Troubled Fiscal Times:
A Comparison of Revenue Sources and Service Levels for Houston, Dallas, and San Antonio

Kinder Institute for Urban Research
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Who We Are

• Urban research institute studying Houston and, increasingly, Texas- and Sun Belt-wide issues

• Focused on education, housing, transportation, governance, and resiliency

• “Think-and-do” tank with action orientation
Purpose of This Report

• Compare Revenue Sources for Houston, Dallas, and San Antonio
• Focus on 11 services commonly provided, with a special focus on police, fire, parks, and solid waste
• Examine whether Houston is more financially constrained than peer cities.
• Briefly assess impact of COVID on ability of cities to provide these services.
11 Core Services (4 Highlighted)

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

* Houston has a health department, while Dallas does not. San Antonio participates in a Metropolitan Health District.
We included what we call “General Fund Plus” revenues – general fund revenues plus all special revenues that fund the 11 basic services.
For service population, we included resident population plus net in-commuters.
Revenue Mix

Revenue mix is similar except San Antonio derives funds from city-owned utility and therefore has a much lower property tax rate.
Property Tax Rate

Property tax rates in Houston and Dallas have diverged sharply over time.
How Money Is Spent

• All 3 cities spend about the same on the 11 basic services

• All spend at least 50% of general fund on police and fire

• Houston spends less on debt service and more on other services
Houston Is More Constrained

• Locally imposed revenue cap
• No solid waste collection fee
• Separate health department
• Sequestering of general fund revenues for public works under ReBuild Houston
COVID-Related Revenue Losses

• Houston: $169 million deficit for 2020-2021
• Dallas/San Antonio (later budget cycle)
  • Tens of millions in general fund losses
  • $100-200 million in special fund losses
CARES Act Funding

- Houston: $404 million
- Dallas: $234 million
- San Antonio: $270 million

*Can be used only for COVID-related expenses.*
Police and Fire Service
Police Budget & Performance

• Police departments funded equally
• Houston pay scale the lowest
• Houston has best response times
Fire Budget & Performance

- San Antonio has best-funded fire department
- Dallas has highest pay scale (parity with police) and best response times
- Houston third on all measures
Parks and Rec Service
Public and Private Parks Spending

- Even in terms of raw numbers, Dallas (60% the size of Houston) has a bigger parks budget.
- Houston relies more on philanthropy
Likely Impact of COVID on Parks

Past experience suggests cities will favor police and fire over parks (or libraries) in a recession.
Solid Waste Service
Solid Waste

• All three cities provide weekly pickup service.

• Dallas and San Antonio have user fees for pickup that generate more than $120 million annually.

• Houston has fee for bins that generates $5 million annually.

• Houston generates 50% more solid waste per capita than either of the other two cities.
Tax-Increment Districts
Property Tax Revenue Diverted

Houston uses tax-increment districts far more aggressively than the other cities.

However, with state property tax reform, Houston’s approach could become the norm.
A Final Wrinkle: Pension Costs
Total Pension Liability

Even in terms of raw numbers, Dallas (60% the size of Houston) has a larger unfunded pension liability.
Annual Pension Payments

In both raw numbers and proportional terms, Houston is paying down pension liability faster.
Difficult Fiscal Choices

With COVID-related revenue drops,

Dallas and Houston may be faced with a choice of:
  • Providing services, or
  • Paying down unfunded pension liability.
Bottom Line

1. Houston is more revenue constrained
2. Police/Fire performance doesn’t always match spending
3. Difficult fiscal choices ahead
4. Parks more likely to be cut than public safety
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