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# Harris County Tax Rates Tax Year 2021

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SEPTEMBER 14, 2021



## Executive Summary

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- Commissioners Court must set the 2021 tax rates for Harris County, the Harris County Flood Control District, the Hospital District, and the Port of Houston. The deadline to adopt rates is no later than October 15, 2021
- Setting rates is a three-step process: Commissioners Court votes to propose rates (September 14), then holds a hearing (September 21), then formally votes to adopt rates (September 28)
- The range of rates Commissioners Court can adopt is set by statute and cannot exceed the “Voter Approval Rate” without an election
- If Commissioners Court fails to adopt rates, the rates revert to the “No-New Revenue Rates” which, despite their name, bring in substantially less revenue to the County
- The current taxable value from the Harris County Appraisal district, **\$518B**, is about 3% higher than last year’s. Much of this increase is due to **\$11B** of added new construction. However, **litigation losses will likely offset most of the property appreciation.**
- The County Administrator and Office of Management and Budget **recommend an all-in rate of \$0.58585 per 100 dollars of assessed value, which would be a reduction in the overall tax rate for the third consecutive year**

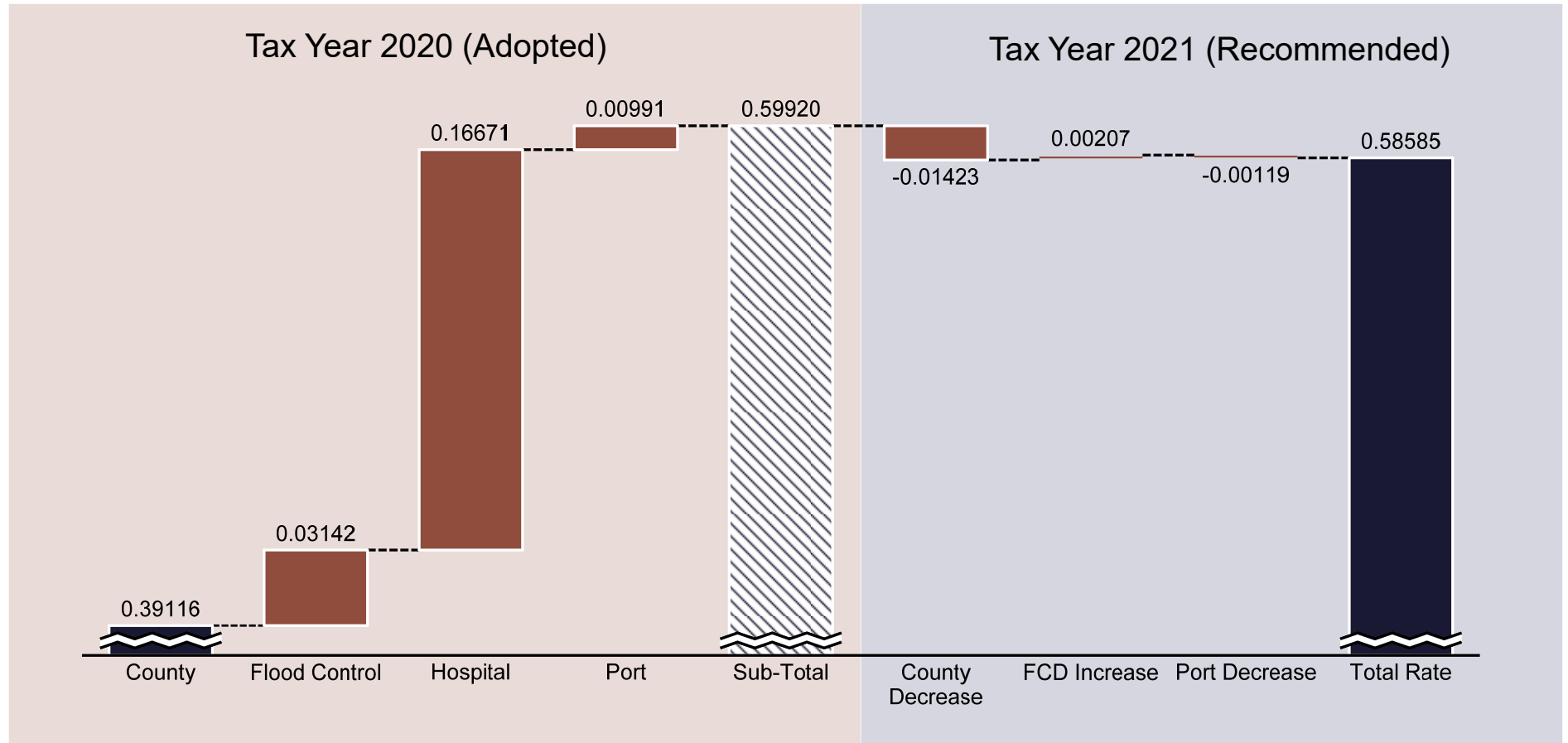
## Overview of Proposed Property Tax Rates

