



CITY OF HOUSTON

Sylvester Turner

Mayor

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April 24, 2023

The Honorable J.M. Lozano
Chairman, House Committee on Urban Affairs
P.O. Box 2910
Austin, TX 78768

Re: Opposing SB 736

Dear Chairman Lozano and Members of the Committee,

The City of Houston would like to offer the following information as the committee contemplates legislation on binding arbitration between the City and firefighters that could have devastating financial impacts to the City of Houston.

Revenue Limitations

The City of Houston operates under one of the country's most restrictive property revenue caps - in addition to complying with the State of Texas revenue cap. Property tax revenue is the largest funding source for the City's General Fund, representing 46% of the overall Fiscal Year 2023 General Fund revenue. The City has forgone \$1.49 billion in revenue since Fiscal Year 2015 and \$333 million in Fiscal Year 2023 alone. In addition, the City has reduced the property tax rate eight (8) times in the last nine (9) years to comply with the local property tax cap.

Sales tax is the second largest revenue source in the General Fund representing 30% of the overall Fiscal Year 2023 General Fund revenue. Sales tax is also one of the most volatile revenue sources in that it's very sensitive to changes in the economy from employment, oil prices, and inflation. Like most states and local governments across the nation, the City of Houston faced record sales tax loss due to the COVID-19 pandemic with hundreds of millions of dollars in lost revenue during the height of the pandemic. If not for the American Rescue Plan Act, the City of Houston would have faced catastrophic cuts across all services.

Combined, property tax and sales tax represent 76% of the overall Fiscal Year 2023 General Fund revenue. Decisions on funding levels without recognizing revenue limitations and market conditions will have a devastating impact on the City's financial standing. All these factors are evaluated when building the City's budget. Binding arbitration threatens the City's ability to manage within revenue limitations and the volatility of an unstable economy.

Houston Fire Department Budget

The Houston Fire Department is the second largest budget allocation in the General Fund behind the Houston Police Department and represents 24% of expenditures less debt. The FY2023 Budget for the Houston Fire Department stands at \$559 million, an increase of 4.4% over last year's adopted budget.

Included in the current Fiscal Year 2023 Budget for the Houston Fire Department, is the second year of a 6% pay raise increase. On June 30, 2021, Mayor Turner and City Council approved an 18% pay increase with a value of \$115 million over 3 years. The 6% pay raise was included in the Fiscal Year 2022 and 2023 budgets and will be included in the upcoming Fiscal Year 2024 Budget. Additionally, In February of 2020, Mayor Turner approved a 29% increase in the starting salary for fire cadets, lifting the annual compensation from \$28,000 to \$36,000.

In closing SB 736 would have devastating financial impacts to the City of Houston. We must comply within an existing local property tax cap and state cap along with the volatility and uncertainty of future sales tax revenues. Mandated arbitration without consideration of the financial health of the City and existing market conditions will lead to major budget cuts impacting services across the City.

As always, happy to provide any additional information to Members upon request.

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William Jones
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