



# CITY OF HOUSTON

**Sylvester Turner**

Mayor

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

Telephone – Dial 311  
[www.houstontx.gov](http://www.houstontx.gov)

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The Honorable Paul Bettencourt, Chair, and Honorable Members of the Senate Select Committee on Property Tax Reform:

First of all, I would like to welcome you to Alief, one of Houston's most diverse and vibrant neighborhoods. I hope you are able to enjoy some of the wonderful food and culture and meet some of the fine people in the area.

Second, I feel compelled to remind the Honorable Members of the Senate Select Committee on Property Tax Reform of an eternal truth that is one of the core principles of governing:

Things cost money.

In Houston, we are especially aware of this following Hurricane Harvey. The City's Solid Waste employees who spent months picking up debris seven days per week after Hurricane Harvey, and who are still picking up said debris, do not work for free. The police officers who covered shifts for their flooded colleague and protected residents during a vulnerable time expect to be paid time-and-a-half for their overtime hours. We had to purchase a new insurance policy, and the insurance company wanted money for that, too.

People do not want to be flooded again. They expect every level of government to act toward this goal – federal, state and city. A sufficient response would include new reservoirs and other detention projects, drainage improvements, and buyouts of repeatedly flooded neighborhoods. Those things are going to cost money, and the City is going to be expected to contribute a portion.

I feel compelled to remind the committee of this principle, that things cost money, because it is not always apparent that the people in charge of the state government are aware of this.

There are times when it appears that they do. Gov. Abbott, for example, provided the City a \$50 million from the Governor's Disaster Relief Fund last year that was vital in covering our match for debris removal and expenses relating to the fact that our insurance had hit its maximum. Gov. Abbott further demonstrated understanding of this principle when he utilized an existing emergency provision to open Solid Waste Disposal Fees Account No. 5000 for debris removal assistance. Many members of the Texas Legislature have demonstrated understanding of this principle by stating that the State will need to use funds from the Economic Stabilization Fund to pay for hurricane relief.

There are other times, however, when it is not apparent that the people running the State of Texas are aware that things cost money, and there is no more common time that they appear to lack understanding of this than when they discuss property tax law. Proposals in the 85<sup>th</sup> Legislature to create what would effectively be a cap on the property tax revenue – including some that would go beyond the City of Houston’s revenue cap – demonstrate a lack of understanding of this principle.

Credit rating agencies, who consistently understand things cost money, take a dim view of such policies when rating local governments. While improving the City of Houston’s outlook after successful pension reform, Moody’s, Fitch, and S&P all note the negative impact of Houston’s tax cap on the City’s finances. It damages the City’s credit rating, which makes things cost more money.

In a press conference earlier this year attended by the Honorable Chair, Gov. Abbott proposed an even more dramatic cap. If such a proposal had been law leading up to Hurricane Harvey, the ability of the City of Houston to meet the needs of its residents would have been compromised.

As the City of Houston’s rate - the lowest it has been since 1987 - represents approximately one quarter of the property tax paid by homeowners, there seems to be a misplaced focus on local government that avoids the topic driving property tax discussions. How can you have a discussion about property taxes that does not both start and end with school finance – another topic where state leaders often seem to forget that things cost money?

The State has a constitutional responsibility to provide a public education for Texas children. Teachers expect to be paid. So do bus drivers and counselors and school nurses. Textbooks cost money, as do educational facilities. “Provision for the support and maintenance of an efficient system of public free schools,” as Texas Constitution Article VII says, amounts primarily to providing sufficient funds.

And it is with that charge that the Legislature passed a budget funding public education over the next 2 years. To quote the language in the budget:

*“Property values, and the estimates of local tax collections on which they are based, shall be increased by 7.04 percent for tax year 2017 and by 6.77 percent for tax year 2018.”*

The State’s contribution to public schools is expected to be 38.2 percent when the 2019 Legislative session begins, down from 43.6 percent in just 2016. School districts have had to make up the gap between what the State provides and how much it costs to educate their children, which has resulted in rising property tax bills. Taxpayers unaware of the State’s responsibility to provide for an education and its failure to meet that responsibility blame the entities on their tax bill. And state leaders score political points by proposing these revenue caps, all while shirking the duty given to them by the authors of the Texas Constitution.

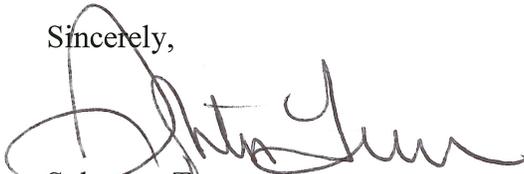
As this Committee considers property tax law as it relates to disaster recovery, it should consider that property tax revenue caps such as those that have been proposed by state leaders are what policemen, fire fighters, and emergency first responders rallied against last session. Harvey is a real world example of how these policies would hamper the ability of local governments to respond to hurricanes and other emergencies. The people of the State of Texas who choose to live in cities expect their cities to be able to respond in the event of the disaster, and cities will not be able to respond if legislation designed to strangle local governments succeeds.

Finally, this Committee is also examining how funds raised by Tax Increment Reinvestment Zones may be diverted to disaster recovery. In Houston, TIRZ funds are already a critical component of our response to Hurricane Harvey. TIRZs have budgets that are approved by City Council, so cities have significant input on how those funds are spent within the restrictions on use that state law places on them. The FY 2018-2022 Capital Improvement Plan includes \$648 million in TIRZ funds that will go toward projects that will improve drainage, including \$58 million in detention projects, \$136 million in drainage projects and \$454 million in complete street reconstruction – important because streets are a necessary part of Houston’s drainage system.

It certainly behooves members of the Texas Legislature to look at every avenue for more funds to address needs after Hurricane Harvey. I would encourage members to look at the aforementioned Economic Stabilization Fund or to establish more programs like the one the City utilized to obtain a loan from the Texas Water Development Board for bayou improvements.

Thank you for your consideration, and again I hope you are able to experience some of what Alief offers.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Sylvester Turner', written in a cursive style.

Sylvester Turner  
Mayor