The County Administrator and Office of Management and Budget **recommend an all-in rate of \$0.58585 per 100 dollars of assessed value.** The proposal:

- Reduces the overall tax rate by 2.2%
- Reduces the overall tax levy on existing property (excluding new construction) by \$35M
- Increases funding for flood control maintenance rate
- Covers the debt service for flood control projects approved by voters in the 2018 Bond Election
- Maintains the current rate for the Hospital District
- Funds the fiscal year 2022 budget unanimously approved by Commissioners Court in February 2021

	2021 (/\$100)	Actual 2020 (/\$100)	Change (/\$100)	Change as %
County M&O	0.33500	0.34028	(0.00528)	-1.6%
County Debt Service	0.04193	0.05088	(0.00895)	-17.6%
<b>Total</b>	<b>0.37693</b>	<b>0.39116</b>	<b>(0.01423)</b>	<b>-3.6%</b>
Flood Control M&O	0.02599	0.02649	(0.00050)	-1.9%
Flood Control Debt Service	0.00750	0.00493	0.00257	52.1%
<b>Total</b>	<b>0.03349</b>	<b>0.03142</b>	<b>0.00207</b>	<b>6.6%</b>
Hospital M&O	0.16497	0.16491	0.00006	0.0%
Hospital Debt Service	0.00174	0.00180	(0.00006)	-3.3%
<b>Total</b>	<b>0.16671</b>	<b>0.16671</b>	<b>-</b>	<b>0.0%</b>
Port	0.00872	0.00991	(0.00119)	-12.0%
<b>Grand Total</b>	<b>0.58585</b>	<b>0.59920</b>	<b>(0.01335)</b>	<b>-2.2%</b>

## Comparison to 2020 Rates (/ \$100 of assessed value)



## Proposed Property Tax Rates – Total Tax Levy (\$M)



Note: Based on current year taxable value from line 21 of Comptroller's tax rate forms. Levy calculation is not reduced for annualized collection percentages

