

Harris County, Texas

Issuer: Harris County, TX		
Assigned	Rating	Outlook
Permanent Improvement Refunding Bonds, Series 2025A	AAA	Stable
Unlimited Tax Road Refunding Bonds, Series 2025A	AAA	Stable
Affirmed	Rating	Outlook
Limited Tax Obligations	AAA	Stable
Unlimited Tax Obligations	AAA	Stable

Methodology:

[U.S. Local Government GO Methodology](#)

[ESG Global Rating Methodology](#)

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Rating Summary: The long-term ratings reflect Harris County's (the "County's") large and diversifying economy, favorable financial operating performance supporting ample reserves, and strong financial management practices. Additionally reflected in the Unlimited Tax Obligation rating is the inherent strength of the County's unlimited tax ad valorem pledge, while the Limited Tax Obligation rating captures the County's current, ample headroom to raise the ad valorem tax levy. KBRA does not make a rating distinction between the unlimited and limited tax debt ratings given the significant capacity in the case of the latter to raise taxes as needed to pay debt service.

Proceeds of the currently offered bonds will be used to refund and defease all or a portion of certain outstanding bonds and commercial paper notes and to pay the costs of issuance. The Permanent Improvement Refunding Bonds, Series 2025A are secured by the County's limited tax pledge. The Unlimited Tax Road Refunding Bonds, Series 2025A are secured by the County's unlimited tax pledge.

KBRA views the County's management structure and policies as strong based on its comprehensive budgeting process, regularly updated multi-year revenue and expense forecasts, and frequent monitoring and reporting of fiscal conditions. The County can make mid-year adjustments to spending and frequently amends its budget mid-year to better reflect current conditions.

The debt and continuing obligations profile of the County is characterized by moderate debt levels, well-funded pensions, and affordable fixed costs, with payments for direct debt service, pension contributions, and OPEB paygo comprising a low 14.5% of governmental expenditures in FY 2024. Direct and overlapping debt are equivalent to a moderate 5.0% of taxable assessed value and \$6,758 per capita.

The County's financial performance and liquidity position are strong, characterized by a large unassigned general fund balance and robust liquidity. The unassigned general fund balance declined from 17.6% of expenditures at FYE 2023 to 13.3% of expenditures at FYE 2024 as the County continues to spend down the extraordinary balance accumulated in recent years following receipt of \$1.34 billion in pandemic-related federal assistance. KBRA views the most recent unassigned fund balance level as continuing to provide a sizable cushion with which to manage the full economic cycle. General fund cash and investments provides approximately 123 days cash on hand relative to general fund expenditures as of FYE 2024.

The adopted FY 2025 general fund budget (FYE September 30) is balanced and totals \$2.67 billion in estimated revenues and appropriations, an increase of 11.1% from the adopted FY 2024 budget. The budgeted operating property tax levy of \$2.13 billion is up 11.8% YoY, based on a 2.5% increase in taxable assessed value to \$659.5 billion, and a 10.5% increase in the operating tax levy to \$0.33454 per \$100 of taxable assessed value.

State statute normally limits the annual increase in the operating property tax levy to 3.5% for existing property plus new construction. The levy can ordinarily only be increased by more than this amount following an affirmative vote of the electorate. Harris County was, however, subject to three disaster declarations for certain Spring 2024 Flood, May 2024 Windstorm, and July 2024 Hurricane Beryl events. Beryl, the most significant of these events, resulted in loss of life, widespread power outages, and an estimated \$875 million to \$1.6 billion of insured property damage within the County largely due to strong winds as well as flooding. Texas statute provides that in the event of a disaster declaration, the County may increase the property tax levy on existing property by up to 8.0% without voter approval. The County fully leveraged this provision in FY 2025 to bolster fund balance and aid in the ongoing clean-up following these events. The higher temporary growth limit is expected to generate an additional \$89 million for FY 2025, which exceeds the \$50 million budgeted to support clean up, recovery, and restoration to recover from the 2024 disasters. The County expects to be reimbursed for 70% of eligible response costs by FEMA.

