

By: Noble, et al.

H.B. No. 2695

Substitute the following for H.B. No. 2695:

By: Shine

C.S.H.B. No. 2695

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:

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

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 Sec. 109.007. REVENUE CAP ON DEFUNDING MUNICIPALITY. (a)
10 In this section:

11 (1) "Combined revenues" means the combined revenues of
12 a municipality's general fund, enterprise funds, and special
13 revenue funds. The term does not include:

14 (A) grant money and other revenue received from
15 other governmental entities; or

16 (B) transfers between funds of the municipality.

17 (2) "Revenue" has the meaning assigned for
18 municipalities by the Governmental Accounting Standards Board and
19 the Government Finance Officers Association as of April 1, 2021,
20 and to the extent the meanings do not conflict. The term includes
21 operating and nonoperating revenue.

22 (b) Except as provided by Subsection (c), a defunding
23 municipality's combined revenues for a fiscal year may not exceed
24 the municipality's combined revenues for the preceding fiscal year.

25 (c) Subsection (b) does not apply to revenues used to repay
26 voter-approved bonded indebtedness, excluding certificates of
27 obligation.

1 (d) Before the governing body of a defunding municipality
2 may adopt a budget for a fiscal year, the chief fiscal officer for
3 the defunding municipality must verify in writing that the budget
4 complies with Subsection (b).

5 (e) If a defunding municipality adopts a budget that
6 violates Subsection (b), a property tax payer of the defunding
7 municipality may bring an action, not later than the 30th day after
8 the date the defunding municipality adopts the budget, to obtain an
9 injunction to prevent implementation of the budget or the property
10 tax rate adopted for the fiscal year for which the budget was
11 adopted. It is a defense in the action that the municipality does
12 not qualify as a defunding municipality or is no longer considered
13 to be a defunding municipality under Section 109.005.

14 SECTION 2. Chapter 109, Local Government Code, as added by
15 this Act, applies only to a budget adopted for a fiscal year that
16 begins on or after the effective date of this Act.

17 SECTION 3. This Act takes effect September 1, 2021.