## Why the No-New Revenue Rates are Not Recommended

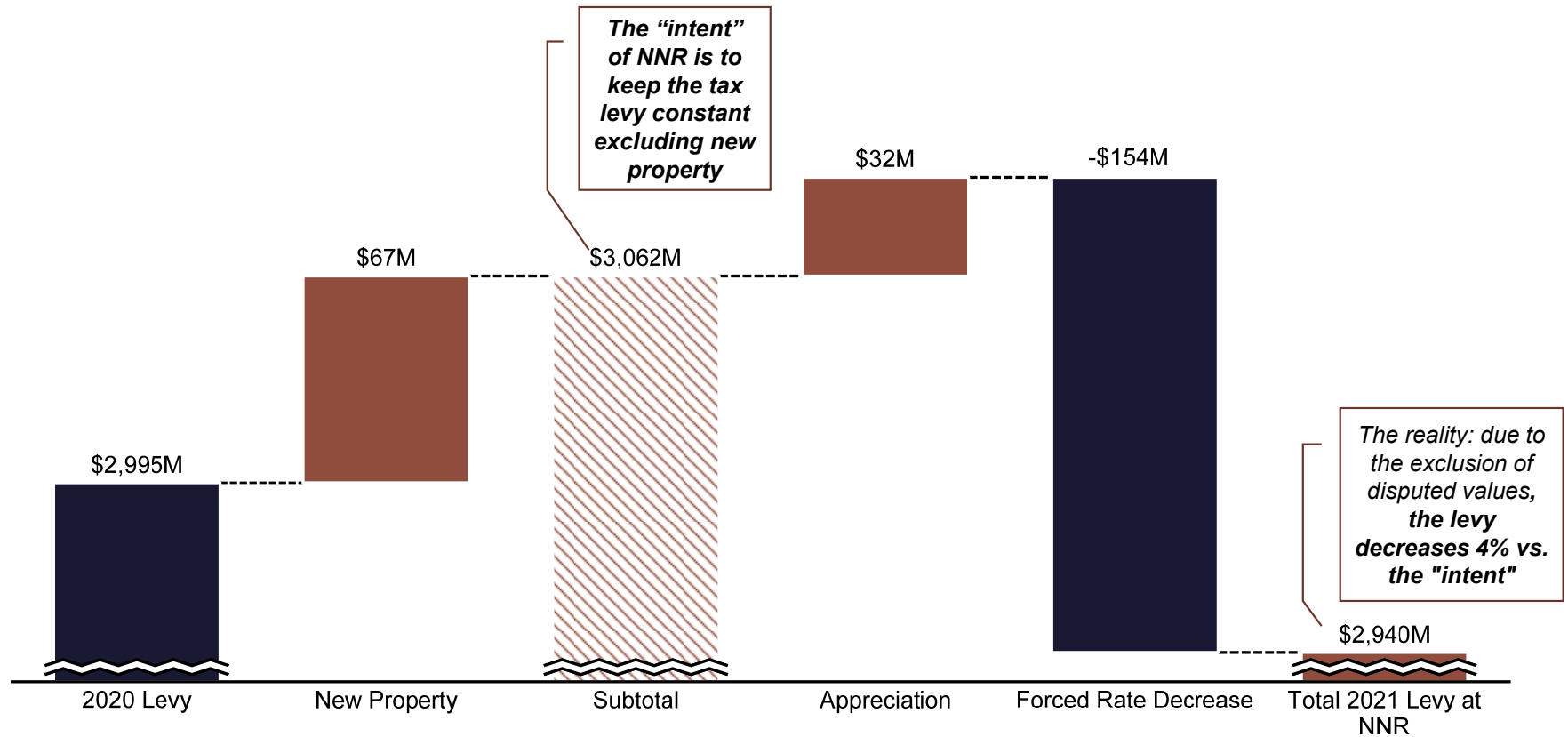
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1. Commissioners Court can still reduce overall rates and the tax levy on existing property without going to the No New Revenue Rates
2. Despite their name, the No-New Revenue rates substantially decrease revenue when the County has growing needs for investments in infrastructure, health, public safety and other areas
3. The No New Revenue Rates are not consistent with the budgets approved by Commissioners Court and would necessitate service cuts
4. The Flood Control No New Revenue Rate does not cover the cost of paying the debt service on the 2018 voter-approved Flood Control bond program
5. Over time, No New Revenue Rates are unlikely to support the County's rising health and pension expenses



**The County Administrator and Office of Management and Budget recommend that Commissioners Court reduce rates in 2021, but not down to the No-New Revenue Rates**

## No New Revenue Rates – Total 2021 Tax Levy vs. 2020 Tax Levy (\$M)



## No New Revenue Rates – Effect on Adopted Budgets

	Harris County	Flood Control	Hospital
M&O Rate	0.33030	0.02224	0.15636
Debt Service Rate	0.04193	0.00750	0.00174
Total Tax Rate	0.37223	0.02974	0.15810
Taxable Value (\$B) <sup>1</sup>	\$506.36B	\$498.64B	\$500.31B
M&O Tax Revenue Collected (\$M) (Nov - Feb)	96%	96%	96%
M&O Tax Revenue Collected (\$M)	\$1,605.6M	\$106.5M	\$751.0M
FY 2022 Budget (net of Refund) (\$M)	\$1,625.8M	\$117.0M	\$787.8M
<b>Increase/(decrease) vs. Budget (\$M)</b>	<b>(\$20.2M)</b>	<b>(\$10.5M)</b>	<b>(\$36.8M)</b>
<b>% Change</b>	<b>-1.2%</b>	<b>-9.0%</b>	<b>-4.7%</b>

