$250 million which would be impossible to fund a replacement facility.**

### **A PROBLEM FOR ALL TEXANS**

The aging and potential closing of rural hospitals in Texas is a statewide concern. All Texans are impacted by the rural health care system for several reasons. Top among them – most Texans regularly travel through rural areas – on vacation, hunting, fishing, or just traveling through to another urban area. Should they become the unfortunate victim of a major traffic accident, the rural health care system becomes a priority for them. Eighty five percent (85%) of the state's landmass is beyond the so called "Golden Hour" of the state's Level 1 trauma centers, meaning persons in 85% of the state have a much lesser chance of surviving serious trauma without rapid treatment. The presence of smaller rural and community hospitals to provide valuable initial treatment and stabilization makes them an integral part of the statewide trauma system. It is also critical that a hospital be no more than half an hour away.

Another compelling reason is that a healthy rural work force is critical to all of Texas. Rural Texas is the source of food, fuel and fiber for Texas and much of the country. A person may not live in rural Texas but they depend on it.

Rural Texas hospitals have also become a component of the state's disaster and evacuation plans. From Hurricanes Katrina and Rita, we no longer leave patients in urban medical centers along the coast. They are now evacuated inland, often to rural hospitals.

### **A STATE-LOCAL SOLUTION**

A Rural Safety-Net Hospital Infrastructure Fund should be created with state general revenue dollars and/or state bond money to join with local community resources. This fund would be for one time capital expenses which would not commit the state to any successive budget year cost for each hospital funded by the program. Dollars could be disbursed from the fund for grants to assist qualifying rural communities with the greatest need in replacing outdated hospitals or performing substantial renovations. Because of the use of public funds from the state, qualifying hospitals would most likely be limited to those owned by a local unit of government.

This program would very similar in to the Texas Courthouse Preservation Program where the state has assisted local communities with restoration of courthouses. Hospitals should also be viewed as a similar asset worthy of saving. Studies have shown that the loss of a hospital in a rural community can trigger a downward economic spiral effect.

The program could be established with a minimum annual state appropriation of \$50 million. With qualifying local government or community funds, 4 to 5 rural hospitals a year could be replaced each year based on current rural hospital construction cost estimated at \$20-25 million per hospital. The program could also partially fund substantial renovation when it is demonstrated that would be appropriate.

State assistance would also afford an opportunity for replacement facilities to incorporate the most advanced health information, energy efficiency technology, and update to the manner in which modern medicine is practiced – versus how it was handled 50 years ago. It is also important to note that a new hospital facility in a rural community will add to the economic development, assist in recruiting health providers and will increase the hospital reimbursement from the federal government.

Potential participation criteria in the program could include, but not be limited to:

- Funds must be used for replacement of a rural hospital that is more than 25 year old.
- Funds would be limited to hospitals with a legal obligation to provide indigent health care (county and hospital district).
- The hospital would have to be a safety-net hospital operating an emergency room.
- Hospitals would have to be in a county with a total tax base of less than \$750 million.
- The administrating agency would compile and maintain a list of qualifying rural hospitals and determine the age of the hospital facilities.
- Funds would be distributed with priority given to the oldest qualifying facilities.
- Age determination of facilities to be based on at least 75% of the current use area of the facility meets requirements.
- New hospitals constructed with state program funds must meet all current life and safety codes, ADA, and other construction requirements.
- New hospitals constructed with state program funds must be “green” including (but not limited to) low energy consumption, use of alternative fuels, reduced water use, etc.
- State funds received must be matched by an equal amount of local funds from tax revenue, private donation.
- State funds for any one facility will be limited to no more than \$10 million.

As to administration of the program, the Texas Department of Rural Affairs would be the logical agency. They already manage the state’s rural health office and coordinate the Critical Access Hospital program in Texas for the federal government.

For more information contact the Texas Organization of Rural & Community Hospitals (512-873-0045)

David Pearson – President and CEO – [david.pearson@torchnet.org](mailto:david.pearson@torchnet.org)  
Don McBeath – Director of Advocacy – [don.mcbeath@torchnet.org](mailto:don.mcbeath@torchnet.org)

PREPARED FOR TEXAS SENATE FINANCE COMMITTEE HEARING - JULY 7, 2010										
TEXAS COUNTIES WITH A HOSPITAL AND TOTAL TAX BASE OF LESS THAN \$750 MILLION										
Rank from Lowest	County Name	Total Value	General Fund Rate	General Fund Levy	Total Rate	Total County Levy	Hospital	Built	Revenue Per Cent	Cents to Pay Debt
6	Collingsworth	\$154,222,420	\$0.613450	\$924,165	\$0.797	\$1,204,320			\$15,422	54.47
	Collingsworth HD	\$153,835,650			\$0.620	\$953,781	1	1935	\$15,384	54.60
8	Knox	\$161,102,544	\$0.633560	\$1,014,226	\$0.757	\$1,207,222			\$16,110	52.14
	Knox County HD	\$159,141,974			\$0.435	\$692,013	1	1926	\$15,914	52.78
9	Baylor	\$170,285,750	\$0.521890	\$884,640	\$0.618	\$1,043,353			\$17,029	49.33
	Baylor County HD	\$167,559,070			\$0.198	\$331,801	1	1968	\$16,756	50.13
10	Throckmorton	\$170,469,162	\$0.750830	\$1,277,210	\$0.911	\$1,549,963	1	1951	\$17,047	49.28
15	Stonewall	\$204,237,022	\$0.491000	\$991,859	\$0.605	\$1,223,022			\$20,424	41.13
	Stonewall HD	\$210,912,362			\$0.549	\$1,158,331	1	1965	\$21,091	39.83
17	Fisher	\$240,790,854	\$0.674780	\$1,588,959	\$0.825	\$1,942,176			\$24,079	34.89
	Fisher County HD	\$233,265,152			\$0.379	\$884,642	1	1976	\$23,327	36.01
18	Haskell	\$251,259,508	\$0.518200	\$1,252,356	\$0.755	\$1,820,654			\$25,126	33.43
	Haskell HD	\$240,661,619			\$0.322	\$775,412	1	1939	\$24,066	34.90
19	Concho	\$252,511,190	\$0.490013	\$1,231,197	\$0.592	\$1,485,227			\$25,251	33.27
	Concho County HD	\$251,010,140			\$0.273	\$685,357	1	1961	\$25,101	33.46
20	Presidio	\$257,410,699	\$0.735000	\$1,816,030	\$0.735	\$1,816,030			\$25,741	32.63
	Presidio HD (2)	\$229,582,229			\$0.130	\$297,607	Brewster		\$22,958	36.59
21	Childress	\$258,964,090	\$0.716300	\$1,775,068	\$0.716	\$1,775,068			\$25,896	32.44
	Childress HD	\$244,554,190			\$0.133	\$324,245	1	1968	\$24,455	34.35
22	Swisher	\$274,505,264	\$0.769800	\$1,836,644	\$0.810	\$1,939,399			\$27,451	30.60
	Swisher County HD	\$254,654,509			\$0.287	\$731,538	1	1969	\$25,465	32.99
24	San Augustine	\$280,996,650	\$0.681010	\$1,842,977	\$0.681	\$1,842,977			\$28,100	29.89
	San Augustine HD	\$270,624,070			\$0.138	\$373,678	1	1949	\$27,062	31.04
28	Culberson	\$300,632,500	\$0.614320	\$1,804,293	\$0.710	\$2,084,349			\$30,063	27.94
	Culberson County HD	\$202,015,180			\$0.580	\$1,171,688	1	1971	\$20,202	41.58
29	Lynn	\$303,094,530	\$0.879310	\$2,574,031	\$0.879	\$2,574,031			\$30,309	27.71
	Lynn County HD	\$294,141,790			\$0.247	\$727,987	1	1970	\$29,414	28.56
30	Bailey	\$313,131,156	\$0.625500	\$1,879,898	\$0.731	\$2,191,147			\$31,313	26.83
	Muleshoe HD	\$278,739,460			\$0.400	\$1,114,482	1	1967	\$27,874	30.14
32	Crosby	\$318,377,660	\$0.600000	\$1,848,906	\$0.690	\$2,126,242			\$31,838	26.38
	Crosby County HD	\$312,611,670			\$0.160	\$498,846	1	1947	\$31,261	26.87

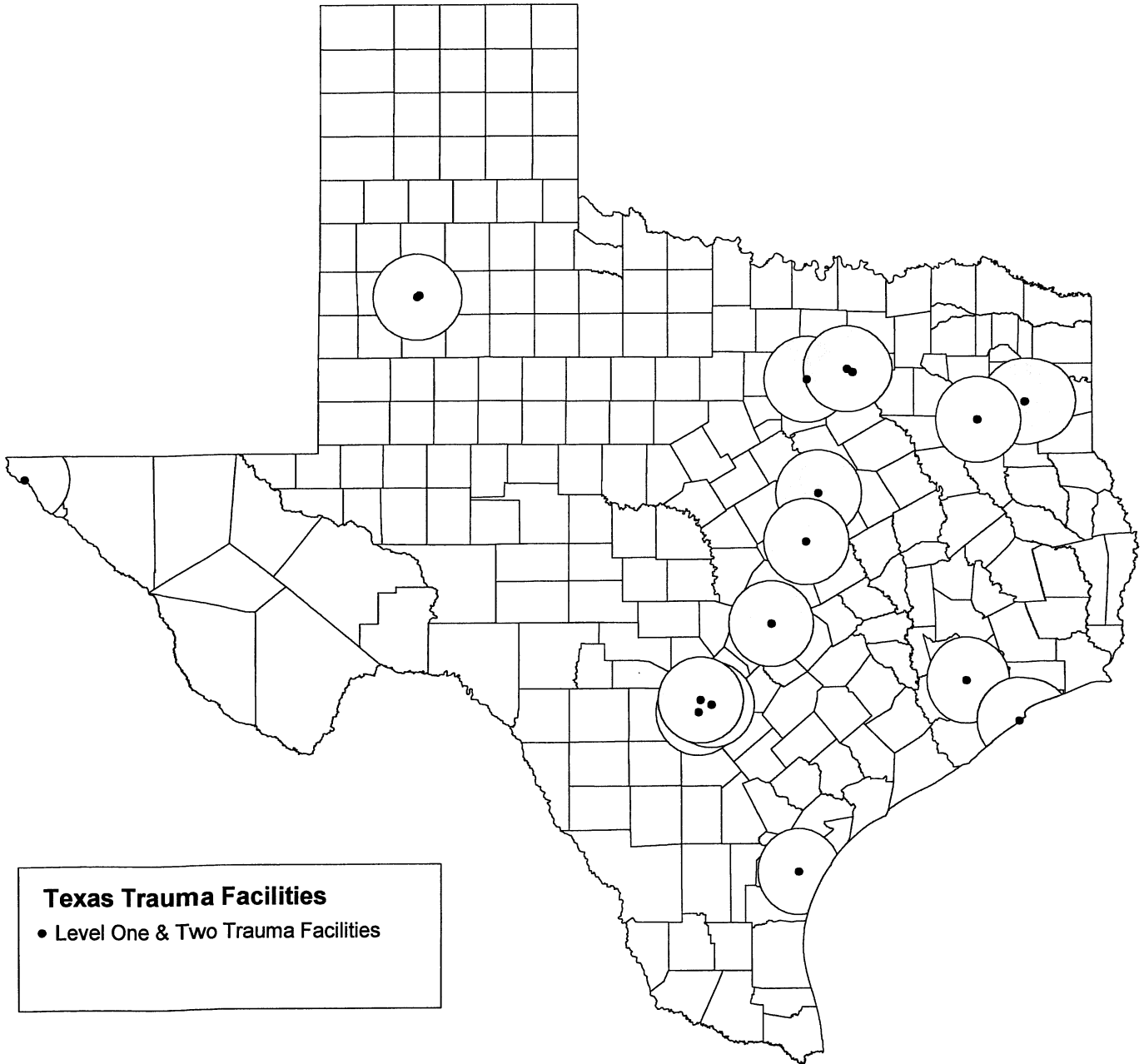
TEXAS COUNTIES WITH A HOSPITAL AND TOTAL TAX BASE OF LESS THAN \$750 MILLION										
Rank from Lowest	County Name	Total Value	General Fund Rate	General Fund Levy	Total Rate	Total County Levy	Hospital	Built	Revenue Per Cent	Cents to Pay Debt
35	Coleman	\$333,464,790	\$0.504800	\$1,584,524	\$0.721	\$2,246,808			\$33,346	25.19
	Coleman HD	\$324,607,555			\$0.350	\$1,136,126	1	1937	\$32,461	25.88
36	Floyd (5)	\$338,104,160	\$0.672200	\$1,672,026	\$0.672	\$1,672,026			\$33,810	24.84
	Lockney HD (5)	\$97,971,648			\$0.439	\$429,671	1	1945	\$9,797	85.74
39	Kimble	\$348,353,212	\$0.314000	\$1,079,283	\$0.314	\$1,079,283			\$34,835	24.11
	Kimble County HD	\$344,190,769			\$0.219	\$753,089			\$34,419	24.41
41	Hardeman	\$357,873,410	\$0.623750	\$2,219,081	\$0.624	\$2,219,081			\$35,787	23.47
	Quanah HD	\$242,298,680			\$0.352	\$853,955	1	1969	\$24,230	34.67
	Chillicothe HD	\$81,205,560			\$0.645	\$523,379	1	n/a	\$8,121	103.44
42	Castro	\$375,974,514	\$0.522000	\$1,942,783	\$0.701	\$2,606,311			\$37,597	22.34
	Castro County HD	\$411,609,890			\$0.394	\$1,621,743	1	1963	\$41,161	20.41
44	McCulloch	\$396,240,090	\$0.422867	\$1,548,293	\$0.424	\$1,553,906			\$39,624	21.20
	McCulloch HD	\$386,414,970			\$0.135	\$521,138	1	1973	\$38,641	21.74
47	Dimmit	\$473,355,015	\$0.692200	\$3,093,061	\$0.692	\$3,093,061			\$47,336	17.75
	Dimmit HD (6)	n/a			n/a	n/a	1	1949	n/a	n/a (6)
48	Schleicher	\$480,834,855	\$0.561000	\$2,658,415	\$0.650	\$3,078,890			\$48,083	17.47
	Schleicher HD	\$347,749,649			\$0.389	\$1,351,007	1	n/a	\$34,775	24.16
49	Red River	\$485,271,880	\$0.586470	\$2,418,791	\$0.742	\$3,049,035			\$48,527	17.31
	Hamilton	\$490,108,693	\$0.555500	\$2,629,234	\$0.556	\$2,629,234			\$49,011	17.14
	Hamilton HD	\$353,235,951			\$0.164	\$577,095	1	2005	\$35,324	23.78
51	Sabine	\$502,578,499	\$0.391420	\$1,718,977	\$0.391	\$1,718,977			\$50,258	16.71
	Sabine HD	\$480,793,956			\$0.191	\$918,413	1	1980	\$48,079	17.47
52	Falls	\$507,460,340	\$0.724200	\$3,505,636	\$0.820	\$3,969,897			\$50,746	16.55
54	Hartley	\$523,255,957	\$0.342308	\$1,745,687	\$0.342	\$1,745,687			\$52,326	16.05
	Dallam-Hartley HD (1)	460,612,951			0.19	875,165	Dallam		\$46,061	18.24
56	Dallam	\$543,860,442	\$0.496380	\$2,080,692	\$0.496	\$2,080,692			\$54,386	15.45
	Dallam-Hartley HD (1)	440,687,525			0.19	837,269	1	1992	\$44,069	19.06
57	Brewster	\$548,810,564	\$0.334265	\$1,744,528	\$0.334	\$1,744,528			\$54,881	15.31
	Brewster HD (2)	\$537,195,140			\$0.123	\$658,064	1	1999	\$53,720	15.64
58	Karnes	\$553,464,431	\$0.635600	\$3,117,731	\$0.684	\$3,355,142			\$55,346	15.18
	Karnes HD	\$560,819,588			\$0.202	\$1,133,416	1	n/a	\$56,082	14.98
59	Trinity	\$554,472,977	\$0.620000	\$3,305,090	\$0.620	\$3,305,090			\$55,447	15.15
	Trinity HD (8)	\$363,973,367			\$0.183	\$666,799	1	1975	\$36,397	23.08





