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MATTHEW A. MILLS, COUNTY ATTORNEY

April 3, 2025

Office of the Attorney General Ken Paxton
Attention: Opinion Committee
P.O. Box 12548
Austin, TX 78711-2548

Re: Resolving tension between Texas Tax Code § 26 and
Texas Special District Local Laws Code § 1042

Dear Attorney General Paxton,

With this letter, I respectfully ask that you provide a formal written opinion regarding the following issues.

Background

On December 31, 1996, the Hood County Hospital District (“District”) entered a 30-year lease with Community Health Systems. The lease transferred control of Hood General Hospital and other facilities in exchange for an up-front payment to the District of \$15,000,000. After that time, the District did not impose ad valorem taxes, and it used the lease money to provide indigent care. Now, the money is nearly out, and the District seeks guidance on providing indigent care.

The Hood County Hospital District (“District”) is set up under Chapter 1042 of the Texas Special District Local Laws Code. This chapter imposes a duty on the District to provide hospital and medical care for the District’s needy inhabitants (under 1042.101) and impose a tax (under 1042.251). Arguably, by not imposing a tax for many years, the District has been in violation of the mandate to impose a tax.

The facts of our situation are very similar to those taken up by your office in GA-0798 in 2010. In that case, a hospital district that had not been imposing taxes faced a potential rollback election if it instituted ad valorem taxes again. But the district also had

mandated duties to provide indigent care. Ultimately, that opinion concluded with an uncertain result. However, a similar question was taken up again in 2014 on behalf of a city. Perhaps because the city did not have the same mandated duties as the hospital district, your office stated a city would be subject to a rollback election if it instituted a tax.

After both of those opinions were issued, the legislature passed Senate Bill 2 in 2019 that amended the Texas Tax Code to require taxing entities to secure voter approval before raising ad valorem taxes above a certain rate. Due to this requirement, the District called for a voter approval election in November 2024. However, the measure was defeated, leaving the District limited options before running out of money in about a year.

Question 1

If the Tax Code mandates voter approval before the District may impose a tax, but the Special District Local Laws Code states the District *shall* impose a tax and *shall* provide care, which law controls?

Question 2

If the answer to the first question is that the Tax Code controls, do all the responsibilities of the District automatically fall upon Hood County? Does Texas Health and Safety Code 61.022 apply in this situation?

Thank you for your attention to these questions. We look forward to hearing your response. We would like to receive an answer before the District approves its budget for the next fiscal year, if possible.

Respectfully,

/s/ Matthew A. Mills

Matthew A. Mills
Hood County Attorney