



CITY OF HOUSTON

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April 26, 2023

The Honorable Paul Bettencourt
Senate Committee on Local Government
P.O. Box 12068
Capital Station
Austin, Texas 78711

Re: Opposing SB 977

Dear Chairman Bettencourt and Members of the Committee:

On behalf of the City of Houston, I write in opposition to Senate Bill 977 and ask that this written testimony be included in the formal legislative record for S.B. 977. The City and I thank the Committee and Chairman for the opportunity to comment regarding this proposed legislation.

My name is Melissa Dubowski, Deputy Director at the City's Finance Department and I testify with the City's full authority to speak on its behalf as part of my assigned duties and responsibilities.

S.B. 977, in pertinent part, would amend the definition of "debt" in the Tax Code to have drastic consequences for governmental entities such as the City of Houston. Pursuant to the bill, to qualify as "debt" statutorily, a bond, warrant, certificate of obligation, or other evidence of indebtedness would need to have been "approved at an election." Of major consequence, this would shift bond refinancings over to the maintenance and operations portion of a taxing unit's tax rate, rendering them essentially prohibitive. Additionally, the bill would undo the H.B. 1869 compromise for "designated infrastructure" from the 87th Legislative Session.

Ultimately, the cost of prohibiting bond refinancings to be funded from the debt service portion of the tax rate would be borne by the taxpayer. Governmental entities, such as the City of Houston, utilize refinancings in low interest rate environments to reduce debt service and save money for taxpayers who foot the bill for critical infrastructure. In addition, like other large cities and counties, the City of Houston utilizes its voted authorization through a tax backed commercial paper program to provide interim financing and minimize interest expenses in the short term. The commercial paper must ultimately be refinanced into long term bonds to be a viable tool and S.B. 977 would be preventative. As the committee is aware, maintenance and operations are heavily restricted by the Tax Code.

For these reasons, the City of Houston respectfully opposes S.B. 977.

Sincerely,

DocuSigned by:
A blue ink signature of Melissa Dubowski.

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Melissa Dubowski
Deputy Director
City of Houston Finance Department