

Analysis of Central Health funds transferred to UT Dell Medical School

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Hospital Districts

In 2003 78th Legislative Session passed legislation amending Section 281 of the Texas Health and Safety Code that allowed Travis County and the City of Austin to establish a countywide hospital district “to furnish medical aid and hospital care to indigent and needy persons residing in the district”. An election was required and passed in 2004 authorizing the levy of property taxes for the purpose of funding the indigent healthcare of Travis County residents. Also, under Section 281 the portion of the County’s and City’s tax base tax base dedicated to indigent healthcare was transferred to the Hospital District-Central Health.

Why was an amendment needed? Central Health became a payor not provider of services. This did not change the narrowly defined statutory **public purpose** of the District-“to furnish medical aid and hospital care to indigent and needy persons residing in the district”. These services are funded by property taxes levied in Travis County.

The 4 key components are

- 1) Medical and hospital services for the poor
- 2) Poor residing in the District (Travis County)
- 3) Paid with property taxes
- 4) Property Tax Rate and Budget approved by Travis County Commissioners’ Court (elected officials)

Article III, Section 52 of the Texas Constitution does not allow gifts of public funds. It is my opinion that property tax funds levied for Central Health are restricted to the narrowly defined **public purpose** of hospital districts in Section 281 of the Texas Health and Safety Code.

It is always risky to distribute money first and then look for documentation of compliance after the money is disbursed as opposed to paying for services after they are rendered and documented.

The Central Health payment to DMS is classified by UT in their Budget as “funding received from state and local governments for which no exchange

of goods and services is perceived to have occurred”. So clearly Central Health property tax funds are being given to DMS prior to any services being rendered by DMS. What is missing is any documentation that \$35 million of property taxes intended “to furnish medical aid and hospital care to indigent and needy persons residing in the district” were used for that purpose. Without documentation of the medical and hospital services provided by DMS to the poor in Travis County, it is difficult to determine if the \$35 million in funds were spent consistent with the **public purpose** stated in Section 281 or were a broad based gift of public funds to DMS.