Troubled Fiscal Times:
A Comparison of Revenue Sources and Service Levels for Houston, Dallas, and San Antonio
The COVID-19 crisis is quickly becoming a fiscal crisis for cities across the country, including large cities in Texas such as Houston, Dallas and San Antonio, in which it is exacerbating an already difficult fiscal situation.

These cities are scrambling not only to respond to the immediate public health needs created by COVID-19, but also to manage the rapid loss of revenue they are experiencing as a result of the COVID-related downturn. Initial estimates suggest that the immediate revenue loss is in the range of 10% to 15% — comparable to revenue losses that occurred during the Great Recession — but the long-term impact may be greater. Indeed, the COVID-19 crisis is likely to create the most difficult budget situation in recent history for these cities. Already, we see these stresses in the proposed Houston budget of FY 2020–2021, which projects a deficit of $169 million.

These COVID-19-related fiscal pressures on large cities in Texas have highlighted an already vigorous debate over whether they have the financial capacity to provide basic services. Despite their size and prominence, large Texas cities often appear to be operating under significant structural financial constraints.

This report examines the revenue structure and service levels for the state’s three largest cities: Houston, San Antonio and Dallas. Our intent is to understand the differences in the cities’ revenue structures — and whether any one of the three is unusually constrained — while at the same time seeking to understand how their revenue is used to provide services, especially in four key areas: police, fire, parks and solid waste. Although most of the research for this report was conducted before the COVID-19 crisis, we have attempted to incorporate as much information as we can about the impact of the related economic downturn.

Based on this analysis, we feel confident in drawing the following conclusions:

- Revenue losses related to COVID-19 will make it impossible for the three cities to maintain current levels of service.
- Based on the past experience of major cities during recessions, the three cities likely will focus on providing police and fire services. Parks services, in particular, may be vulnerable to budget cuts.
- Several factors do, in fact, constrain Houston’s ability to provide public services compared to the other cities. These include the locally imposed revenue cap, the lack of a solid waste fee, the fact that the city maintains its own health department and the sequestering of general fund revenues for public works under ReBuild Houston. The first two factors constrain the city’s revenue while the second two factors help to dictate the allocation of financial resources.
- The state’s property tax reform law, adopted in 2019, likely will constrain Dallas and San Antonio in the future in a manner similar to the way Houston currently is constrained by its local revenue cap. However, the impact is likely to be delayed because the state-imposed property tax cap can be waived when a disaster is declared.
All three police departments are funded at almost identical levels on a daytime per capita basis (approximately $310 per capita in “General Fund Plus” money). Houston's pay scale is below that of Dallas and San Antonio but the pay is closer for police than for fire among the three cities. Houston’s response-time performance on police is the best of the three.

However, regarding fire/EMS services, San Antonio has the best-funded department, with Dallas second and Houston third. Dallas has the best pay scale for firefighters — Houston is last out of the three — and also has the best fire/EMS response times.

On a per capita basis, Dallas funds its parks far better than Houston or San Antonio, even though Dallas and Houston have almost the same per capita city park acreage. Houston, however, devotes far more financial resources from private and philanthropic sources to parks than Dallas or San Antonio.

Regarding solid waste, all three cities provide regular weekly pickup service. However, Dallas and San Antonio both have fees that help cover the cost of solid waste pickup. Dallas provides more-frequent service for brush and bulk waste compared to Houston, which does not have a solid waste fee and expends far less money on solid waste than the other two cities. At the same time, Houston generates 50% more solid waste per capita than either of the other two cities.

Regarding pensions, both Dallas and Houston have engaged in pension reform in the past few years. However, Dallas has greater unfunded liability than Houston does. Proportionally, Houston devotes significantly more revenue per capita to pension obligations on an annual basis. Despite recent pension reforms, it may be hard for Houston and Dallas to pay down unfunded pension liabilities as planned.

Houston does offload some infrastructure spending onto tax increment reinvestment zones (TIRZ), which collect far more money than the equivalent zones in Dallas and San Antonio. This high level of TIRZ investment in infrastructure is, at least in part, the result of the city’s property tax revenue cap, which does not affect TIRZs. As state property tax reform looms larger, other cities are likely to use this same approach.
The COVID-19 crisis is quickly becoming a fiscal crisis for cities across the country, including large cities in Texas such as Houston, Dallas and San Antonio, in which it is exacerbating an already difficult fiscal situation.

These cities are scrambling not only to respond to the immediate public health needs created by COVID-19, but also to manage the rapid loss of revenue they are experiencing as a result of the COVID-related downturn. Initial estimates suggest that the immediate revenue loss is in the range of 10% to 15% — comparable to revenue losses that occurred during the Great Recession — but the long-term impact may be greater. Indeed, the COVID-19 crisis is likely to create the most difficult budget situation in recent history for these cities. Already, we see these stresses in the proposed Houston budget of FY 2020–2021, which projects a deficit of $169 million.

In addition, local governments throughout the state — including large cities — will face additional constraints in the years ahead with the 2019 passage of SB 2, the property tax reform bill. Under SB 2, local taxing entities in Texas cannot increase property tax revenues by more than 3.5% annually (excluding new construction) without a vote. Prior law required a vote if revenue increased by more than 8% annually.

In Houston, there has been considerable discussion since the passage of Proposition B in 2018 about whether the city is more financially constrained than its peers. Proposition B required the city to provide firefighters with pay parity compared to police officers. After a long tug-of-war between firefighters and Mayor Sylvester Turner over how to implement Proposition B, it was declared unconstitutional in mid-2019. Nevertheless, there’s continued debate about whether Houston could have borne the cost of Proposition B and whether the city’s revenue and cost structure is more constrained than other cities.

Indeed, when the consulting firm PFM prepared a 10-year financial plan for the City of Houston in 2017 — after pension reform but before Proposition B and before the fiscal impact of Hurricane Harvey was fully understood — the firm predicted a cumulative structural general-fund deficit of $1 billion between 2018 and 2027.¹ Recently, the Houston City Controller estimated the city’s structural deficit for FY 2020–2021 at $156 million.² The COVID-19 crisis will simply exacerbate this problem.

This report examines the revenue structure and service levels for the state’s three largest cities: Houston, San Antonio and Dallas. Our intent is to understand the differences in the cities’ revenue structures — and whether any one of the three is unusually constrained — while at the same time seeking to understand how their revenue is used to provide services, especially in four key areas: police, fire, parks and solid waste.
The report is based in large part on a Kinder Institute analysis of the 2019–2020 budgets for the three cities, with the assistance of the consulting firm TischlerBise. Most of the research for this report was done prior to the emergence of the COVID-19 crisis in March 2020.