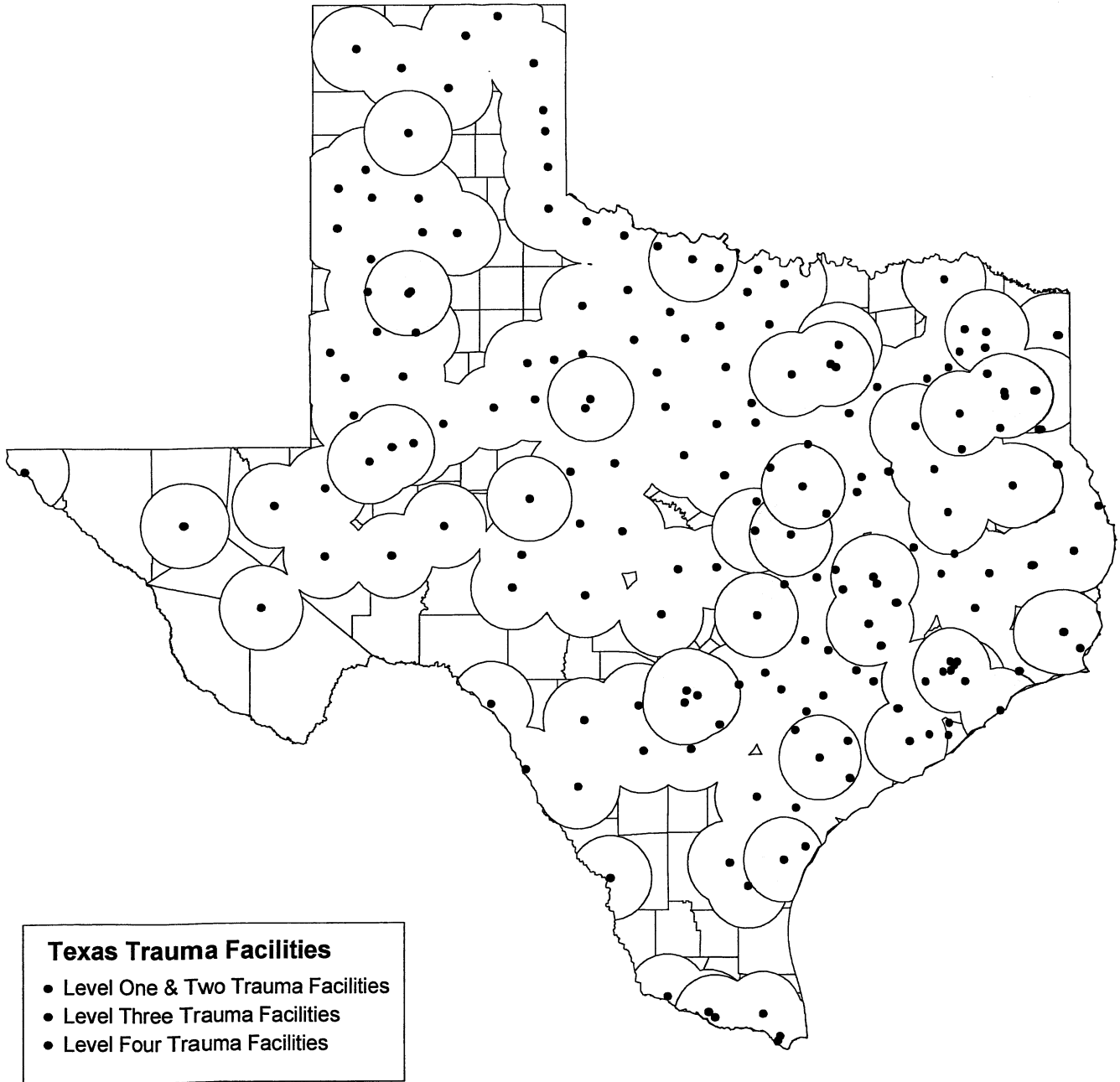


# LEVEL ONE & TWO TRAUMA FACILITIES (with 30 mile radius)



# TEXAS TRAUMA FACILITIES

(with 30 mile radius)



GOVERNMENT CODE  
TITLE 4. EXECUTIVE BRANCH  
SUBTITLE A. EXECUTIVE OFFICERS  
CHAPTER 403. COMPTROLLER OF PUBLIC ACCOUNTS

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 403.1065. PERMANENT FUND FOR RURAL HEALTH FACILITY CAPITAL IMPROVEMENT. (a) The permanent fund for rural health facility capital improvement is a dedicated account in the general revenue fund. The fund is composed of:

- (1) money transferred to the fund at the direction of the legislature;
- (2) payments of interest and principal on loans made under Subchapter G, Chapter 106, Health and Safety Code, and fees collected under that subchapter;
- (3) gifts and grants contributed to the fund; and
- (4) the available earnings of the fund determined in accordance with Section 403.1068.

(b) Except as provided by Subsections (c), (d), and (e), money in the fund may not be appropriated for any purpose.

(c) The available earnings of the fund may be appropriated to the Texas Department of Rural Affairs for the purposes of Subchapter H, Chapter 487.

(d) The comptroller may solicit and accept gifts and grants to the fund. A gift or grant to the fund may be appropriated in the same manner as the available earnings of the fund, subject to any limitation or requirement placed on the gift or grant by the donor or granting entity.

(e) Money in the fund may also be appropriated to pay any amount of money that the federal government determines that the state should repay to the federal government or that the federal government should recoup from the state in the event of national legislation regarding the subject matter of the case styled *The State of Texas v. The American Tobacco Co., et al.*, No. 5-96CV-91, in the United States District Court, Eastern District of Texas.

(f) Sections 403.095 and 404.071 do not apply to the fund.

Added by Acts 1999, 76th Leg., ch. 1391, Sec. 1, eff. Aug. 31, 1999.

Amended by Acts 2001, 77th Leg., ch. 1424, Sec. 8, eff. Sept. 1, 2001.

Amended by:

Acts 2009, 81st Leg., R.S., Ch. 112, Sec. 6, eff. September 1, 2009.

**144.148 RURAL HOSPITAL CAPITAL IMPROVEMENT GRANT PROGRAM.**

**Subdivision 1. Definition.** (a) For purposes of this section, the following definitions apply.

(b) "Eligible rural hospital" means any nonfederal, general acute care hospital that:

(1) is either located in a rural area, as defined in the federal Medicare regulations, Code of Federal Regulations, title 42, section 405.1041, or located in a community with a population of less than 15,000, according to United States Census Bureau statistics, outside the seven-county metropolitan area;

(2) has 50 or fewer beds; and

(3) is not for profit.

(c) "Eligible project" means a modernization project to update, remodel, or replace aging hospital facilities and equipment necessary to maintain the operations of a hospital, including establishing an electronic health records system.

**Subd. 2. Program.** (a) The commissioner of health shall award rural hospital capital improvement grants to eligible rural hospitals. Except as provided in paragraph (b), a grant shall not exceed \$500,000 per hospital. Prior to the receipt of any grant, the hospital must certify to the commissioner that at least one-quarter of the grant amount, which may include in-kind services, is available for the same purposes from nonstate resources. Notwithstanding any law to the contrary, funds awarded to grantees in a grant agreement do not lapse until expended by the grantee.

(b) A grant shall not exceed \$1,500,000 per eligible rural hospital that also satisfies the following criteria:

(1) is the only hospital in a county;

(2) has 25 or fewer licensed hospital beds with a net hospital operating margin not greater than an average of two percent over the three fiscal years prior to application;

(3) is located in a medically underserved community (MUC) or a health professional shortage area (HPSA);

(4) is located near a migrant worker employment site and regularly treats significant numbers of migrant workers and their families; and

(5) has not previously received a grant under this section prior to July 1, 1999.

**Subd. 3. Applications.** Eligible hospitals seeking a grant shall apply to the commissioner. Applications must include a description of the problem that the proposed project will address, a description of the project including construction and remodeling drawings or specifications,

sources of funds for the project, uses of funds for the project, the results expected, and a plan to maintain or operate any facility or equipment included in the project. The applicant must describe achievable objectives, a timetable, and roles and capabilities of responsible individuals and organization. Applicants must submit to the commissioner evidence that competitive bidding was used to select contractors for the project.

