

By: Slawson

H.B. No. 3935

A BILL TO BE ENTITLED

AN ACT

1
2 relating to the distribution of municipal sales and use tax revenue
3 to a municipality that reduces the funding allocated to law
4 enforcement agencies.

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

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

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

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

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

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

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

23 (b) Notwithstanding Section 321.502, the comptroller may
24 not, before July 1 of each state fiscal year, send to a defunding

1 municipality its share of the taxes collected by the comptroller
2 under this chapter during the state fiscal year. Before sending the
3 municipality its share of the taxes, the comptroller shall deduct
4 150 percent of the amount reported to the comptroller for the
5 municipality under Subsection (c) and credit that deducted amount
6 to the general revenue fund. Money credited to the general revenue
7 fund under this subsection may be appropriated only to the
8 Department of Public Safety.

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

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

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

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

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

26 SECTION 2. The change in law made by this Act applies only
27 to a distribution of municipal sales and use tax revenue to a

1 municipality under Subchapter F, Chapter 321, Tax Code, in a state
2 fiscal year that begins on or after the effective date of this Act.

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

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