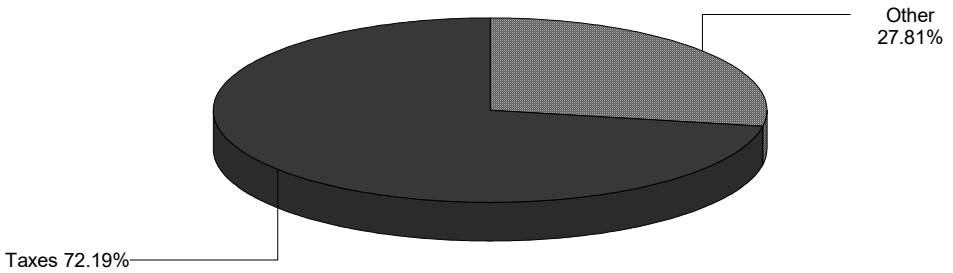
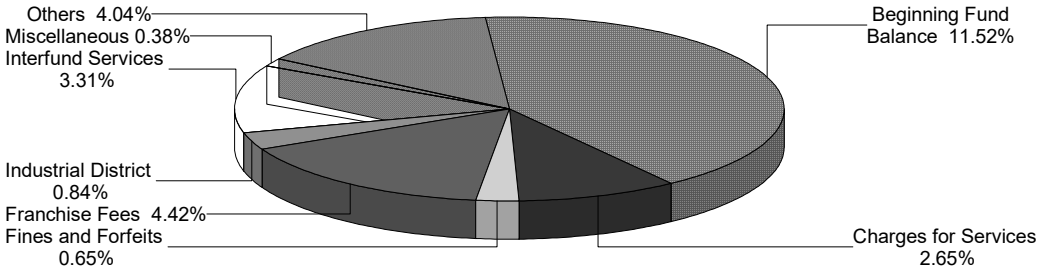
GENERAL FUND RESOURCES SUMMARY

The General Fund is the City of Houston's largest operating fund. With total resources of $3.3 billion budgeted in FY2026, this fund relies heavily on various forms of revenue to finance its operations. As illustrated below, approximately 72% percent of the total resources in the General Fund are from taxes, mainly property and sales taxes.

GENERAL FUND RESOURCES
FY2026 BUDGET



COMPOSITION OF OTHER (ABOVE)



The composition of the FY2026 General Fund resources is listed below:

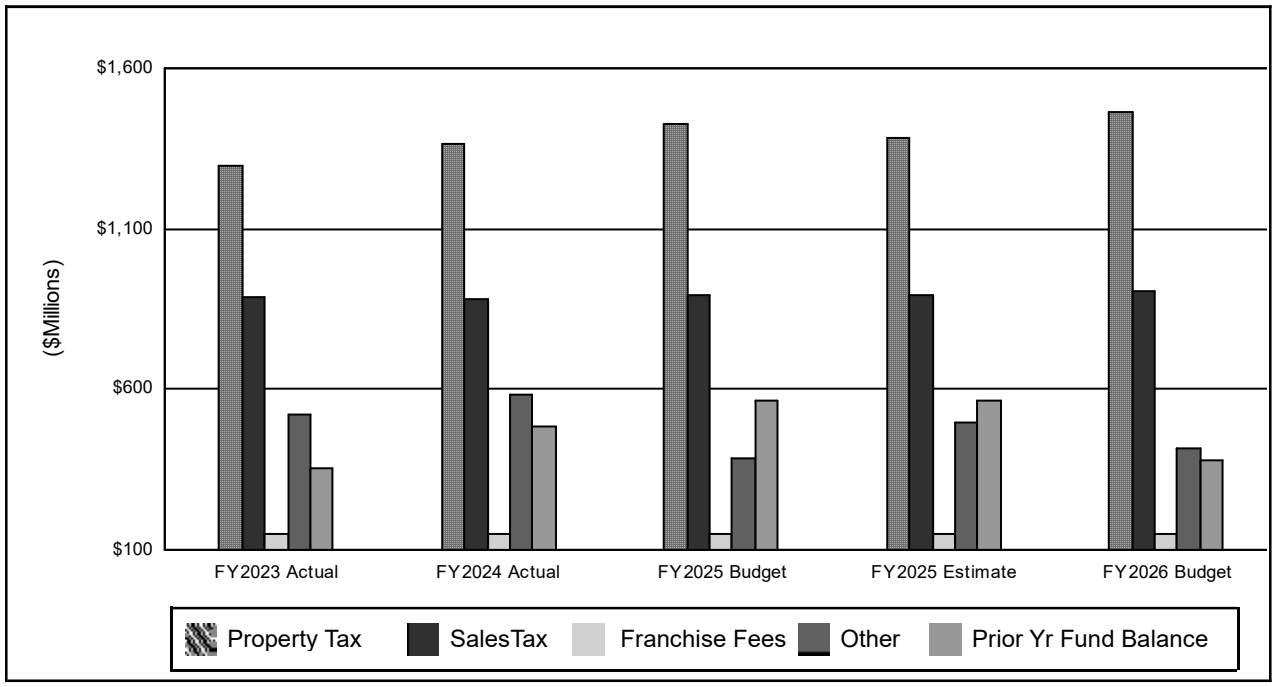
RESOURCE CATEGORIES	RESOURCE FY2026 BUDGET*	% OF TOTAL BUDGET
Taxes:		
Property Taxes	1,460,456	44.17%
Sales Taxes	902,316	27.29%
Other Tax	23,955	0.72%
Franchise Fees	146,145	4.42%
Industrial District	27,685	0.84%
Licenses and Permits	35,397	1.07%
Intergovernmental	31,512	0.95%
Charges for Services	87,722	2.65%
Interfund Services	109,478	3.31%
Fines and Forfeits	21,373	0.65%
Interest	21,893	0.66%
Miscellaneous/Other	12,681	0.38%
Total Revenue	2,880,613	87.11%
Sale of Capital Assets	2,500	0.08%
Transfers In	42,612	1.29%
Beginning FY2026 Fund Balance	380,798	11.52%
TOTAL RESOURCES	3,306,523	100.00%

