

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

1

AN ACT

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

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

5 SECTION 1. Subtitle A, Title 4, Local Government Code, is  
6 amended by adding Chapter 109 to read as follows:

7 CHAPTER 109. DETERMINATION OF DEFUNDING MUNICIPALITIES

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

10 Sec. 109.002. APPLICABILITY OF CHAPTER. This chapter  
11 applies only to a municipality with a population of more than  
12 250,000.

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

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

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

21 Sec. 109.0035. INITIAL DETERMINATION. In making a  
22 determination of whether a municipality is a defunding municipality  
23 under Section 109.003 according to the budget adopted for the first  
24 fiscal year beginning on or after September 1, 2021, the division

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

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

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

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

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

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

21 (C) another reason approved by the division.

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

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

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

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

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

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

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

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

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

1 September 1, 2023.

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

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

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

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