

CULTURAL DISTRICT ALLIANCE

June 10, 2019

We recently saw the end of the 86th legislative session in Austin and there were quite a few important bills that passed the two bodies in the Texas Capitol. Within those pieces of legislation, there were significant bills that address everything from education to beer. Importantly though, there were a few significant actions that will have big impacts on the city of Fort Worth and specifically the city's budget and budget process. Here to guide us through those is Assistant City Manager and CDA board member Fernando Costa.

Fernando, while we probably can't go through everything that the Texas Legislature passed this session, what were a few of the major bills passed that will have the most impact on the City of Fort Worth?

The Legislature passed many bills that will adversely affect cities throughout the state, of which at least fifteen will affect us financially. The Governor has until June 16 to sign these bills into law or, less likely, to veto them.

Most notably, Senate Bill 2 will limit our City Council's budget authority by imposing a 3.5 percent annual cap on property tax revenue increases that we may collect from existing property, excluding new construction, without voter approval. The bill is effective January 1, 2020. If this restriction had existed last year, then we would not have been able to resolve our pension liability crisis locally while also funding much-needed improvements in police, fire, and other basic public services without an expensive special election. According to a recent report from Moody's Investors Service, the revenue cap "will hurt local governments substantially" and may increase the interest rates that we will be paying in future bond programs.

Other bills affecting our revenues include House Bill 1631, which bans the use of red-light cameras, and Senate Bill 1152, which reduces the franchise fees that we may collect from telecommunication and cable companies using our rights-of-way. The red-light camera bill will reduce our annual revenues by nearly \$4 million, which we had been using to fund various traffic safety services. In addition, we anticipate that the bill on franchise fees will reduce our annual revenues from this source by another \$4 million or more.

How does current city leadership plan on addressing these changes to the budget, the budget planning process, and the potential revenue impacts?

Fort Worth in recent years has benefited from a strong and diverse economy, with rising property values and retail sales producing steady growth in the revenues that we collect from property taxes and sales taxes. Nevertheless, the loss of revenues associated with this year's legislative actions will undoubtedly make our annual budget process even more challenging, as we seek to continue lowering our property tax rate while still providing the public services that our citizens expect.

Finally, while there was lots of attention to property tax reform and school budgets, are there any other bills that were passed that might not have garnered the same attention that you think are notable?

On a positive note, the Legislature reauthorized Chapter 312 of the Texas Tax Code, which enables cities and counties to attract businesses by offering property tax abatements. Much of the new development that the Cultural District has experienced during the past twenty years is directly or indirectly attributable to the City's responsible use of tax incentives.