* Dollars in Thousands

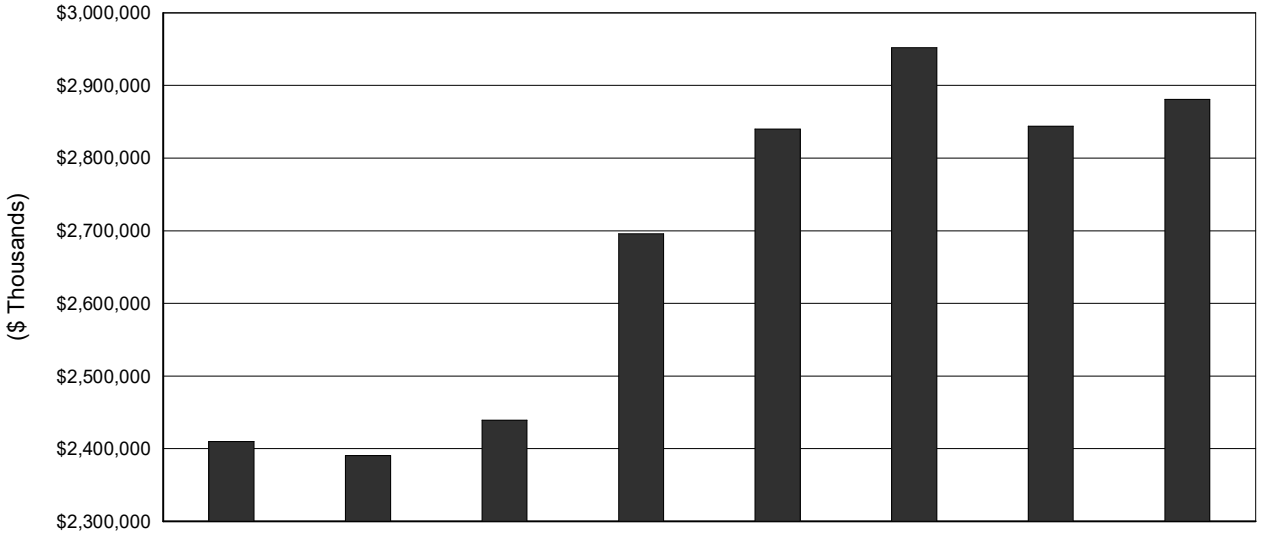
Total may reflect slight variances due to rounding

The graph below provides a four-year comparsion of the City's resources in millions of dollars.

RELATIONSHIP OF GENERAL FUND RESOURCES
FY2023 THROUGH FY2026



Total General Fund Revenue



FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Estimate	FY2026 Budget
$2,409,599	$2,390,314	$2,439,219	$2,695,794	$2,840,103	$2,951,822	$2,843,941	$2,880,614

Table I below provides the FY2026 General Fund revenue budget by categories. As shown, the total revenue is expected to be $2.9 billion or $36.7 million higher than the projected FY2025 revenue.

Table I

FY2026 Revenue Budget
Compared with FY2025 Estimate

Category	Projected Revenue ($ Thousands) FY2025 Estimate	FY2026 Budget	Increase / (Decrease)
General Property Taxes	1,381,231	1,460,456	79,225
Industrial Assessment	27,651	27,685	34
Sales Taxes	893,382	902,316	8,934
Other Tax	23,955	23,955	0
Electric Franchise	100,181	98,620	(1,561)
Telephone Franchise	14,929	12,264	(2,665)
Gas Franchise	16,210	16,777	567
Other Franchise	19,708	18,484	(1,224)
Licenses and Permits	35,534	35,397	(137)
Intergovernmental	70,979	31,513	(39,466)
Charges for Services	101,174	87,722	(13,452)
Direct Interfund Services	75,876	78,914	3,038
Indirect Interfund Services	24,871	30,564	5,693
Municipal Courts Fines and Forfeits	16,904	19,019	2,115
Other Fines and Forfeits	3,505	2,354	(1,151)
Interest	20,993	21,893	900
Miscellaneous/Other	16,857	12,681	(4,176)
Total	**2,843,940**	**2,880,614**	**36,674**

Taxes

Property Taxes

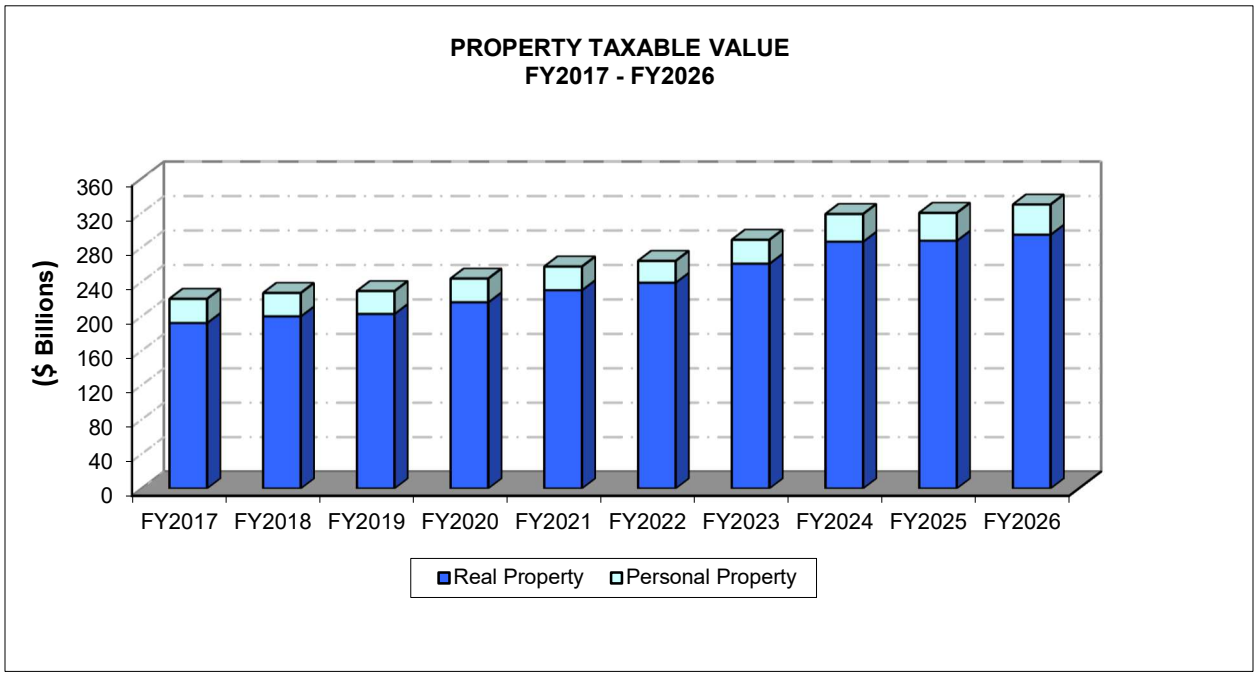
General property taxes are ad valorem taxes levied on the assessed valuation of real and personal property. Taxable values for all real and personal property within the City, depending on their locations, are established by the Harris County Appraisal District (HCAD), Montgomery County Appraisal District (MCAD) or Fort Bend County Appraisal District (FBCAD), collectively County Appraisal Districts (CAD), based upon market values as of January 1st. City Council approves exemptions such as homestead, 65 and over, disabled as well as Freeport exemptions and then sets a tax rate according to the state law. The current tax rate for Tax Year 2024 (FY2025) for the City of Houston is 51.919 cents per $100 of taxable value.

