



CITY OF HOUSTON

## FY2027 Budget Solutions Frequently Asked Questions

May 5, 2026

### Why is the City proposing these changes now?

Each year every administration has passed a “balanced” budget, but for many years and Mayoral administrations, the budget has been “structurally unsound.” The City has reached the point where structural reform must follow stabilization and efficiency.

From the start of his administration, Mayor John Whitmire made a clear commitment to Houstonians: tighten the belt of government first—before asking residents to dip into their pocketbooks. Over the past two years, the administration has honored that commitment.

- First, the focus was stabilizing the organization—restoring basic operational discipline after years of deferred decisions and compounding inefficiencies.
- Second, the City measured the problem, rather than guessing at it. The independent Ernst & Young efficiency study identified systemic inefficiencies and opportunities to modernize how the City operates.
- Third, the City began acting on those findings. The FY26 Adopted General Fund budget—for the first time in decades—contemplating spending less than the prior year, demonstrating that government cost containment was not rhetorical, but real.

Only after that work did the City turn to long-term structural solutions.

The proposed administrative fee for garbage services reflects this sequence. Solid Waste operations have already undergone a major overhaul, including the addition of 50 new garbage trucks, improved reliability, and stronger operational controls. The fee is a use-based charge, implemented after service improvements—not before—ensuring transparency and fairness.

At the same time, Houston continues to face unique structural constraints. The City is subject to two property tax revenue caps—one imposed by the State of Texas and one approved by Houston voters—which the City consistently hit from FY15 to FY24. These caps limit revenue growth even as Houston adds tens of thousands of new residents each year.

The FY27 proposals are not about expanding government, they are about making the City’s finances match the reality of a growing Houston. Together, these changes move the City closer to a structurally balanced budget, protect core services, and ensure that essential functions—public works, public safety, parks, libraries, courts, and neighborhoods—remain reliable and sustainable.

## **Why focus on Solid Waste and right-of-way fees?**

Because these are standard municipal practices that Houston has historically not used, largely due to legacy policy decisions—not because they are unusual, risky, or novel.

Across Texas and the United States:

- Solid waste collection is commonly operated as a utility service with a dedicated fee, and,
- Municipal utilities routinely pay right-of-way rental fees to compensate cities for the cost of utilizing streets and public corridors.

Houston has been the outlier—not the model.

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## **SOLID WASTE AS A PUBLIC UTILITY & ADMINISTRATIVE FEE**

### **Why is the City declaring Solid Waste a public utility?**

Solid waste collection is recognized under Texas law as a municipal utility, alongside water, sewer, drainage, and electricity. Treating solid waste as a utility:

- Aligns Houston with peer cities,
- Improves transparency and accountability,
- Provides a mechanism for infrastructure and equipment improvements
- And modernizes a system that has historically relied almost entirely on property taxes.

This is not new or experimental—it is a widely accepted municipal practice.

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### **Why introduce an administrative fee now?**

Houston is one of the largest cities in the country that does not charge a dedicated fee related to solid waste, relying instead on property taxes that are now capped and constrained.

As costs have increased and the City's population has grown, this structure has become unsustainable. Introducing a modest fee allows the City to:

- Maintain reliable service,
  - Invest in equipment, infrastructure and staffing,
  - And stabilize long-term operations without cutting other core services.
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## **Why start at \$5 and escalate over time?**

The phased approach is intentional:

- It minimizes immediate household impact, avoiding sudden, disruptive changes,
- Provides predictability,
- Allows time for operational improvements,

Escalation occurs transparently over several years until the fee equals the true cost of service—something most cities already do.

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## **How does this protect other City services?**

By stabilizing solid waste funding, the City reduces pressure on the General Fund, helping ensure continued support for:

- Police and fire services,
  - Parks and libraries,
  - Municipal courts,
  - Neighborhood services,
  - And quality-of-life investments Houstonians expect and deserve.
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## **Combined Utility System RIGHT-OF-WAY RENTAL FEES**

### **What is a right-of-way rental fee?**

A right-of-way rental fee is how the City is compensated when public streets are occupied or disrupted for private or enterprise use.

When a restaurant blocks a lane of traffic for valet parking, the City charges a fee because that lane is no longer available for the public. The same principle applies here.