<b>Consequences</b>	<ul style="list-style-type: none"> <li>• Service reductions required</li> <li>• Sets new baseline when health and pension expenses are under inflationary pressure</li> </ul>	<ul style="list-style-type: none"> <li>• Failing to raise rates for debt service is negative for credit rating and access to capital</li> <li>• Reductions to maintenance and/or staff augmentation</li> <li>• Potential delay in projects</li> </ul>	<ul style="list-style-type: none"> <li>• Sets new baseline when future years will likely show increased costs</li> <li>• Potential to temporarily cover some of shortfall with federal reimbursements</li> </ul>
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<sup>1</sup> Adjusted for First Year Corrections and Value Loss



## Conclusion

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The recommended rate proposal:

- Reduces the overall tax rate by 2.2%
- Reduces the overall tax levy on existing property by \$35M
- Increases funding for flood control maintenance rate
- Covers the debt service for flood control projects approved by voters in the 2018 Bond Election
- Maintains the current rate for the Hospital District
- Funds the fiscal year 2022 budget unanimously approved by Commissioners Court in February 2021

Whether or not the OMB proposal is adopted, it is recommended that Commissioners Court set rates above the “No-New Revenue Rates” – which dramatically decrease the tax levy while maintaining the current County service levels in a growing County with growing needs.

## Appendix

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- Rate options detail
- Historical rates and taxable values
- Detailed breakdown of property appreciation
- Changes since August 2021 estimates

## Range of Rate Options – Based on HCAD 2021 Certified Roll

All Rates in \$/\$100 of Assessed Value

Option 1 - Recommended Rates	Calc	Harris County		Flood Control		Hospital
M&O Rate	A	\$	0.33500	\$	0.02599	\$ 0.16497
Debt Service Rate	B	\$	0.04193	\$	0.00750	\$ 0.00174
<b>Total Tax Rate</b>	<b>C = A + B</b>	<b>\$</b>	<b>0.37693</b>	<b>\$</b>	<b>0.03349</b>	<b>\$ 0.16671</b>
Last Years Tax Rate	D	\$	0.39116	\$	0.03142	\$ 0.16671
<b>Increase/(decrease)</b>	<b>E = C - D</b>	<b>\$</b>	<b>(0.01423)</b>	<b>\$</b>	<b>0.00207</b>	<b>\$ -</b>
Taxable Value (B) <sup>1</sup>	F	\$	506.4	\$	498.6	\$ 500.3
M&O Tax Revenue Collected (\$M) (Nov - Feb)	G = A x F x 96%	\$	1,628.4	\$	124.4	\$ 792.3
Adopted Budget (Net of Refund Allowance)	H	\$	1,625.8	\$	117.0	\$ 787.8
<b>Increase/(decrease) vs. Budget (\$M)</b>	<b>I = G - H</b>	<b>\$</b>	<b>2.6</b>	<b>\$</b>	<b>7.4</b>	<b>\$ 4.6</b>
<b>% Change</b>	<b>J = I / H</b>		<b>0.2%</b>		<b>6.4%</b>	<b>0.6%</b>
Remaining Current M&O Taxes to Be Collected	K = A x F x 4%	\$	67.9	\$	5.2	\$ 33.0
<b>Total Est. Collectible M&amp;O Levy</b>	<b>L = G + K</b>	<b>\$</b>	<b>1,696.3</b>	<b>\$</b>	<b>129.6</b>	<b>\$ 825.4</b>