However, all three cities are currently revisiting — and cutting — their FY 2019–2020 budgets to reflect significant drops in revenue because of COVID-19. For the cities’ general funds, the drop is due in large part to their dependence on retail sales tax, which makes up between 23% and 29% of each city’s general fund revenue. Therefore, the analysis in this report is somewhat out of date — though in “big picture” terms it remains accurate. All three cities are likely to suffer revenue losses in the hundreds of millions of dollars for FY 2020–2021. Here are some specifics on the three cities and their revenue losses:

- In May, the draft Houston city budget projected a $169 million budget deficit for FY 2020–2021. The city predicted that from the beginning of the COVID-19 crisis to the end of FY 2020–2021, sales tax revenue would decline by almost $100 million.

- In early May, Dallas budget analysts predicted that the city’s revenue for the current fiscal year would be at least $33 million below previous estimates because of COVID-19, while losses in special fund revenues such as airports, convention services and the Dallas Water Utility could approach $200 million for the remainder of FY20.

- Also, in May, the City of San Antonio predicted an FY 2019–2020 budget hit of $200 million in all funds, including a reduction of more than $50 million in sales tax funds that flow to the general fund.

These drops in revenue will inevitably erode the service levels described in this report. Past experience would suggest that cities will seek to retain high levels of service for police and fire while cutting service levels for such services as parks and libraries. For example, in the depths of the last recession — between fiscal years 2009–2010 and 2012–2013 — local government revenue in the United States grew by 2.3%. Police budgets grew by 2.8% and fire budgets grew by 3.5%, while parks budgets were cut by 5.1%.

3 In a few cases, FY 2019–2020 data was not available and data from other years are used. These instances are noted.
6 Calculations by Kinder Institute staff, from data extracted from the U.S. Census Bureau’s Census of Governments by researchers working with the National Recreation and Parks Association. Bowen, A.; Mowen, A.; and Pitas, N., “First In Our Hearts But Not In Our Pocketbooks: Trends In Local Governmental Financing For Parks And Recreation From 2004 to 2014,” Journal of Parks and Recreation Administration 35:3 (2017).
The City of Houston’s draft 2020–2021 budget, released in mid-May, suggests that this trend will continue. The proposed budget calls for a 2% increase in the police budget, a 1.5% increase in the fire budget and a 10% reduction in the parks budget.

It’s also likely that the fiscal downturn will undo much of the progress toward financial sustainability for pensions that has been made in Houston and Dallas over the past few years. Many cities, including Houston, balanced their budget during the Great Recession in part by reducing payments to their pension funds in a way that increased long-term liability — one of the factors that led to growing pension concerns in both Dallas and Houston in the mid-2010s.

All three cities are eligible for large amounts of funding from the federal CARES Act, which provides money to local jurisdictions in excess of 500,000 people for the purpose of covering COVID-19-related costs. Among the cities studied in this report:

- Houston will receive $404 million.
- Dallas is expected to receive $234 million.
- San Antonio is expected to receive $270 million.

These funds may be used to cover additional costs cities incur for COVID-19 relief. Already, Mayor Turner in Houston and many other local officials around the country have asked for more flexibility from the federal government in the use of the funds.

In addition, it may be a good idea for cities to seek relief from the SB 2 3.5% vote requirement during FY 2020–21. Local governments can obtain relief from the 3.5% vote requirement if the president or the governor declares any part of the jurisdiction a disaster area. Gov. Greg Abbott issued a disaster declaration for all counties in Texas because of COVID-19 on March 13 and has since extended that declaration twice. Given the likely decrease in property values as a result of the coronavirus pandemic and the oil and gas downturn, however, taking advantage of this delay in implementing SB 2 would almost certainly require a measurable increase in property taxes.

7 https://www.houstontx.gov/budget/21budprop/index.html
8 https://kinder.rice.edu/research/houston-pension-question-how-citys-pension-liability-grew-and-options-reform
9 According to the Center for Budget and Policy Priorities, local jurisdictions in Texas with populations of more than 500,000 likely will split a total of about $3.2 billion. There are 18 such jurisdictions in Texas, including the three cities studied in this report. Three other cities will qualify as well: Austin, Fort Worth and El Paso, which together with the cities studied in this report make up Texas’s “Big 6” cities. In addition, 12 counties will qualify, many with overlapping jurisdiction: Harris, Fort Bend and Montgomery in the Houston area; Dallas, Tarrant, Collin and Denton in the Dallas-Fort Worth area; Bexar County, where San Antonio is located; Travis and Williamson in the Austin area; El Paso County; and Hidalgo County in South Texas, where McAllen is located.

Houston, San Antonio and Dallas are the only three cities in Texas with a population of 1 million or more people. (Austin and Fort Worth may reach this threshold in the next few years.) They are all among the 10 most-populous cities in the United States. With 2.3 million people, Houston ranks fourth nationally behind New York, Los Angeles and Chicago. San Antonio, with 1.5 million people, ranks seventh, while Dallas ranks ninth with a population of 1.3 million.

Houston and Dallas have seen their populations grow by 11–12% since 2010, slightly below Texas’ overall rate of 14%, while San Antonio’s population growth has exceeded that of the state at about 15%. Houston and Dallas have approximately the same population per square mile — just under 4,000 — while San Antonio’s population per square mile is significantly lower at 3,200.

Despite similarities in their population density, the three cities are differently situated in their respective metropolitan areas. San Antonio is the only dominant city in its metropolitan area — about 60% of the region’s residents live in the city. Houston is the dominant city in its metropolitan area but only about 30% of the region’s population lives inside the city. There is no other large city in the Houston region, though another 30% of the region’s population lives in unincorporated Harris County. Dallas is the largest city in the Dallas-Fort Worth Metroplex but it is not dominant. Less than 20% of the D-FW region’s population lives within the Dallas city limits, and Fort Worth, Arlington, Plano, Garland, Irving and other cities are major population centers. Unlike Houston (which has stopped annexing) and San Antonio (which continues to annex), Dallas is completely landlocked by other cities. And unlike Harris and Bexar counties, Dallas County has very little unincorporated area.

