

PUBLIC COMMENTS

HB 2087

HOUSE COMMITTEE ON URBAN AFFAIRS

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Chairman Cortez, members of the committee, thank you for the opportunity to offer a brief analysis of House Bill 2087.

My name is Steven Gassenberger, Houston resident, and together with my colleague Ryan Frost, we serve as policy analysts with the Pension Integrity Project at Reason Foundation. Prior to joining Reason in 2019, Mr. Frost spent seven years as the senior research manager for Washington State's Law Enforcement Officers and Firefighters pension system.

Granting mandatory, binding arbitration privileges to the Houston Fire Department in their labor negotiations with the city may seem mundane and technical, but, given some of the major ongoing legal disputes between the city and its firefighters this legislation could have profound impacts that risk the future financial health of the nation's fourth-largest city and largest fire department in Texas.

Third-party arbiters or panels of arbiters tend to have minimal expertise in municipal budgeting, nor any fiduciary responsibility to the citizens of the cities their decisions affect. Cities have fiscal limitations and a perpetual obligation to balance their budgets, meaning any arbitration decision granting pay increases above what the city can afford, for example, may cause the city to raise taxes or cut services elsewhere. This type of decision that would affect taxpayers is ultimately based on a decision rendered by an unaccountable arbiter, not the city's elected leaders.

Because of the storm of lawsuits and recent legal decisions facing the city relating to Proposition B and \$100 million in extra annual pay raises Houston fire and police pay parity, as well as pension reforms included in SB 2190 from 2017, HB 2087 could have even more serious impacts on the city's budget.

These lawsuits, plus the current impasse in negotiations between the city and their firefighters, leave the future finances of Houston in a precarious position. If Proposition B is upheld, and an arbiter rules in favor of the firefighter's requests for pay, Houston could be looking at hundreds of millions of dollars in additional costs. One of those costs would be additional pension contributions. Houston currently contributes over 32% of each firefighter's pay to the Houston Firefighters' Relief and Retirement Fund. Additional pay increases have the double-whammy effect of also increasing the city's required contributions into the plan, which already sat at \$84 million in FY 2020.

HB 2087 comes during a major inflection point for Houston and its firefighters. Because the bill is so carefully crafted to only affect the city of Houston, it seems the proposed legislation is attempting to insert the state into the negotiations of one of its local governments and some of its employees.

Thank you for the opportunity to submit comments regarding HB 2087, Mr. Chairman and members. Please find our full comments at reason.org/texas-pensions. We would welcome any follow-up questions from the committee.