Based upon the adopted tax rate set by Council and taxable value as assessed by CAD, tax bills are generated and sent to taxpayers by the Harris County Tax Office around mid-November. Payment is due by January 31st of the following year. Taxes not paid by the due date are delinquent and subject to penalties and interest charges. Taxpayers who wish to appeal values set by CAD may do so if taxes on the uncontested value are paid timely.

Occasionally, taxes are overpaid as a result of errors in appraisal or an overpayment by a taxpayer. The Harris County Tax Office refunds such payments based upon the Texas Property Tax Code and documentation supplied by the taxpayers. Fluctuations in collections reflect changes in assessed property values, collection efforts, and tax rate.

The FY2026 property tax value is based on the Certified Estimate provided by CAD to the City on April 30, 2025. FY2026 value is $330.4 billion, which is net of the current senior/disabled exemption of $260,000. The estimated taxable value is then reduced by the estimated incremental value of properties within the Tax Increment Reinvestment Zones (TIRZ). The taxable value net of TIRZ is estimated at $282.7 billion.

Below is a graph showing the ten-year history of property taxable values in Houston, with the $330.4 billion estimate shown for FY2026.



CITY OF HOUSTON APPRAISED VALUE
($ Millions)

Fiscal Year	Tax Year	Real Property	Personal Property	Total Value
2005	2004	86,433	19,467	105,900
2006	2005	91,827	19,293	111,120
2007	2006	99,483	20,858	120,341
2008	2007	112,241	23,214	135,455
2009	2008	125,982	23,645	149,628
2010	2009	125,999	24,094	150,093
2011	2010	120,546	22,360	142,905
2012	2011	122,747	22,279	145,026
2013	2012	128,081	23,670	151,752
2014	2013	141,684	25,714	167,398
2015	2014	160,088	26,956	187,043
2016	2015	175,512	28,267	203,779
2017	2016	192,510	28,023	220,533
2018	2017	200,189	27,131	227,319
2019	2018	203,040	26,474	229,514
2020	2019	216,505	27,494	243,999
2021	2020	230,615	27,376	257,990
2022	2021	239,372	25,372	264,744
2023	2022	256,575	28,592	285,167
2024	2023	286,883	32,133	319,016
2025	2024	289,657	34,425	324,082
2026	2025	295,301	35,096	330,397*

*County Appraisal District Certified Estimates, as of April 30, 2025.

Property Tax Collections

In November 2004, Proposition No. 1 was passed amending the City Charter to limit the annual increase in total ad valorem tax revenues. The increase is capped at the lower of the increase in Consumer Price Index (CPI) plus the growth in population or 4.5% over the prior fiscal year. In addition, in November 2006, Proposition H was passed to further increase the applicable revenue limitations by $90 million.

The FY2026 property tax revenue estimate is derived according to Proposition 1 and Proposition H. Population data from the U.S. Census Bureau as of July 1, 2024 has yet to be received. Therefore, the Finance Department applied the 2024 inflation rate of 2.4641% and 0% for the population growth for purposes of calculating Proposition 1. This results in a net revenue of $1.46 billion. This revenue is an increase of $79.2 million or 5.74% from the estimated FY2025 revenue of $1.38 billion. The property tax rate will be adjusted accordingly to levy revenues no higher than the Proposition 1 and Proposition H limitation and the limitations imposed by Senate Bill 2.

The Proposition 1 and Proposition H revenue limitation is calculated with the following assumptions.

Population (1)		CPI (2)		
July 1, 2003	2,009,669	2003	163.7	
July 1, 2004	2,012,626 + 0.1471%	2004	169.5	+ 3.5431%
July 1, 2005	2,076,189 + 3.1582%	2005	175.6	+ 3.5988%
July 1, 2006	2,144,491 + 3.2898%	2006	180.6	+ 2.8474%
July 1, 2007	2,208,180 + 2.9699%	2007	183.8	+ 1.7929%
July 1, 2008	2,244,615 + 1.6500%	2008	189.967	+ 3.3339%
July 1, 2009	2,257,926 + 0.5930%	2009	190.495	+ 0.2779%
July 1, 2010	2,099,451 - 7.0186%	2010	194.172	+ 1.9302%

July 1, 2011	2,145,146 + 2.1765%	2011	200.495 + 3.2564%
July 1, 2012	2,160,821 + 0.7307%	2012	204.213 + 1.8544%
July 1, 2013	2,195,914 + 1.6241%	2013	207.574 + 1.6458%
July 1, 2014	2,239,558 + 1.9875%	2014	213.365 + 2.7898%
July 1, 2015	2,296,224 + 2.5302%	2015	213.039 - 0.1528%
July 1, 2016	2,303,482 + 0.3161%	2016	216.414 + 1.5842%
July 1, 2017	2,312,717 + 0.4009%	2017	220.657 + 1.9606%
July 1, 2018	2,325,502 + 0.5528%	2018	225.927 + 2.3883%
July 1, 2019	2,320,268 - 0.2251%	2019	228.799 + 1.2712%
July 1, 2020	2,304,580 - 0.6761%	2020	229.161 + 0.1582%
July 1, 2021	2,288,250 - 0.7086%	2021	238.975 + 4.2826%
July 1, 2022	2,302,878 + 0.6393%	2022	258.660 + 8.2373%
July 1, 2023	2,314,157 + 0.4898%	2023	267.607 + 3.4590%
July 1, 2024	TBD	2024	274.201 + 2.4641%

