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H.B. No. 1900

Substitute the following for H.B. No. 1900:

By: Paddie

C.S.H.B. No. 1900

A BILL TO BE ENTITLED

AN ACT

relating to municipalities that adopt budgets that defund municipal
police departments.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

ARTICLE 1. DEFUNDING MUNICIPALITY DETERMINATION

SECTION 1.01. Subtitle A, Title 4, Local Government Code,
is amended by adding Chapter 109 to read as follows:

CHAPTER 109. DETERMINATION OF DEFUNDING MUNICIPALITIES

Sec. 109.001. DEFINITION. In this chapter, "division"
means the criminal justice division of the office of the governor.

Sec. 109.002. APPLICABILITY OF CHAPTER. This chapter
applies only to a municipality with a population of more than
250,000.

Sec. 109.003. DEFUNDING DETERMINATION. Except as provided
by Section 109.004, a defunding municipality is a municipality:

(1) that adopts a budget for a fiscal year that, in
comparison to the municipality's preceding fiscal year, reduces the
appropriation to the municipality's police department; and

(2) for which the division issues a written
determination finding that the municipality has made the reduction
described by Subdivision (1).

Sec. 109.0035. INITIAL DETERMINATION. In making a
determination of whether a municipality is a defunding municipality
under Section 109.003 according to the budget adopted for the first

1 fiscal year beginning on or after September 1, 2021, the division
2 shall compare the appropriation to the municipality's police
3 department in that budget to the appropriation to that department
4 in the budget of the preceding fiscal year or the second preceding
5 fiscal year, whichever is greater. This section expires September
6 1, 2023.

7 Sec. 109.004. EXCEPTIONS. A municipality is not considered
8 to be a defunding municipality under Section 109.003 if:

9 (1) for a fiscal year in which the municipality adopts
10 a budget that is less than the budget for the preceding fiscal year,
11 the percentage reduction to the appropriation to the municipality's
12 police department does not exceed the percentage reduction to the
13 total budget; or

14 (2) before the adoption of a budget, the municipality
15 applies for and is granted approval from the division for a
16 reduction to the appropriation to the municipality's police
17 department to account for:

18 (A) capital expenditures related to law
19 enforcement during the preceding fiscal year;

20 (B) the municipality's response to a state of
21 disaster declared under Section 418.014, Government Code; or

22 (C) another reason approved by the division.

23 Sec. 109.005. TERMINATION OF DEFUNDING DETERMINATION. A
24 municipality's defunding determination under Section 109.003
25 continues until the division issues a written determination finding
26 that the municipality has reversed the reduction, adjusted for
27 inflation, described by Section 109.003(1).

1 Sec. 109.006. DIVISION DUTIES. (a) The division shall:

2 (1) compute the inflation rate used to make
3 determinations under Section 109.005 each state fiscal year using a
4 price index that accurately reports changes in the purchasing power
5 of the dollar for municipalities in this state; and

6 (2) publish the inflation rate in the Texas Register.

7 (b) The division shall adopt rules establishing the
8 criteria the division uses to approve reductions under Section
9 109.004(2).

10 ARTICLE 2. ANNEXATION BY AND DISANNEXATION FROM DEFUNDING

11 MUNICIPALITIES

12 SECTION 2.01. Subchapter A, Chapter 43, Local Government
13 Code, is amended by adding Section 43.004 to read as follows:

14 Sec. 43.004. ANNEXATION BY DEFUNDING MUNICIPALITY
15 PROHIBITED. (a) In this section, "defunding municipality" means a
16 home-rule municipality that is considered to be a defunding
17 municipality under Chapter 109.

18 (b) A defunding municipality may not annex an area during
19 the period beginning on the date that the criminal justice division
20 of the governor's office issues the written determination that the
21 municipality is a defunding municipality and ending on the 10th
22 anniversary of the date on which the criminal justice division of
23 the governor's office issues a written determination in accordance
24 with Section 109.005 finding that the defunding municipality has
25 reversed the reduction described by Section 109.003(1).

