

HEALTH & SAFETY CODE
CHAPTER 286. HOSPITAL DISTRICTS CREATED BY VOTER APPROVAL
SUBCHAPTER A. GENERAL PROVISIONS

Sec. 286.001. DEFINITIONS. In this chapter:

- (1) "Board" means the board of directors of the district.
- (2) "District" means a hospital district created under this chapter.
- (3) "Director" means a member of the board.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.002. DISTRICT AUTHORIZATION. A hospital district may be created and established and, if created, must be maintained, operated, and financed in the manner provided by Article IX, Section 9, of the Texas Constitution and by this chapter.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

SUBCHAPTER B. CREATION OF DISTRICT

Sec. 286.021. PETITION FOR CREATION OF DISTRICT. (a) Before a district located wholly in one county may be created, the county judge of that county must receive a petition signed by at least 100 registered voters of the territory of the proposed district.

(b) Before a district that contains territory located in more than one county may be created, the county judge of each county in which the proposed district will be located must receive a petition signed by at least 100 registered voters of the territory of the county in which the judge presides and of the proposed district.

(c) If there are fewer than 100 registered voters in any area for which a separate petition must be filed, the petition must be signed by a majority of the registered voters in the area.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.022. CONTENTS OF PETITION. (a) The petition prescribed by Section 286.021 must show:

- (1) that the district is to be created and is to operate under Article IX, Section 9, of the Texas Constitution;
- (2) the name of the proposed district;
- (3) the district's boundaries as designated by metes and bounds or other sufficient legal description;
- (4) that none of the territory in the district is included in another hospital district;
- (5) the names of the temporary directors the commissioners court must appoint under Section 286.030 or a request that the commissioners court appoint temporary directors;
- (6) whether the district is to impose a property tax and the maximum tax rate to be voted on at the creation election, which may not exceed 75 cents on the \$100 valuation of all taxable property in the district;
- (7) whether the district is to impose a sales and use tax under Subchapter I and the maximum tax rate to be voted on at the creation election, which may not exceed the rate allowed under that subchapter;
- (8) the method by which the permanent directors will be elected, as provided by Subsection (c); and
- (9) the mailing address of each petitioner.

(b) The petition must provide for the appointment of the same number of temporary directors as there will be permanent directors.

(c) The petition may provide:

- (1) the number of directors for the district, which number must be an odd number; and
- (2) the method by which directors are to be elected, whether at large, by place, or both, so that a specific number of directors are elected from each commissioner precinct and a specific number are elected at large.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Amended by Acts 2001, 77th Leg., ch. 1290, Sec. 5, eff. Sept. 1, 2001.

Sec. 286.023. FILING OF PETITION; HEARING; ORDERING ELECTION. (a) If the petition is in proper form, the county judge shall receive the petition and shall file the petition with the county clerk.

(b) At the next regular or special session of the commissioners court held after the petition is filed with the county clerk, the commissioners court shall set a place, date, and time for the hearing to consider the petition.

(c) The county clerk shall issue a notice of the hearing in

accordance with Chapter 551, Government Code.

(d) At the time and place set for the hearing, the commissioners court shall consider the petition. The commissioners court shall grant the petition if the court finds that the petition is in proper form and contains the information required by Section 286.022. The commissioners court may grant a petition proposing creation of a hospital district that imposes a sales and use tax under Subchapter I only if all or a majority of the territory of the district is located in a county or counties each with a population of 75,000 or less.

(e) If a petition is granted, the commissioners court shall order an election to confirm the district's creation and to authorize the levy of a tax not to exceed the maximum tax rate prescribed by the petition.

(f) If the petition indicates that the proposed district will contain territory in more than one county, the commissioners court may not order an election until the commissioners court of each county in which the district will be located has granted the petition.

(g) The election shall be held after the 45th day and on or before the 60th day after the date the election is ordered.

(h) Section 41.001(a), Election Code, does not apply to an election ordered under this section.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991. Amended by Acts 1995, 74th Leg., ch. 76, Sec. 5.95(82), eff. Sept. 1, 1995; Acts 2001, 77th Leg., ch. 1290, Sec. 6, eff. Sept. 1, 2001.

Sec. 286.0235. BOND PROPOSITION AT ELECTION. (a) The petition prescribed by Section 286.021 may include a request that a proposition be submitted at the election to determine whether the board may issue general obligation bonds if the district is created. The petition must specify the maximum amount of bonds to be issued and their maximum maturity date.

(b) Even though the petition does not request submission of a proposition on whether the board may issue general obligation bonds, the commissioners court may, on the request of a petitioner, submit a proposition at the creation election on the issuance of bonds.

(c) The board may issue general obligation bonds as provided by Subchapter G if a majority of the votes cast in the election favor creation of the district and issuance of the bonds.

Added by Acts 1991, 72nd Leg., ch. 648, Sec. 1, eff. Aug. 26, 1991.

Sec. 286.024. ELECTION ORDER. The order calling the election must state:

- (1) the nature of the election, including the proposition that is to appear on the ballot;
- (2) the date of the election;
- (3) the hours during which the polls will be open; and
- (4) the location of the polling places.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.025. NOTICE. (a) The commissioners court shall give notice of the election by publishing a substantial copy of the election order in a newspaper with general circulation in the proposed district once a week for two consecutive weeks.

