87R17893 MP-F

By:  Meyer H.B. No. 2438

Substitute the following for H.B. No. 2438:

By:  Noble C.S.H.B. No. 2438

A BILL TO BE ENTITLED

AN ACT

relating to a limitation on property tax rates for municipalities that adopt budgets that defund municipal police departments.

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

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

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

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

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

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

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

(C)  another reason approved by the division.

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

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

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

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

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

SECTION 2.  Chapter 26, Tax Code, is amended by adding Section 26.0501 to read as follows:

Sec. 26.0501.  LIMITATION ON TAX RATE OF DEFUNDING MUNICIPALITY. (a) In this section, "defunding municipality" means a municipality that is considered to be a defunding municipality for the current tax year under Chapter 109, Local Government Code.

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

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

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

SECTION 3.  Chapter 109, Local Government Code, as added by this Act, applies only to a budget adopted for a fiscal year that begins on or after the effective date of this Act.

SECTION 4.  Section 26.0501, Tax Code, as added by this Act, applies beginning with the 2021 tax year.

SECTION 5.  This Act takes effect September 1, 2021.