Proposition 1	($ In Thousand)
FY2005 Actual	$671,294
Population Increase 2004	0.1471%
CPI Increase 2004	3.5431%
FY2006 CAP	$696,066
Population Increase 2005	3.1582%
CPI Increase 2005	3.5988%
FY2007 CAP	$743,100
Population Increase 2006	3.2898%
CPI Increase 2006	2.8474%
FY2008 CAP	$788,705
Population Increase 2007	2.9699%
CPI Increase 2007	1.7929%
FY2009 CAP	$826,269
Population Increase 2008	1.6500%
CPI Increase 2008	3.3339%
FY2010 CAP	$867,450
Population Increase 2009	0.5930%
CPI Increase 2009	0.2779%
FY2011 CAP	$875,005
Population Decrease 2010	-7.0186%
CPI Increase 2010	1.9302%
FY2012 CAP	$875,005
Population Increase 2011	2.1765%
CPI Increase 2011	3.2564%
FY2013 CAP	$922,543
Population Increase 2012	0.7307%
CPI Increase 2012	1.8544%
FY2014 CAP	$946,392
Population Increase 2013	1.6241%
CPI Increase 2013	1.6458%
FY2015 CAP	$977,338
Population Increase 2014	1.9875%
CPI Increase 2014	2.7898%
FY2016 CAP	$1,024,029
Population Increase 2015	2.5302%
CPI Decrease 2015	-0.1528%
FY2017 CAP	$1,048,375
Population Increase 2016	0.3161%
CPI Increase 2016	1.5842%
FY2018 CAP	$1,068,297
Population Increase 2017	0.4009%
CPI Increase 2017	1.9606%
FY2019 CAP	$1,093,525

Population Increase 2018	0.5528%
CPI Increase 2018	2.3883%
FY2020 CAP	$1,125,687
Population Decrease 2019	-0.2251%
CPI Increase 2019	1.2712%
FY2021 CAP	$1,140,985
Population Decrease 2020	-0.6761%
CPI Increase 2020	0.1582%
FY2022 CAP	$ 1,140,985
Population Decrease 2021	-0.7086%
CPI Increase 2021	4.2826%
FY2023 CAP	$ 1,181,768
Population Increase 2022	0.6393%
CPI Increase 2022	8.2373%
FY2024 CAP	$ 1,286,668
Population Increase 2023	0.4898%
CPI Increase 2023	3.4590%
FY2025 CAP (3)	$1,337,475
Population Increase 2024	TBD
CPI Increase 2024	2.4641%
FY2026 CAP (4)	$1,370,456
Proposition H	$90,000
FY2026 CAP (5a)	**$1,460,456**

FY2025 Estimate	$ 1,381,231
FY2026 CAP (4), (5b)	$ 1,533,411
Final FY2026 CAP (the Lower FY2026 CAP)	**$ 1,460,456**

(1) Population numbers based upon the US Census Bureau estimate most recently published when deciding limits of each respective year's property tax revenue budget increase.
(2) CPI increase based on the change in the CPI-U for Houston-The Woodlands-Sugar Land, Texas as published by the Bureau of Labor Statistics, for the preceding calendar year.
(3) Population number from U.S. Census Bureau has yet to be received.
(4) Includes amounts resulting from termination of or reduced participation in tax increment reinvestment zones and annexations.
(5) The revenue cap is calculated:
    a. In accordance with Proposition H, to increase the applicable revenue limitation by $90 million.
    b. Based on 4.5% increase from FY2025 Estimate plus the balance of Prop H supplement.

Sales Tax

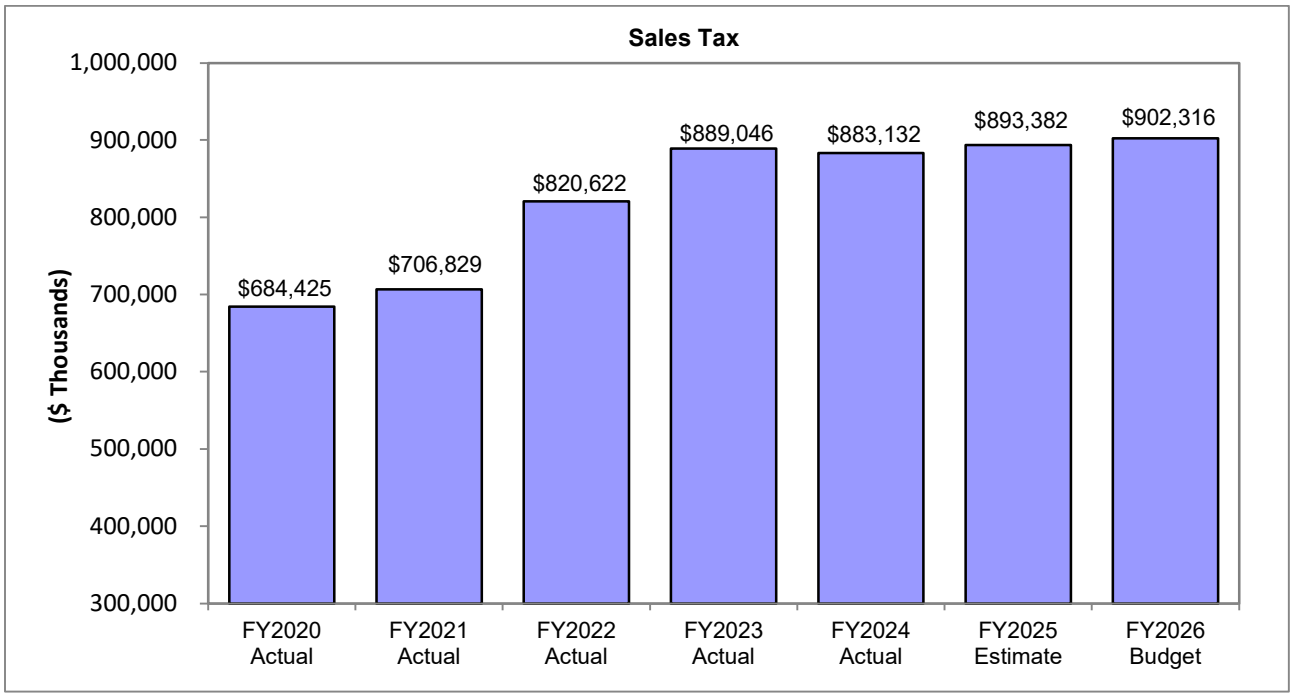
General sales and use taxes are imposed upon the sale or consumption of certain goods and services at the point of sale. In the City of Houston, a $0.0825 sales and use tax is applied for every dollar of sales. The Metropolitan Transit Authority (METRO) receives $0.01, and the State of Texas receives $0.0625. The State Comptroller remits a $0.01 share to the City, after withholding a 2% service charge.

The sales tax projections are derived from econometric models which take into account the sectors of the Houston economy and estimates of employment, income, oil prices, population, and Primary Metropolitan Statistical Area (PMSA) retail sales.

