

By: Burns

H.B. No. 3021

Substitute the following for H.B. No. 3021:

By: Sanford

C.S.H.B. No. 3021

A BILL TO BE ENTITLED

AN ACT

relating to sales and use tax revenue of 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 SECTION 2. Subchapter F, Chapter 321, Tax Code, is amended
10 by adding Section 321.5025 to read as follows:

11 Sec. 321.5025. DISTRIBUTION OF TRUST FUNDS TO 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 state fiscal year under Chapter 109, Local
15 Government Code.

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

26 (c) Not later than August 1 of each state fiscal year, the
27 criminal justice division of the governor's office shall report to

1 the comptroller for each defunding municipality the amount of money
2 the state spent in that state fiscal year to provide law enforcement
3 services in that defunding municipality.

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

7 SECTION 4. Section 321.5025, Tax Code, as added by this Act,
8 applies only to a distribution of municipal sales and use tax
9 revenue to a municipality in a state fiscal year that begins on or
10 after the effective date of this Act.

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