**Subd. 4. Consideration of applications.** The commissioner shall review each application to determine whether or not the hospital's application is complete and whether the hospital and the project are eligible for a grant. In evaluating applications, the commissioner shall score each application on a 100 point scale, assigning: a maximum of 40 points for an applicant's clarity and thoroughness in describing the problem and the project; a maximum of 40 points for the extent to which the applicant has demonstrated that it has made adequate provisions to assure proper and efficient operation of the facility once the project is completed; and a maximum of 20 points for the extent to which the proposed project is consistent with the hospital's capital improvement plan or strategic plan. The commissioner may also take into account other relevant factors. During application review, the commissioner may request additional information about a proposed project, including information on project cost. Failure to provide the information requested disqualifies an applicant.

**Subd. 5. Program oversight.** The commissioner shall determine the amount of a grant to be given to an eligible rural hospital based on the relative score of each eligible hospital's application and the funds available to the commissioner. The grant shall be used to update, remodel, or replace aging facilities and equipment necessary to maintain the operations of the hospital. The commissioner may collect, from the hospitals receiving grants, any information necessary to evaluate the program.

Subd. 6. [Repealed by amendment, 1999 c 245 art 2 s 21]

Subd. 7. [Repealed by amendment, 1999 c 245 art 2 s 21]

Subd. 8. [Repealed, 1Sp2001 c 9 art 1 s 62]

**Subd. 9. Status of previous awards.** The commissioner must regard grants or loans awarded to eligible rural hospitals before August 1, 1999, as grants subject to the conditions of this section and not subject to repayment as loans under Minnesota Statutes 1998, section 144.148.

**History:** 1997 c 225 art 2 s 53; 1999 c 245 art 2 s 21; 2001 c 171 s 3; 1Sp2001 c 9 art 1 s 32; 2002 c 375 art 3 s 5; 2002 c 379 art 1 s 113; 2004 c 231 s 1; 1Sp2005 c 4 art 6 s 11

## TEXAS HISTORIC COURTHOUSE PRESERVATION PROGRAM

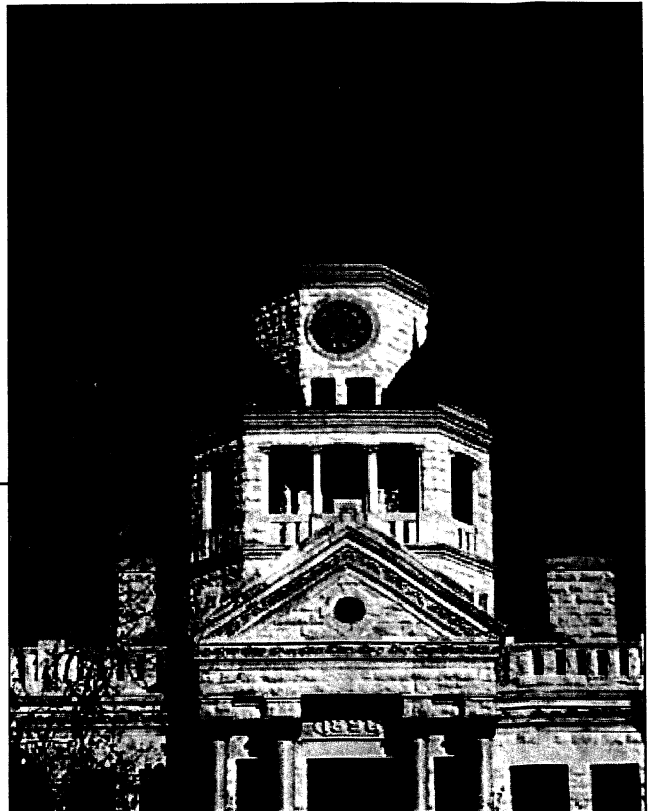
In 1999, the Texas Legislature and Gov. George W. Bush created the Texas Historic Courthouse Preservation Program through House Bill 1341, appropriating \$50 million for the 2000–01 biennium. The idea began in 1997 when the governor proposed a state and local courthouse revitalization project to preserve and restore Texas' unique county courthouses. In 1998, the National Trust for Historic Preservation named Texas courthouses to its list of America's 11 Most Endangered Historic Places.

### Background

In May 2000, the Texas Historical Commission (THC) awarded \$42.4 million in matching grants to 19 counties in Round I of the program. An additional \$7 million was distributed to 28 counties in Round II, which was the remainder of the original appropriation from the 76th Texas Legislature. Following another \$50 million appropriation from the 77th Texas Legislature, a call for applications was made in November 2001. The THC announced Round III grant recipients in early 2002 and 2003. Commissioners awarded approximately \$47.4 million to 22 Texas counties to help preserve their courthouses. Round IV in May of 2004 resulted in 28 counties receiving matching grants as a result of the \$45 million bond authority extended to the THC by the 78th Texas Legislature.

In the 80th Texas Legislative Session the appropriations bill passed \$62 million in bond authority to fund Round V of the program. In January 2008, 14 construction and three emergency projects were awarded.

In Rounds I through V, the THC received 133 courthouse master plans, the first step required in the assistance process. Of those 133 plans, 122 were approved. To date, THC staff has assisted in the restoration and preservation of 68 county courthouses.



*The 1896 Denton County Courthouse was rededicated Nov. 6, 2004.*

The estimated current need to restore courthouses that have approved master plans is approximately \$225 million in state funds.

The urgent need to preserve the state's historic courthouses became evident during the first five rounds of grants, as did Texans' enthusiasm for the program. There are, however, more than 183 nationally recognized historic courthouses across the state that could benefit from the Texas Historic Courthouse Preservation Program. Continuing the program is vital to the future of these grand community treasures.

# TRENDWATCH

## Beyond Health Care: The Economic Contribution of Hospitals

In 2006, America's hospitals treated 118 million people in their emergency departments, provided care for 600 million outpatients, performed 27 million surgeries, and delivered 4 million babies.<sup>1</sup> Every year, hospitals provide vital health care services like these to millions of people in thousands of communities. However, the importance of hospitals to their communities extends far beyond health care.

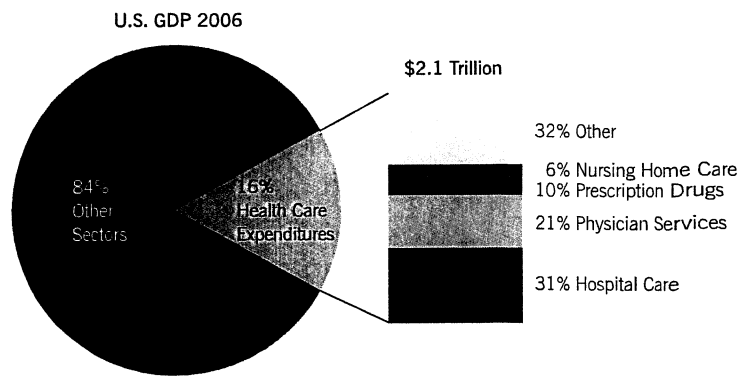
Hospital care is the largest component of the health sector, which itself is a growing segment of the U.S. economy. In 2006, this sector represented about 16 percent of the Gross Domestic Product (GDP) – a measure of economic output – or approximately \$2.1 trillion.<sup>2</sup> Hospitals accounted for \$648 billion of that total.<sup>3</sup> The health sector is an economic mainstay providing stability and growth, even during times of recession.<sup>4</sup>

In 2006, community hospitals employed more than 5 million people and spent about \$286 billion on goods and services in addition to employee wages. Nationally, each hospital job supports almost two additional jobs and every dollar spent by a hospital supports more than \$2 of additional business activity.<sup>5</sup> With these “ripple effects” included, hospitals support nearly \$1.9 trillion of economic activity.

A strong health care network, in which hospitals play a key role, also adds to the attractiveness of a community as a place to settle, locate a business or retire.

### Health care and hospitals are major contributors to the economy...

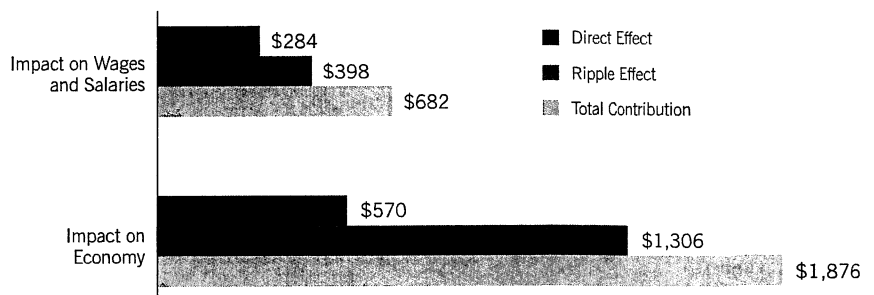
Chart 1: National Health Expenditures as a Percentage of Gross Domestic Product and Breakdown of National Expenditures on Health, 2006



Source: Centers for Medicare & Medicaid Services, Office of the Actuary. Data released January 7, 2008.

### ...supporting other businesses and jobs in communities across the U.S.

Chart 2: Impact of Community Hospitals on U.S. Economy (in billions), 2006



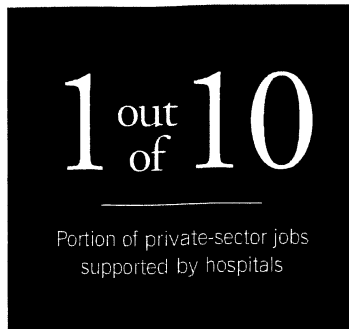
Source: Avalere Health, using BEA RIMS-II (1997/2005) multipliers applied to 2006 American Hospital Association Annual Survey data.



## Hospitals Are Among the Largest Employers in Many Communities

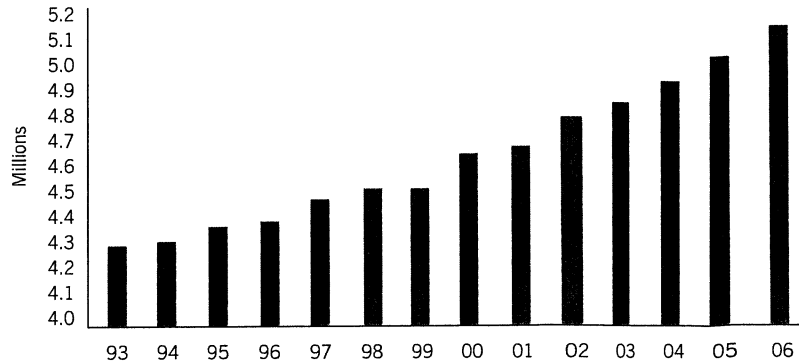
More than half of hospital expenses are salaries, wages and benefits. In 2006, U.S. hospitals paid about \$284 billion in employee compensation. Hospitals rank second as a source of private-sector jobs, behind only full-service restaurants.

Hospitals regularly rank among the top 10 employers in large urban areas such as Boston, New York and Detroit. The hospitals in the Chicago metropolitan area directly employ more than 140,000 full-time employees.<sup>6</sup> In Minnesota, the Mayo Clinic is the state's largest private employer, with a staff of more than 30,000 in Rochester and several thousand more in the regional health system.<sup>7</sup> Regionally, hospitals can account for more than 4 percent of employment.



### Nationwide, hospitals employ over 5 million people...

Chart 3: Number of Full-time and Part-time Hospital Employees, 1993-2006



Source: Avalere Health analysis of 2006 American Hospital Association Annual Survey data for community hospitals.

### ...making them the second-largest employer in the private sector...

Chart 4: Hospital Employment versus Employment in Other Industries, 2007\*



Source: Department of Labor, Bureau of Labor Statistics, Current Employment Statistics Survey, customized tables. Data released 2008. <http://www.bls.gov/ces>.

\*2007 annual projections based on data as of November 2007.

### Impact of Rural Hospitals

In rural areas, hospitals are often either the largest or the second-largest employer, behind the school system.<sup>8</sup> In these communities, which often struggle to attract and retain college graduates, rural hospitals provide a source of high-tech jobs for young people who might otherwise leave communities heavily dependent upon agriculture. Rural

hospitals also provide an anchor for other health care jobs, such as physicians and pharmacists that, in the absence of the hospital, may not be available. Total direct and indirect employment generated by health care is often 10 to 20 percent of a rural community's employment.<sup>9</sup>

...accounting for more than four percent of employment in most regions.

Chart 5: Percent of Total Regional Employment\* by Hospitals, 2006



Source: Avalere Health analysis of American Hospital Association 2006 Annual Survey data and 2006 total non-farm employment data from the Bureau of Labor Statistics.  
\*Does not include farm employment.