(b) The first publication must appear before the 35th day before the date set for the election.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.026. BALLOT PROPOSITION. (a) The ballot for an election proposing to create a hospital district that imposes a property tax shall be printed to permit voting for or against the proposition: "The creation of the _____ (name of district) Hospital District and the levy of annual property taxes for hospital purposes at a rate not to exceed _____ (insert the amount prescribed by the petition, not to exceed 75 cents) cents on each \$100 valuation of all taxable property in the district."

(b) The ballot for an election proposing to create a hospital district that imposes a sales and use tax under Subchapter I shall be printed to permit voting for or against the proposition: "The creation of the _____ (name of district) Hospital District and the levy of sales and use taxes for hospital purposes at a rate not to exceed _____ (insert the amount prescribed by the petition, not to exceed the amount allowed under Subchapter I) percent."

(c) If a bond proposition is submitted to the voters, the ballot for the election shall contain the proposition prescribed by Subsection (a) or (b) followed by: " and the issuance of bonds in an

amount not to exceed _____ (insert the amount prescribed by the petition or the commissioners court's order) and to mature not later than _____ (insert the date prescribed by the petition or the commissioners court's order)."

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991. Amended by Acts 1991, 72nd Leg., ch. 648, Sec. 2, eff. Aug. 26, 1991; Acts 2001, 77th Leg., ch. 1290, Sec. 7, eff. Sept. 1, 2001.

Sec. 286.027. ELECTION RESULT. (a) Except as provided in Subsections (b) and (c), a district is created and organized under this chapter if a majority of the votes cast in the election favor creation of the district.

(b) If the proposed district contains territory in more than one county, a majority of the votes cast in each county must also favor creation of the district.

(c) If a majority of the votes cast in a county within the proposed district are against the creation of the district and a majority of the votes cast in the remaining county or counties favor creation of the district, the district may be created only in the counties voting in favor of the proposed district.

(d) If a majority of those voting at the election vote against creation of the district, another election on the question of creating the district may not be held before the first anniversary of the most recent election concerning the creation of the district.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.028. COMMISSIONERS COURT ORDER. When a district is created, the commissioners court of each county in which the district is located shall enter an order in its minutes that reads substantially as follows:

"Whereas, at an election held on the _____ day of _____, 19____, in that part of _____ County, State of Texas, described as (insert description unless the district is countywide), there was submitted to the qualified voters the question of whether that territory should be formed into a hospital district under state law; and

"Whereas, at the election _____ votes were cast in favor of formation of the district and _____ votes were cast against formation; and

"Whereas, the formation of the hospital district received the affirmative vote of the majority of the votes cast at the election as provided by law;

"Now, therefore, the Commissioners Court of _____ County, State of Texas, finds and orders that the tract described in this order has been duly and legally formed into a hospital district (or a portion thereof) under the name of _____, under Article IX, Section 9, of the Texas Constitution, and has the powers vested by law in the district."

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.029. OVERLAPPING DISTRICTS. (a) If the territory in one or more districts overlaps, the commissioners court of the county in which the most recently created district is located by order shall exclude the overlapping territory from that district.

(b) For purposes of this section, a district is created on the date the election approving its creation was held. If the elections approving the creation of two or more districts are held on the same date, the most recently created district is the district for which the hearing required by Section 286.023 was most recently held.

(c) The fact that a district is created with boundaries that overlap the boundaries of another district does not affect the validity of either district.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.030. TEMPORARY DIRECTORS. (a) On the date a commissioners court enters the order required by Section 286.028, the commissioners court shall also appoint the temporary directors of the district.

(b) If the petition prescribed by Section 286.021 specifically names temporary directors, the commissioners court shall name those persons to serve as temporary directors of the district. If the petition requests that the commissioners court appoint the temporary directors, the court shall appoint the appropriate number of persons to serve as temporary directors of the district. If the petition fails to name or state the number of directors, there are five directors.

(c) If the district is located in more than one county, the

commissioners courts shall each appoint a percentage of temporary directors equal to the ratio that the number of district residents in the county bears to the total number of district residents.

(d) From the time the district is created under Section 286.027 until the elected directors take office, the temporary directors serve as directors of the district.

(e) The commissioners court shall fill a vacancy in the office of temporary director by appointment.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

SUBCHAPTER C. DISTRICT ADMINISTRATION

Sec. 286.041. BOARD OF DIRECTORS. The directors shall be elected in accordance with the petition prescribed by Section 286.021.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.042. DIRECTOR'S ELECTION. (a) The initial directors shall be elected at an election to be held on the first Saturday in May following the creation of the district.

(b) If the directors are elected at large:

(1) the appropriate number of candidates receiving the highest number of votes at the initial election of directors are directors for the district;

(2) the number of directors equal to a majority of the directors who receive the highest number of votes at the initial election serve for a term of two years; and

(3) the remaining directors serve for a term of one year.

(c) If the directors are elected by place:

(1) the candidate for a place receiving the highest number of votes for election to that place is a director for the district;

(2) a director elected to fill an even-numbered place at the initial election serves for a term of one year; and

(3) a director elected to fill an odd-numbered place at the initial election serves for a term of two years.