26 SECTION 2.02. Subchapter G, Chapter 43, Local Government
27 Code, is amended by adding Section 43.1465 to read as follows:

1 Sec. 43.1465. DISANNEXATION FROM DEFUNDING MUNICIPALITY.

2 (a) In this section, "defunding municipality" means a home-rule
3 municipality that is considered to be a defunding municipality
4 under Chapter 109.

5 (b) On the next uniform election date that occurs after the
6 date on which the criminal justice division of the governor's
7 office issues a written determination that a municipality is a
8 defunding municipality and the time required by Section 3.005,
9 Election Code, the defunding municipality shall hold a separate
10 election in each area annexed in the preceding 30 years by the
11 defunding municipality on the question of disannexing the area.

12 (c) The defunding municipality shall immediately by
13 ordinance disannex an area for which a majority of the votes
14 received in the election held under Subsection (b) favor
15 disannexation.

16 (d) If an area is disannexed under Subsection (c), the
17 defunding municipality may not attempt to annex the area before the
18 10th anniversary of the date on which the criminal justice division
19 of the governor's office issues a written determination in
20 accordance with Section 109.005 finding that the defunding
21 municipality has reversed the reduction described by Section
22 109.003(1).

23 (e) A defunding municipality holding an election under
24 Subsection (b) may not use public funds on informational campaigns
25 relating to the election.

26 ARTICLE 3. TAX REVENUE AND DEFUNDING MUNICIPALITIES

27 SECTION 3.01. Chapter 26, Tax Code, is amended by adding

1 Sections 26.0444 and 26.0501 to read as follows:

2 Sec. 26.0444. TAX RATE ADJUSTMENT FOR DEFUNDING
3 MUNICIPALITY. (a) In this section:

4 (1) "Defunding municipality" means a municipality
5 that is considered to be a defunding municipality for the current
6 tax year under Chapter 109, Local Government Code.

7 (2) "Municipal public safety expenditure adjustment"
8 means an amount equal to the positive difference, if any, between:

9 (A) the amount of money appropriated for public
10 safety in the budget adopted by the municipality for the preceding
11 fiscal year; and

12 (B) the amount of money spent by the municipality
13 for public safety during the period for which the budget described
14 by Paragraph (A) is in effect.

15 (b) The no-new-revenue maintenance and operations rate for
16 a defunding municipality is decreased by the rate computed
17 according to the following formula:

18 Municipal Public Safety Expenditure Adjustment / (Current
19 Total Value - New Property Value)

20 (c) A defunding municipality shall provide a notice of the
21 decrease in the no-new-revenue maintenance and operations rate
22 provided by this section in the information published under Section
23 26.04(e) and, as applicable, in the notice prescribed by Section
24 26.06 or 26.061.

25 Sec. 26.0501. LIMITATION ON TAX RATE OF DEFUNDING
26 MUNICIPALITY. (a) In this section, "defunding municipality" means
27 a municipality that is considered to be a defunding municipality

1 for the current tax year under Chapter 109, Local Government Code.

2 (b) Notwithstanding any other provision of this chapter or
3 other law, the governing body of a defunding municipality may not
4 adopt a tax rate for the current tax year that exceeds the lesser of
5 the defunding municipality's no-new-revenue tax rate or
6 voter-approval tax rate for that tax year.

7 (b-1) Notwithstanding Subsection (b), if a municipality is
8 determined to be a defunding municipality according to the budget
9 adopted by the municipality for the first fiscal year beginning on
10 or after September 1, 2021, the governing body of the defunding
11 municipality may not adopt a tax rate for the current year that
12 exceeds the least of the defunding municipality's no-new-revenue
13 tax rate or voter-approval tax rate for that tax year, the preceding
14 tax year, or the second preceding tax year. This subsection expires
15 September 1, 2023.