- Reduces the overall tax rate (Produces a combined tax rate (County 4) of \$0.58585 which is lower than the tax year 2020 combined adopted rate of \$0.59920)
- Reduces the overall tax levy on existing property by \$35M
- Funds the fiscal year 2022 budget unanimously approved by Commissioners Court in February 2021 (see Calculation reference G through J)
- Increases funding for flood control maintenance and operations rate
- Covers the debt service for flood control projects approved by voters in the 2018 Bond Election
- Maintains the current rate for the Hospital District

<sup>1</sup> Adjusted for Estimated First Year Corrections and Value Loss

## Range of Rate Options – Based on HCAD 2021 Certified Roll

All Rates in \$/\$100 of Assessed Value

Option 2 - No-New-Revenue Rates	Calc	Harris County		Flood Control		Hospital
M&O Rate	A	\$	0.33030	\$	0.02224	\$ 0.15636
Debt Service Rate	B	\$	0.04193	\$	0.00750	\$ 0.00174
<b>Total Tax Rate</b>	<b>C = A + B</b>	<b>\$</b>	<b>0.37223</b>	<b>\$</b>	<b>0.02974</b>	<b>\$ 0.15810</b>
Last Years Tax Rate	D	\$	0.39116	\$	0.03142	\$ 0.16671
<b>Increase/(decrease)</b>	<b>E = C - D</b>	<b>\$</b>	<b>(0.01893)</b>	<b>\$</b>	<b>(0.00168)</b>	<b>\$ (0.00861)</b>
Taxable Value (B) <sup>1</sup>	F	\$	506.4	\$	498.6	\$ 500.3
M&O Tax Revenue Collected (\$M) (Nov - Feb)	G = A x F x 96%	\$	1,605.6	\$	106.5	\$ 751.0
Adopted Budget (Net of Refund Allowance)	H	\$	1,625.8	\$	117.0	\$ 787.8
<b>Increase/(decrease) vs. Budget (\$M)</b>	<b>I = G - H</b>	<b>\$</b>	<b>(20.2)</b>	<b>\$</b>	<b>(10.5)</b>	<b>\$ (36.8)</b>
<b>% Change</b>	<b>J = I / H</b>		<b>-1.2%</b>		<b>-9.0%</b>	<b>-4.7%</b>
Remaining Current M&O Taxes to Be Collected	K = A x F x 4%	\$	66.9	\$	4.4	\$ 31.3
<b>Total Est. Collectible M&amp;O Levy</b>	<b>L = G + K</b>	<b>\$</b>	<b>1,672.5</b>	<b>\$</b>	<b>110.9</b>	<b>\$ 782.3</b>

- Would reduce tax rates to the No New Revenue level
- The overall combined County tax rate of \$0.56948 would be substantially lower than the tax year 2020 combined adopted rate of \$0.59920
- **Estimated revenues produced by Option 2 are insufficient to fund the FY 2022 adopted budgets for the County, the Flood Control District, or the Hospital District that was unanimously approved by Commissioners Court in February 2021** (see Calculation reference G through J)