(d) If the directors are elected from commissioners precincts and at large:

(1) the number of candidates equal to the number of directors to be elected from each precinct who receive the highest number of votes from a commissioner precinct are directors for that precinct;

(2) the number of candidates equal to the number of directors to be elected at large who receive the highest number of votes from the district at large are directors for the district at large;

(3) a candidate elected from an odd-numbered precinct at the initial election serves for a term of two years;

(4) a candidate elected from an even-numbered precinct at the initial election serves for a term of one year;

(5) a candidate elected as the director from the district at large at the initial election serves for a term of two years; and

(6) if more than one director is elected at large, half of the directors elected serve two-year terms, and the other half serve one-year terms.

(e) After the initial election of directors, an election shall be held on the first Saturday in May each year to elect the appropriate number of successor directors for two-year terms.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.043. NOTICE OF ELECTION. Before the 35th day before the date of an election of directors, notice of the election shall be published one time in a newspaper with general circulation in the district.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.044. PETITION. (a) A person who wishes to have the person's name printed on the ballot as a candidate for director must file an application with the secretary of the board.

(b) The application must be filed with the secretary not later than the 31st day before the date of the election.

(c) If directors are elected by place, the application must specify the place for which the applicant is to be a candidate.

(d) If the directors are elected from commissioners precincts and at large, the application must specify:

(1) the commissioner precinct the candidate wishes to represent; or

(2) that the candidate wishes to represent the

district at large.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.045. QUALIFICATIONS FOR OFFICE. (a) To be eligible to be a candidate for or to serve as a director, a person must be:

- (1) a resident of the district; and
- (2) a qualified voter.

(b) In addition to the qualifications required by Subsection (a), if directors are elected from commissioners precincts, a person who is elected from a commissioner precinct or who is appointed to fill a vacancy for a commissioner precinct must be a resident of that commissioner precinct.

(c) An employee of the district may not serve as a director. Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.046. BOND. (a) Before assuming the duties of the office, each director must execute a bond for \$5,000 payable to the district, conditioned on the faithful performance of the person's duties as director.

(b) The bond shall be kept in the permanent records of the district.

(c) The board may pay for directors' bonds with district funds.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.047. BOARD VACANCY. A vacancy in the office of director shall be filled for the unexpired term by appointment by the remaining directors.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.048. OFFICERS. (a) The board shall elect from among its members a president and a vice-president.

(b) The board shall appoint a secretary who need not be a director.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.049. OFFICERS' TERMS; VACANCY. (a) Each officer of the board serves for a term of one year.

(b) The board shall fill a vacancy in a board office for the unexpired term.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.050. COMPENSATION. (a) Directors and officers serve without compensation but may be reimbursed for actual expenses incurred in the performance of official duties.

(b) Expenses reimbursed under this section must be:

(1) reported in the district's minute book or other district records; and

(2) approved by the board.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.051. VOTING REQUIREMENT. A majority of the members of the board voting must concur in a matter relating to the business of the district.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.052. ADMINISTRATOR, ASSISTANT ADMINISTRATOR, AND ATTORNEY. (a) The board may appoint qualified persons as administrator of the district, assistant administrator, and attorney for the district.

(b) The administrator, assistant administrator, and attorney serve at the will of the board.

(c) The administrator, assistant administrator, and attorney are entitled to compensation as determined by the board.

(d) Before assuming the administrator's duties, the administrator shall execute a bond payable to the hospital district in an amount not less than \$5,000 as determined by the board, conditioned on the faithful performance of the administrator's duties under this chapter. The board may pay for the bond with district funds.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.053. APPOINTMENTS TO STAFF. The board may:

(1) appoint to the staff any doctors the board considers necessary for the efficient operation of the district; and

(2) make temporary appointments the board considers necessary.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.054. TECHNICIANS, NURSES, AND OTHER DISTRICT EMPLOYEES. (a) The district may employ technicians, nurses, fiscal agents, accountants, architects, additional attorneys, and other necessary employees.

(b) The board may delegate to the administrator the

authority to employ persons for the district.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.055. GENERAL DUTIES OF ADMINISTRATOR. The administrator shall:

(1) supervise the work and activities of the district; and

(2) direct the general affairs of the district, subject to the limitations prescribed by the board.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.056. RETIREMENT BENEFITS. The board may provide retirement benefits for employees of the district by:

(1) establishing or administering a retirement program; or

(2) electing to participate in the Texas County and District Retirement System or in any other statewide retirement system in which the district is eligible to participate.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

SUBCHAPTER D. POWERS AND DUTIES

Sec. 286.071. RESPONSIBILITY OF GOVERNMENTAL ENTITY. On creation of a district, a county, municipality, or other governmental entity in which the district is located shall convey or transfer to the district:

(1) title to land, buildings, improvements, and equipment related to the hospital system located wholly in the district that are owned by the county, municipality, or other governmental entity in which the district is located;

(2) operating funds and reserves for operating expenses and funds that have been budgeted by the county, municipality, or other governmental entity in which the district is located to provide medical care for residents of the district for the remainder of the fiscal year in which the district is established;

(3) taxes levied by the county, municipality, or other governmental entity in which the district is located for hospital purposes for residents of the district for the year in which the district is created; and

(4) funds established for payment of indebtedness assumed by the district.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.072. LIMITATION ON GOVERNMENTAL ENTITY. On or after creation of the district, a county, municipality, or other governmental entity in which the district is located may not levy taxes or issue bonds or other obligations for hospital purposes or for providing medical care for the residents of the district.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.073. DISTRICT RESPONSIBILITIES. (a) On creation of a district, the district:

(1) assumes full responsibility for operating hospital facilities and for furnishing medical and hospital care for the district's needy inhabitants;

(2) assumes any outstanding indebtedness incurred by a county, municipality, or other governmental entity in which all or part of the district is located in providing hospital care for residents of the territory of the district before the district's creation; and

(3) may operate or provide for the operation of a mobile emergency medical service.

