

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

May 26, 2021

TO: Honorable Dade Phelan, Speaker of the House, House of Representatives

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1900 by Goldman (Relating to municipalities that adopt budgets that defund municipal police departments.), **As Passed 2nd House**

No significant fiscal implication to the State is anticipated.

However, there could be an indeterminate increase to the General Revenue Fund if an applicable municipality is determined to have adopted a budget that defunds the municipal police department.

The bill would amend the Local Government Code by adding a chapter applicable to municipalities with a population of more than 250,000 that defund police departments.

For municipalities determined to have reduced the appropriation to the police department by the Criminal Justice Division of the Office of the Governor the bill would require certain actions regarding annexation and disannexation; decrease the no-new-revenue maintenance and operations rate and cap property tax rates; deduct the cost of state-provided law enforcement services from municipal sales and use taxes and credit that amount to the General Revenue Fund for appropriation only to the Department of Public Safety; require certain minimum retirement funding; and cap rates and fees charged by municipally owned utilities.

According to the Comptroller of Public Accounts (CPA), the bill's provisions regarding municipal sales taxes could provide an increase in revenue to the General Revenue Fund in the same amount that revenue to local governments would be reduced.

This legislation could do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either in, with, or outside of the Treasury, or create a dedicated revenue source.

This bill would not make an appropriation, but could establish the basis for an appropriation.

Local Government Impact

According to the CPA, the bill's restrictions on property tax rate adoption could create a cost to cities with a population more than 250,000 if determined the city decreased funding for the police department and receives a written determination from the Governor's office. The limitations on fees for municipally owned electric utilities located in a defunding municipality could reduce any revenue the utility transfers to the city.

The City of Austin anticipates a significant fiscal impact to the city.

The City of Houston anticipates a significant negative fiscal impact to public safety services and city operations.

Source Agencies: 300 Trusteed Programs - Gov, 304 Comptroller of Public Accounts

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