“ ” *from the field*

“In most rural communities, the local hospital is the largest employer and the biggest contributor to the local economy. When a hospital closes, it hits Main Street just as hard as it does the local medical community. Few cities and towns in rural Oklahoma can survive that kind of blow.”<sup>10</sup>

Governor Brad Henry, Oklahoma (D)

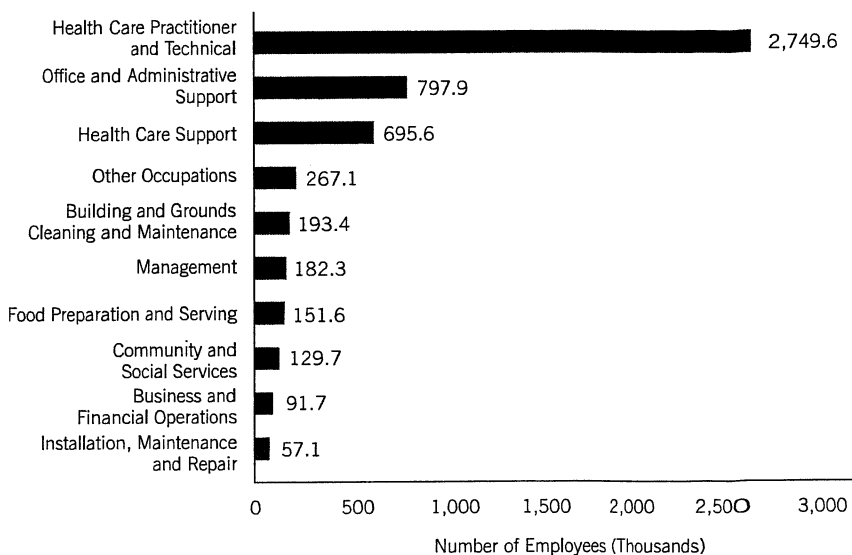
## Hospitals Offer High-quality Jobs and Consistent Job Growth

Hospitals are a large, established source of employment, providing jobs for a wide range of skill levels. Hospitals employ highly skilled doctors, nurses and therapists, as well as low-skilled workers in environmental and food services. Earnings of hospital workers, on average, are higher than those of workers in service-providing industries as a whole. Hospitals also furnish benefits, such as health insurance. These benefits are often lacking in other jobs available to lower-skilled workers, such as retail or other service jobs.

Hospitals offer a stable source of employment growth, even in times of economic stress. Hospitals had a 2.1 percent increase in employment in 2007, despite reported shortages in job classes such as nursing and pharmacy, while all non-farm employers experienced only a 1.6 percent increase.<sup>11</sup>

Hospitals support a range of positions for workers with varying skill levels.

Chart 6: Hospital Employment by Occupation Type, 2006



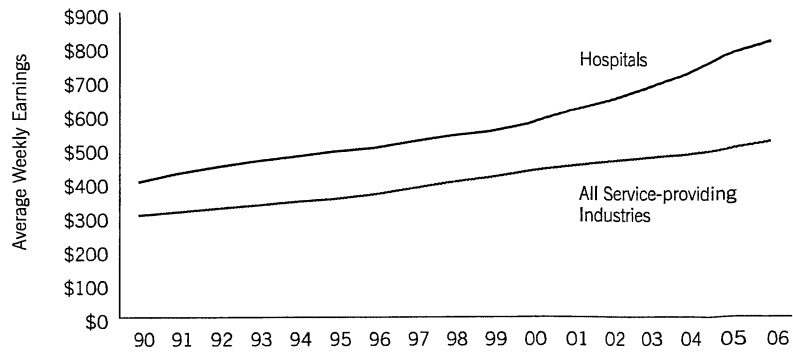
Source: Department of Labor, Bureau of Labor Statistics, 2006 National Industry-specific Occupational Employment and Wage. Data released May 2007. [http://www.bls.gov/oes/current/naics3\\_622000.htm](http://www.bls.gov/oes/current/naics3_622000.htm).

Additionally, in 2007, the health care sector overall added approximately 367,000 jobs, comprising 45 percent of all private-sector jobs added over the year.<sup>12</sup>

Facing a shortage of skilled workers, hospitals are investing in workforce development and retention activities – another way hospitals contribute to the economic base of communities. Some hospitals offer tuition reimbursement programs, partner with local colleges to provide training programs for employees to update or develop their skills, or implement mentoring programs for less experienced staff.

**Hospital jobs provide higher pay than other service sector jobs.**

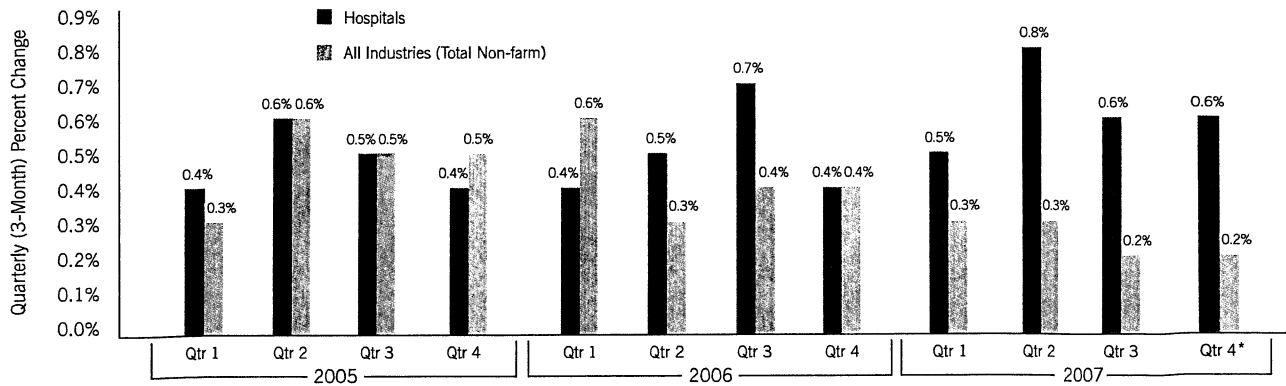
Chart 7: Average Weekly Earnings of Workers, Hospitals\* versus All Service-providing Industries, 1990-2006



Source: Department of Labor, Bureau of Labor Statistics, Current Employment Statistics (CES) Survey, customized tables. Data released 2008. <http://www.bls.gov/ces>.  
\*Includes physicians employed by hospitals.

**Hospitals provide a consistent source of jobs.**

Chart 8: Percent Change in Employment, Seasonally-adjusted: Hospitals versus All Industries (Total Non-farm), 2005-2007



Source: Department of Labor, Bureau of Labor Statistics. <http://www.bls.gov/bls/employment.htm>.  
\*2007 Qtr 4 data are preliminary.



“Creating greater opportunities in the allied health professions will not only improve patient care, it will spur job growth and help boost our economy. Training people to fill these openings could create more than 40,000 jobs.”<sup>13</sup>

Senator Maria Cantwell (D-WA)

## Hospital Expenditures and Tax Payments Stimulate Economies

The economic contribution of hospitals extends beyond the people they directly employ, the goods and services they purchase and the taxes they pay.

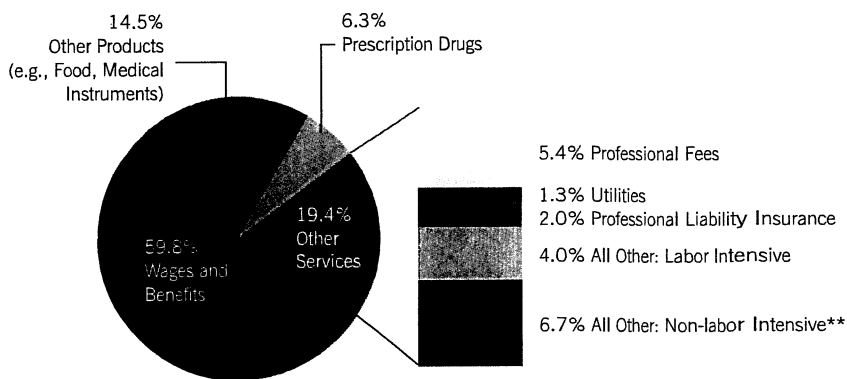
Hospitals also support other businesses through so-called “ripple effects” that are generated in three ways:

- *Hospitals purchase goods and services*, such as drugs, information technology, food, bed linens and “bricks and mortar” from other businesses in their communities. Those purchases create revenue for local businesses and jobs and income for their employees. The construction phase of the Ann & Robert H. Lurie Children’s Hospital of Chicago will generate approximately \$1.5 billion in economic activity between 2008 and 2012 when the hospital opens.<sup>14</sup>
- *Hospitals provide income for employees.* Hospital employees purchase goods and services, such as cars, household appliances and groceries. These purchases generate income and create jobs for other businesses in the community.
- *Wages and salaries paid by hospitals are subject to federal, state and local taxes (e.g., payroll taxes, sales taxes).* In South Bend, Indiana, employees of Memorial Hospital and Health System paid more than \$5 million in state and local income taxes, in addition to more than \$50 million in federal income taxes.<sup>15</sup>

These ripple effects result in jobs and income for other businesses. In 2006, with ripple effects included, hospitals supported a total of 13.9 million jobs and \$1.9 trillion of economic activity.

### Hospitals purchase a variety of goods and services...

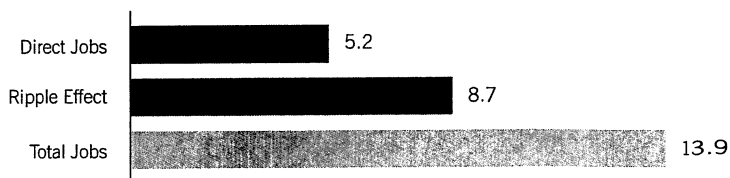
Chart 9: Percent of Hospital Costs\* by Type of Expense, 2nd Quarter 2007



Source: American Hospital Association analysis of Centers for Medicare & Medicaid Services data, using base year 2002 weights. \*Does not include capital. \*\*Includes postage and telephone expenses.

### ...generating jobs throughout the economy...

Chart 10: Impact of Community Hospitals on U.S. Jobs (in millions), 2006



Source: Avalere Health, using BEA RIMS-II (1997/2005) multipliers applied to 2006 American Hospital Association Annual Survey data.

### ...and supporting other industries.

Chart 11: Hospital Impact on Sectors of the U.S. Economy (in billions), 2006

INDUSTRY	ECONOMIC IMPACT	INDUSTRY	ECONOMIC IMPACT
Health care and social assistance	\$659.5	Accommodation and food services	48.2
Manufacturing	281.1	Other services	47.1
Real estate and rental and leasing	177.7	Management of companies and enterprises	37.7
Finance and insurance	119.9	Utilities	33.4
Professional, scientific and technical services	78.0	Agriculture, forestry, fishing and hunting	27.6
Retail trade	76.7	Educational services	15.1
Wholesale trade	61.4	Arts, entertainment and recreation	13.4
Information	61.4	Mining	11.9
Transportation and warehousing	58.4	Construction	9.3
Administrative and waste management services	58.1	<b>TOTAL</b>	<b>\$1,875.8</b>

Source: Avalere Health, using BEA RIMS-II (1997/2005) multipliers applied to 2006 American Hospital Association Annual Survey data.

## Hospitals Support their Communities in Many Additional Ways

In addition to providing traditional health care services and supporting their local economies, hospitals offer an array of special programs and activities to help meet communities' broader health and social needs.

Hospitals offer services that aid in disease prevention, promote health awareness, contribute to advances in medicine and address other societal needs. Examples of the types of community programs hospitals offer include:

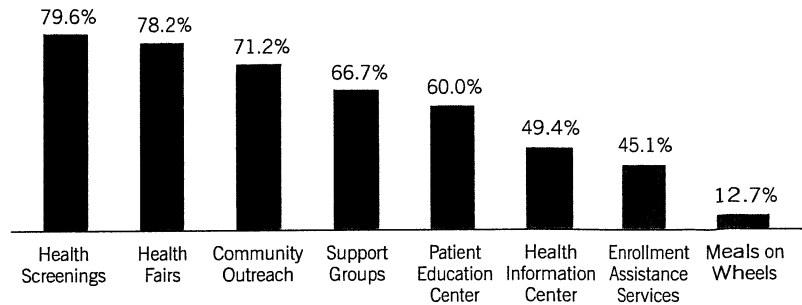
- Health programs such as educational outreach, health screenings and support groups;
- Subsidized health services (e.g., free clinics, vaccinations);
- Programs to address the social needs of communities (e.g., Meals on Wheels, various shelters);
- Health professions training programs for physicians, nurses and technical staff;
- Continuing education for health professionals; and
- Clinical research.