<sup>1</sup> Adjusted for Estimated First Year Corrections and Value Loss

## Range of Rate Options – Based on HCAD 2021 Certified Roll

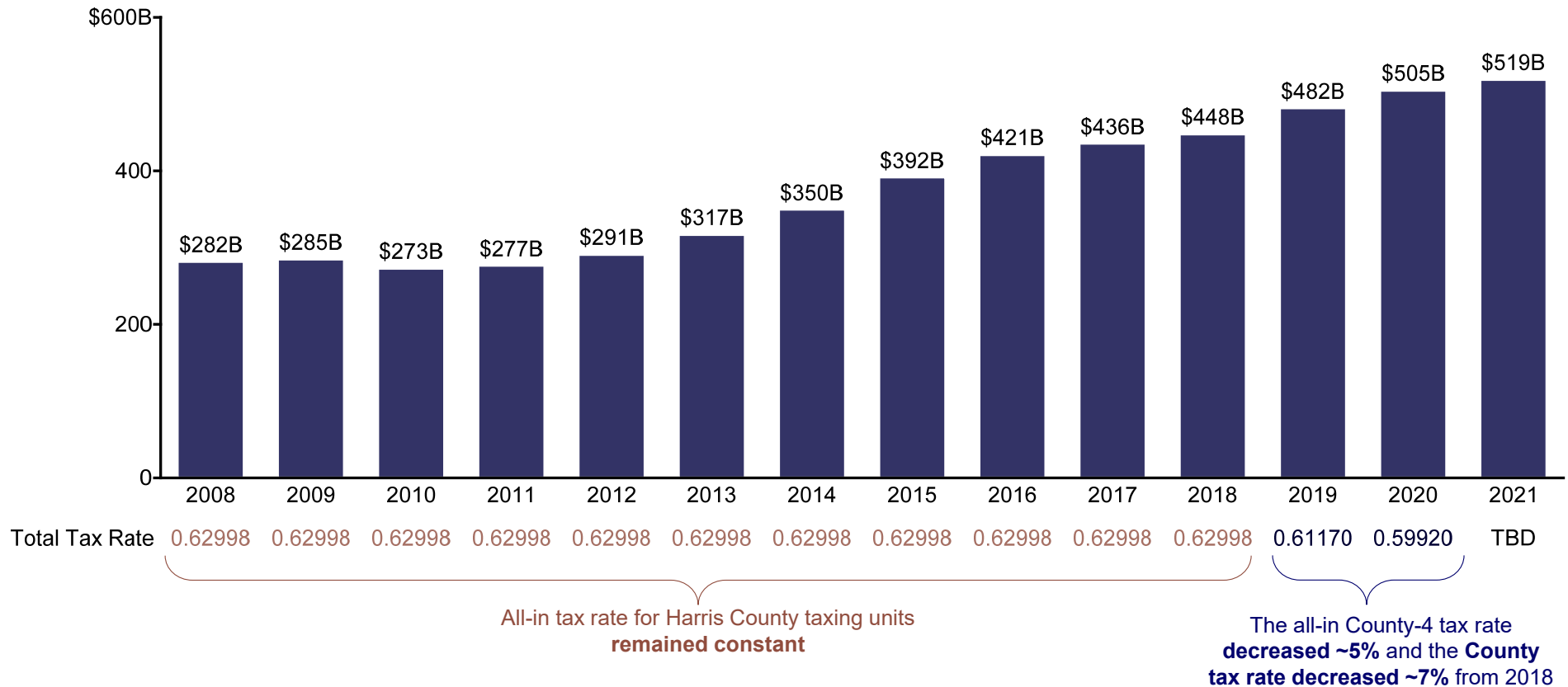
All Rates in \$/\$100 of Assessed Value

Option 3 - Voter Approval Rates	Calc	Harris County		Flood Control		Hospital
M&O Rate	A	\$	0.33621	\$	0.02599	\$ 0.16923
Debt Service Rate	B	\$	0.04193	\$	0.00750	\$ 0.00174
<b>Total Tax Rate</b>	<b>C = A + B</b>	<b>\$</b>	<b>0.37814</b>	<b>\$</b>	<b>0.03349</b>	<b>\$ 0.17097</b>
Last Years Tax Rate	D	\$	0.39116	\$	0.03142	\$ 0.16671
<b>Increase/(decrease)</b>	<b>E = C - D</b>	<b>\$</b>	<b>(0.01302)</b>	<b>\$</b>	<b>0.00207</b>	<b>\$ 0.00426</b>
Taxable Value (B) <sup>1</sup>	F	\$	506.4	\$	498.6	\$ 500.3
M&O Tax Revenue Collected (\$M) (Nov - Feb)	G = A x F x 96%	\$	1,634.3	\$	124.4	\$ 812.8
Adopted Budget (Net of Refund Allowance)	H	\$	1,625.8	\$	117.0	\$ 787.8
<b>Increase/(decrease) vs. Budget (\$M)</b>	<b>I = G - H</b>	<b>\$</b>	<b>8.5</b>	<b>\$</b>	<b>7.4</b>	<b>\$ 25.0</b>
<b>% Change</b>	<b>J = I / H</b>		<b>0.5%</b>		<b>6.4%</b>	<b>3.2%</b>
Remaining Current M&O Taxes to Be Collected	K = A x F x 4%	\$	68.1	\$	5.2	\$ 33.9
<b>Total Est. Collectible M&amp;O Levy</b>	<b>L = G + K</b>	<b>\$</b>	<b>1,702.4</b>	<b>\$</b>	<b>129.6</b>	<b>\$ 846.7</b>