16 (c) For purposes of making the calculation required under
17 Section 26.013, in a tax year in which a municipality is a defunding
18 municipality, the difference between the municipality's actual tax
19 rate and voter-approval tax rate is considered to be zero.

20 SECTION 3.02. Subchapter F, Chapter 321, Tax Code, is
21 amended by adding Section 321.5025 to read as follows:

22 Sec. 321.5025. DISTRIBUTION OF TRUST FUNDS TO DEFUNDING
23 MUNICIPALITY. (a) In this section, "defunding municipality" means
24 a municipality that is considered to be a defunding municipality
25 for the current state fiscal year under Chapter 109, Local
26 Government Code.

27 (b) Notwithstanding Section 321.502, the comptroller may

1 not, before July 1 of each state fiscal year, send to a defunding
2 municipality its share of the taxes collected by the comptroller
3 under this chapter during the state fiscal year. Before sending the
4 defunding municipality its share of the taxes, the comptroller
5 shall deduct the amount reported to the comptroller for the
6 defunding municipality under Subsection (c) and credit that
7 deducted amount to the general revenue fund. Money credited to the
8 general revenue fund under this subsection may be appropriated only
9 to the Department of Public Safety.

10 (c) Not later than August 1 of each state fiscal year, the
11 criminal justice division of the governor's office shall report to
12 the comptroller for each defunding municipality the amount of money
13 the state spent in that state fiscal year to provide law enforcement
14 services in that defunding municipality.

15 ARTICLE 4. MUNICIPALLY OWNED UTILITIES IN DEFUNDING MUNICIPALITIES

16 SECTION 4.01. Subchapter B, Chapter 33, Utilities Code, is
17 amended by adding Section 33.0211 to read as follows:

18 Sec. 33.0211. RATES AND FEES CHARGED BY CERTAIN MUNICIPALLY
19 OWNED UTILITIES. (a) This section applies only to a municipally
20 owned utility that is located in a municipality that is considered
21 to be a defunding municipality under Chapter 109, Local Government
22 Code.

23 (b) The governing body of a municipally owned utility may
24 not charge a customer:

25 (1) at a rate higher than the rate the customer was
26 charged or would have been charged on January 1 of the year that the
27 municipality was determined to be a defunding municipality;

1 (2) any customer fees in amounts higher than the
2 customer fees the customer was charged or would have been charged on
3 January 1 of the year that the municipality was determined to be a
4 defunding municipality; or

5 (3) any types of customer fees that the customer was
6 not charged or would not have been charged on January 1 of the year
7 that the municipality was determined to be a defunding
8 municipality.

9 ARTICLE 5. TRANSITION PROVISIONS; EFFECTIVE DATE

10 SECTION 5.01. Chapter 109, Local Government Code, as added
11 by this Act, applies only to a budget adopted for a fiscal year that
12 begins on or after the effective date of this Act.

13 SECTION 5.02. Sections 26.0444 and 26.0501, Tax Code, as
14 added by this Act, apply beginning with the 2021 tax year, except
15 that Section 26.0444(c), Tax Code, as added by this Act, does not
16 apply for the 2021 tax year.

17 SECTION 5.03. Section 321.5025, Tax Code, as added by this
18 Act, applies only to a distribution of municipal sales and use tax
19 revenue to a municipality in a state fiscal year that begins on or
20 after the effective date of this Act.

21 SECTION 5.04. (a) Section 33.0211, Utilities Code, as
22 added by this Act, applies only to a proceeding for the
23 establishment of rates for which the governing body of a
24 municipally owned utility has not issued a final order or decision
25 before the effective date of this Act.

26 (b) A proceeding for which the governing body of a
27 municipally owned utility has issued a final order or decision

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1 before the effective date of this Act is governed by the law in
2 effect immediately before that date, and that law is continued in
3 effect for that purpose.

4 SECTION 5.05. This Act takes effect September 1, 2021.