The FY2026 budget amount of $902.3 million assumes a 1.00% increase from the FY2025 estimate of $893.4 million. Our forecast for the upcoming fiscal year remains conservative due to much economic uncertainty brought by the proposed policy changes of the new federal administration, along with recent slowdowns in consumer spending and employment levels in the region. Oil prices are expected to remain close to $65 per barrel for the

remainder of the calendar year. Needless to say, consumer spending, employment levels, and oil prices play an integral role in Houston's sale tax revenue collections.

The following graph provides a seven-year comparison of the City's Sales Tax revenue.



Industrial District Assessments

The City of Houston has Industrial District Contract Agreements with more than 100 companies located within the Houston Extra-Territorial Jurisdiction (ETJ), for a period of fifteen years. A contractually reduced ad valorem assessed valuation fee is calculated and billed annually to each company in lieu of the property being annexed and subject to City of Houston property taxes. Industrial District Assessments are based on current year property values provided by HCAD. The City expects to collect $27.7 million in FY2026.

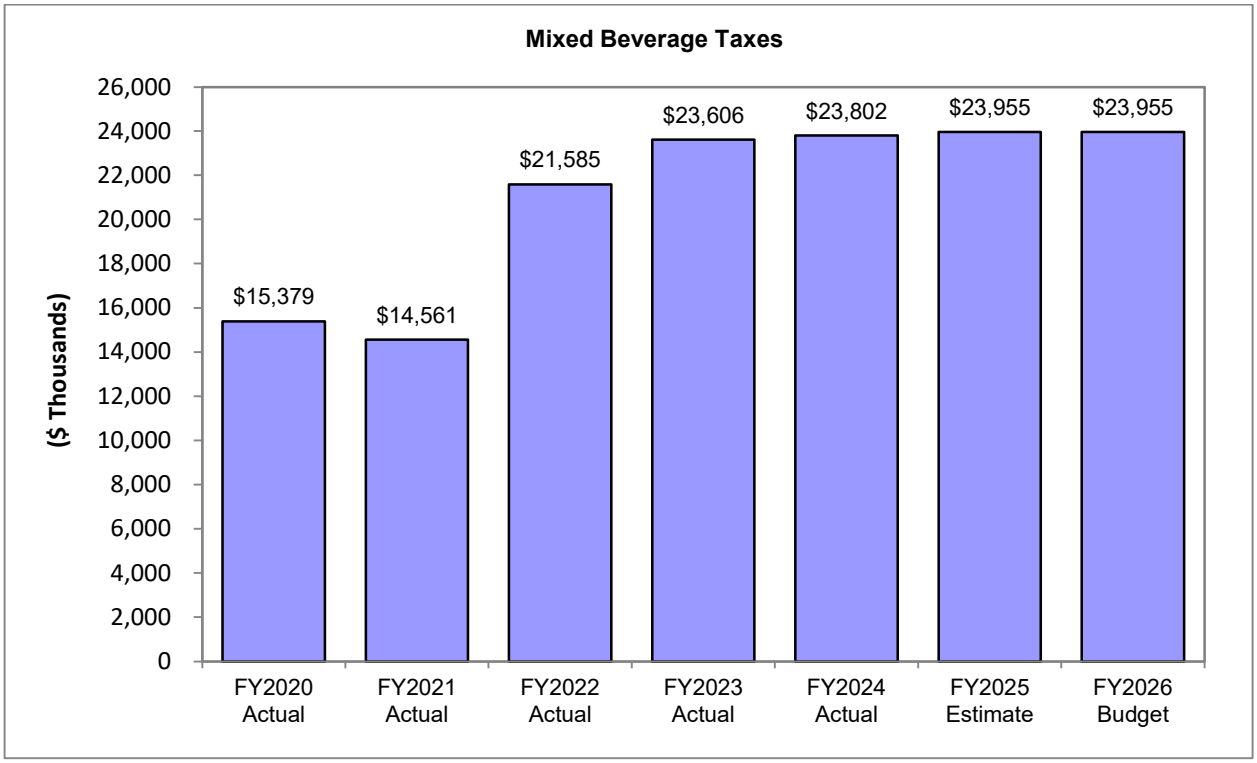
Mixed Beverage Tax

Following the end of each calendar month, the State Comptroller allocates 10.7143% of the mixed beverage tax received to the counties and cities.

Mixed beverage tax allocation amounts are dependent upon the timing and accuracy of taxpayer's returns and payments, but generally represent taxes remitted to the Comptroller's Office during the calendar month, immediately preceding the month the allocation is distributed.

The FY2026 budget is $24 million, which is flat from FY2025 estimate of $24 million. FY2026 budget reflects a slowdown in collections received in FY2025.

The following graph shows the seven-year comparison of the City's mixed beverage tax revenue.



Franchise Fees

Franchise fees are paid by companies, entities, or persons for the privilege of using public property for private purposes. Franchise agreements have been granted to numerous utilities and other enterprises, either directly by the City of Houston or by the State of Texas, including CenterPoint Energy, AT&T, several cable television firms, and others.

Changes in franchise revenue depend on many factors including economic fluctuations, rate charges, customer usage, franchise agreement changes and legislative actions. In FY2020, franchise revenue for cable and telephone decreased as a result of Texas Senate Bill 1152. This continues to impact the amount of compensation the local municipalities receive from companies that are occupying the rights-of-way to provide both cable/video services and telecommunications services by allowing these providers to pay only one fee.

Electric Franchise

Electric franchise fees are paid to the City for the right to conduct an electric light and power business and to use the City's rights-of-way for that business.

There are two companies in Houston that pay electric franchise fees: CenterPoint Energy Houston Electric ("CenterPoint") and Entergy. CenterPoint pays approximately 99.9% of the electric franchise fees paid to the City, which represents approximately $98.9 million per year.

Prior to electric deregulation, which became effective on January 1, 2002, electricity franchise payments were calculated as a percentage of the electric company's gross revenues from sales to customers located within the City limits. Under this payment formula, electric franchise fees to the City fluctuated from $80 million to as much as $90 million per year.

From January 2002 through June 2005, franchise payments were no longer calculated based on a percentage of gross revenues, but instead were based on kilowatt hour consumption by customers within the City limits. During this period, electric franchise revenues dropped significantly, averaging $75 million each year.

In July 2005, the City and CenterPoint entered into a new franchise agreement for a term of 30 years. The new agreement establishes a base franchise fee to the City of approximately $96 million per fiscal year, payable monthly, which is adjusted annually based on kilowatt hours delivered in the City.

The FY2025 electric franchise fee estimate is $99.0 million. The FY2026 electric franchise fee estimate of $97.5 million is approximately 1.5% lower than the FY2025 estimate. The decrease in revenue reflects a decrease of 1.48% Kilowatt hour consumption for calendar year 2024 from 2023 due to weather and usage.