The three cities also are different in their governmental structure. Houston has a “strong mayor” system, with the mayor (currently Sylvester Turner) serving as the city’s chief executive officer (CEO). There is no city manager or city administrator. Houston also has a 16-member city council with 11 district representatives and five at-large representatives. In addition, Houston — unlike San Antonio and Dallas — has an elected city controller (currently Chris Brown).

By contrast, Dallas and San Antonio have “weak mayor” systems; in each, the mayor serves as the city’s political leader but an appointed city
manager serves as the CEO of the city. Dallas’s mayor is Eric Johnson and the city manager is T.C. Broadnax; the council consists of 14 members elected by district. In San Antonio, the mayor is Ron Nirenberg and the city manager is Erik Walsh; the city council has 10 members elected by district. Unlike Houston, neither Dallas nor San Antonio has any at-large councilmembers.

All three cities are job centers, although each city’s position in its respective metropolitan area’s job market is determined in part by the geographical and governance issues delineated above. Houston and Dallas are more job-rich relative to population compared to San Antonio. Houston hosts approximately 1.7 million jobs — about 1 job for every 1.35 residents. Dallas hosts approximately 900,000 jobs — about 1 job for every 1.5 residents. San Antonio hosts approximately 730,000 jobs — about 1 job for every 2 residents.

Cities provide services to both residents and a daytime population (the workforce), so our analysis includes both populations to determine per capita spending. To obtain an accurate estimate of the daytime service population, we must calculate the net inflow of commuters — the inbound commuters minus the outbound commuters. In Houston, the net commuter inflow is about 700,000 persons per day, which gives an indication of the strength of the central city as a job center. In Dallas, it is about 319,000 persons per day. In San Antonio, it is only about 112,000 persons per day, suggesting there are strong job centers outside of the city.

The net inflow of commuters plus the total resident population yields a daytime population of almost 3 million people in Houston, 1.7 million people in Dallas and 1.6 million people in San Antonio. This is the “service population” figure that is used in this report to calculate per capita expenditures for various services.
Overview of the Three Cities’ Budgets

For each of the three cities we are using the current year’s budget (2019–2020). Houston starts its fiscal year on July 1, as many cities do, while Dallas and San Antonio begin their fiscal year on October 1, as the federal government does. As stated above, all three cities are reducing expenditures during FY 2019–2020 because the COVID-19 crisis has led to lower-than-expected revenue. These reductions are not reflected in our discussion.

City budgets are always a mix of revenue sources. The most common revenue sources are property tax, sales tax, franchise fees (imposed on utilities and others who use the public right-of-way), fees charged for services provided by the city and enterprise funds (funds that have their own revenue sources but are segregated from all other city funds).

Each city has a large general fund — approximately $2.4 billion for Houston, $1.4 billion for Dallas and $1.2 billion for San Antonio. (The general fund consists of unrestricted revenue that can be used for any purpose.) In addition, as we will explain below, basic services in all three cities are supported to some degree by enterprise funds and special revenue funds.

Public safety accounts for half or more of each city’s general fund budget. As explained above, past experience during recessions in cities around the country would suggest that the three cities analyzed in this study will prioritize public safety spending over other expenditures as revenue drop because of COVID-19, meaning the percentage of general fund spending for police and fire will likely increase.

As Figure 4 shows, San Antonio spends about 55% of its general fund on police and fire, while Houston and Dallas each spend about 50%. In percentage terms, San Antonio spends the most on both police and fire. Houston is second in both categories with Dallas third in police and close behind in fire.

Houston spends less on debt service and more on other services than San Antonio and Dallas. Houston does appear to spend more general fund money on public works than the other two cities. Most of these funds are funneled to a sequestered special revenue fund as part of the ReBuild Houston program, which was intended to convert the city from a debt-based public works program to a pay-as-you-go (“pay-go”) public works program. This is part of the reason why Houston spends less on debt ser-
vice than the other two cities. Houston also funds a health department in part out of general fund revenues, whereas Dallas does not have a city health department. Houston’s health department has a budget of $58 million and generates $22 million in revenue. (The proposed Houston budget for FY 2020–2021 increases the department budget to $64 million, but this is mostly because of a change in Medicare reimbursement.)

General fund revenues alone do not tell the whole story, however. Cities fund basic services from a variety revenue sources, including not just the general fund but also special revenue funds and enterprise funds. An enterprise fund is a governmental fund whose revenue results from the provision of a specific service (for example, charges for water and sewer service). A special revenue fund is a fund whose expenditures are dedicated to a particular purpose but whose revenue may or may not be derived from that purpose. Oftentimes, special revenue fund sources are loosely—but not directly—related to the service provided with the resulting revenue.

Therefore, we have attempted an “apples-to-apples” comparison by focusing on the core services offered by all three cities (with the exception of health services) and the operating revenue devoted to those services from all three fund types. We call this the “General Fund Plus” approach.

The services examined include:
1. Animal Control
2. Fire
3. Health
4. Library
5. Municipal Court
6. Parks and Recreation
7. Planning and Development
8. Police
9. Public Works
10. Solid Waste
11. Stormwater

All three cities provide all 11 services except health, which is provided Houston but not Dallas. The City of San Antonio contributes to San Antonio Metropolitan Health District, which is a partnership with Bexar County.

When the relevant enterprise and special revenue funds are added to our analysis, the total revenue under discussion rises to almost $2.9 billion for Houston, $1.7 billion for Dallas, and $1.5 billion for San Antonio. This “General Fund Plus” analysis does not include other enterprise funds and special revenue funds that provide revenue to services not analyzed in this report.

However, given the fact that the cities are different sizes, perhaps the best way to measure each city’s overall budget is on a per capita basis—that is, the amount of available revenue for every daytime resident (population plus the net inflow of commuters). As stated above, this total is approximately 3 million people in Houston, 1.7 million people in Dallas, and 1.6 million people in San Antonio.

Dallas’s overall “General Fund Plus” revenue for the current fiscal year totals $992 per capita of its daytime population, compared with $961 for Houston and $923 for San Antonio. All three cities are within 10% of each other in terms of “General Fund Plus” revenue per capita of their daytime population. The difference between Dallas and Houston largely is a function of the property tax rate and Houston’s cap on property tax revenue, which are further explained below.

It is likely that COVID-19 will lead to a reduction in revenue of at least $100 per capita of daytime population for all three cities.

As Figure 6 shows, per capita expenditures by service varies considerably. While all three cities spend almost exactly the same amount per capita on police, Houston spends less per capita than the other two cities on fire, library services and parks and recreation. At the same time, Houston spends more on health and public works than do Dallas and San Antonio.

