

By: Goldman

H.B. No. 1900

A BILL TO BE ENTITLED

AN ACT

relating to municipalities and counties that adopt budgets that defund law enforcement agencies.

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

ARTICLE 1. DEFUNDING LOCAL GOVERNMENTS

SECTION 1.01. Chapter 140, Local Government Code, is amended by adding Section 140.013 to read as follows:

Sec. 140.013. DEFUNDING LOCAL GOVERNMENT. (a) A defunding local government is a municipality or county:

(1) that adopts a budget for a fiscal year that, in comparison to the local government's preceding fiscal year, reduces:

(A) the appropriation to the local government's law enforcement agency;

(B) the number of peace officers the local government's law enforcement agency is authorized to employ;

(C) funding for peace officer overtime compensation for the local government's law enforcement agency; or

(D) funding for the recruitment and training of new peace officers to fill each vacant peace officer position in the local government's law enforcement agency; and

(2) for which the criminal justice division of the governor's office issues a written determination finding that the local government has taken an action described by Subdivision (1).

1       (a-1) In making a determination of whether a local  
2 government is a defunding local government according to the budget  
3 adopted for the first fiscal year beginning on or after September 1,  
4 2021, the criminal justice division of the governor's office shall  
5 compare the funding and personnel in that budget to the funding and  
6 personnel in the budget of the preceding fiscal year or the second  
7 preceding fiscal year, whichever is greater. This subsection  
8 expires September 1, 2023.

9       (b) A local government is considered to be a defunding local  
10 government until the criminal justice division of the governor's  
11 office issues a written determination finding that the local  
12 government has reversed the reductions, adjusted for inflation,  
13 described in Subsection (a)(1).

14       (c) The criminal justice division of the governor's office  
15 shall:

16               (1) compute the inflation rate used to make  
17 determinations under Subsection (b) each state fiscal year using a  
18 price index that accurately reports changes in the purchasing power  
19 of the dollar for local governments in this state; and

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

21       ARTICLE 2. ANNEXATION BY AND DISANNEXATION FROM DEFUNDING

22                               MUNICIPALITIES

23       SECTION 2.01. Subchapter 7, Chapter 42, Local Government  
24 Code, is amended by adding Section 42.905 to read as follows:

25       Sec. 42.905. EFFECT OF DISANNEXATION FROM DEFUNDING  
26 MUNICIPALITY. (a) For purposes of this section, a "defunding  
27 municipality" means a home-rule municipality that is a defunding

1 local government under Section 140.013.

2 (b) If an area is disannexed from a defunding municipality  
3 as a result of an election required to be held under Section  
4 43.1465, the area is released from the defunding municipality's  
5 extraterritorial jurisdiction and is not included in any other  
6 municipality's extraterritorial jurisdiction.

7 (c) A resident in the area may file with a municipality that  
8 is eligible to include the area in its extraterritorial  
9 jurisdiction under this chapter a petition for the area to become a  
10 part of the municipality's extraterritorial jurisdiction. The  
11 petition must:

12 (1) comply with Chapter 277, Election Code;

13 (2) be signed by more than 50 percent of the registered  
14 voters of the area described by the petition as of the preceding  
15 uniform election date;

16 (3) satisfy the signature requirement described by  
17 Subdivision (2) not later than the 180th day after the date the  
18 first signature for the petition is obtained; and

19 (4) include a map of and describe the area.

20 (d) Except as provided by Subsection (e), on receipt of a  
21 valid petition and if the area has not already been included in the  
22 extraterritorial jurisdiction of another municipality, the  
23 municipality may by ordinance include the area in its  
24 extraterritorial jurisdiction.

25 (e) If the municipality receiving a petition under this  
26 section is the defunding municipality that disannexed the area as  
27 described by Subsection (b), the defunding municipality may include

1 the area in the defunding municipality's extraterritorial  
2 jurisdiction under this section only if the inclusion is approved  
3 by a majority of votes in an election on the issue held in the area.

4 (f) If the area is not included in a municipality's  
5 extraterritorial jurisdiction on or after the second anniversary of  
6 the date that the area was disannexed as described by Subsection  
7 (b), a municipality, other than the defunding municipality that  
8 disannexed the area, that is eligible to include the area in its  
9 extraterritorial jurisdiction under this chapter may by ordinance  
10 include the area in its extraterritorial jurisdiction without the  
11 consent of the area.

12 SECTION 2.02. 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) For purposes of this section, a "defunding  
16 municipality" means a home-rule municipality that is a defunding  
17 local government under Section 140.013.

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 local government 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 140.013(b) finding that the defunding municipality has  
25 reversed the reductions described by Section 140.013(a)(1).