The City of Houston exercises original jurisdiction over the rates, operations and services of these electric utilities for the Houston area.

Natural Gas Franchise

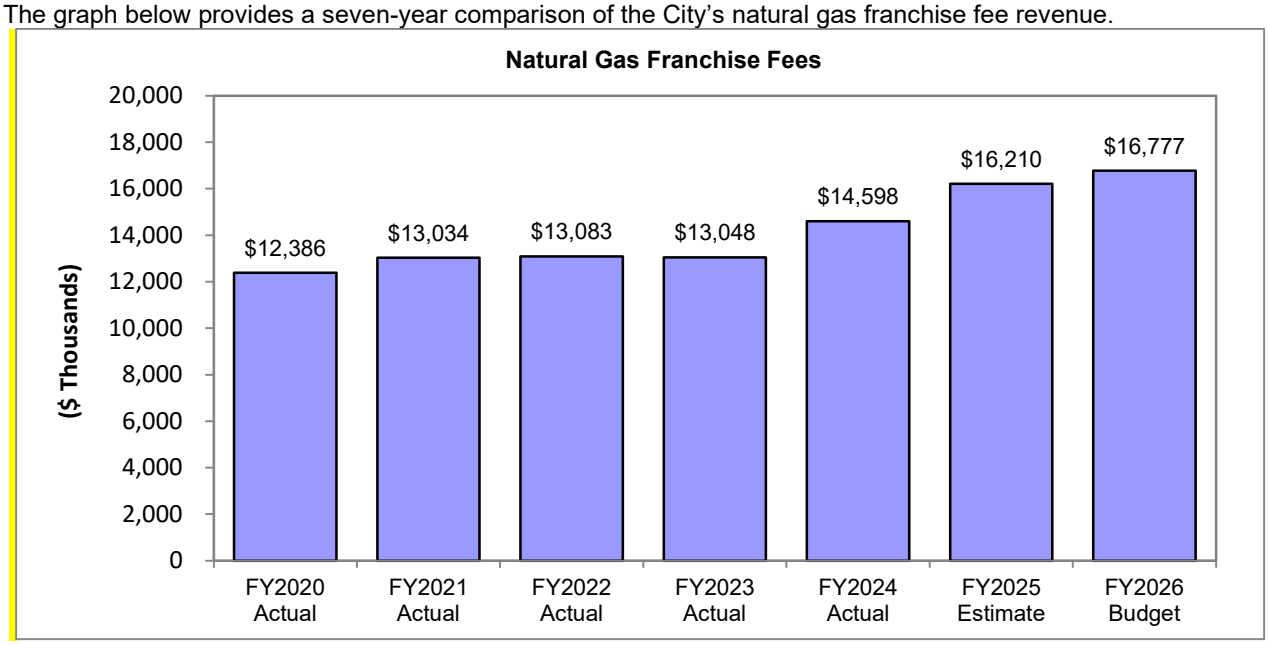
Like electric franchise fees, natural gas franchise fees are paid by utilities that use the City's rights-of-way for the transportation, delivery, sale and distribution of natural gas to customers in the City.

There are three companies in Houston that pay natural gas franchise fees: CenterPoint Energy Resources Corporation ("CenterPoint" – formerly Entex), SíEnergy L.P. and Universal Natural Gas. CenterPoint pays approximately 99.9% of the natural gas franchise fees paid to the City, which represents approximately $16.21 million per year.

CenterPoint's fees are paid monthly and are based on 5% of gross receipts on a rolling 3-year average. For FY2026, franchise fees are based on CenterPoint's 2022, 2023 and 2024 gross revenues.

The estimate for FY2025 natural gas franchise fees is approximately $16.2 million. The FY2026 natural gas franchise fee estimate is $16.8 million, a 3.7% increase. CenterPoint's calendar year 2024 revenues were $306.2 million compared to calendar year 2021's revenues of $272.4 million, an increase of 12.4%. All of the account revenues were higher in 2024 compared with 2021. Residential, Commercial and Industrial account revenues in 2024 reflect the highest increases of 12.74%, 13.71% and 65.28%, respectively, compared to 2021's accounts.

The graph below provides a seven-year comparison of the City's natural gas franchise fee revenue.



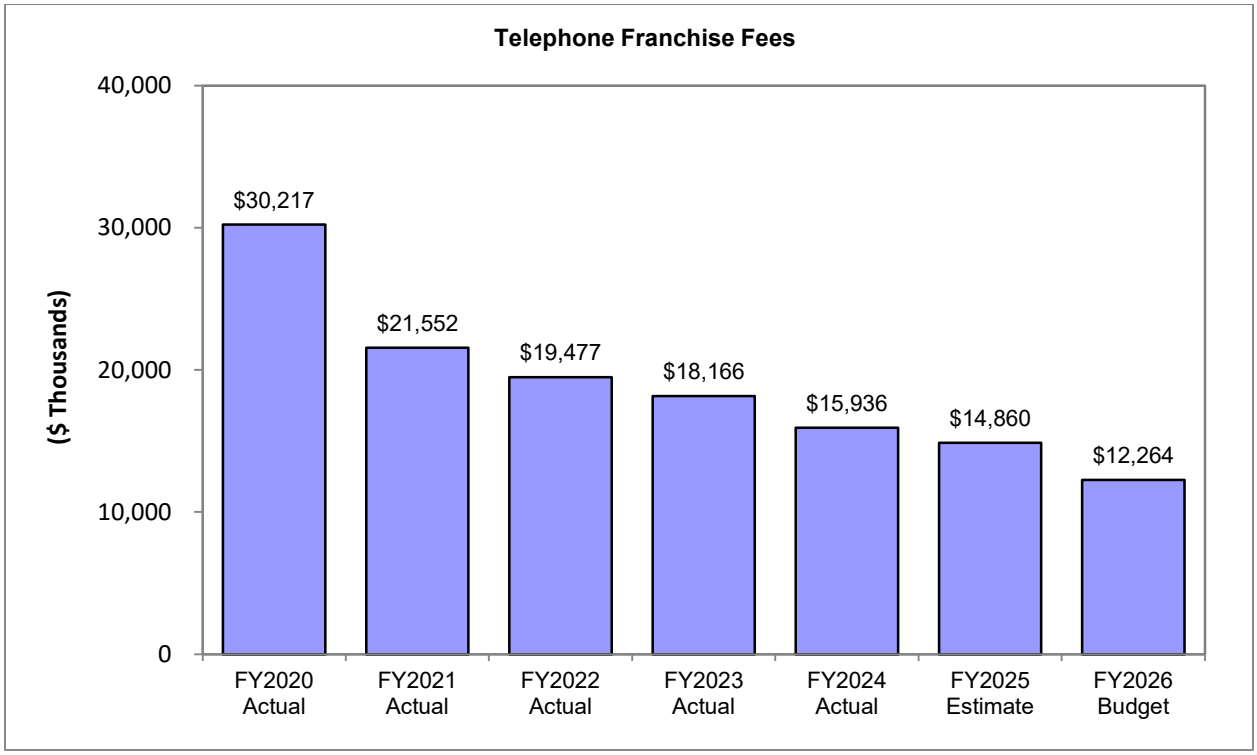
The City of Houston exercises original jurisdiction over the rates, operations and services of these natural gas utilities for the Houston area.

