

Harris County Tax Equity Study

Prepared for The Kinder Institute
DRAFT PRELIMINARY FINDINGS

July 6, 2021

TischlerBise

Presentation Outline

- Study Overview
- Approach and Methodology
- Preliminary Draft Findings
- Summary and Next Steps
- Questions and Discussion

Study Overview

- City Budget Amendment sets the direction for the study
- City seeks to know how County tax dollars are being spent for County services provided inside City limits
- The key question is to identify County taxes paid by City of Houston residents/businesses for County services provided within COH limits.
- If these revenues (City-paid County taxes) exceed the cost of services (City-consumed County services), then by extension the City is subsidizing County services outside the City

COUNCIL MEMBER KAMIN'S AMENDMENT PASSES

Fiscal Responsibility & Tax Disparity Study

- Commissions a study to determine the existence and scale of disparity between Harris County tax revenues from City of Houston residents and county budget expenditures within the city limits →
- Ensures tax dollars are fairly and equitably spent by the county in the City of Houston



Abbie Kamin
Council Member, District C

Approach and Methodology

COUNTY SERVICES AND COSTS

- High-level review of Harris County expenditures
- Uses **actual expenditures** as opposed to budgeted amounts
- Two fiscal years examined: 2019 and 2020
- Net expenditures provided by Harris County Finance
 - Net expenditures = Total expenses minus program revenues
 - Reflects services supported by property tax revenue
- Services are grouped into two geographies:
 - Countywide: Serving **both** City of Houston and Outside the City of Houston
 - Outside City of Houston only
- For those services provided Countywide, a further allocation methodology is applied
- Allocation methodologies (and percentages) vary by service type

Note: Allocations for some services (e.g., Roads and Bridges and Sheriff Patrol) continue to be vetted with Harris County.

Approach and Methodology

COUNTY SERVICES AND COSTS

<i>Type of Expenditure</i>	<i>Government Type</i>	<i>Activity Type</i>	<i>Allocation Methodology</i>	CITY OF HOUSTON	OUTSIDE CITY OF HOUSTON	TOTAL
Administration of Justice	Primary Government	Governmental Activities	Admin of Justice Wtd Avg	41%	59%	100%
Parks	Primary Government	Governmental Activities	Remainder of County	0%	100%	100%
County Administration	Primary Government	Governmental Activities	County Functional Population & Employment	54%	46%	100%
Health and Human Services	Primary Government	Governmental Activities	County Population	49%	51%	100%
Flood Control	Primary Government	Governmental Activities	Impervious Area	58%	42%	100%
Tax Administration	Primary Government	Governmental Activities	Tax Admin Wtd Avg	49%	51%	100%
Road and Bridges	Primary Government	Governmental Activities	TBD	<i>* Further analysis to be conducted*</i>		
Interest and Fiscal Charges	Primary Government	Governmental Activities	Indirect %	42%	58%	100%
Hospital District	Component unit	Component units	Health Estimated %	60%	40%	100%

Note: Preliminary findings from TischlerBise analysis (figure reflects FY20)

Approach and Methodology

COUNTY TAX REVENUES

- Evaluation of the source of **property tax revenues only**
- Two tax years included: 2019 and 2020
- Property (real and personal) tax valuations from HCAD obtained from Kinder Institute for Tax Districts:
 - Harris County
 - City of Houston
- Tax base is split between City of Houston and Outside of Houston
- Note: An equalized tax rate may be used to calibrate (balance) total expenses to revenues.