Notably, the one-time non-voted 8.0% levy increase for existing property will not be carried forward. Statute requires that the maximum level of the succeeding year's O&M levy must be calculated from the prior year baseline assuming growth only up to the ordinary non-voted 3.5% growth cap for existing property. KBRA anticipates that the consequent downward pressure on the operating levy may pressure budgetary balance in the coming budget year as the County works to accommodate recently negotiated wage increases for law enforcement, growing healthcare costs, growing costs for indigent defense legal representation, and higher inmate housing costs, among other cost pressures.



The County is home to a population of 4.8 million people centered around the City of Houston, the fourth most populous city in the U.S. Per capita income is favorable at 99% of the State average in 2023. The County's population increased 17.7% between 2010 and 2023, slightly slower than the State, but more than twice as quickly as the Nation. Preliminary taxable assessed value (TAV) totals \$673.0 billion as of the 2025 tax year and has increased at a strong 5.6% compound annual growth rate (CAGR) over the last decade. TAV growth did slow to 2.5% YoY in the 2024 tax year reflecting a leveling off in home values since the beginning of 2023 following a period of sharp growth in the years following the pandemic. Preliminary TAV for the 2025 tax year is up 2.0% YoY. The County's ten largest ad valorem taxpayers are concentrated in the oil and gas industry but comprise only 4.3% of taxable assessed value, as growth in sectors including healthcare, education, and professional services continue to gradually reduce the area's historic concentration in and exposure to the energy sector.

The Stable Outlook reflects KBRA's expectation that the underlying economy will continue to sustain a large, stable, and diverse property tax base and that the County will maintain ample headroom to adjust the tax rate as needed to maintain structurally balanced operations and prudent reserves.

Key Credit Considerations

The ratings reflect the following key credit considerations:

Credit Positives

- Sizable and diversifying economy, centered around the nation's fourth largest city, that has benefitted from above average property tax base growth.
- Strong financial profile supported by generally favorable operations and considerable balance sheet resources, derived from stable property tax collections.
- Robust financial management practices, including a comprehensive budgeting process, frequent intra-fiscal year monitoring, and the maintenance of prudent reserves.
- The County electorate in November 2024 approved a permanent increase in the O&M property tax levy for the Harris County Flood Control District that will provide an additional \$100 million each year toward activities mitigating future flood risks and protecting the property tax base.

Credit Challenges

- Susceptibility to significant storm activity given its domicile on Texas's Gulf Coast, as evidenced by Hurricane Harvey (2017) and the less severe but still significant disaster events of 2024 including Hurricane Beryl.
- Flexibility to increase the O&M property tax levy without voter approval is constrained by SB 2 of 2019 which reduced the growth cap on O&M property tax assessments for existing property to 3.5% annually compared to the prior 8% limit. This limitation may pressure the County's budgetary balance over time.

Rating Sensitivities

▪ Not applicable for this rating level.	+
▪ Significant deterioration in operating reserves and liquidity.	-
▪ A secular decline in the socioeconomic profile of the County.	-

Key Ratios

Economic Ratios

Harris County Population (2023)	4,835,125
Population CAGR 2010 to 2023	
Harris County	1.3%
Texas	1.5%
United States	0.6%
Per Capita Personal Income (2023) as a % of State	99%
Taxable Assessed Value CAGR - 2015 through 2025 (Preliminary)	5.6%

Financial Ratios

Direct and Overlapping Debt Per Capita	\$6,758
Direct and Overlapping Debt as % of FY 2025 TAV (Preliminary)	5.0%
General Fund Unassigned Fund Balance as % of Expenses (FYE 2024)	13.3%



Rating Determinants (RD)

1. Management Structure and Policies	AAA
2. Debt and Additional Continuing Obligations	AA+
3. Financial Performance and Liquidity Position	AAA
4. Municipal Resource Base	AA+

A detailed discussion of each rating determinant, ESG Management, and KBRA's bankruptcy assessment can be found in prior reports, the most [recent](#) of which is dated June 21, 2024.

