87R5688 SMT-D

By:  Slawson H.B. No. 3935

A BILL TO BE ENTITLED

AN ACT

relating to the distribution of municipal sales and use tax revenue to a municipality that reduces the funding allocated to law enforcement agencies.

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

SECTION 1.  Subchapter F, Chapter 321, Tax Code, is amended by adding Section 321.5025 to read as follows:

Sec. 321.5025.  DISTRIBUTION OF TRUST FUNDS TO DEFUNDING MUNICIPALITIES. (a) For purposes of this section, "defunding municipality" means a municipality:

(1)  that adopts a budget for a fiscal year that, compared to the budget adopted by the municipality for the preceding fiscal year, reduces the total amount of funding for use by the municipality's law enforcement agency, adjusted for inflation; and

(2)  for which the criminal justice division of the governor's office issues a written determination finding that:

(A)  the municipality has taken the action described by Subdivision (1); and

(B)  the action creates a public safety hazard that requires the state to intervene and provide additional law enforcement services for the municipality.

(b)  Notwithstanding Section 321.502, the comptroller may not, before July 1 of each state fiscal year, send to a defunding municipality its share of the taxes collected by the comptroller under this chapter during the state fiscal year. Before sending the municipality its share of the taxes, the comptroller shall deduct 150 percent of the amount reported to the comptroller for the municipality under Subsection (c) and credit that deducted amount to the general revenue fund. Money credited to the general revenue fund under this subsection may be appropriated only to the Department of Public Safety.

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

(d)  A municipality is no longer considered to be a defunding municipality for purposes of this section when the criminal justice division of the governor's office issues a written determination finding that the municipality has adopted a budget that reverses the funding reductions, adjusted for inflation.

(e)  The criminal justice division of the governor's office shall:

(1)  compute the inflation rate used to make determinations under this section 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.

SECTION 2.  The change in law made by this Act applies only to a distribution of municipal sales and use tax revenue to a municipality under Subchapter F, Chapter 321, Tax Code, in a state fiscal year that begins on or after the effective date of this Act.

SECTION 3.  Notwithstanding Section 321.5025(a)(1), Tax Code, as added by this Act, in determining whether a municipality is a defunding municipality for purposes of the distribution of municipal sales and use tax revenue during the 2022 state fiscal year, the criminal justice division of the governor's office shall compare the applicable level of funding in the budget adopted by the municipality for the municipality's 2021 fiscal year to the applicable level of funding in the budget adopted by the municipality for the municipality's 2020 or 2019 fiscal year, whichever is greater.

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