



CITY OF HOUSTON

Sylvester Turner

Mayor

P.O. Box 1562
Houston, Texas 77251-1562

Telephone – Dial 311
www.houstontx.gov

March 11, 2021

The Honorable Dustin Burrows
Chairman
House Committee on Calendars
P.O. Box 2910
Austin, TX 78768

Re: HB 3

Dear Chairman Burrows,

I write to express my concerns regarding House Bill 3. Houstonians have well learned the role local government plays during a disaster and in this public health emergency. Local governments are the first to respond in a pandemic because we hear from the people directly, every day, and we are in the best position to respond directly.

HB 3 contains a broad express preemption provision that prevents the City of Houston from adopting any regulations tailored to the specific needs of a municipality if they are in any way inconsistent with the governor's orders, or any orders of the state health department. A local government's authority is also further restricted in the legislation, limiting the flexibility while adopting a "once size fits all" policy.

Of specific concern, House Bill 3 proposes that a governmental entity for which the presiding officer of the governing body issues an order requiring the closure of a private business in response to a pandemic may not adopt a tax rate for the current tax year that exceeds the lesser of the no-new-revenue tax rate or the voter-approval tax rate. Additionally, pursuant to the bill, in a tax year in which the amendments apply to a governmental entity, the difference between the governmental entity's actual tax rate and voter-approval tax rate is considered to be zero.

In tax year 2020, the City of Houston adopted a tax rate in accordance with SB 2 and the City's local Charter revenue cap. If the proposed bill were in effect during tax year 2020, and if the bill had applied to the City, the result would have been approximately **\$26.4 million in property tax revenue loss**, in comparison to the budget. This proposed restriction is so severe that it would not only have forced the City to reduce the revenue budget in the current year, but it would have actually been **a reduction of revenue from the prior year of approximately \$15.1 million**. As it is, the City actually lowered its current tax rate versus

the prior year by almost 1 cent. This draconian proposal would have forced the rate to be reduced by double that amount, or almost **2 cents**.

To make matters even more confusing for citizens, the City is required to ensure that revenues and rates are also in compliance with its own local revenue cap, which was added to the City Charter by voters in 2004. The City of Houston's revenue cap requires voter approval for increases in ad valorem taxes in future years above a limit equal to the lesser of the actual revenues in the preceding fiscal year, plus 4.5%, or a formula that is based upon the actual revenues received in fiscal year 2005 adjusted for the cumulative combined rates of inflation and the City's population growth. The result of Houston's local revenue cap, and now SB2, is the reduction of the property tax rate in the last 6 out of 7 years. Houston's tax rate is now **almost 8 cents lower than it was in 2014, a reduction of 12%**. Rating agencies have repeatedly cited Houston's revenue cap as a credit negative due to the sustained detrimental impact on revenues.

One of the stated purposes of this legislation is to "prepare for prompt and efficient care and treatment of persons victimized or threatened by a pandemic disaster." The bill also looks to "provide a setting conducive to the rapid and orderly transition and rehabilitation of persons and property affected by a pandemic disaster." If we are to promptly and efficiently care for our constituents during a pandemic and provide for their rapid and orderly transition and rehabilitation, we need the flexibility to do so.

The City of Houston feels some of the provisions of House Bill 3 would tie the hands of local governments at precisely the moment when dexterity and agility are needed most. Given the specific implications for our city, we hope to work with you to examine how we can address these concerns. We hope to visit with your office soon, and thank you again on behalf of Mayor Sylvester Turner.

Sincerely,

A handwritten signature in black ink, appearing to read 'B. Kelly', written over a horizontal line.

Bill Kelly,
Director of Government Relations