Telephone Franchise

Since deregulation of this industry in 2000, the telephone franchise fee paid to municipalities in Texas is derived by applying an "access line rate," assigned by the Public Utilities Commission of Texas (PUCT) and adjusted annually for inflation. The access line rates in effect during FY2026 are as follows: residential ($2.12); non-residential ($7.09); and point-to-point ($19.94).

The FY2025 estimate for telephone franchise fee is $14.9 million. The FY2026 projection of $12.3 million is a 17.5% decrease from FY2025 estimate due to the continued impact of SB 1152 and the long-term decline in access lines sold by the industry to consumers.

The following graph below provides a seven-year comparison of the City's telephone franchise fee revenue.



Cable TV Franchise Fees

Currently, Comcast Cable and Suddenlink are the cable television/video service-providers operating in Houston under state-issued certificates of franchise authority that pay the City of Houston 5% of their gross revenues from sales to Houston customers under the terms of the state franchise. The largest of these franchisees is Comcast, which accounts for approximately 96.6% of the total cable franchise revenue projection for FY2026. The FY2026 projection of $8.2 million reflects a 10.9% decrease from the FY25 estimate.

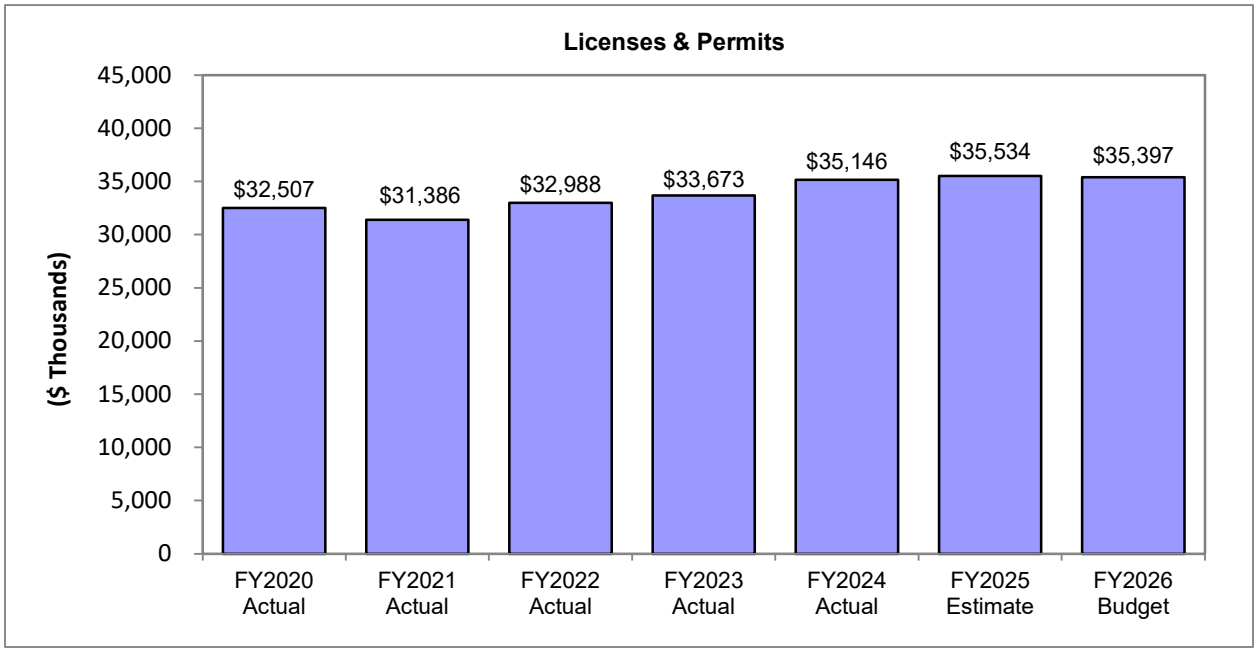
Solid Waste Hauler Franchise Fees

Solid waste haulers pay fees to compensate the City for the use of City streets. Approximately 101 active solid waste hauler franchisees pay 4% of gross revenues from transporting commercial solid and industrial wastes that originate within the City limits. The FY2026 estimate of $10.3 million reflects a 3.0% increase from the FY2025 estimate.

Other Revenues

Licenses and Permits

The Licenses and Permits category includes such items as special fire, food dealer, burglar alarm, dumpster permits, and many other permits. The FY2026 revenue is estimated at $35.4 million, which is 0.4% lower than the FY2025 estimate.



Ambulance Fees

City of Houston Code of Ordinance Chapter 4 permits the City to provide Emergency Medical Services including ambulance transport to the public and permits the City to partially recover the cost of providing those services. The base and variable fee structure is addressed under Section 4.13.

The City contracts with a third-party vendor for the billing and collection of Emergency Medical Services. The revenue projection for Emergency Medical Services provided by the City of Houston for FY2026 is $68.6 million. This is $13,278,889 lower than the FY2025 estimate of $81.8 million.

Other Charges for Services

Other charges for services include miscellaneous copy fees, public safety report fees, vending machine concessions, vehicle storage, hazardous material response, and others. The FY2026 revenues projection is $19.1 million, which is $0.2 million lower than the FY2025 estimate of $19.3 million.

Interfund Direct Charges

The General Fund charges the Houston Airport System for airport police service, which is the responsibility of Houston Police Department (HPD). The FY2026 projection of $42.5 million is $0.5 million higher than the FY25 estimate.

The Aviation Enterprise Fund also pays for fire protection provided by the Fire Department to the Houston Airport System. The FY2026 projection of $27.4 million is $1.9 million higher than the FY2025 estimate of $25.5 million.