Hospital charity care programs provide care for free or on a sliding scale for patients with limited financial means. Hospitals have specific criteria to identify patients eligible for this care. In 2006, hospitals provided more than \$31 billion in uncompensated care – a mixture of charity care and other care for which payment was expected but not received.

Hospitals also offer services to needy patients through Medicaid, a federal-state

### Hospitals offer an array of community services...

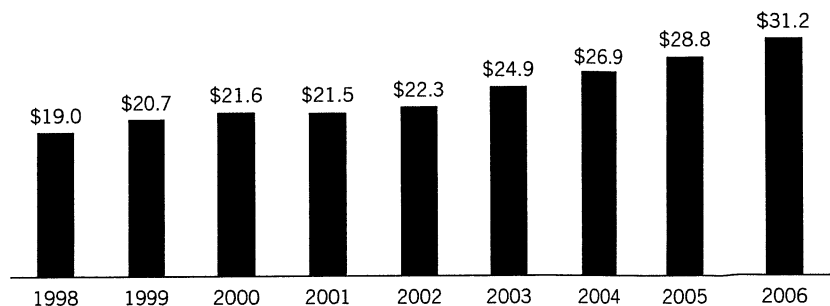
Chart 12: Percent of Community Hospitals Offering Selected Community Outreach Services, 2006



Source: Health Forum. (2008). *AHA Hospital Statistics*.

### ...and provide charity care and other care for which no payment is received.

Chart 13: Total Uncompensated Care Costs (in billions), 1998-2006



Source: Avalere Health analysis of 2006 American Hospital Association Annual Survey data for community hospitals.

program that does not fully reimburse community hospitals for the services provided to these patients. In 2006, Medicaid payments fell short of the actual

costs of care by \$11.3 billion, a number that includes disproportionate share payments intended to subsidize the costs of caring for other low-income populations.



“These hospitals not only sustain and contribute to the region's economic viability through local spending, job creation and research, they also have a huge community and social impact by partnering with local agencies to address unmet social and health care needs and providing care to those in need regardless of their coverage or means.”<sup>16</sup>

James Mandell, Conference of Boston Teaching Hospitals Chair and President and CEO of Children's Hospital Boston

## Hospitals support up to 11 percent of state employment.

Chart 14: Impact of Community Hospitals on U.S. Economy; All States, DC and Total U.S., 2006

STATE	Number of Hospital Jobs (FT and PT)	Multiplier** for Employment	Effect of Hospital Jobs on Total Jobs in State Economy	Percent of Total (Non-farm) Employment Supported by Hospital Employment	Hospital Payroll and Benefits (\$ millions)	Multiplier** for Earnings	Effect of Hospital Payroll and Benefits on Total Labor Income (\$ millions)	Hospital Expenditures* (\$ millions)	Multiplier** for Output	Effect of Hospital Expenditures on Total Output in State Economy (\$ millions)
Alabama	83,823	1.9673	164,905	8.32%	\$3,716	1.7256	\$6,412	\$7,895	2.1553	\$17,016
Alaska	10,972	1.8833	20,664	6.56%	\$752	1.5404	\$1,158	\$1,440	1.8578	\$2,674
Arizona	77,772	2.0659	160,669	6.08%	\$2,183	1.7575	\$3,837	\$4,571	2.1687	\$9,913
Arkansas	48,496	1.9083	92,545	7.71%	\$4,390	1.6570	\$7,274	\$9,498	2.0430	\$19,405
California	470,001	2.2396	1,052,614	6.98%	\$29,524	1.9783	\$58,407	\$57,500	2.5385	\$145,964
Colorado	62,374	2.2153	138,177	6.06%	\$3,702	1.9505	\$7,221	\$7,914	2.4787	\$19,617
Connecticut	63,860	1.8816	120,159	7.15%	\$3,927	1.7173	\$6,745	\$7,117	2.1326	\$15,178
Delaware	18,315	1.8634	34,128	7.82%	\$1,049	1.6184	\$1,698	\$1,894	1.9732	\$3,737
District of Columbia	25,590	1.5373	39,340	5.72%	\$1,607	1.3705	\$2,202	\$3,048	1.3911	\$4,239
Florida	266,870	2.0257	540,599	6.75%	\$14,762	1.8039	\$26,629	\$31,322	2.2321	\$69,913
Georgia	136,728	2.1334	291,696	7.14%	\$7,015	1.9374	\$13,590	\$14,325	2.4788	\$35,508
Hawaii	16,973	2.0943	35,547	5.76%	\$1,062	1.7063	\$1,811	\$2,003	2.0856	\$4,177
Idaho	21,626	2.0268	43,832	6.85%	\$1,056	1.6801	\$1,774	\$2,254	2.0409	\$4,600
Illinois	237,782	2.1803	518,436	8.74%	\$12,498	2.0037	\$25,043	\$24,244	2.6046	\$63,147
Indiana	124,713	2.0080	250,424	8.42%	\$6,396	1.7551	\$11,226	\$13,262	2.2268	\$29,533
Iowa	68,791	1.9108	131,446	8.75%	\$3,057	1.6650	\$5,090	\$5,983	2.0554	\$12,297
Kansas	49,275	1.9324	95,219	7.03%	\$2,408	1.6914	\$4,073	\$4,847	2.1363	\$10,356
Kentucky	78,692	1.9542	153,780	8.33%	\$3,834	1.7150	\$6,576	\$8,594	2.1431	\$18,418
Louisiana	82,640	2.0044	165,644	8.92%	\$3,812	1.7314	\$6,600	\$7,692	2.1075	\$16,212
Maine	32,779	2.0346	66,692	10.85%	\$1,627	1.6824	\$2,737	\$3,171	2.0564	\$6,520
Maryland	88,333	2.0238	178,768	6.91%	\$4,841	1.7899	\$8,666	\$10,120	2.2321	\$22,588
Massachusetts	157,105	2.0248	318,106	9.81%	\$9,150	1.8252	\$16,700	\$18,516	2.2851	\$42,311
Michigan	200,723	2.0031	402,068	9.26%	\$10,920	1.7785	\$19,421	\$21,187	2.2095	\$46,813
Minnesota	107,704	2.1564	232,253	8.41%	\$5,982	1.8575	\$11,112	\$11,335	2.3496	\$26,632
Mississippi	54,986	1.8829	103,533	9.06%	\$2,630	1.6302	\$4,287	\$5,238	2.0105	\$10,531
Missouri	127,691	2.0651	263,695	9.51%	\$6,170	1.8165	\$11,208	\$13,886	2.2909	\$31,812
Montana	20,140	1.9512	39,297	9.06%	\$969	1.6224	\$1,573	\$1,892	1.9664	\$3,720
Nebraska	40,989	1.9455	79,744	8.42%	\$1,975	1.7060	\$3,369	\$4,182	2.1064	\$8,809
Nevada	21,822	1.9102	41,684	3.25%	\$1,540	1.6205	\$2,496	\$3,080	1.9644	\$6,050
New Hampshire	27,306	1.9646	53,645	8.39%	\$1,633	1.7711	\$2,893	\$3,072	2.1229	\$6,523
New Jersey	141,201	2.1060	297,369	7.30%	\$8,705	1.8925	\$16,474	\$15,837	2.4329	\$38,530
New Mexico	26,878	2.0523	55,162	6.62%	\$1,407	1.6443	\$2,314	\$2,674	1.9675	\$5,262
New York	394,238	1.8775	740,182	8.59%	\$26,469	1.7057	\$45,148	\$47,152	2.1628	\$101,980
North Carolina	157,787	2.1212	334,698	8.32%	\$8,202	1.8418	\$15,106	\$16,751	2.3413	\$39,220
North Dakota	19,673	1.8537	36,468	10.33%	\$891	1.5887	\$1,415	\$1,636	1.9036	\$3,115
Ohio	252,032	2.1076	531,183	9.76%	\$13,464	1.8467	\$24,864	\$26,789	2.3444	\$62,805
Oklahoma	55,081	2.0895	115,092	7.42%	\$2,647	1.7750	\$4,698	\$5,816	2.2163	\$12,889
Oregon	56,629	2.1556	122,069	7.17%	\$3,332	1.7595	\$5,862	\$6,382	2.1885	\$13,968
Pennsylvania	275,396	2.1247	585,134	10.17%	\$13,862	1.9268	\$26,709	\$29,144	2.4728	\$72,068
Rhode Island	20,851	1.9458	40,572	8.22%	\$1,368	1.6873	\$2,309	\$2,419	2.0523	\$4,964
South Carolina	69,364	2.0776	144,111	7.57%	\$3,499	1.7698	\$6,192	\$7,936	2.2559	\$17,903
South Dakota	20,268	1.8479	37,453	9.39%	\$910	1.5841	\$1,441	\$1,838	1.9154	\$3,520
Tennessee	115,507	2.1489	248,213	8.92%	\$5,625	1.8571	\$10,447	\$11,824	2.3916	\$28,278
Texas	316,156	2.2890	723,681	7.20%	\$17,311	1.9720	\$34,138	\$36,937	2.5737	\$95,065
Utah	38,350	2.2220	85,214	7.08%	\$1,720	1.9095	\$3,285	\$3,880	2.4462	\$9,491
Vermont	12,741	1.9283	24,568	7.99%	\$805	1.5950	\$1,284	\$1,383	1.8848	\$2,606
Virginia	105,134	1.9195	201,805	5.42%	\$5,628	1.7630	\$9,922	\$12,620	2.2526	\$28,428
Washington	92,217	2.1432	197,639	6.91%	\$5,667	1.8034	\$10,219	\$10,819	2.2743	\$24,605
West Virginia	40,791	1.8325	74,750	9.89%	\$1,938	1.5628	\$3,029	\$3,946	1.8436	\$7,274
Wisconsin	108,140	2.0058	216,907	7.58%	\$5,591	1.7551	\$9,813	\$11,969	2.1855	\$26,159
Wyoming	8,838	1.7345	15,330	5.54%	\$445	1.4657	\$652	\$839	1.7279	\$1,450
<b>U.S.</b>	<b>5,152,143</b>	<b>2.7003</b>	<b>13,912,332</b>	<b>10.24%</b>	<b>\$283,674</b>	<b>2.4050</b>	<b>\$682,235</b>	<b>\$569,672</b>	<b>3.2927</b>	<b>\$1,875,760</b>

Source: Avalere Health, using BEA RIMS-II (1997/2005) multipliers for hospital NAICS Code 622, released 2006, applied to American Hospital Association Annual Survey data for 2006. Hospital jobs are total part-time and full-time jobs. Hospital labor income is defined as payroll plus benefits. The percent of total employment supported by direct and indirect hospital employment is based on 2005 Bureau of Labor Statistics data.

\*Expenditures are defined as net patient revenue + other operating revenue.

\*\*The "multiplier" is the factor by which spending in one sector of the economy affects other sectors. For example, nationally each hospital job results in a total of 2.7 jobs in the economy as a whole because hospital employees use their wages to purchase goods and services which creates income and jobs for other businesses.

## Summary and Conclusions

Hospitals contribute to the economic viability of local and regional communities by serving as the anchors of local health care networks and stimulating demand for goods and services produced by local businesses. Hospitals continue to provide jobs and job growth during recessions. However, when investors, policymakers and the public think about industries that promote economic stability and growth, most do not think about

hospitals. Indeed, increases in expenditures on manufacturing or technology inspire optimism about the nation's fiscal health, while increases in expenditures on health care are typically viewed with concern. But, the fact remains that hospitals are strong contributors to the U.S. economy.

Hospitals create a steady source of employment even in economic downturns:

- High pay relative to other service sectors;

- Jobs across a wide spectrum of skill levels; and

- Jobs not easily “outsourced” abroad.

Hospital – and hospital employee – purchases of goods and services support other community businesses. With “ripple effects” included, hospitals:

- Support nearly one of 10 jobs in the U.S.; and
- Support more than \$1.9 trillion in economic activity.