- Would produce a combined tax rate (County 4) of \$0.59132 which would be lower than the tax year 2020 combined adopted rate of \$0.59920
- Represents the highest possible rate without triggering an election

<sup>1</sup> Adjusted for Estimated First Year Corrections and Value Loss

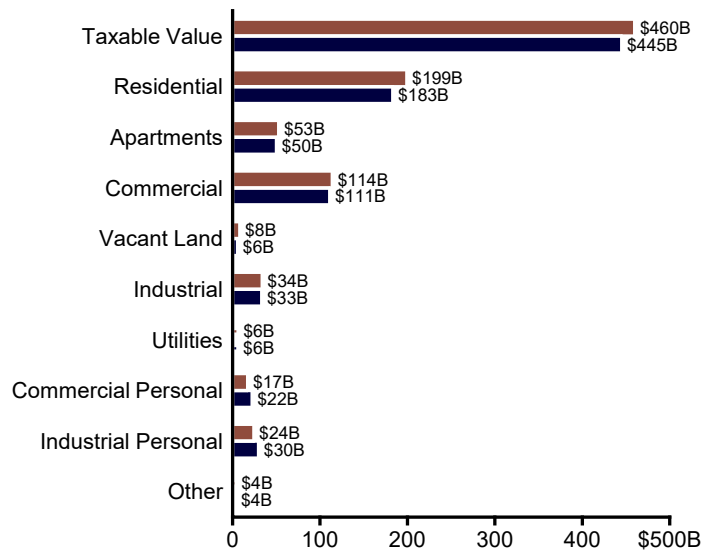
## Historical Rates and Taxable Values (Tax Years 2008 - 2021)



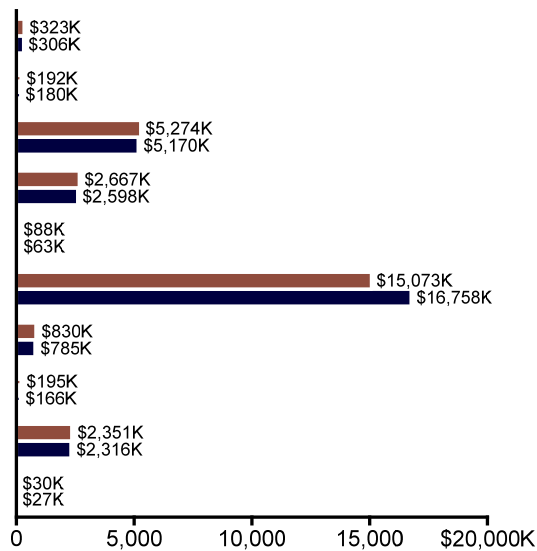
Note: Only Harris County taxable values are displayed for presentation simplicity. Taxable values for Flood Control and Hospital District are lower by the Freeport exemption (\$9.7B for TY 2021) and for the Port of Houston by the Freeport exemption and goods in transit (\$9.8B for TY 2021)

# Original Certified Taxable Value Change from 2020 to 2021 (County)

**Total Taxable Values**



**Average Taxable Values**



**Additional Information**

- These tables depict (1) the original certified taxable values for tax years 2020 and 2021 by property type and (2) the original certified taxable value averages by unit (parcels) by property type
- It is exclusive of \$61.45B (~269k units) and \$60.24B (~220k units) of taxable value for TY 2021 and 2020, respectively, representing the total (1) amounts under protest and therefore not included in the appraisal roll values approved by the appraisal review board and (2) estimated value of taxable property not under protest and not yet included on the certified appraisal roll, after hearing loss
- Average taxable values per unit have increased year over year for all property type categories except for industrial properties
- The average certified taxable value per unit has increased 5.5% from \$306.2K to \$323.1K for all units/parcels