RD 3: Financial Performance and Liquidity Position Update

Figure 1

Harris County, Texas Summary General Fund Statement of Income and Balance Sheet FYE February 28 through 2022 and September 30 thereafter (audited GAAP basis) (dollars in millions)							
	2019	2020	2021	2022	2022 Stub (7 mo.)	2023	2024
Summary Statement of Income							
Revenues:							
Taxes ¹	\$ 1,780	\$ 1,838	\$ 1,939	\$ 1,915	\$ 24	\$ 1,885	\$ 2,111
Charges for Service	253	252	231	268	119	271	283
Intergovernmental	51	75	59	72	47	99	98
Other	110	133	118	85	43	171	205
Total Revenues	2,194	2,297	2,346	2,339	232	2,427	2,697
Expenditures:							
Current Operating:							
Administration and Justice	1,080	1,170	1,096	1,339	816	1,344	1,528
County Administration	337	345	540	553	311	522	759
Other	357	362	442	441	206	391	415
Capital Outlay	132	98	68	103	34	98	193
Debt Service:							
Payments to Defeas Commercial Paper	68	76	-	-	-	45	58
All Other	137	135	131	130	108	81	169
Total Expenditures	2,112	2,187	2,278	2,566	1,475	2,482	3,123
Excess (Deficiency) of Revenues Over (Under) Expenditures	82	111	69	(227)	(1,243)	(55)	(426)
Other Finance Sources (Uses):							
Transfers In ²	186	198	508	281	348	543	387
Transfers Out	(154)	(128)	(144)	(98)	(58)	(97)	(515)
Bond Proceeds	-	23	260	155	211	165	563
Payment to Escrow Agent	-	(23)	(200)	(4)	(174)	-	-
Commercial Paper Issued	-	-	-	-	-	-	-
Payments to Defeas Commercial Paper	-	-	(137)	(297)	(329)	(230)	(218)
Other	20	-	0	-	0	-	94
Total Other Financing Sources (uses)	52	70	287	36	(2)	380	310
Net Change in Fund Balance	134	181	356	(191)	(1,244)	325	(116)
Beginning Fund Balance	1,735	1,870	2,051	2,407	2,216	971	1,296
Ending Fund Balance	1,870	2,051	2,407	2,216	971	1,296	1,180
Summary Balance Sheet							
Assets							
Cash and Cash Equivalents	\$ 622	\$ 305	\$ 609	\$ 593	\$ 97	\$ 247	\$ 410
Investments	1,049	1,542	1,606	1,478	905	827	642
Receivables	168	155	160	173	59	77	69
Due from Other Funds	13	36	84	143	193	388	320
Other	251	262	274	238	20	97	138
Total Assets	2,103	2,300	2,731	2,625	1,275	1,636	1,579
Liabilities							
Vouchers Payable	62	73	108	121	87	116	117
Accrued Payroll	100	101	157	205	168	140	140
Other	15	15	38	37	21	53	48
Total Liabilities	176	189	303	362	276	310	304
Deferred Inflows	58	60	22	47	27	30	31
Fund Balances							
Nonspendable	9	13	5	7	14	26	34
Restricted ³	532	533	995	782	541	732	622
Committed	-	-	-	73	19	68	84
Assigned	40	31	27	57	61	35	25
Unassigned	1,288	1,473	1,380	1,297	336	436	416
Total Fund Balance	1,870	2,051	2,407	2,216	971	1,296	1,180
Unassigned Fund Balance as a % of Expenditures	61.0%	67.4%	60.6%	50.5%	22.8%	17.6%	13.3%

Source: ACFRs

(1) A breakout of taxes received by the general fund is not provided in the ACFR. For FY 2024, the general fund received 86.7% of total governmental funds tax receipts. Total governmental funds tax receipts were comprised by property tax levied for general purposes (82.8%), property taxes levied for debt service (14.9%), and hotel occupancy tax (2.4%).