(b) If part of a county, municipality, or other governmental entity is included in a district and part is not included in the district, the amount of indebtedness the district assumes under Subsection (a)(2) is that portion of the total outstanding indebtedness of the county, municipality, or other entity for hospital care for all residents of the county, municipality, or other entity that the value of taxable property in the district bears to the total value of taxable property in the county, municipality, or other entity according to the last preceding approved assessment rolls of the county, municipality, or other entity before the district is confirmed.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.074. MANAGEMENT, CONTROL, AND ADMINISTRATION. The board shall manage, control, and administer the hospital system and the funds and resources of the district.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.075. DISTRICT RULES. The board may adopt rules governing the operation of the hospital and hospital system and the

duties, functions, and responsibilities of district staff and employees.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.076. METHODS AND PROCEDURES. The board may prescribe:

- (1) the method of making purchases and expenditures by and for the district; and
- (2) accounting and control procedures for the district.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.077. HOSPITAL PROPERTY, FACILITIES, AND EQUIPMENT. (a) The board shall determine:

- (1) the type, number, and location of buildings required to establish and maintain an adequate hospital system; and

- (2) the type of equipment necessary for hospital care.

(b) The board may:

(1) acquire property, facilities, and equipment for the district for use in the hospital system;

(2) mortgage or pledge the property, facilities, or equipment acquired as security for the payment of the purchase price;

(3) transfer by lease to physicians, individuals, companies, corporations, or other legal entities or acquire by lease district hospital facilities; and

(4) sell or otherwise dispose of district property, facilities, or equipment.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.078. CONSTRUCTION CONTRACTS. (a) The board may enter into construction contracts for the district.

(b) The board may enter into construction contracts that involve spending more than \$10,000 only after competitive bidding as provided by Subchapter B, Chapter 271, Local Government Code.

(c) Chapter 2253, Government Code, as it relates to performance and payment bonds, applies to construction contracts let by the district.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Amended by Acts 1995, 74th Leg., ch. 76, Sec. 5.95(17), eff. Sept. 1, 1995.

Sec. 286.079. DISTRICT OPERATING AND MANAGEMENT CONTRACTS. The board may enter into operating or management contracts relating to hospital facilities.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.080. EMINENT DOMAIN. (a) A district may exercise the power of eminent domain to acquire a fee simple or other interest in property located in the territory of the district if the property interest is necessary to the exercise of the rights or authority conferred by this chapter.

(b) A district must exercise the power of eminent domain in the manner provided by Chapter 21, Property Code, but the district is not required to deposit in the trial court money or a bond as provided by Section 21.021(a), Property Code.

(c) In a condemnation proceeding brought by a district, the district is not required to:

(1) pay in advance or give bond or other security for costs in the trial court;

(2) give bond for the issuance of a temporary restraining order or a temporary injunction; or

(3) give bond for costs or supersedeas on an appeal or writ of error.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.081. EXPENSES FOR MOVING FACILITIES OF RAILROADS OR UTILITIES. If, in exercising the power of eminent domain, the board requires relocating, raising, lowering, rerouting, changing the grade, or altering the construction of any railroad, highway, pipeline, or electric transmission and electric distribution, telegraph, or telephone lines, conduits, poles, or facilities, the district must bear the actual cost of relocating, raising, lowering, rerouting, changing the grade, or altering the construction to provide comparable replacement without enhancement of a facility, after deducting the net salvage value derived from the old facility.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.082. INDIGENT CARE. (a) The district without charge shall supply to a patient residing in the district the care

and treatment that the patient or a relative of the patient who is legally responsible for the patient's support cannot pay.

(b) Not later than the first day of each operating year, the district shall adopt an application procedure to determine eligibility for assistance, as provided by Section 61.053.

(c) The administrator of the district may have an inquiry made into the financial circumstances of:

(1) a patient residing in the district and admitted to a district facility; and

(2) a relative of the patient who is legally responsible for the patient's support.

(d) On finding that a patient or a relative of the patient legally responsible for the patient's support can pay for all or any part of the care and treatment provided by the district, the administrator shall report that finding to the board, and the board shall issue an order directing the patient or the relative to pay the district each week a specified amount that the individual is able to pay.

(e) The administrator may collect money owed to the district from the estate of a patient or from that of a relative who was legally responsible for the patient's support in the manner provided by law for collection of expenses in the last illness of a deceased person.

(f) If there is a dispute relating to an individual's ability to pay or if the administrator has any doubt concerning an individual's ability to pay, the board shall call witnesses, hear and resolve the question, and issue a final order. An appeal from a final order of the board must be made to a district court in the county in which the district is located, and the substantial evidence rule applies.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.083. REIMBURSEMENT FOR SERVICES. (a) The board shall require reimbursement from a county, municipality, or public hospital located outside the boundaries of the district for the district's care and treatment of a sick, diseased, or injured person of that county, municipality, or public hospital as provided by Chapter 61 (Indigent Health Care and Treatment Act).