### ENDNOTES

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Preferred  
Management  
Corporation -

No written  
testimony



# Touchstone Communities-

No written  
testimony

Texas  
Health Care  
Association



**TESTIMONY OF DEREK PRINCE  
ON BEHALF OF THE TEXAS HEALTH CARE ASSOCIATION  
SENATE FINANCE COMMITTEE**

**July 7, 2010**

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Good morning, my name is Derek Prince, and I am Divisional Vice President of Operations for Fundamental Clinical Consulting. I am here on behalf the Texas Health Care Association and serve on their Board of Directors. THCA, founded in 1950, is the state's largest long term care association. Our membership is comprised of approximately 500 for profit and non profit entities – including nursing facilities, specialized rehabilitation facilities and assisted living facilities.

Fundamental operates 48 skilled nursing facilities across the state of Texas. Roughly one-third of the facilities we operate are located in rural markets.

I'd like to thank Chairman Ogden and the Members of this key Committee for the opportunity to share our observations, opinions and ideas in regard to the enormous challenges faced by rural skilled nursing facilities in sustaining seniors' access to quality long term care and rehabilitative services.

I also want to thank the Chairman and the Committee for, in fact, recognizing there are indeed very unique challenges in keeping our rural health care delivery system strong -- not just in regard to rural hospitals, the primary focal point of today's hearing – but to long term care facilities as well. Considering the close-knit nature of the rural health care community and the infrastructure supporting our important common mission, many of our challenges are similar.

Nursing homes are, and will always be, an essential segment in the spectrum of health and medical care throughout rural Texas. There are seniors whose health conditions require long-term care assistance around the clock that simply cannot be provided at a reasonable cost in any other environment or health care setting.

The staffing challenges in rural areas are striking. While staffing issues are certainly prevalent statewide, recruiting and keeping for the long term qualified caregivers in small communities has become a full time job in and of itself. In many cases, the town's nursing home is the largest local employer and a major part of the economy.

In addition, many rural facilities like ours are taking on sicker and sicker

patients, and they require more intensive care. Our population is quickly aging, and this obviously means more resources must be devoted to their care – both labor and non-labor. Put simply, Mr. Chairman, our costs in treating these sicker patients are rising at the same time that our cumulative funding levels are falling dramatically.

Since 2006, Mr. Chairman, 76 facilities have been forced to shut down – and a little over one-third of these facilities forced to close have been in rural Texas. As I noted, our rural health care infrastructure is closely interwoven on every level, and these rural home closings have no doubt weakened Texas' overall rural healthcare capacity.

To fully comprehend the uniquely challenging environment in which rural facilities operate, we must have a broad-based, objective look at the growing squeeze on seniors' benefits financed by Medicaid and Medicare. From the perspective of protecting the care of rural Texas' most vulnerable frail, elderly and disabled citizens, we are, for good reason, alarmed by budgetary developments in Austin as well as Washington, D.C.

As we told members of the Texas congressional delegation on a recent trip to Washington, rural facilities like ours are already confronting a distressing cumulative funding squeeze that threatens to force still more facilities to close, like the one in Floydada, near Amarillo.

In December of 2009 we were forced to close Floydada Healthcare due to inadequate funding. Floydada's civic leaders, alarmed that we were closing a major economic center in their town, met with us to discuss potential subsidies that could offset the facility losses and allow us to continue to operate. Unfortunately, due to the recent economic downturn, the subsidies offered were not enough to stem our deficits and we were forced to close the facility. Forty-five residents were relocated to other facilities and forty employees had to find new jobs.

In evaluating the structural eldercare funding crisis, Mr. Chairman, the negative impact of the federal Center for Medicare and Medicaid Services' (CMS) \$725 million, ten year cut to Texas seniors' Medicare-funded nursing home care, which went into effect in October, 2009, is certainly contributing to the overall predicament. Medicare funding for Texas nursing home care was then cut another \$875 million, over ten years, as part of the federal health care reform legislation. Further, Medicaid rates paid to Texas providers in 2010 are significantly short of meeting the state's own conservative estimate of necessary funding.

The cold, hard fact is that with a full eighty percent of our nursing home residents dependent upon federal and state programs that have already been cut in Washington - - or now scheduled for cuts in Austin -- the \$25.6 million Medicaid rate cuts now under consideration could send us over a cliff, and precipitate staff cuts and, ultimately more closures.

The bottom line is that successfully meeting vulnerable seniors' healthcare needs -- as well as sustaining a strong rural workforce and local jobs base -- is necessarily predicated upon robust and adequate Medicaid funding levels from Austin, particularly in the face of ongoing cuts to Medicare funding in Washington.

Making matters still worse, Mr. Chairman, is that Congress failed to act before the July 4<sup>th</sup> recess to pass emergency Medicaid relief -- needed to protect our already fragile eldercare safety net in the face of these cumulative funding challenges. The temporary increase in what is known as the Medicaid Federal Medical Assistance Percentage (FMAP) is essential. At stake right now is nearly \$1.7 billion in funds that can be used in Texas, right now, to shore up the Medicaid program. Now, more than ever, we need the Texas congressional delegation to help get this done.

During our meetings in Washington, we told the delegation that for Texas seniors and those who provide their care, it is essential for Congress to extend until June 30, 2011 the enhanced FMAP as it will help provide a needed state budgetary cushion. Extending FMAP assistance an additional six months is a fundamental, central step towards protecting the foundation of quality care for all Texas seniors, and preserving the jobs of the front line care staff that help improve our seniors' quality of life.

This is a matter that supersedes politics, and we will continue to urge the Texas congressional delegation in the strongest possible terms to help pass this emergency Medicaid relief measure immediately. We respectfully ask this Committee to ensure our federal lawmakers understand the importance of this emergency funding.

In the final analysis, Mr. Chairman, we all have an enormous stake in this debate -- our seniors, our workers and every one of our rural citizens who need access to quality long term care today and will require it in the future. We look forward to working with you now, and in the coming months and years, to help ensure every Texas senior, today and in the years ahead, receives the care they deserve to lead the long, healthy, dignified lives they so clearly deserve. Thank you.

2003 Rural-urban  
Continuum Code

CLOSURE  
DATE

County Name	County	Facility	City	LIC. BEDS	MED. BEDS	CLOSURE DATE	OWNER
Bexar	1 Bexar	Mayfield Care Center	San Antonio	66	63	12/1/2007	Wright Nursing Home
Bexar	1 Bexar	Leon Valley Care Center	San Antonio	17	63	5/18/2007	DKFJ Inc.
Bexar	1 Bexar	Nix Medical Center	San Antonio	22		12/1/2006	Accord Medical Management
Dallas	1 Dallas	Health South Dallas Transitional	Dallas	140		8/8/2007	Health South Specialty
Galveston	1 Galveston	The Transitional Learning Center	Galveston			8/9/2006	
Harris	1 Harris	Happy Harbor Methodist Home	La Porte			5/8/2008	Happy Harbor Methodist Home
Harris	1 Harris	Memorial Herman Spring Shadows	Houston			11/4/2007	Memorial Hermann Continuing Care
Harris	1 Harris	Memorial Hospital Memorial City	Houston	24		4/1/2007	Memorial Hermann Healthcare System
Harris	1 Harris	Southfield Healthcare Center	Pasadena	187	170	2/9/2007	Living Centers of Texas
Harris	1 Harris	Northway Health Care	Houston	158	158	1/26/2006	Living Centers of Texas
Tarrant	1 Tarrant	Sycamore Care Center	Fort Worth	48		5/2/2006	Legacy Care Centers
Kaufman	1 Kaufman	Medical Center at Terrell Skilled Nursing	Terrell	14	14	1/31/2007	Terrell Healthcare
Kaufman	1 Kaufman	Terrell Manor	Terrell	129		8/23/2006	Nexion Health and Terrell Manor
Bastrop	1 Bastrop	Elgin Golden Years Nursing and Reh	Elgin	90	72	2/17/2008	Senior Living Properties
Hays	1 Hays	River Springs Nursing and Rehab	San Marcos	142		8/8/2007	River Springs Nursing and Rehab
Travis	1 Travis	Seton Skilled Subacute Care	Austin	27		12/31/2006	Daughters of Charity Health Services
Travis	1 Travis	Capitol City Health and Rehab	Austin	120	120	10/20/2006	Capitol City Health and Rehab
Williamson	1 Williamson	Taylor Care Center	Taylor	89	63	4/19/2008	Taylor Nursing Home
Williamson	1 Williamson	Heartwood Nursing and Rehab	Taylor	116	95	3/3/2006	Heartwood Nursing and Rehab
Brazoria	1 Brazoria	Winchester Lodge Health Care Center	Alvin	94	94	9/11/2008	SSC Alvin Operating Center
Chambers	1 Chambers	Anahuac Health Center	Anahuac	100	78	9/15/2008	Senior Living Properties
Denton	1 Denton	Care Inn of Sanger	Sanger	67	67	1/30/2009	Sanger Care LLC
Galveston	1 Galveston	Turner Geriatric Center	Galveston	164	164	10/13/2008	MRC Edgewater
Harris	1 Harris	Katyville Healthcare Center	Katy	106	80	4/17/2010	Amity Fellowship of Katy Inc.
Harris	1 Harris	Goose Creek Rehabilitation Center	Baytown	90	88	10/2/2009	Garrett-Beck Corporation
Harris	1 Harris	Lakewood Senior Living of Hermann Park	Houston	185	185	2/13/2009	Lakewood Senior Living of Hermann Park
Waller	1 Waller	Autumn Care Retirement Cneter	Hempstead	110	43	4/21/2010	Autumn Care Retirement Center
Wise	1 Wise	Bridgeport Health Care Center	Bridgeport	87	0	2/5/2010	Bridgeport Essential Practices
Bell	2 Bell	Bell County Nursing and Rehab	Temple	144	125	5/22/2007	Bell County Nursing and Rehab
Bell	2 Bell	Kings Daughters Hospital SNF	Temple	12		4/16/2007	Kings Daughters Hospital Assoc.
Bell	2 Bell	Bell Haven Convalescent and Nursing	Killeen	130	130	2/28/2007	House Medical Center
El Paso	2 El Paso	Sierra Providence	El Paso	26		10/1/2007	RHSC El Paso
Bell	2 Bell	Tutor Nursing Home	Temple	45	45	8/6/2008	Tutor Nursing Home Inc
Jefferson	2 Jefferson	Pine Forest Nursing and Rehab	Beaumont	130	108	9/12/2008	SSC Beaumont Green Acres
Nueces	2 Nueces	Lynnhaven Nursing Center	Corpus Christi	183	168	1/12/2008	Century-Lynnhaven
Grayson	3 Grayson	Community Specialty Hospital	Sherman			11/20/2007	Sherman Senior Health Svcs
Grayson	3 Grayson	Mission Oaks Care Center	Sherman	193	193	6/21/2007	PHP Mission Care Centers
McLennan	3 McLennan	Bellmead Rehabilitation Center	Waco	48	43	9/15/2006	Morningstar Operating
Midland	3 Midland	Health South Skilled Rehab Unit of Midland	Midland	17		6/7/2006	Healthsouth of Midland
Potter	3 Potter	Palo Duro Nursing and Rehab	Amarillo	120	115	7/21/2007	Honor Service
Potter	3 Potter	Elizabeth Bivins Home for the Aged	Amarillo	38	38	12/14/2006	Lee Bivins Foundation
Smith	3 Smith	Westwood Nursing and Rehab	Troup	60	60	12/14/2007	Care Inn Properties
Wichita	3 Wichita	Cedar Falls Care Center	Wichita Falls	62	51	8/9/2007	Conifer Care
Wichita	3 Wichita	Denver Manor	Wichita Falls	81	79	8/18/2007	Conifer Care
Jones	3 Jones	Holiday Lodge Healthcare Center	Hamlin	60	60	8/18/2007	Senior Living Properties
Jones	3 Jones	Anson Healthcare Center	Anson	70	46	12/16/2009	Senior Living Properties
Harrison	4 Harrison	Grove Gardens Care Center	Marshall			9/25/2006	Grace Care of Texas

Comptroller of  
Public  
Accounts



Presentation to the

# Senate Finance Committee

The Honorable Steve Ogden, Chair

July 7, 2010

Presented by:

**John Heleman**

Chief Revenue Estimator

Texas Comptroller of Public Accounts



# History of Texas Franchise Tax



- Prior to the change in tax structure in 2006 the Texas Franchise Tax was based on capital and earned surplus.
- The tax rates were one-quarter of one percent taxable capital and 4.5 percent of earned surplus.
- Revenue collections were deposited in General Revenue.