(2) Includes transfers from Harris County Toll Road Authority totaling \$136.5 million in FY 2019, \$136.9 million in FY 2020, \$545.1 million in FY 2021, \$254.0 million in FY 2022, \$123.9 million in FY 2022 Stub, \$369.3 million in FY 2023, and \$193.4 million in FY 2024. Section 284.0031 of the Texas Transportation Code limits the use of such funds for mobility and infrastructure programs and may not be used for general operations of the County. Remaining transfers in consist primarily of recurring transfers from nonmajor governmental funds for payment of debt service.

(3) Consists primarily of funds received from the Harris County Toll Road Authority statutorily restricted for mobility and infrastructure purposes.

(4) Increased transfers out in FY 2024 reflect a spike in transfers for capital projects fund activities to \$452.1 million.

RD 4: Municipal Resource Base Update

Figure 2

Harris County, Texas Taxable Assessed Values and Tax Rates ¹ FYE February 28 through 2022 and September 30 thereafter (in dollars)										
Tax Year	Fiscal Year	Taxable Assessed Value (TAV)	Δ YoY (%)	County Rates and Levy						Road Bond DS Rate and Levy
				Operating Fund Rate	Public Improvement Contingency Fund Rate ²	Debt Service Rate	Total County Rate	Total County Levy ³	Δ YoY (%)	Road Bond Debt Service Levy Rate ⁴
2013	2014	\$ 316,521,841,000		\$0.34000	\$ 0.00547	\$ 0.05158	\$ 0.39705	\$ 1,256,749,970		\$ 0.01750
2014	2015	350,425,713,000	10.7%	0.34000	0.00547	0.04802	0.39349	1,378,890,138	9.7%	0.02382
2015	2016	391,521,792,000	11.7%	0.34000	0.00547	0.05237	0.39784	1,557,630,297	13.0%	0.02139
2016	2017	421,438,862,000	7.6%	0.34000	0.00500	0.05111	0.39611	1,669,361,476	7.2%	0.02045
2017	2018	436,392,684,000	3.5%	0.34000	0.00500	0.05263	0.39763	1,735,228,229	3.9%	0.02038
2018	2019	448,414,364,000	2.8%	0.34000	0.01000	0.05084	0.40084	1,797,424,137	3.6%	0.01774
2019	2020	482,200,998,000	7.5%	0.34000	0.00174	0.04711	0.38885	1,875,038,581	4.3%	0.01828
2020	2021	504,850,540,000	4.7%	0.33028	0.01000	0.05088	0.39116	1,974,773,372	5.3%	-
2021	2022	517,754,852,000	2.6%	0.33500	-	0.04193	0.37693	1,951,573,364	-1.2%	-
2021	2022 Stub	511,186,361,000	-1.3%	0.33500	-	0.04193	0.37693	1,926,814,751	-1.3%	-
2022	2023	578,808,817,000	13.2%	0.30105	-	0.03084	0.34373	1,989,539,547	3.3%	0.01184
2023	2024	643,583,023,000	11.2%	0.30281	-	0.03398	0.33679	2,167,523,263	8.9%	0.01328
2024	2025	659,504,751,000	2.5%	0.33454	-	0.03600	0.37054	2,443,728,904	12.7%	0.01475
2025 Preliminary	2026	673,024,150,077	2.0%	TBA	TBA	TBA	TBA	TBA	TBA	TBA

Source: POS and ACFRs

(1) Per \$100 of taxable assessed value.

(2) In each Tax Year beginning in 2021 the County chose to fund the Public Improvement Contingency Fund with available revenues generated from the Operating Fund tax rate, rather than from a tax rate dedicated to funding the Public Improvement Contingency Fund.

(3) Total County Levy and Road Bond Debt Service Levy are as calculated by KBRA based on latest available TAV. Actual collections may be slightly lower based on assessment challenges and current collections that generally exceed 97% on a current basis and 99% in subsequent years.

(4) In Tax Years 2020 and 2021, the County chose to pay debt service on the unlimited tax road bonds from other lawfully available revenues.

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