The increased spending on public works may be because of the financial commitments that the City of Houston has made to the ReBuild Houston program. Under the program—originally adopted in 2010 and reaffirmed by voters in 2018—the city must sequester 11.8 cents per $100
of assessed property value for road and drainage projects. The intent is to transition the city to a pay-as-you-go funding model, meaning that each year more of its spending for streets and drainage becomes part of the operating budget rather than the separate capital improvements budget, which is the case in Dallas, San Antonio and most other cities.

Generally speaking, Houston’s budget is more complicated and more difficult to understand than the budgets of the other two cities. In part this is because of the revenue cap, but it also has to do with Houston’s expansive use of “special revenue funds.”

According to the 2019–2020 budget, Dallas maintains no special revenue funds except those required by state law. In contrast, Houston’s budget contains more than two dozen such funds. Some involve complicated arrangements. For example, the Bayou Greenways 2020 special revenue fund provides money to the Houston Parks Board to maintain trails and parks. San Antonio’s city budget also contains many special revenue funds.

The way public works revenue is allocated in each of the three cities further contributes to Dallas’ (and to a lesser extent San Antonio’s) budget being straightforward but further complicates Houston’s budget.

All of Dallas’ public works expenditures are included in the general fund. In San Antonio, 92% of the city’s public works expenditures are included in the general fund.

In Houston, however, only 11% of the city’s public works expenditures are included in the general fund while 88% are included in the Dedicated Drainage and Street Renewal Fund created in 2012 as part of the Rebuild Houston initiative. Revenue flows to this fund from the city’s Drainage Utility Charge, but, as stated above, ReBuild Houston also requires that 11.8 cents per $100 of assessed valuation also be sequestered in this fund.

Essentially, this system means that general tax revenue flows into a special fund dedicated to public works. At present, most of the revenue in this special fund goes to debt service, though the amount devoted to “pay-go” has increased from $22 million in FY 2016 to $47 million in 2020.

Such a financial mechanism is unusual in city budgets and Dallas and San Antonio do not have similar systems.

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**FIGURE 6**

Annual spending on selected services per capita of daytime population

<table>
<thead>
<tr>
<th>Service</th>
<th>Allocation</th>
<th>Dallas</th>
<th>Houston</th>
<th>San Antonio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Animal Control</td>
<td>Population</td>
<td>$12</td>
<td>$6</td>
<td>$11</td>
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<tr>
<td>Fire</td>
<td>Pop and Jobs</td>
<td>$189</td>
<td>$169</td>
<td>$200</td>
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<tr>
<td>Health</td>
<td>Population</td>
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<td>$26</td>
</tr>
<tr>
<td>Library</td>
<td>Population</td>
<td>$25</td>
<td>$18</td>
<td>$28</td>
</tr>
<tr>
<td>Municipal Court</td>
<td>Pop and Jobs</td>
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<td>$11</td>
<td>$11</td>
</tr>
<tr>
<td>Parks and Recreation</td>
<td>Population</td>
<td>$72</td>
<td>$39</td>
<td>$43</td>
</tr>
<tr>
<td>Planning and Development</td>
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<td>$312</td>
<td>$309</td>
</tr>
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<td>Public Works</td>
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<td>$98</td>
<td>$74</td>
</tr>
<tr>
<td>Solid Waste</td>
<td>Population</td>
<td>$90</td>
<td>$39</td>
<td>$82</td>
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<tr>
<td>Storm Water</td>
<td>Pop and Jobs</td>
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<td>$24</td>
<td>$24</td>
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<table>
<thead>
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<th>Population</th>
<th>1,351,564</th>
<th>2,296,911</th>
<th>1,508,723</th>
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<tr>
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<td>319,652</td>
<td>699,652</td>
<td>111,364</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>1,671,216</strong></td>
<td><strong>2,996,563</strong></td>
<td><strong>1,620,087</strong></td>
</tr>
</tbody>
</table>

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As with most cities, property and sales taxes make up the majority of general fund revenue in Houston, Dallas and San Antonio. But differences exist, and these differences are important to bear in mind as this report examines the services provided by each city. Property and sales taxes together account for almost 80% of general fund revenue for both Houston and Dallas, a situation that is typical of most large cities. San Antonio’s situation is somewhat different because the city owns its own electrical utility, which generates additional revenue available to the city.

### Property Tax Revenue

Property taxes account for slightly more of Dallas’s budget than Houston’s (55% of the general fund versus 51% and $474 per daytime resident versus $412). This difference largely is due to the fact that Dallas’s property tax rate is higher — about 78 cents per $100 of assessed value in Dallas, compared to about 58 cents per $100 of assessed value in Houston. In other words, Dallas’s property tax rate is almost 35% higher than Houston’s.

As Figure 7 shows, Houston and Dallas had about the same property tax rate until around 2002, when Dallas started raising its rate considerably each year. Dallas continued to raise its property tax rate until 2011, at which point it leveled off and began to decline. Meanwhile, Houston’s property tax rate began to decline gradually in 2002 and dropped more steeply starting in 2016. According to the Houston City Controller, if the revenue cap were not in place and the city had maintained its previous property tax rate, the city would have received more than $100 million per fiscal year starting in FY2017 and $200 million per fiscal year starting in FY2020.

Several factors are at work here. The first is Houston’s local property tax revenue cap, which limits the annual growth of property tax revenue to the combined rates of inflation and population growth to 4.5%, whichever is lower (though voters allowed the city to raise $90 million per year on top of that cap to pay for public safety). Neither Dallas nor San Antonio has any similar cap, though all three cities are subject to the state’s property tax reform law. Cities may exceed the 3.5% limit on property tax revenue if voters approve.
It is also worth noting that although Houston’s property tax rate is lower than Dallas’s, Harris County’s property tax rate is higher than Dallas County’s. So, the combined city and county tax rate for residents of both cities is about the same — slightly over $1 per $100 of assessed valuation. Almost all residents of Dallas County live in Dallas or other cities, while more than 2 million people live in unincorporated Harris County.16

San Antonio is less dependent on property tax revenue, primarily because it draws revenue from CPS Energy, the city-owned electrical utility. San Antonio’s property tax rate is the lowest of all three cities (about 56 cents per $100 of assessed value), generating only $236 per capita of daytime population and accounting for only 31% of general fund revenue.