Approach and Methodology

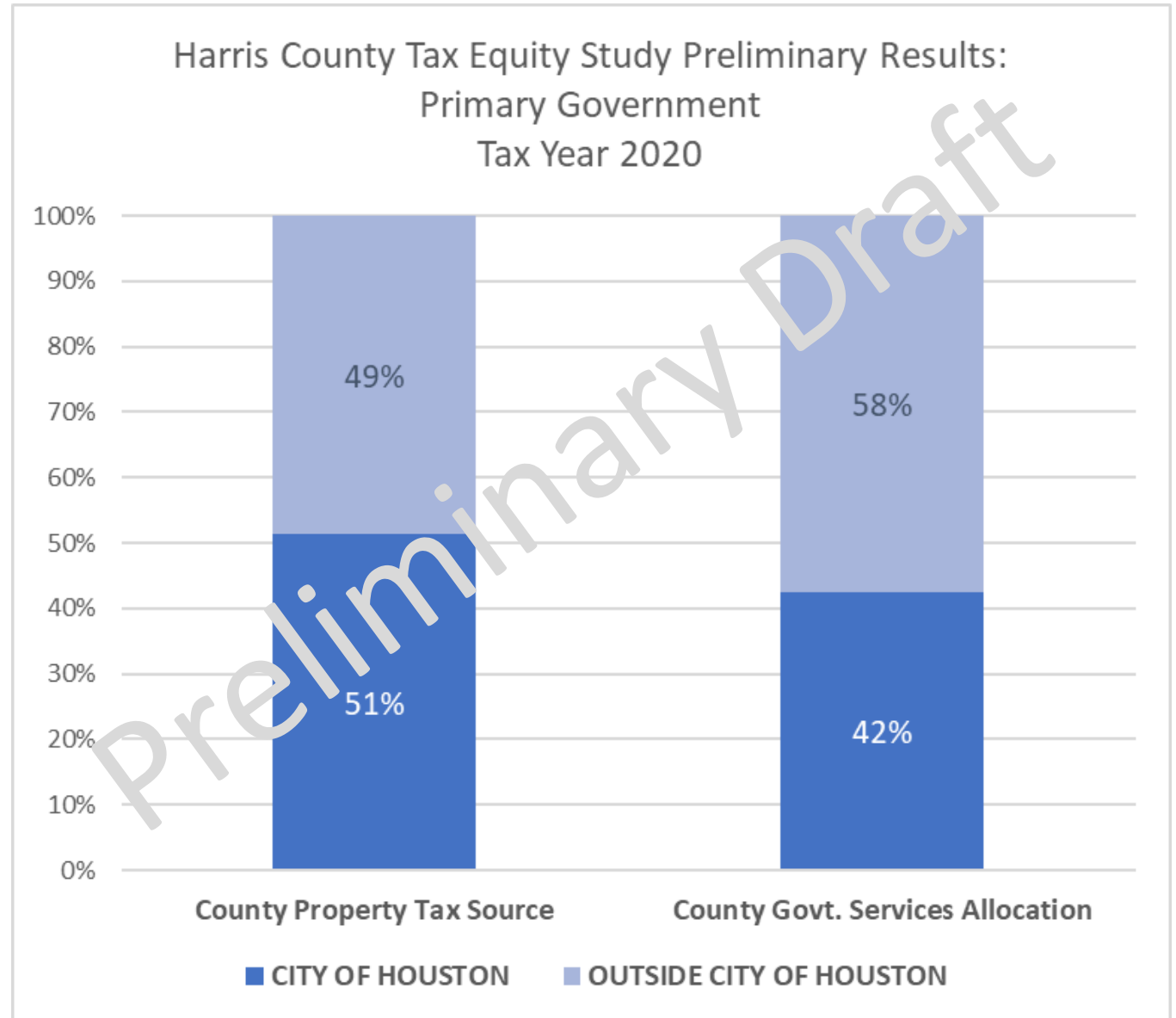
COUNTY PROPERTY TAX BASE

TAX YEAR 2020

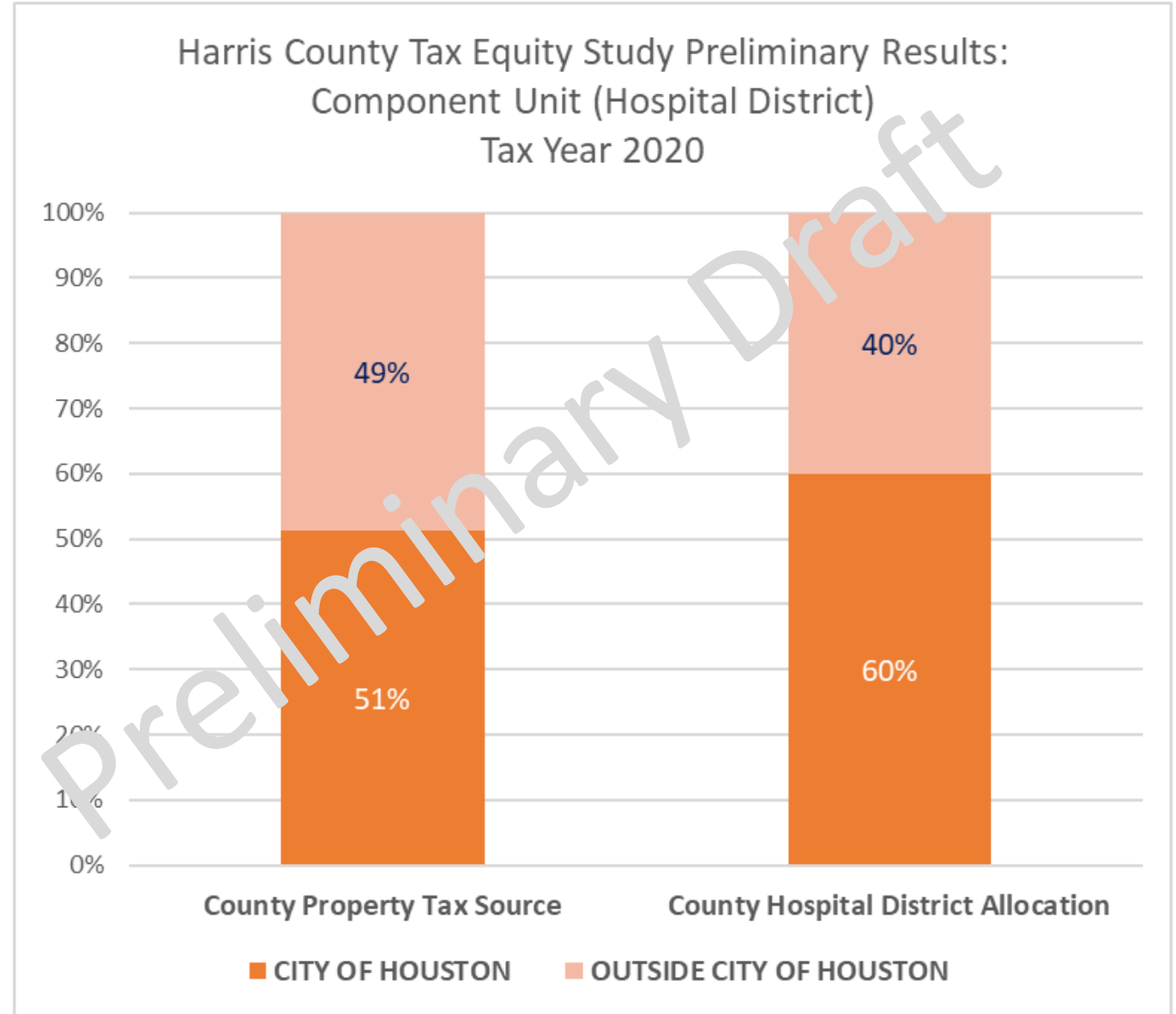
	CITY OF HOUSTON	OUTSIDE CITY OF HOUSTON	TOTAL
TAXABLE PROPERTY BASE			
Real Property Tax Base	\$231,596,396,432	\$204,062,706,606	\$435,659,103,038
Personal Property Tax Base	\$26,554,227,736	\$40,852,985,118	\$67,407,212,854
Total Property Tax Base	\$258,150,624,168	\$244,915,691,724	\$503,066,315,892
% Property Tax Base Allocation	51%	49%	100%

Preliminary Results: Primary Government Tax Year 2020

Note: Results do not yet include an allocation of Roads and Bridges expenditures and confirmation of Sheriff Patrol allocation.



Preliminary Results: Hospital District Tax Year 2020



Summary and Next Steps

- Primary Government Services **preliminary** finding is largely driven by Administration of Justice expenses
- **Preliminary** findings comparing sources and uses of property tax revenues indicate:
 - A net effect combined (Primary Government and Hospital District) that the City contributes more property tax dollars than it receives in property-tax funded services
- **Next Steps:**
 - Further review and vetting of assumptions along with refinement of revenue and cost estimates based on additional reviews
 - Delivery of report