(b) The board shall require reimbursement from the sheriff or police chief of a county or municipality for the district's care and treatment of a person confined in a jail facility of the county or municipality who is not a resident of the district.

(c) The board may contract with the state or federal government for the state or federal government to reimburse the district for treatment of a sick, diseased, or injured person.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.084. SERVICE CONTRACTS. The board may contract with a municipality, county, special district, or other political subdivision of the state or with a state or federal agency for the district to:

(1) furnish a mobile emergency medical service; or

(2) provide for the investigatory or welfare needs of inhabitants of the district.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.085. GIFTS AND ENDOWMENTS. On behalf of the district, the board may accept gifts and endowments to be held in trust for any purpose and under any direction, limitation, or provision prescribed in writing by the donor that is consistent with the proper management of the district.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.086. AUTHORITY TO SUE AND BE SUED. The board may sue and be sued on behalf of the district.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

SUBCHAPTER E. CHANGE IN BOUNDARIES OR DISSOLUTION OF DISTRICT

Sec. 286.101. EXPANSION OF DISTRICT TERRITORY. (a) Registered voters of a defined territory that is not included in a district may file a petition with the secretary of the board requesting the inclusion of the territory in the district. The petition must be signed by at least 50 registered voters of the territory or a majority of those voters, whichever is less.

(b) The board by order shall set a time and place to hold a hearing on the petition to include the territory in the district. The board shall set a date for the hearing that is after the 30th day after the date the board issues the order.

(c) If after the hearing the board finds that annexation of the territory into the district would be feasible and would benefit

the district, the board may approve the annexation by a resolution entered in its minutes. The board is not required to include all of the territory described in the petition if the board finds that a modification or change is necessary or desirable.

(d) Annexation of territory is final when approved by a majority of the voters at an election held in the district and by a majority of the voters at a separate election held in the territory to be annexed. If the district has outstanding debts or taxes, the voters in the election to approve the annexation must also determine if the annexed territory will assume its proportion of the debts or taxes if added to the district.

(e) The election ballots shall be printed to provide for voting for or against the following, as applicable:

(1) "Adding (description of territory to be added) to the _____ Hospital District."

(2) "(Description of territory to be added) assuming its proportionate share of the outstanding debts and taxes of the _____ Hospital District, if it is added to the district."

(f) The election shall be held after the 45th day and on or before the 60th day after the date the election is ordered. The election shall be ordered and notice of the election shall be given in the same manner as provided by Sections 286.024 and 286.025 for ordering and giving notice of an election authorizing creation of the district. Section 41.001(a), Election Code, does not apply to an election held under this section.

(g) If a district imposes a sales and use tax under Subchapter I, the territory added to the district must be located in a county or counties each with a population of 75,000 or less, and the addition of the territory may not result in a combined tax rate by the hospital district and other political subdivisions of this state of more than two percent at any location in the district. Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991. Amended by Acts 2001, 77th Leg., ch. 1290, Sec. 8, eff. Sept. 1, 2001.

Sec. 286.102. DISSOLUTION. (a) A district may be dissolved as provided by this section.

(b) The board may order an election on the question of dissolving the district and disposing of the district's assets and obligations. The board shall order an election if the board receives a petition requesting an election that is signed by a number of residents of the district equal to at least 15 percent of the registered voters in the district.

(c) The election shall be held not later than the 60th day after the date the election is ordered. Section 41.001(a), Election Code, does not apply to an election ordered under this section.

(d) The ballot for the election shall be printed to permit voting for or against the proposition: "The dissolution of the _____ Hospital District." The election shall be held in accordance with the applicable provisions of the Election Code.

(e) If a majority of the votes in the election favor dissolution, the board shall find that the district is dissolved. If a majority of the votes in the election do not favor dissolution, the board shall continue to administer the district, and another election on the question of dissolution may not be held before the first anniversary of the most recent election to dissolve the district.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.103. TRANSFER OF ASSETS AFTER DISSOLUTION. (a) If a majority of the votes in the election favor dissolution, the board shall:

(1) transfer the land, buildings, improvements, equipment, and other assets that belong to the district to a county or another governmental entity in the district; or

(2) administer the property, assets, and debts in accordance with Section 286.104.

(b) If the district transfers the land, buildings, improvements, equipment, and other assets to a county or other governmental entity, the county or entity assumes all debts and obligations of the district at the time of the transfer, and the district is dissolved.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.104. ADMINISTRATION OF PROPERTY, DEBTS, AND ASSETS AFTER DISSOLUTION. (a) If the district does not transfer the land, buildings, improvements, equipment, and other assets to a county or

another governmental entity in the district, the board shall continue to control and administer the property, debts, and assets of the district until all funds have been disposed of and all district debts have been paid or settled.

(b) After the board finds that the district is dissolved, the board shall

determine the debt owed by the district and:

(1) if the district imposes a property tax, impose on the property included in the district's tax rolls a tax that is in proportion of the debt to the property value; or

(2) if the district imposes a sales and use tax under Subchapter I, continue the tax until the debt is repaid.