Property tax revenue is likely to remain fairly stable over the next couple of years despite the COVID-19 crisis. Property values tend to be less volatile than retail sales and, because of the timing of reassessments, lower property values (and lower property tax revenues) often do not kick in until one or two years after an economic downturn.

Sales Tax Revenue

Meanwhile, sales taxes account for slightly more of Houston’s budget than Dallas’ (29% of the general fund and $232 per daytime resident versus 23% and $195 per

16 Unlike Harris County, Dallas County does not handle riverine flood control. That function is performed by the City of Dallas.

daytime resident).17 Unlike Houston, Dallas is in competition with other large cities in its region for retailers and hence for sales tax. But Houston’s sales tax advantage is not enough to offset Dallas’ overall revenue advantage.

San Antonio’s sales tax revenue is about the same as Dallas’ ($193 per capita of daytime population, or about 26% of the general fund).

Sales tax revenues are extremely volatile because they are tied to retail sales. It is probable that sales tax revenues will decline sharply for all three cities because of the COVID-19 crisis, though the amount of the decline is hard to estimate.

San Antonio’s CPS Energy Revenue

San Antonio is legally allowed to pull 14% of CPS Energy’s revenue into the general fund. This totals more than $340 million a year — around $200 per capita of daytime population — and accounts for 24% of the general fund’s total.

17 Part of this difference is accounted for by Houston’s “limited purpose annexations.” Although Houston no longer annexes large swaths of land, it still controls — like all large cities in Texas — development in its extraterritorial jurisdiction. Houston’s recent practice has been to engage in “limited purpose annexations” with newly developing areas that have retail development but not to annex the surrounding residential areas. Houston does not provide services to these areas. According to the city, sales tax in limited purpose annexation areas accounted for about $59 million in FY 2019. This amounts to about $20 per capita of daytime service population or about half of the difference in per capita sales tax revenue between Houston and Dallas. Because Dallas is landlocked, it cannot engage in this same practice.
Solid Waste Fees

One other factor plays a role in the difference between Houston and the other cities. Both Dallas and San Antonio have trash pickup fees — Houston does not. Dallas charges a monthly Sanitation Services Fee of $28.64 while San Antonio charges residential customers a Solid Waste Fee of $26.76 per month and an Environmental Service Fee of $2.24 per month. These revenue sources generate more than $100 million per year for each city. By
contrast, Houston pays for 95% of its solid waste cost out of the general fund and 5% from its Recycling Revenue Special Revenue Fund, which handles revenue from the sale of recyclable material.

The lack of a solid waste fee in Houston is the main reason the city has much lower revenue resulting from charges for services flowing into the general fund than Dallas and San Antonio. While Dallas and San Antonio benefit from between $170 and $200 per capita of daytime population in charges for service revenue, Houston obtains less than $90 per capita from this source (for all services).

In May 2020, Houston did impose a fee for solid waste bins — not solid waste pickup — of $1.14 per household, which is expected to raise approximately $5 million per year.

**Tax Increment Reinvestment Zones**

All three cities use tax increment reinvestment zones, commonly known as TIRZs. Under a tax-increment system, increases in property tax revenues in a specified zone do not go into the city’s general fund but, instead, into a separate fund controlled by the TIRZ entity, which then uses those funds to make public improvements inside the zone. TIRZs are subject to a variety of restrictions under state law. For example, TIRZs cannot be created in a zone that is more than 30% residential, and a city may not place more than 25% of its assessed property value inside TIRZs.

The number of TIRZs in each city is not substantially different. Houston has 26 active TIRZs, while Dallas has 19 and San Antonio has 20. But the cities use TIRZs differently. For example, about half of San Antonio’s TIRZs were initiated not by the city but by developers seeking to finance infrastructure in newly developing areas.

Houston, in particular, uses TIRZs on a much more widespread basis. For example, although Houston has only 26 TIRZs, TIRZs cover 86 square miles — about 14% of the city’s land area. This compares to 25 square miles in San Antonio (5% of the city’s land area) and 13 square miles in Dallas (2%).

The amount of property tax funds diverted from the city general fund to the TIRZs within the city varies dramatically. In San Antonio, that figure is $23 million. In Dallas, it is $72 million. But in Houston, it is $142 million. This increased diversion of funds is probably the result of the local revenue cap. Property taxes diverted to TIRZs do not count against the city’s revenue cap.

There is little debate about the fact that as Houston’s revenue cap has kicked in the city has relied on TIRZs more and more to fund infrastructure projects for the city. That’s because TIRZs may contract with the city to build infrastructure. It is likely that as the state property tax reform kicks in, cities around the state will follow Houston’s lead and use TIRZs more expansively.

**Other Differences in Revenue**

As the figures above show, there are other considerable differences between the three cities in some categories. In part, these differences are explained by different accounting methods. However, these differences are partially explained by real differences in service.

Whereas Dallas has far greater “Charges for Service” revenue than the other two cities, Houston has far more revenue attributed to “Licenses and Permits,” “Intergovernmental Funds” and “Other.”

There appears to be overlap between what the cities define as “Charges for Services” and what they define as “Licenses and Permits” — the same revenue is classified differently in different cities. Within the category of “Intergovernmental Funds,” Houston includes $50 million it receives from Metro’s sales tax for local streets and roads, $18.5 million from TIRZs and $10 million in Medicaid waiver revenue. Dallas does not receive Medicaid waiver revenue because it does not have a health department.
As stated above, different cities provide different services so an apples-to-apples comparison can be difficult. However, when it comes to critical services, Dallas, Houston and San Antonio do provide the same services for the most part.

Because of the many unique features in any city’s budget, it is hard to compare overall service levels and budgets for the three cities as a whole. Therefore, to provide more insight into the ability of each city to provide services with the resources they have, we have compared budgets and service levels for four services that often are the topic of discussion: police, fire, parks and solid waste. In addition, we provide a brief discussion of the cost of pensions and other post-employment benefits, the rising cost of which can affect a city’s ability to provide services.

### Police Service

Police service constitutes the largest expenditure for all three cities and the cost per daytime service population is almost identical — $309 for Dallas and San Antonio and $312 for Houston. However, Houston has a higher expenditure per officer and fewer officers per daytime service population than Dallas or San Antonio.