# 2007 Franchise Tax by Industry

Industry	Number of taxpayer returns	Tax Liability (thousands)	Total Percentage
Oil and Gas	13,605	\$356,925	12.03%
Construction	48,221	\$112,482	3.79%
Manufacturing	26,887	\$539,759	18.19%
Trade	101,163	\$632,530	21.31%
Information	10,402	\$88,373	2.98%
Finance	39,376	\$221,404	7.46%
Real Estate	96,046	\$180,222	6.07%
Services	233,762	\$503,533	16.97%
All Others	123,199	\$332,435	11.20%
Total	692,661	\$2,967,663	100.00%

# Revised Texas Franchise Tax

## Current Franchise Tax Structure

- The revised tax base is measured on a firm's revenue less one of the following:
  - cost of goods sold; or
  - compensation; or
  - 30 percent of revenue.
- The tax rates are one-half of one percent for retailers and one percent for all other taxpayers.



# 2009 Franchise Tax by Industry

Industry	Number of taxpayer returns	Tax Liability (thousands)	Total Percentage
Oil and Gas	15,817	\$437,928	10.10%
Construction	53,857	\$190,913	4.40%
Manufacturing	26,018	\$742,410	17.12.%
Trade	105,537	\$687,469	15.85%
Information	10,326	\$272,486	6.28%
Finance	46,778	\$222,613	5.13%
Real Estate	154,353	\$284,987	6.57%
Services	277,798	\$893,200	20.59%
All Others	150,277	\$605,242	13.95%
<b>Total</b>	<b>840,761</b>	<b>\$4,337,248</b>	<b>100.00%</b>

# First Year Results: Expectations vs. Actual Returns



Item	Expected	Actual
Texas Revenue	\$1,844 (billion)	\$2,098 (billion)
Margin Percentage of Revenue	38.1	23.8
Taxable Margin	703	500
Overall Tax Rate (%)	0.89	0.89
Gross Liability	6.26	4.47
Credits/Discounts	0.38	0.37
Net Liability	\$5.88 (billion)	\$4.10 (billion)

# Texas Franchise Tax

## Credits Established by SB 441 and Temporary Credit on Taxable Margin Report Years 2001 to 2009

(Thousands of dollars)

	2001	2002	2003	2004	2005
<b>Investment</b>	8,665.2	15,110.5	18,755.5	39,725.5	43,001.7
<b>Jobs</b>	1,137.4	797.0	877.2	1,189.3	1,844.5
<b>Research and Development</b>	10,363.7	15,368.4	17,392.3	15,619.5	21,490.2
<b>Child-Care</b>	240.8	342.6	330.7	476.8	419.6
<b>School Programs</b>	3.3	2.3	6.5	3.7	19.3
<b>Temporary Credit</b>	0	0	0	0	0
<b>Total</b>	20,410.4	31,620.7	37,362.2	57,014.8	68,815.4

**Note: Totals may not add due to rounding.**

# Texas Franchise Tax

## Credits Established by SB 441 and Temporary Credit on Taxable Margin Report Years 2001 to 2009

(Thousands of dollars)

	2006	2007	2008	2009	Total (2001 to 2009)
Investment	53,809.3	65,272.6	75,923.1	58,238.8	\$378,502.2
Jobs	2,103.7	2,912.1	5,981.3	6,081.1	\$22,963.6
Research and Development	32,864.0	41,225.7	55,106.5	31,070.8	\$240,5001.0
Child-Care	456.6	826.4	0	0	\$3,093.4
School Programs	67.9	37.5	0	0	\$140.5
Temporary Credit	0	0	94,089.4	63,245.0	\$157,334.5
<b>Total</b>	<b>89,301.5</b>	<b>110,274.3</b>	<b>231,100.2</b>	<b>158,635.7</b>	<b>\$802,535.2</b>

**Note: Totals may not add due to rounding.**



# Questions?

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---

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Presentation to the

# Senate Finance Committee

The Honorable Steve Ogden, Chair

**July 7, 2010**

Presented by:

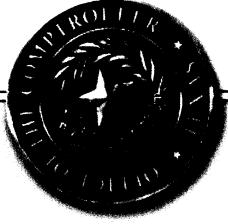
**Jerry Oxford**

Franchise Tax Policy Team Lead  
Texas Comptroller of Public Accounts



# Franchise Tax Credit

(Expired December 31, 2009)



## Capital Investment for Enterprise Projects for Certain Capital Investments

- For qualified capital investments made by certain enterprise projects. (Subchapter Q-1, Chapter 171, Tax Code, Sections 171.815-171.825 and Rule 3.593).
- An enterprise project that was designed on or after September 1, 2001 but before January 1, 2005 may claimed a credit of 7.5 percent of qualified capital investments made on or after January 1, 2005 and before January 1, 2007. The credit may be claimed on a franchise tax report due in 2008. An enterprise project that claimed a capital investment credit under Subchapter Q may not claim a credit under Subchapter Q-1 for the same qualified capital investments.
- Subchapter Q-1 expired on December 31, 2009. However, any unused credit may be carried forward for five years.

# Franchise Tax Credits

(Repealed for franchise tax reports originally due on or after January 1, 2008)



## Research and Development

- For certain expenses and payments for research conducted in Texas (Subchapter O, Chapter 171, Tax Code, Sections 171.721-171.731 and Rule 3.578).
- The research and development credit was repealed for franchise tax reports originally due on or after January 1, 2008. However, any unused credit may be carried forward to offset the tax on margin until the earlier of the date the credit would have expired under Subchapter O or December 31, 2027.

# Franchise Tax Credits

(Repealed for franchise tax reports originally due on or after January 1, 2008)



## Jobs Creation

- For the creation of qualifying jobs in certain areas of Texas (Subchapter P, Chapter 171, Tax Code, Sections 171.751-171.761 and Rule 3.578).
- The job creation credit was repealed for franchise tax reports originally due on or after January 1, 2008. However, any unused credit may be carried forward to offset the tax on margin until the earlier of the date the credit would have expired under Subchapter P or December 31, 2012.

# Franchise Tax Credits

(Repealed for franchise tax reports originally due on or after January 1, 2008)



## Capital Investment

- For qualified capital investments in certain areas of Texas (Subchapter Q, Chapter 171, Tax Code, Sections 171.801-171.811 and Rule 3.578).
- The capital investment credit was repealed for franchise tax reports originally due on or after January 1, 2008. However, any installments and unused credit may be carried forward to offset the tax on margin until the earlier of the date the credit would have expired under Subchapter Q or December 31, 2012.



# Franchise Tax Credits

(Repealed for franchise tax reports originally due on or after January 1, 2008)



## Day Care

- For qualifying expenditures for child care in Texas for the children of employees of the corporation (Subchapter N, Chapter 171, Tax Code, Sections 171.701-171.707 and Rule 3.579).
- The day care credit was repealed for franchise tax reports originally due on or after January 1, 2008.

## After-School Care

- For qualifying expenditures made to a program providing school-age child care in Texas (Subchapter R, Chapter 171, Tax Code, Sections 171.831-171.851 and Rule 3.579).
- The after-school care credit was repealed for franchise tax reports originally due on or after January 1, 2008.

# Franchise Tax Credits

(Repealed for franchise tax reports originally due on or after January 1, 2008)



## Hiring Persons with Certain Disabilities

- For wages paid to employees with certain disabilities (Subchapter T, Chapter 171, Tax Code, Sections 171.871-171.876 and Rule 3.580).
- The credit for hiring persons with certain disabilities was repealed for franchise tax reports originally due on or after January 1, 2008.

# Franchise Tax Credits Summary of Economic Development Credits

Repealed for franchise tax reports originally due on or after January 1, 2008



Credit Amount of Credit	Research and Development	Jobs Creation	Capital Investment
<b>Expenditures to which credit applies</b>	<p>5 percent of qualified expenses for reports originally due on after January 1, 2002.</p> <p>Excess of qualified research expenses in Texas over base year, plus basic research payments in Texas. Expenses must be incurred on or after January 1, 2000.</p>	<p>5 percent of wages paid for new qualifying jobs created in strategic investment areas for five years beginning with the year the jobs are created for reports originally due on or after January 1, 2002.</p> <p>Salary and wages paid for new qualifying jobs in agricultural processing, central administrative offices, distribution, data processing, manufacturing, research and development, or warehousing. Applies to new jobs created on or after January 1, 2000.</p>	<p>7.5 percent of qualified investment made in strategic investment areas. Credit must be claimed in equal installments over 5 years.</p> <p>Investments in tangible personal property as defined in IRC Section 1245(a) in agricultural processing, central administrative offices, distribution, data processing, manufacturing, research and development, or warehousing. Applies to qualified investments made on or after January 1, 2000.</p>
<b>Areas of state where credit may be established</b>	Statewide, but expenditures in strategic investment areas qualify for bonus.	Strategic investment areas (special provision for agricultural processors).	Strategic investment areas (special provision for agricultural processors).
<b>Limitations</b>	Credit may not exceed 50 percent of franchise tax due before credits	Credit may not exceed 50 percent of franchise tax due before credits.	Credit may not exceed 50 percent of franchise tax due before credits.
<b>Carryforward</b>	20 years	5 years	5 years
<b>Expiration</b>	December 31, 2009 (Accumulated credits may still carryforward.)	December 31, 2009 (Accumulated credits may still carryforward.)	December 31, 2009 (Accumulated credits may still carryforward.)
<b>Other provisions</b>	Credit may not be combined with job creation credit.	At least ten new full-time jobs must be created; must pay 110 percent of county average weekly wage; corporation must pay 80 percent of health insurance; and cannot be combined with R&D credit.	A minimum investment of \$500,000 is required. Jobs at location of investment must pay 110 percent of county average weekly wage. Corporation must pay 80 percent of health insurance.
<b>Credit forms</b>	Submit with the franchise tax report: <ul style="list-style-type: none"> <li>• Schedule D – Credit Summary,</li> <li>• Schedule K – County Worksheet, and</li> <li>• Schedule F or Schedule G – Research and Development Credit.</li> </ul>	Submit with the franchise tax report: <ul style="list-style-type: none"> <li>• Schedule D – Credit Summary,</li> <li>• Schedule K – County Worksheet and</li> <li>• Schedule H – Jobs Creation Credit.</li> </ul>	Submit with the franchise tax report: <ul style="list-style-type: none"> <li>• Schedule D – Credit Summary,</li> <li>• Schedule K – County Worksheet and</li> <li>• Schedule J – Investment Credit.</li> </ul>



# Questions?



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Presentation to the  
**Senate Finance Committee**  
The Honorable Steve Ogden, Chair

**July 7, 2010**

Presented by:  
**Robert Wood, Director**  
Local Government Assistance and Economic Development  
Texas Comptroller of Public Accounts



# The Texas Economic Development Act

Tax Code Chapter 313



Enacted in 2001 Chapter 313 allows **school districts to attract development** by offering:

- a **tax credit**; and
- an **eight-year limitation on appraised property value** for the maintenance and operations portion of the school district property tax

# School Reinvestment Zone



The **school district board** may **approve** qualified property located in an area designated:

- as a **reinvestment zone** under Tax Code Chapter 311 or 312; or
- as an **enterprise zone** under Government Code Chapter 2303

Provided that all of the qualified property is located within the designated zone.

The board also may **designate** an area entirely within the district's territory as a reinvestment zone under Tax Code Section 312.0025.



# School Reinvestment Zone



To grant a value limitation under Chapter 313, Subchapter B or C, for property in a reinvestment zone, the board must find that the designation is “reasonably likely” to:

- **increase primary employment** in the zone; and
- **attract major investment** in the zone that would benefit property values and contribute to regional economic development

The school board may consult with the county commissioners court and governing body of each municipality with territory in the school district before designating an area as a reinvestment zone.

# Property Requirements



In exchange for the appraised value limitation and tax credit, the **property owner** must agree:

- to create a specific number of **jobs**; and
- to **build or install** specific types of real and personal property of a certain value

The agreement must include provisions to protect the school district from revenue losses.

# Job Creation



Must create a minimum of 25 new jobs in non-rural districts, and 10 new jobs in rural districts.