(c) The board may institute a suit to enforce payment of taxes and to foreclose liens to secure the payment of property taxes due the district.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991. Amended by Acts 2001, 77th Leg., ch. 1290, Sec. 9, eff. Sept. 1, 2001.

Sec. 286.105. RETURN OF SURPLUS PROPERTY TAX MONEY. (a) When all outstanding debts and obligations of the district are paid, the board shall order the secretary to return the pro rata share of all unused property tax money to each district taxpayer.

(b) A taxpayer may request that the taxpayer's share of surplus property tax money be credited to the taxpayer's county taxes. If a taxpayer requests the credit, the board shall direct the secretary to transmit the funds to the county tax assessor-collector.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991. Amended by Acts 2001, 77th Leg., ch. 1290, Sec. 10, eff. Sept. 1, 2001.

Sec. 286.106. REPORT; DISSOLUTION ORDER. (a) After the district has paid all its debts and has disposed of all its assets and funds as prescribed by Sections 286.104 and 286.105, the board shall file a written report with the commissioners court of each county in which the district is located setting forth a summary of the board's actions in dissolving the district.

(b) Not later than the 10th day after the date it receives the report and determines that the requirements of this section have been fulfilled, the commissioners court of each county shall enter an order dissolving the district.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

SUBCHAPTER F. DISTRICT FINANCES

Sec. 286.121. FISCAL YEAR. (a) The district operates on the fiscal year established by the board.

(b) The fiscal year may not be changed if revenue bonds of the district are outstanding or more than once in a 24-month period.

Sec. 286.122. ANNUAL AUDIT. The board annually shall have an audit made of the financial condition of the district.

Sec. 286.123. DISTRICT AUDIT AND RECORDS. The annual audit and other district records are open to inspection during regular business hours at the principal office of the district.

Sec. 286.124. ANNUAL BUDGET. (a) The administrator of the district shall prepare a proposed annual budget for the district.

(b) The proposed budget must contain a complete financial statement, including a statement of:

(1) the outstanding obligations of the district;

(2) the amount of cash on hand to the credit of each fund of the district;

(3) the amount of money received by the district from all sources during the previous year;

(4) the amount of money available to the district from all sources during the ensuing year;

(5) the amount of the balances expected at the end of the year in which the budget is being prepared;

(6) the estimated amount of revenues and balances available to cover the proposed budget; and

(7) the estimated property tax rate that will be required, if the district imposes a property tax.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991. Amended by Acts 2001, 77th Leg., ch. 1290, Sec. 11, eff. Sept. 1, 2001.

Sec. 286.125. NOTICE; HEARING; ADOPTION OF BUDGET. (a) The

board shall hold a public hearing on the proposed annual budget.

(b) The board shall publish notice of the hearing in a newspaper of general circulation in the district not later than the 10th day before the date of the hearing.

(c) Any resident of the district is entitled to be present and participate at the hearing.

(d) At the conclusion of the hearing, the board shall adopt a budget by acting on the budget proposed by the administrator. The board may make any changes in the proposed budget that in its judgment the interests of the taxpayers demand.

(e) The budget is effective only after adoption by the board.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.126. AMENDING BUDGET. After adoption, the annual budget may be amended on the board's approval.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.127. LIMITATION OF EXPENDITURES. Money may not be spent for an expense not included in the annual budget or an amendment to it.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.128. SWORN STATEMENT. As soon as practicable after the close of the fiscal year, the administrator shall prepare for the board a sworn statement of the amount of money that belongs to the district and an account of the disbursements of that money.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.129. SPENDING AND INVESTMENT LIMITATIONS. (a) Except as provided by Section 286.078(a) and by Sections 286.141, 286.144, and 286.145, the district may not incur a debt payable from revenues of the district other than the revenues on hand or to be on hand in the current and immediately following fiscal year of the district.

(b) The board may invest operating, depreciation, or building reserves only in:

(1) bonds of the United States;

(2) certificates of indebtedness issued by the United States secretary of the treasury;

(3) bonds of this state or a county, municipality, or school district of this state; or

(4) shares or share accounts of savings and loan associations organized under the laws of this state or federal savings and loan associations domiciled in this state, if the shares or share accounts are insured by the Federal Deposit Insurance Corporation.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Amended by Acts 2001, 77th Leg., ch. 1420, Sec. 8.101, eff. Sept. 1, 2001.

Sec. 286.130. DEPOSITORY. (a) The board shall name at least one bank to serve as depository for district funds.

(b) District funds, other than those invested as provided by Section 286.129(b) and those transmitted to a bank of payment for bonds or obligations issued or assumed by the district, shall be deposited as received with the depository bank and must remain on deposit. This subsection does not limit the power of the board to place a portion of district funds on time deposit or to purchase certificates of deposit.

(c) Before the district deposits funds in a bank in an amount that exceeds the maximum amount secured by the Federal Deposit Insurance Corporation, the bank must execute a bond or other security in an amount sufficient to secure from loss the district funds that exceed the amount secured by the Federal Deposit Insurance Corporation.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

SUBCHAPTER G. BONDS

Sec. 286.141. GENERAL OBLIGATION BONDS. The board may issue and sell bonds authorized by an election in the name and on the faith and credit of the hospital district to:

(1) purchase, construct, acquire, repair, or renovate buildings or improvements;

(2) equip buildings or improvements for hospital purposes; or

(3) acquire and operate a mobile emergency medical service.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.142. TAXES TO PAY BONDS. (a) At the time the bonds are issued by the district, the board shall levy a tax.