2021

2020

2021  
To  
2020

	Taxable Value (Change)		Units (Change)		Average Taxable Value per Unit (Change)	
Residential	\$16,079,660,491	8.80%	15,665	1.50%	\$12,805	7.10%
Apartment	\$2,633,446,998	5.30%	308	3.20%	\$104,004	2.00%
Commercial	\$2,982,621,592	2.70%	15	0.00%	\$68,867	2.70%
Vacant Land	\$2,490,012,670	43.50%	2,264	2.50%	\$25,196	40.00%
Industrial	\$462,408,895	1.40%	253	12.70%	-\$1,684,779	-10.10%
Utilities	\$162,781,847	2.70%	-223	-2.90%	\$45,108	5.70%
Commercial Personal	(\$5,074,580,695)	-22.70%	-46,232	-34.30%	\$29,422	17.70%
Industrial Personal	(\$5,456,999,052)	-18.40%	-2,514	-19.60%	\$35,371	1.50%
Other	\$453,735,572	12.80%	20	0.00%	\$3,416	12.80%
<b>Total</b>	<b>\$14,733,088,318</b>	<b>3.30%</b>	<b>-30,444</b>	<b>-2.10%</b>	<b>\$16,903</b>	<b>5.50%</b>

## Key Changes Since August 2021 Initial Estimates

- Taxable Value Changes – Decreased slightly (~1%) for each of the taxing jurisdictions
- Debt Service – included use of HCTRA funds to pay for road and bridge debt service, as contemplated in the FY 2022 budget
- No New Revenue Rate
  - Increased for all 3 entities
  - For Flood Control and the Hospital District, the slight increase is primarily driven by the slight taxable value decrease (inverse correlation)
- Voter Approval Rate
  - For Flood Control and the Hospital District, the slight increase is primarily driven by the slight taxable value decrease (inverse correlation)
- Other
  - Collection percentage and methodology was modified in this presentation to show M&O values that will be collected after fiscal year end
  - FY 22 Adopted Budgets are now presented net/inclusive of the 'Refund Allowance' Adopted Budgets for Harris County, Flood Control and the Hospital District

	County	Flood Control	Hospital
<b>Taxable Values (B \$s)</b>			
7/23 Line 21	\$ 519.38	\$ 511.51	\$ 513.09
Cert. Roll Line 21	\$ 518.82	\$ 510.91	\$ 512.62
Change Total	\$ (0.56)	\$ (0.60)	\$ (0.47)

	County	Flood Control	Hospital
<b>NNR</b>			
7/23 Est M&O	\$ 0.31729	\$ 0.02222	\$ 0.15625
7/23 DS	\$ 0.05460	\$ 0.00749	\$ 0.00174
7/23 Total	\$ 0.37189	\$ 0.02971	\$ 0.15799
Certified Roll M&O	\$ 0.33030	\$ 0.02224	\$ 0.15636
Certified Roll DS	\$ 0.04193	\$ 0.00750	\$ 0.00174
Certified Roll Total	\$ 0.37223	\$ 0.02974	\$ 0.15810
Change M&O	\$ 0.01301	\$ 0.00002	\$ 0.00011
Change DS	\$ (0.01267)	\$ 0.00001	\$ -
Change Total	\$ 0.00034	\$ 0.00003	\$ 0.00011

	County	Flood Control	Hospital
<b>VAR</b>			
7/23 Est M&O	\$ 0.33590	\$ 0.02596	\$ 0.16910
7/23 DS	\$ 0.05460	\$ 0.00749	\$ 0.00174
7/23 Total	\$ 0.39050	\$ 0.03345	\$ 0.17084
Certified Roll M&O	\$ 0.33621	\$ 0.02599	\$ 0.16923
Certified Roll DS	\$ 0.04193	\$ 0.00750	\$ 0.00174
Certified Roll Total	\$ 0.37814	\$ 0.03349	\$ 0.17097
Change M&O	\$ 0.00031	\$ 0.00003	\$ 0.00013
Change DS	\$ (0.01267)	\$ 0.00001	\$ -
Change Total	\$ (0.01236)	\$ 0.00004	\$ 0.00013