Utility infrastructure lives under and within our streets. Every time water or wastewater lines are installed, repaired, or maintained:

- Streets are cut open,
- Traffic is disrupted,
- And public space is taken out of normal use.

Those impacts create real costs for the City and the public—whether or not they are labeled as a line item.

A right-of-way rental fee simply accounts for the cost of using public streets for utility operations, just as the City does when businesses use the right-of-way for valet parking, construction staging, or outdoor dining. It ensures that the utility fully pays for the space it occupies and the disruption it causes, rather than those costs being absorbed invisibly elsewhere.

This is not a new concept in Houston. CenterPoint Energy, as an example, already pays the City a franchise fee for occupying the public right-of-way with its electric and natural gas infrastructure, based on the same principle that private or enterprise use of public street space requires compensation.

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### **Why hasn't Houston done this before?**

The city has historically used one-time solutions to solve our annual budget deficit without addressing our long-term structural imbalance. The city's budget has reached a point where quick fixes, efficiencies and layoffs will not create a structurally balanced budget for today and the future. This is a long-term structural change that will not only affect this budget, but all budgets to come.

In most major cities:

- Utilities pay explicit right-of-way or franchise fees,
- Those fees reflect real costs and impacts,
- And the structure prevents cross-subsidization.

Houston's approach has been the exception, not the rule. This change brings transparency, not new burden.

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### **Isn't the City just charging itself?**

No. The utility already bears street and right-of-way costs because its infrastructure occupies, cuts into, and restores public streets. The right-of-way fee doesn't create a new cost, it makes that relationship transparent and consistent.

The Combined Utility System (CUS) is a fully rate-supported enterprise system, not a General Fund department. Like utilities in other major cities, it is appropriate for it to fully account for the public space it uses as part of delivering service.

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### **Will this raise water or sewer rates?**

No, the CUS paying a right-of-way fee will not cause water rates to increase. The City will implement this carefully and deliberately. Any future rate changes will:

- Follow cost-of-service studies,
- Be subject to public hearings and City Council vote,
- And comply with all legal and bond requirements.

The goal is financial alignment, not rate shock.

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### **Will this cause infrastructure projects to be cancelled or delayed?**

No. The City's current and planned infrastructure projects, including federally mandated consent-decree work, will not be cancelled or delayed because of these changes.

There are three key reasons:

- **Strong Utility Fund Balance:** The Houston Combined Utility System (CUS) currently maintains a fund balance of roughly \$1.2 billion, and projections show continued growth. That reserve exists specifically to ensure long-term stability for capital projects, maintenance, and unforeseen needs. These reforms do not deplete that balance; they operate well within it.
- **Historic Infrastructure Investment Commitment:** Under the settlement agreement in the Jones/Watson case, the City of Houston is committing approximately \$500 million toward infrastructure improvements, the largest infrastructure commitment made by any mayor in the City's history. This funding is additive and dedicated to long-term capital needs, not diverted to operations.
- **Capital Improvement Plan and Consent Decrees Remain Intact:** The City's Capital Improvement Plan (CIP), including all projects related to federal consent decrees, remains fully funded and on schedule. These projects are legally and financially prioritized and are not subject to cancellation under the proposed funding structure.

**Bottom line:** These changes are designed to protect and stabilize infrastructure investment, not reduce it. Houston's infrastructure pipeline is supported by strong reserves, dedicated settlement funding, and legally prioritized capital plans that remain fully in place.

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## **THE BIG PICTURE**

### **Why not just raise property taxes?**

Houston is already constrained by two property tax caps. Even if rates were adjusted, revenue growth would remain limited and insufficient to meet long-term needs. There may be a time when raising the tax rate would be appropriate, but this plan considers the current economic burdens of the residents and businesses of Houston.

These proposals modernize funding without increasing the property tax burden.

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### **What does this allow the City to do?**

Together, these actions:

- Preserve core services,
  - Support transformational public works and infrastructure investment,
  - Ensure compliance with federal and state consent decrees,
  - And reduce the risk of layoffs or service cuts.
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### **Is this a short-term fix or a long-term solution?**

This package combines structural reforms with transitional support. It is designed to put Houston on a more sustainable footing—not to defer problems to future budgets.