In contrast to fire and ambulance service (see below), Houston has the best police response time of the three cities — about 5 minutes for emergency calls and 10 minutes for non-emergency calls. Dallas’ police response times are about double those of Houston.
 Trouble Fiscal Times: A Comparison of Revenue Sources and Service Levels for Houston, Dallas, and San Antonio

Both cities measure response-time success by setting a target of responding to 90% of Priority 1 (emergency) calls within a set period of time — 8 minutes in Dallas and 6 minutes in Houston. In FY 2018, neither city came close to hitting the target, though Houston came closer. Houston responded to emergency calls within 6 minutes 68% of the time, while Dallas responded to emergency calls within 8 minutes 52% of the time.

Houston does better on police response times than Dallas or San Antonio in spite of the fact that Houston has fewer officers per daytime service population than either of the other two cities. Houston has 1.76 officers per 1,000 persons and jobs, compared to 1.92 in Dallas and 2.02 in San Antonio.

Houston does use more civilian personnel than the other two cities, which may mean that more officers are being used to respond to calls. About 80% of Houston’s police department personnel are sworn officers, compared with 83% in Dallas and 91% in San Antonio.

This larger number of non-sworn personnel may be part of the reason why Houston’s police department spends more money per officer than the other two cities. In spite of this fact, however, Houston has the lowest pay for sworn personnel among the three cities. Houston’s starting base salary for a police officer is about $50,000, compared to $53,000 for San Antonio and $61,000 for Dallas.

However, the police pay disparity between the cities is not as great as the fire pay disparity (see below).

Fire Service

All three cities provide fire protection and emergency medical services through their fire departments. They each respond to a large number of calls (or “incidents”) every year — about 350,000 in Houston, 260,000 in Dallas and 197,000 in San Antonio.

Houston has the fewest number of incidents per service population — 115 incidents annually, compared with 122 in San Antonio and 155 in Dallas.

Fire departments typically track their performance through response time — the amount of time it takes for a fire truck or an ambulance to respond to a call for service. Response times are highly dependent on the geographical size and configuration of a city. All three cities discussed in this study are geographically very large compared to other large cities in the United States.

Although Houston has the most fire stations of the three cities, Dallas has the most fire stations per square mile, an important component in building successful response times. Dallas has one fire station for every 5.9 square miles, compared to one for every 6.4 square miles in Houston and one for every 10.7 square miles in San Antonio. The number of fire engines per square mile is about the same for all three cities.

However, the number of ambulances per square mile is greatest in Dallas. Dallas operates one ambulance for every 7.9 square miles, whereas the comparable figure for Houston and San Antonio is one ambulance for every 10.7 square miles.

This difference between Dallas and Houston and San Antonio is reflected in the response times.

On ambulance calls, which represent the vast majority of incidents for any fire department, Dallas does far better than the other two cities. The average ambulance response time is 5 minutes, 38 seconds for Dallas, compared with 7:17 in Houston and 7:49 in San Antonio.
Structure fire response times are harder to compare because Dallas does not average the time. Rather, like many fire departments, the metric Dallas uses is responding within a certain period of time a certain percentage of the time. In Dallas, the goal is to respond to structure fires within 5 minutes, 20 seconds at least 90% of the time. Dallas hits the goal 84% of the time, which means it is very likely that the city does better than the other two cities on this metric. Both Houston and San Antonio have average structure fire response times in excess of 7 minutes.

Of the three cities, Houston has the lowest fire expenditure per daytime service population. Houston’s fire expenditures per daytime population is $169, compared to $189 in Dallas and $200 in San Antonio. However, Houston also has the highest number of firefighters per daytime service population — 1.3 firefighters per 1,000, compared to 1.24 in Dallas and 1.09 in San Antonio.

Houston also has the fewest number of incidents per firefighter — 89 annually, compared with 112 for San Antonio and 126 for Dallas.

Of the three cities, Dallas has the highest firefighter pay and Houston has the lowest. Starting salary for a Houston firefighter is approximately $40,000, compared to $52,000 in San Antonio and $61,000 in Dallas. These pay disparities continue up the ladder in all three departments. (Of course, many firefighters work overtime so their actual take-home pay often is much higher.)

It is worth noting that Dallas has pay parity between police officers and firefighters — the very issue that so divided Houston’s political leaders over Proposition B in 2018. Perhaps as a result of this policy, the disparity in pay between Dallas and Houston is greater for fire salaries than police salaries, especially at the lower employee levels. (Pay disparity for police and fire is about the same at the higher employee levels.)

Source: City website, Fiscal Year 2020 Budget

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**Fire Services Comparison**

<table>
<thead>
<tr>
<th></th>
<th>Dallas</th>
<th>Houston</th>
<th>San Antonio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firefighters (FTE)</td>
<td>2,066</td>
<td>3,901</td>
<td>1,766</td>
</tr>
<tr>
<td>Total Employees (FTE)</td>
<td>2,186</td>
<td>4,212</td>
<td>1,889</td>
</tr>
<tr>
<td>Daytime Population</td>
<td>1,671,216</td>
<td>2,996,563</td>
<td>1,620,087</td>
</tr>
<tr>
<td>Firefighters Per 1,000 Pers. &amp; Jobs</td>
<td>1.24</td>
<td>1.30</td>
<td>1.09</td>
</tr>
<tr>
<td>Firefighters % of Total Employees</td>
<td>94%</td>
<td>93%</td>
<td>93%</td>
</tr>
<tr>
<td>Total Incidents (2018)</td>
<td>259,332</td>
<td>346,023</td>
<td>197,654</td>
</tr>
<tr>
<td>Incidents per Firefighter</td>
<td>125.53</td>
<td>88.70</td>
<td>111.92</td>
</tr>
<tr>
<td>Incidents per 1,000 Persons &amp; Jobs</td>
<td>155.18</td>
<td>115.47</td>
<td>122.00</td>
</tr>
<tr>
<td>Expenditure</td>
<td>$315,947,118</td>
<td>$507,076,141</td>
<td>$323,779,393</td>
</tr>
<tr>
<td>Expenditure per Person and Job</td>
<td>$189</td>
<td>$169</td>
<td>$200</td>
</tr>
<tr>
<td>Expenditure Per Firefighter</td>
<td>$152,936</td>
<td>$129,986</td>
<td>$183,341</td>
</tr>
<tr>
<td>Expenditure Per Incident</td>
<td>$1,218</td>
<td>$1,465</td>
<td>$1,638</td>
</tr>
</tbody>
</table>

Source: City website, Fiscal Year 2020 Budget

**Comparative firefighter pay**

- Firefighter
- Fire Engineer
- Captain

<table>
<thead>
<tr>
<th></th>
<th>Dallas</th>
<th>San Antonio</th>
<th>Houston</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firefighter</td>
<td>$40,000</td>
<td>$52,000</td>
<td>$61,000</td>
</tr>
<tr>
<td>Fire Engineer</td>
<td>$52,000</td>
<td>$64,000</td>
<td>$76,000</td>
</tr>
<tr>
<td>Captain</td>
<td>$64,000</td>
<td>$76,000</td>
<td>$88,000</td>
</tr>
</tbody>
</table>

Source: City and city department web sites

Parks

In recent years, city parks and recreation departments throughout the nation have seen declining expenditures — and, as shown above, experience from previous recessions would suggest that parks services will be especially vulnerable as the cities cut spending due to declining revenue as a result of COVID-19.