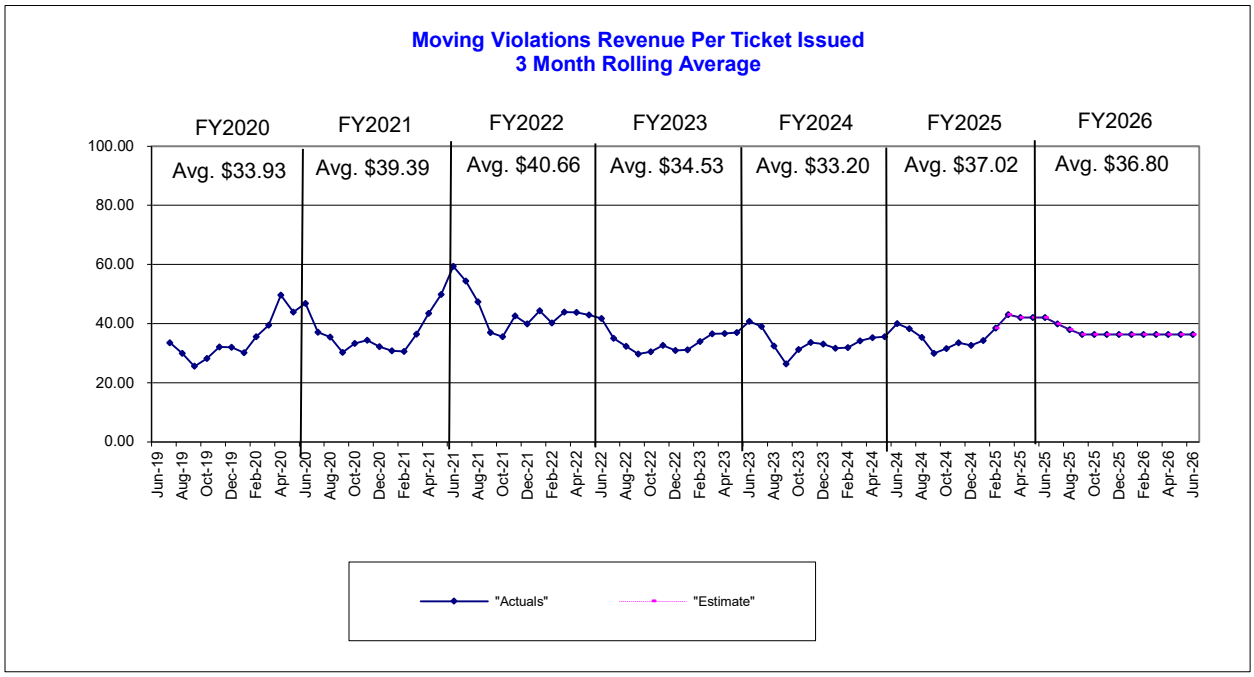
Payments received for other direct services performed by the General Fund are recovered throughout the year. The FY2026 projection of $9 million is $1 million higher than the FY2025 estimate of $8 million.

Indirect Cost Recovery

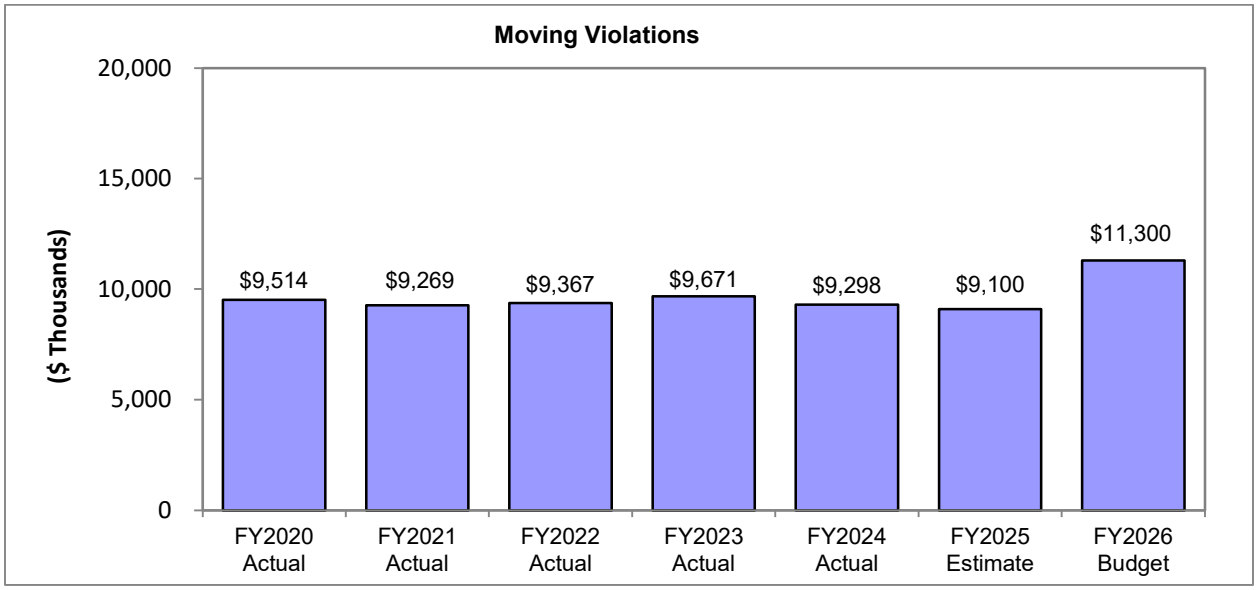
The General Fund provides citywide central support services and recovers the cost of these services through allocation of indirect costs. These amounts are determined through the preparation of an annual cost allocation plan, which distributes administrative overhead costs to General Fund operating departments and to other funds. For FY2026, the proposed plan calls for cost recoveries totaling $30.6 million, an increase of $5.7 million in indirect interfund revenue from the FY2025 estimate of $24.9 million.

Moving Violations

In FY2026, we project 311,295 Moving Violations to be issued. Total Moving Violations revenue budgeted is $11.3 million, which results in an average of $36.80 for each Moving Violation filed in FY2026.



The graph below provides a seven-year comparison of the City's Moving Violations revenue.



Other Municipal Courts Fines and Forfeitures

The FY2026 Other Municipal Court Fines and Forfeitures are projected at $7.7 million.

Miscellaneous/Other

The FY2026 revenue is estimated at $12.7 million, which is approximately $4.2 million lower than FY2025 estimate of $16.9 million. This is primarily due to lower unclaimed property overpayments over 3 years.

All Other Revenues

Estimated revenues in remaining categories have been calculated using simple trend analysis, as well as operational and collections information from the collecting department. These revenues are estimated at $3.6 million in FY2026.

A detailed listing of General Fund revenues by category are presented in the appendices.