26 SECTION 2.03. 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) For purposes of this section, a "defunding municipality" means  
3       a home-rule municipality that is a defunding local government under  
4       Section 140.013.

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 local government 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 140.013(b) finding that the defunding  
21       municipality has reversed the reductions described by Section  
22       140.013(a)(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 LOCAL GOVERNMENTS

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

1 Section 26.0501 to read as follows:

2 Sec. 26.0501. LIMITATION ON TAX RATE OF DEFUNDING TAXING  
3 UNIT. (a) For purposes of this section, a "defunding taxing unit"  
4 means a county or municipality that is a defunding local government  
5 under Section 140.013, Local Government Code.

6 (b) Notwithstanding any other provision of this chapter or  
7 other law, the governing body of a defunding taxing unit may not  
8 adopt a tax rate for the current tax year that exceeds the lesser of  
9 the defunding taxing unit's no-new-revenue tax rate or  
10 voter-approval tax rate for that tax year.

11 (c) For purposes of making the calculation required under  
12 Section 26.013, in a tax year in which a county or municipality is a  
13 defunding taxing unit, the difference between the taxing unit's  
14 actual tax rate and voter-approval tax rate is considered to be  
15 zero.

16 (d) A county or municipality is no longer considered to be a  
17 defunding taxing unit for purposes of this section in the first tax  
18 year for which the criminal justice division of the governor's  
19 office issues a written determination in accordance with Section  
20 140.013(b), Local Government Code, finding that the county or  
21 municipality has reversed the reductions described by Section  
22 140.013(a)(1), Local Government Code.

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

25 Sec. 321.5025. DISTRIBUTION OF TRUST FUNDS TO DEFUNDING  
26 MUNICIPALITY. (a) For purposes of this section, a "defunding  
27 municipality" means a municipality that is a defunding local

1 government under Section 140.013, Local Government Code.

2 (b) Notwithstanding Section 321.502, the comptroller may  
3 not, before July 1 of each state fiscal year, send to a defunding  
4 municipality its share of the taxes collected by the comptroller  
5 under this chapter during the state fiscal year. Before sending the  
6 defunding municipality its share of the taxes, the comptroller  
7 shall deduct the amount reported to the comptroller for the  
8 defunding municipality under Subsection (c) and credit that  
9 deducted amount to the general revenue fund. Money credited to the  
10 general revenue fund under this subsection may be appropriated only  
11 to the Department of Public Safety.

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

17 (d) A municipality is no longer considered to be a defunding  
18 municipality for purposes of this section when the criminal justice  
19 division of the governor's office issues a written determination in  
20 accordance with Section 140.013(b), Local Government Code, finding  
21 that the municipality has reversed the reductions described by  
22 Section 140.013(a)(1), Local Government Code.

23 ARTICLE 4. MUNICIPALLY OWNED UTILITIES IN DEFUNDING MUNICIPALITIES

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

26 Sec. 33.0211. RATES AND FEES CHARGED BY CERTAIN MUNICIPALLY  
27 OWNED UTILITIES. (a) This section applies only to a municipally

1 owned utility that is located in a municipality that is a defunding  
2 local government under Section 140.013, Local Government Code.

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

5 (1) at a rate higher than the rate the customer was  
6 charged or would have been charged on January 1 of the year that the  
7 municipality was determined to be a defunding local government;

8 (2) any customer fees in amounts higher than the  
9 customer fees the customer was charged or would have been charged on  
10 January 1 of the year that the municipality was determined to be a  
11 defunding local government; or

12 (3) any types of customer fees that the customer was  
13 not charged or would not have been charged on January 1 of the year  
14 that the municipality was determined to be a defunding local  
15 government.

16 ARTICLE 5. TRANSITION PROVISIONS; EFFECTIVE DATE

17 SECTION 5.01. Section 140.013, Local Government Code, as  
18 added by this Act, applies only to the adoption of a budget by a  
19 municipality or county for a fiscal year that begins on or after the  
20 effective date of this Act.

21 SECTION 5.02. Section 26.0501, Tax Code, as added by this  
22 Act, applies beginning with the 2021 tax year.

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

27 SECTION 5.04. (a) Section 33.0211, Utilities Code, as



1 added by this Act, applies only to a proceeding for the  
2 establishment of rates for which the governing body of a  
3 municipally owned utility has not issued a final order or decision  
4 before the effective date of this Act.

5 (b) A proceeding for which the governing body of a  
6 municipally owned utility has issued a final order or decision  
7 before the effective date of this Act is governed by the law in  
8 effect immediately before that date, and that law is continued in  
9 effect for that purpose.

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