In many cases, private philanthropic resources have picked up the slack. However, there are huge differences between Houston and the other two cities. The City of Houston spends far less money on parks than either of the other two cities, especially Dallas, while philanthropy appears to play a far more important role in Houston than in Dallas or San Antonio.

Parks perform so many different functions that it can be difficult to determine the best metric for comparison. But several measurements begin to provide a picture of what’s going on. Typical park metrics include acres per 1,000 residents and the percentage of the population that lives within walking distance (typically a half-mile or a 10-minute walk) of a park. Park maintenance can be measured by frequency of service — for example, by determining the typical mowing schedule for a city park.

By all these metrics, Dallas comes out ahead.

Dallas has about 15 acres of city-owned parks per 1,000 residents, compared to about 10 for Houston and nine for San Antonio. Indeed, even though Dallas is only 60% of the size of Houston in both population and geographical size, it has almost the same amount of city-owned park acreage. Each city has slightly more than 20,000 acres of city-owned parks. (However, Cullen Park and Lake Houston Wilderness Park account for two-thirds of Houston’s park acreage.) The national average, according to the National Recreation and Parks Association, is about 10 acres per 1,000 residents.\(^{20}\)

\(^{20}\) https://www.nrpa.org/siteassets/nrpa-agency-performance-review.pdf

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**FIGURE 17**

**Parks Services Comparison**

<table>
<thead>
<tr>
<th>Parks and Recreation</th>
<th>Dallas</th>
<th>Houston</th>
<th>San Antonio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acres</td>
<td>20,118</td>
<td>20,957</td>
<td>15,338</td>
</tr>
<tr>
<td>Population</td>
<td>1,351,564</td>
<td>2,296,911</td>
<td>1,508,723</td>
</tr>
<tr>
<td>Acres Per 1,000 Persons</td>
<td>14.9</td>
<td>9.1</td>
<td>10.2</td>
</tr>
<tr>
<td>Employees (FTE)</td>
<td>917.0</td>
<td>825.6</td>
<td>548.0</td>
</tr>
<tr>
<td>FTEs per 1,000 Persons</td>
<td>6.8</td>
<td>3.6</td>
<td>3.6</td>
</tr>
<tr>
<td>Mowing Schedule (Mar-Nov)</td>
<td>10 days</td>
<td>21 days</td>
<td>21 days</td>
</tr>
<tr>
<td>Expenditure</td>
<td>$96,971,497</td>
<td>$90,535,211</td>
<td>$64,884,794</td>
</tr>
<tr>
<td>Expenditure Per Acre</td>
<td>$4,820</td>
<td>$4,320</td>
<td>$4,230</td>
</tr>
<tr>
<td>Expenditure Per Person</td>
<td>$72</td>
<td>$39</td>
<td>$43</td>
</tr>
<tr>
<td>Expenditure Per Employee</td>
<td>$105,745</td>
<td>$109,660</td>
<td>$118,403</td>
</tr>
</tbody>
</table>

Source: City websites, Fiscal Year 2020 Budget
According to the Trust for Public Land, approximately 69% of Dallas residents live within walking distance of a park. In Houston, the figure is 58% and in San Antonio, the figure is only 42%.\(^{21}\)

Mowing schedules — one measurement of park maintenance — also suggest that Dallas devotes more attention to parks. The parks department in Dallas mows grass once every 10 days, at least between March and November, whereas in Houston and San Antonio the grass is mown once every 21 days.

The metrics favoring Dallas are reflective of the amount of taxpayer money the city spends on parks compared to Houston and San Antonio.

Even in raw numbers, Dallas spends more money than Houston on parks. Dallas spends approximately $96 million in general fund money on parks, compared with $78 million for Houston. (As stated above, the city’s proposed budget for FY2020–2021 would cut this figure to $69 million.) Special revenue funds in Houston, which capture revenue generated inside city parks, add another $12 million, bringing the total to $90 million. Proportionally, San Antonio tracks Houston’s performance rather than Dallas’.

On a per capita basis\(^ {22}\), Dallas also is far ahead of the other two cities. Dallas spends approximately $72 per person on parks compared to $39 for Houston and $43 for San Antonio.

Of course, not all parks are city-owned parks. Other government agencies sometimes own important parks. For example, the Texas Department of Parks and Wildlife owns and operates the 12,000-acre Government Canyon State Natural Area, which is adjacent to the San Antonio city limits, even if it is not within walking distance for most residents. Similarly, Harris County operates George Bush Park and Bear Creek Park, which total about 10,000 acres of land inside Barker and Addicks reservoirs.

More significant, however, is the increased involvement of private philanthropy in creating, owning and maintaining parks. According to the Trust for Public Land’s 2019 ParkScore index, Houston was among the nation’s leaders in private philanthropy dedicated to parks — some $63 million, or 29% of total parks spending\(^{23}\) (Only New York and San Francisco had more private spending on parks.) This investment can be seen in both major parks with philanthropic conservancies (Memorial Park, Hermann Park, Buffalo Bayou Park, Discovery Green) and the major citywide effort through the nonprofit Houston Parks Board, which has raised more than $120 million in private donations to implement the Bayou Greenways 2020 plan. Philanthropic dollars typically are used for project expenses, not operating costs.

Dallas is not without parks philanthropy. The most prominent example is Klyde Warren Park in downtown Dallas, which was built on a deck above Texas Spur 366 with a mix of state, federal and private funds. However, according to the Trust for Public Land, only $7 million — about 7% — of funding for city parks is private funding. In San Antonio, that figure is 1% or about $1 million.