(b) The tax must be sufficient to create an interest and sinking fund to pay the principal of and interest on the bonds as they mature.

(c) In any year, the tax together with any other tax the district levies may not exceed the limit approved by the voters at the election authorizing the levy of taxes.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.143. BOND ELECTION. (a) The district may issue general obligation bonds only if the bonds are authorized by a majority of the qualified voters of the district voting at an election called and held for that purpose under this section or under Subchapter B.

(b) The board may order a bond election. The order calling the election must state:

- (1) the nature and date of the election;
- (2) the hours during which the polls will be open;
- (3) the location of the polling places;
- (4) the amount of bonds to be authorized; and
- (5) the maximum maturity of the bonds.

(c) Notice of a bond election shall be given as provided by Section 1251.003, Government Code.

(d) The board shall canvass the returns and declare the results of the election.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Amended by Acts 1991, 72nd Leg., ch. 648, Sec. 3, eff. Aug. 26, 1991; Acts 2001, 77th Leg., ch. 1420, Sec. 8.264, eff. Sept. 1, 2001.

Sec. 286.144. REVENUE BONDS. (a) The board may issue revenue bonds to:

- (1) purchase, construct, acquire, repair, equip, or renovate buildings or improvements for hospital purposes;
- (2) acquire sites to be used for hospital purposes; or
- (3) acquire and operate a mobile emergency medical service to assist the district in carrying out its hospital purposes.

(b) The bonds must be payable from and secured by a pledge of all or part of the revenues derived from the operation of the district's hospital system. The bonds may be additionally secured by a mortgage or deed of trust lien on all or part of district property.

(c) The bonds must be issued in the manner provided by Sections 264.042, 264.043, 264.046, 264.047, 264.048, and 264.049 for issuance of revenue bonds by county hospital authorities.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.145. REFUNDING BONDS. (a) Refunding bonds of the district may be issued to refund an outstanding indebtedness the district has issued or assumed.

(b) The bonds must be issued in the manner provided by Subchapter D, Chapter 1207, Government Code.

(c) The refunding bonds may be sold and the proceeds applied to the payment of outstanding indebtedness or may be exchanged in whole or in part for not less than a similar principal amount of outstanding indebtedness. If the refunding bonds are to be sold and the proceeds applied to the payment of outstanding indebtedness, the refunding bonds must be issued and payments made in the manner provided by Subchapters A-C, Chapter 1207, Government Code.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Amended by Acts 2001, 77th Leg., ch. 1420, Sec. 8.265, eff. Sept. 1, 2001.

Sec. 286.146. INTEREST AND MATURITY. District bonds must mature not later than the 50th anniversary of the date of their issuance and must bear interest at a rate not to exceed that provided by Chapter 1204, Government Code.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Amended by Acts 2001, 77th Leg., ch. 1420, Sec. 8.266, eff. Sept. 1, 2001.

Sec. 286.147. EXECUTION OF BONDS. The president of the board shall execute the bonds in the name of the district, and the secretary of the board shall countersign the bonds in the manner provided by Chapter 618, Government Code.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Amended by Acts 2001, 77th Leg., ch. 1420, Sec. 8.266, eff. Sept. 1, 2001.

Sec. 286.148. APPROVAL AND REGISTRATION OF BONDS. (a) District bonds are subject to the same requirements with regard to

approval by the attorney general and registration by the comptroller as the law provides for approval and registration of bonds issued by counties.

(b) On approval by the attorney general and registration by the comptroller, the bonds are incontestable for any cause.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.149. BONDS AS INVESTMENTS. District bonds and indebtedness assumed by the district are legal and authorized investments for:

- (1) banks;
- (2) savings banks;
- (3) trust companies;
- (4) savings and loan associations;
- (5) insurance companies;
- (6) fiduciaries;
- (7) trustees;
- (8) guardians; and
- (9) sinking funds of municipalities, counties, school districts, and other political subdivisions of the state and other public funds of the state and its agencies, including the permanent school fund.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.150. BONDS AS SECURITY FOR DEPOSITS. District bonds are eligible to secure deposits of public funds of the state and of municipalities, counties, school districts, and other political subdivisions of the state. The bonds are lawful and sufficient security for deposits to the extent of their value if accompanied by all unmatured coupons.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.151. TAX STATUS OF BONDS. Because the district created under this chapter is a public entity performing an essential public function, bonds issued by the district, any transaction relating to the bonds, and profits made in the sale of the bonds are free from taxation by the state or by any municipality, county, special district, or other political subdivision of the state.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

SUBCHAPTER H. PROPERTY TAXES

Sec. 286.161. TAX AUTHORIZED. (a) A majority of voters in a district or proposed district may, at the creation election under Subchapter B or in conjunction with any other district election, authorize the district to impose a property tax.

(b) The board annually may impose property taxes in an amount not to exceed the limit approved by the voters at the election authorizing the levy of taxes.

(c) The tax rate for all purposes may not exceed 75 cents on each \$100 valuation of all taxable property in the district.