- The minimum job creation requirement can be waived in some circumstances (effective 9-1-2007).
- Approximately 65% of the agreements initiated since 2007 have waived the minimum job requirement.

80% of all New Jobs must be qualifying jobs, regardless of the number of jobs committed in the agreement.

Qualifying jobs must:

- Provide certain health care benefits
- Work at least 1600 hours per year
- Pay 110% of one of three wage targets

HB 3676 (81<sup>st</sup> Legislature) requires claw back if statutorily required jobs are not created.

# Property Requirements

To qualify, the property must be in a reinvestment zone and must be devoted to:

- manufacturing, research and development
- a clean coal project, as defined by Section 5.001 of the Water Code
- an advanced clean energy project, as defined by Section 382.003 of the Health and Safety Code
- renewable energy electric generation
- electric power generation using integrated gasification combined cycle technology
- nuclear electric power generation; or
- computer center primarily related to one of the above categories

The applicant has in excess of two years (two full tax years and one partial year), beginning when the school district approves the application, to make the required minimum investments.

In addition to the eight-year limitation, the applicant may file a separate application for a tax credit for M&O taxes paid on property value in excess of the limitation value during the first two years of the agreement.



# Property Classes

State law defines **two overlapping classes of property** to be used for different purposes in the value limitation process:

- “qualified investment”
- “qualified property”

To **receive the appraised value limitation**, during the two-year qualifying period the applicant **must build or install the qualified investment** exceeding a specified amount.

This investment does not include:

- land; or
- investments made outside the qualifying time period

**Qualified property** is property that may receive the value limitation.

It includes:

- land; and
- most investment made after filing a completed application



# Investment Amount

Tax Code Chapter 313 states:

- the amount of **investment**
- the minimum amount of the **value limitation**

**Vary according to:**

- a school district's **taxable property values**
- its designation as **"rural"** or **"non-rural"**

**Rural Districts – School districts that:**

- are in a county with a population of less than 50,000
- are in a county in which the population showed growth of no more than 3 percent annually between 1990 and 2000 (according to the federal Census)
- are in an area previously designated as a Strategic Investment Area



# Investment Amount: Rural Districts

Rural school districts placed in five categories based on their amount of taxable industrial property.

Category	Taxable Value of Industrial Property	Minimum Qualified Investment
I	\$200 million or more	\$30 million
II	\$90 million or more but less than \$200 million	\$20 million
III	\$1 million or more but less than \$90 million	\$10 million
IV	\$100,000 or more but less than \$1 million	\$5 million
V	Less than \$100,000	\$1 million



# Investment Amount: Non-rural Districts

**Non-rural school districts placed in five categories based on their total amount of taxable property.**

<b>Category</b>	<b>Total Taxable Value of Property</b>	<b>Minimum Qualified Investment</b>
I	\$10 billion or more	\$100 million
II	\$1 billion or more but less than \$10 billion	\$80 million
III	\$500 million or more but less than \$1 billion	\$60 million
IV	\$100 million or more but less than \$500 million	\$40 million
V	Less than \$100 million	\$20 million





# Application Process

- To obtain a value limitation, a property owner must file an application form with the school district.
- If the school district decides to consider the application, it must:
  - send a copy of the application to the Comptroller and the relevant appraisal district
  - ask the Comptroller to provide an economic impact analysis
- The Comptroller must determine if the project is eligible, and notify the school district of that determination.
- After reviewing the application, the Comptroller must make a recommendation to the school district as to whether it should be accepted or rejected. If the Comptroller recommends against a project, the school districts may approve the project with a 2/3 vote, however the Comptroller cannot deduct the value of the limitation in the Property Value Study.
- The school district may approve the application only if it finds that:
  - the information in the application is true and correct
  - the applicant is eligible for the limitation
  - granting the application is in the best interest of the school district and this state



# Appraisal District



## Appraising Qualified Property Subject to Limitation on Appraised Value

The chief appraiser must:

- determine its market value
- include both the market value and the limited value in the appraisal records.

# Tax Credit



A **property owner** may receive a **property tax credit** for part of the taxes paid to the school district for each tax year during the qualifying time period.

The tax credit is **equal to the difference** between amount of:

- property tax **actually paid** on maintenance and operations
- property tax that **would have been paid**, with the agreed limitation

# Tax Credit

If the district:

- **determines** that the **owner is eligible**
- **verifies** the **total tax credit**

It must **direct its tax collector to apply the tax credit** against any taxes the school district imposes on the qualified property, as follows:

- **apply one-seventh of the total credit** in each of seven consecutive tax years, beginning with the tax year following the tax year in which the tax credit application was approved
- The **maximum amount of tax credit** applied in each tax year **may not exceed 50 percent of the total amount of school property taxes** imposed on the property in that tax year
- **apply any tax credit remaining** as a result of the application of the **50 percent cap in the first three tax years** that begin on or after the date on which eligibility for the appraised value limitation expires
- The **maximum amount may not exceed** the total amount of **school property taxes imposed** on the qualified property in **each tax year**
- Any remaining **unused tax credit expires**

The **credit will not be granted** in any tax year in which the **owner relocates** the business **outside the school district, or thereafter.**



# 81st Legislature: Major Changes to Chapter 313



- Amends the wage target for qualifying jobs for projects.
- Adds "a computer center primarily used in connection with one or more" of the other eligibility criteria listed in 313.024(b) as an eligible project.
- Requires school districts to submit to the Comptroller copies of most documents, and requires the Comptroller to post each document on the Comptroller Web site. Districts are required to have links to the Comptroller Web site.
- Provides that, when the Comptroller recommends disapproval of an application, a district may only approve that application with at least a two-thirds vote of the school board.
- Requires the Comptroller to determine whether the property described in the application meets the eligibility requirements of the chapter, and offer applicants the opportunity for a hearing on project eligibility.
- Expands the Comptroller's economic impact evaluation.
- Allows agreements to include a provision for payments from the business to the school district for "extraordinary education-related expenses" related to the project.
- Limits "supplemental payments" from the project owner to the district to \$100 per student per year for the duration of the project.
- Specifies that the Comptroller shall not deduct from the school district value study the value of any Chapter 313 projects that are applied for after May 1, 2009, and not recommended by the Comptroller.

# Reporting on Chapter 313

Before the beginning of each regular session of the legislature, the comptroller shall submit to the lieutenant governor, the speaker of the house of representatives, and each member of the legislature a report assessing the progress of each agreement entered into under this chapter.

The report must be based on data certified to the comptroller by each recipient of a limitation on appraised value under this chapter and state for each agreement:

- (1) the number of qualifying jobs each recipient of a limitation on appraised value committed to create;
- (2) the number of qualifying jobs each recipient created;
- (3) the median wage of the new jobs each recipient created;
- (4) the amount of the qualified investment each recipient committed to expend or allocate per project;
- (5) the amount of the qualified investment each recipient expended or allocated per project;
- (6) the market value of the qualified property of each recipient as determined by the applicable chief appraiser;
- (7) the limitation on appraised value for the qualified property of each recipient;
- (8) the dollar amount of the taxes that would have been imposed on the market value of the qualified property if the property had not received a limitation on appraised value;
- (9) the dollar amount of the taxes imposed on the qualified property;
- (10) the number of new jobs created by each recipient in each sector of the North American Industry Classification System;
- (11) of the number of new jobs each recipient created, the number of jobs created that provide health benefits for employees.



# Program Growth



**Number of projects by first year of qualifying time period**

<b>Year</b>	<b>Number</b>
2003	3
2004	5
2005	6
2006	7
2007	13
2008	54
2009	32
2010	13
2011	N/A
2012	1
2013	1
<b>Total</b>	<b>135</b>

# Value Loss from Chapter 313



Tax Year	Value Loss	Gross Tax Benefit (approx amount funded to ISDs)
2007	\$2,257,300,000	\$24,201,000
2008	\$4,445,122,000	\$47,917,000
2009	\$7,621,916,000	\$81,918,000
2010	\$17,104,166,000	\$182,217,000
2011	\$26,324,003,822	\$281,717,750
2012	\$26,986,935,075	\$290,495,636
2013	\$25,990,676,269	\$280,713,918
2014	\$24,473,319,489	\$263,523,795
2015	\$24,763,942,461	\$263,757,323

- Includes projects through 2009.
- Projects added in 2010 and beyond will increase state cost beginning in 2013.



# Project Summary

Agreements as of 2008	Number of projects	Estimated total investment for life of project	2007 taxable value if program were not in effect (M&O only)	2007 taxable value with program in effect (M&O only)
Manufacturing	23	\$18,329,208,000	\$3,075,000,000	\$969,506,000
Research and Development	4	\$2,489,430,000	\$85,339,000	\$85,339,000
Clean Coal	0	\$0	\$0	\$0
Advanced Clean Energy	0	\$0	\$0	\$0
Renewable Energy Electric Generation (Wind)	61	\$11,481,421,000	\$1,561,096,000	\$1,409,290,000
Electric Power Generation (Integrated Gasification Combined Cycle)	0	\$0	\$0	\$0
Nuclear Electric Power Generation	2	\$8,684,219,000	\$0	\$0
<b>Total</b>	<b>90</b>	<b>\$22,324,416,000</b>	<b>\$4,721,435,000</b>	<b>\$2,464,135,000</b>



# Project Summary



Agreements as of 2008	Number of qualifying jobs proposed on original application	Number of qualifying jobs created through 2007
Manufacturing	4,328	3,865
Research and Development	295	357
Clean Coal	0	0
Advanced Clean Energy	0	0
Renewable Energy Electric Generation (Wind)	467	173
Electric Power Generation (Integrated Gasification Combined Cycle)	0	0
Nuclear Electric Power Generation	500	0
<b>Total</b>	<b>5,590</b>	<b>4,395</b>

# Questions?



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# Legislative Budget Board

# **Effectiveness and Efficiency Review of Texas Economic Development Act**

Legislative Budget Board

# Summary

- Review required by H.B. 3676, 81<sup>st</sup>(R) Legislature
- Measuring Program Cost/Benefit to the State
- Review Approach

# Effectiveness and Efficiency Review

Review required by H.B. 3676, 81<sup>st</sup>(R) Legislature:

SECTION 16. The Legislative Budget Board shall conduct an effectiveness and efficiency review of the economic development program established under Chapter 313, Tax Code, and report the results of the review to the legislature not later than January 1, 2011.



# Measuring Program Cost/Benefit to State

Levy loss associated with property value limitations have little or no negative fiscal impact at the local school district level.

- The levy loss is offset by the state through additional state aid or reduced recapture.

There are significant challenges measuring the net cost/benefit to the state.

Primary Challenge: would the project, or an equivalent or similar investment, have occurred within the state regardless of program's incentive?

Other factors:

- Isolating this program from the array of incentives and/or requirements that likely also influence the occurrence of projects.
- Projecting long-term value of projects and associated secondary impacts.

# Cost/Benefit to State: continued

Tax Levy Loss/Benefit : the amount shown below is the cost to the state that is associated with the levy loss from property value limitations; equal to the tax benefit provided to companies through the program.

Total cost to the state for projects through FY2009: \$169.9 million

Total projected cost to the state for the life of these projects (through FY2024):  
\$2.75 billion

- Does not include other estimated economic benefits associated with projects.
- Does not include any new future projects.

# Review Approach

Evaluate State and Local Program Administration

- Successes
- Barriers to achieving program purpose; efficiency

Develop Metrics for Measuring Effectiveness

- Statutorily prescribed purposes
- Regional economic impact

# Review Approach: continued

## Statutory Purposes of Texas Economic Development Act

Sec. 313.003. PURPOSES. The purposes of this chapter are to:

- (1) encourage large-scale capital investments in this state, especially in school districts that have an ad valorem tax base that is less than the statewide average ad valorem tax base of school districts in this state;
- (2) create new, high-paying jobs in this state;
- (3) attract to this state new, large-scale businesses that are exploring opportunities to locate in other states or other countries;
- (4) enable local government officials and economic development professionals to compete with other states by authorizing economic development incentives that meet or exceed incentives being offered to prospective employers by other states and to provide local officials with an effective means to attract large-scale investment;
- (5) strengthen and improve the overall performance of the economy of this state;
- (6) expand and enlarge the ad valorem property tax base of this state; and
- (7) enhance this state's economic development efforts by providing school districts with an effective local economic development option.

# Review Approach: continued

- Size of the investment
- Location of the project
- Jobs created
- Wages
- Comparison to other state's incentives