Even so, on a per capita basis (including only residents, not inflow commuters), Houston’s combined public and private funding for parks is less than Dallas’.

### Solid Waste

Basic solid waste service is similar for all three cities but some advanced services vary considerably.

In all three cities, garbage and recycling are collected weekly. But as Figure 19 shows, larger waste pickups are far more frequent in Dallas (monthly) than in Houston (six times per year) or San Antonio (two times per year).

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\(^{21}\) Trust for Public Land, ParkFacts
\(^{22}\) For parks, we have used a per capita number counting only population — not the “service population” we have used elsewhere in this report — because it is unlikely that non-residents use city parks even if they work in the city.


\(^{24}\) This chart combines data from two different sources: City budgets for 2020 and the Trust for Public Land’s 2019 ParkScore index. Therefore, it does not include parks spending by the counties that surround the three cities.
Houston collects far more trash per customer than the other two cities — about 1.6 tons per year compared with about 1 ton per year each for Dallas and San Antonio. Dallas and San Antonio offer an option of smaller collection carts that are charged a lower monthly fee, which might explain part of the difference in trash generation rates between those two cities and Houston.

This differential is not a result of Hurricane Harvey. During the Harvey era — fiscal years 2017, 2018 and 2019 — the solid waste per customer was even higher, at about 1.8 tons. For FY 2020, this amount has returned to pre-Harvey levels. Perhaps because it funds solid waste collection from the general fund rather than a solid waste fee, Houston also spends far less per ton collected ($139 per year) than Dallas ($509) or San Antonio ($342).

As stated above, Houston adopted a trash bin fee of $1.14 per month per household in May of 2020, during the COVID-19 crisis. Although this fee will raise approximately $5 million, this represents an increase of only about $8 per ton.
Impact of Pensions and Other Non-Service Costs

The cost of pensions and “other post-employment benefits” (OPEB, meaning mostly health benefits for retirees) has grown considerably for all cities in recent years, raising concern about the long-term financial sustainability of employee benefits and the impact of those employee benefits on the ability of cities to provide services.

The three large Texas cities are no exception. According to 2020 figures, Houston had an unfunded pension liability of approximately $4.1 billion, while Dallas’ total was higher — about $4.7 billion — despite being a smaller city, and San Antonio’s was approximately $1 billion.25

Dallas and Houston, in particular, have struggled with increasing unfunded pension liabilities in recent years and both have successfully pursued pension reform. Specifically, Dallas has had to confront significant liability in its police/fire pension fund, while Houston has had to deal with the same problem for its municipal employees. Both Houston and Dallas succeeded in pushing pension reform through the state legislature in 2017. These reforms should put both cities on a very long-term path to more pension solvency.

However, such reforms do mean that a large amount of city funds must be allocated each year to covering the cost of pensions that cannot be covered by investment returns. According to the cities’ Comprehensive Annual Financial Reports, in 2018 this amount was $430 million for Houston (mostly for general municipal workers), while in Dallas it was about $200 million (mostly for police/

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25 Source: Dallas City Budget Office; Houston City Controller; San Antonio 2018 CAFR. Not verified by the cities of Dallas or San Antonio. [DOUBLECHECK]
When measured against the net daytime population, as other budget figures in this report have done, it appears that Houston ($148) spends considerably more annually on pension costs than Dallas ($117) or San Antonio ($112).

Not all of these annual pension costs fall on the general fund because city workers who are employed by enterprise fund agencies are also covered by city pension plans. But police and fire pension costs do fall on the general fund and overall it is clear that these costs do affect each city’s ability to use tax and enterprise fund revenue to provide services.

26 The San Antonio number was derived from city documents and has not been verified by the city.
The analysis contained in this report is far from comprehensive. Nevertheless, it does highlight some of the fiscal issues faced by the three largest cities in Texas, especially Houston. Based on this analysis, we feel confident in drawing the following conclusions:

- Revenue losses related to COVID-19 will make it impossible for the three cities to maintain current levels of service.
- Based on past experience of major cities during recessions, the three cities will likely focus on providing police and fire services. Parks services, in particular, may be vulnerable to budget cuts.
- Several factors do, in fact, constrain Houston’s ability to provide public services compared to the other cities. These include the locally imposed revenue cap, the lack of a solid waste fee, the fact that the city maintains its own health department and the sequestering of general fund revenues for public works under ReBuild Houston. The first two factors constrain the city’s revenue while the second two factors help to dictate the allocation of financial resources.
- The state’s property tax reform law, adopted in 2019, likely will constrain Dallas and San Antonio in the future in a manner similar to the way Houston currently is constrained by its local revenue cap. However, the impact is likely to be delayed because the state-imposed property tax cap can be waived when a disaster is declared.

- All three police departments are funded at almost identical levels on a daytime per capita basis (approximately $310 per capita in “General Fund Plus” money). Houston’s pay scale is below that of Dallas and San Antonio but the pay is closer for police than for fire among the three cities. Houston’s response-time performance on police is the best of the three.
- However, regarding fire/EMS services, San Antonio has the best-funded department, with Dallas second and Houston third. Dallas has the best pay scale for firefighters — Houston is last out of the three — and also has the best fire/EMS response times.
- On a per capita basis, Dallas funds its parks far better than Houston or San Antonio, even though Dallas and Houston have almost the same per capita city park acreage. Houston, however, devotes far more financial resources from private and philanthropic sources to parks than Dallas or San Antonio.
- Regarding solid waste, all three cities provide regular weekly pickup service. However, Dallas and San Antonio both have fees that help cover the cost of solid waste pickup. Dallas provides more-frequent service for brush and bulk waste compared to Houston, which does not have a solid waste fee and expends far less money on solid waste than the other two cities. At the same time, Houston generates 50% more solid waste per capita than either of the other two cities.
Regarding pensions, both Dallas and Houston have engaged in pension reform in the past few years. However, Dallas has greater unfunded liability than Houston does. Proportionally, Houston devotes significantly more revenue per capita to pension obligations on an annual basis. Despite recent pension reforms, it may be hard for Houston and Dallas to pay down unfunded pension liabilities as planned.

Houston does offload some infrastructure spending onto tax increment reinvestment zones (TIRZ), which collect far more money than the equivalent zones in Dallas and San Antonio. This high level of TIRZ investment in infrastructure is, at least in part, the result of the city’s property tax revenue cap, which does not affect TIRZs. As state property tax reform looms larger, other cities are likely to use this same approach.
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