

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION**

**March 24, 2021**

**TO:** Honorable Chris Paddie, Chair, House Committee on State Affairs

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: HB1900** by Goldman (Relating to municipalities and counties that adopt budgets that defund law enforcement agencies.), **As Introduced**

**No significant fiscal implication to the State is anticipated.**

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

The bill would amend the Local Government Code, the Tax Code, and the Utilities Code to add provisions relating to municipalities and counties that adopt budgets that defund law enforcement agencies.

For municipalities determined to have decreased funding for law enforcement by the Criminal Justice Division of the Office of the Governor the bill would prohibit annexation; require elections on the question of deannexation in each area annexed in the preceding 30 years; 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; and cap rates and fees charged by municipally-owned utilities. For counties determined to have decreased funding for law enforcement the bill would cap property tax rates.

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 and counties that reduce certain funding for law enforcement. The limitations on fees for municipally-owned electric utilities located in a defunding local government could reduce any revenue the utility transfers to the city.

Potter County anticipates no fiscal impact to the county.

Rains County anticipates a significant fiscal impact, as the county's law enforcement funding fluctuates year-to-year to accommodate capital purchases.

According to the City of Houston, the fiscal impact to the city cannot be determined.

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

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