



September 2nd, 2026

Chairman Bettencourt and Members
Senate Committee on Local Government
Texas Senate

RE: Written Testimony on Holding Local Government Fees Accountable

Chairman Bettencourt and Members of the Committee,

Thank you for the opportunity to provide comments regarding the accountability and transparency of fees imposed by local governments.

Texans rightly expect government to be transparent not only in how it taxes, but also in how it collects fees. Whether labeled a utility connection charge, permit fee, inspection fee, drainage assessment, or another type of charge, mandatory payments imposed by government deserve the same level of public scrutiny and accountability as traditional taxes.

Over time, many local governments have become increasingly reliant on fees to finance government operations and infrastructure. While some fees are entirely appropriate when they directly recover the cost of providing a specific service, others have gradually evolved into significant revenue sources that are difficult for taxpayers to evaluate and often receive far less public attention than tax increases.

Taxes exist to raise general revenue for government operations. Fees should exist only to recover the actual cost of providing a specific service or conferring a direct benefit upon the person paying the fee. When fees exceed the reasonable cost of providing that service or are diverted to unrelated governmental purposes, they begin functioning less as user fees and more as hidden taxes.

This committee has an opportunity to reinforce that important distinction.

Texas should require greater financial transparency for all significant local government fee programs. At a minimum, local governments should publicly disclose the statutory authority for each fee, the methodology used to calculate it, annual revenue generated, annual expenditures from the associated fund, beginning and ending fund balances, and whether revenues exceeded actual program costs.

Such reporting should be presented in a standardized, easily accessible format so taxpayers can understand where their money is going without navigating hundreds of pages of budget documents.

The Legislature should also consider requiring periodic independent financial audits for dedicated fee accounts above an established threshold. Those audits should verify that fee revenues are being used solely for their authorized purpose and that accumulated balances are reasonable relative to anticipated expenditures. Excessive accumulation of fee revenue should trigger legislative or local review rather than becoming an unrestricted funding source.

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Particular attention should be given to utility connection charges, drainage and stormwater fees, impact fees, and permitting fees because these charges directly influence housing affordability and economic development throughout Texas. Every additional fee imposed on new residential construction ultimately increases the cost of homeownership for Texas families. At a time when affordability remains one of the state's most significant challenges, policymakers should carefully evaluate whether existing fee structures unnecessarily increase the cost of building homes, opening businesses, or investing in local communities.

Transparency alone, however, is not sufficient. Local governments should also bear the burden of demonstrating that every fee maintains a clear nexus between the amount charged and the cost of the service provided. If that relationship cannot be demonstrated, policymakers should question whether the charge is truly a fee or whether it has effectively become a tax without the transparency and accountability required of taxation.

Ultimately, taxpayers should never have to wonder whether government is raising revenue through taxes or simply calling those taxes by another name.

Strengthening transparency, improving financial reporting, requiring periodic audits, and reinforcing the legal distinction between taxes and fees will improve public confidence while ensuring local governments remain accountable stewards of taxpayer resources.

Thank you for your consideration.

For Liberty, For Texas!

Jeremy D. Kitchen
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