(d) The taxes may be used to pay:

(1) the indebtedness issued or assumed by the district; and

(2) the maintenance and operating expenses of the district.

(e) The district may not impose taxes to pay the principal of or interest on revenue bonds issued under this chapter.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Amended by Acts 2001, 77th Leg., ch. 1290, Sec. 13, eff. Sept. 1, 2001.

Sec. 286.162. BOARD AUTHORITY. The board may impose taxes for the entire year in which the district is created.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.163. ADOPTING TAX RATE. In adopting the tax rate, the board shall consider the income of the district from sources other than taxation.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

Sec. 286.164. TAX ASSESSMENT AND COLLECTION. (a) The Tax Code governs the appraisal, assessment, and collection of district taxes.

(b) The board may provide for the appointment of a tax assessor-collector for the district or may contract for the assessment and collection of taxes as provided by the Tax Code.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991.

SUBCHAPTER I. SALES AND USE TAXES FOR DISTRICTS IN SMALL COUNTIES

Sec. 286.171. TAX AUTHORIZED. (a) A majority of voters in a proposed district of which all or a majority of the territory is located in a county or counties each with a population of 75,000 or

less may impose a sales and use tax if the imposition is authorized at the creation election under Subchapter B.

(b) An election to authorize the imposition of a sales and use tax under this subchapter may be held only in conjunction with a creation election under Subchapter B.

Added by Acts 2001, 77th Leg., ch. 1290, Sec. 14, eff. Sept. 1, 2001.

Sec. 286.172. LIMITATION ON COMBINED TAX RATE; EFFECT ON ELECTIONS. An election to create a hospital district and to authorize the imposition of a sales and use tax under this subchapter, or an election to change the tax rate under Section 286.174, has no effect if as a result of the adoption of the sales and use tax or the change in the rate the combined rate of all sales and use taxes imposed by the district and other political subdivisions of this state having territory in the district would exceed two percent at any location in the district.

Added by Acts 2001, 77th Leg., ch. 1290, Sec. 14, eff. Sept. 1, 2001.

Sec. 286.173. ELECTION IN OTHER TAXING AUTHORITY. (a) In this section, "taxing authority" means any entity authorized to impose a local sales and use tax.

(b) If a district or proposed district is included within the boundaries of another taxing authority and the adoption or increase of the tax under this subchapter would result in a combined tax rate by the district and other political subdivisions of this state of more than two percent at any location in the district, an election to approve or increase the tax under this subchapter has no effect unless:

(1) one or more of the other taxing authorities holds an election in accordance with the law governing that authority on the same date as the election under this chapter to reduce the tax rate of that authority to a rate that will result in a combined tax rate by the district and other political subdivisions of not more than two percent at any location in the district; and

(2) the combined tax rate is reduced to not more than two percent as a result of that election.

(c) This section does not permit a taxing authority to impose taxes at differential tax rates within the territory of the authority.

Added by Acts 2001, 77th Leg., ch. 1290, Sec. 14, eff. Sept. 1, 2001.

Sec. 286.174. TAX RATE; CHANGE IN RATE. (a) A district may impose the tax in increments of one-eighth of one percent, with a minimum rate of one-eighth of one percent and a maximum rate of two percent.

(b) Subject to Section 286.172, a district may increase the rate of the tax to a maximum of two percent or decrease the rate of the tax to a minimum of one-eighth of one percent if the change is approved by a majority of the voters of the district at an election called for that purpose.

Added by Acts 2001, 77th Leg., ch. 1290, Sec. 14, eff. Sept. 1, 2001.

Sec. 286.175. USE OF TAX. The taxes imposed may be used to pay:

(1) the indebtedness issued or assumed by the district; and

(2) the maintenance and operating expenses of the district.

Added by Acts 2001, 77th Leg., ch. 1290, Sec. 14, eff. Sept. 1, 2001.

Sec. 286.176. EFFECTIVE DATE. (a) The adoption or abolition of the tax or a change in the rate of the tax takes effect on the first day of the first calendar quarter occurring after the expiration of the first complete calendar quarter occurring after the date the comptroller receives a notice of the results of the election.

(b) If the comptroller determines that an effective date provided by Subsection (a) will occur before the comptroller can reasonably take the action required to begin collecting the tax or to implement the abolition of the tax or the change in the rate of the tax, the effective date may be extended by the comptroller until the first day of the next calendar quarter.

Added by Acts 2001, 77th Leg., ch. 1290, Sec. 14, eff. Sept. 1, 2001.

Sec. 286.177. COUNTY SALES AND USE TAX ACT

APPLICABLE. Except to the extent that a provision of this chapter applies, Chapter 323, Tax Code, applies to the tax authorized by this chapter in the same manner as that chapter applies to the tax authorized by that chapter.

Added by Acts 2001, 77th Leg., ch. 1290, Sec. 14, eff. Sept. 1, 2001.

SUBCHAPTER X. MISCELLANEOUS

Sec. 286.951. LIMITATION ON STATE ASSISTANCE. The state may not become obligated for the support or maintenance of a hospital district created under this chapter, and the legislature may not make a direct appropriation for the construction, maintenance, or improvement of a facility of the district.

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 121, eff. Sept. 1, 1991. Renumbered from Sec. 286.181 by Acts 2001, 77th Leg., ch. 1290, Sec. 14, eff. Sept. 1, 2001.