

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

April 23, 2021

TO: Honorable Morgan Meyer, Chair, House Committee on Ways & Means

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2438 by Meyer (relating to a limitation on property tax rates for municipalities that adopt budgets that defund municipal police departments.), **Committee Report 1st House, Substituted**

No fiscal implication to the State is anticipated.

The bill would amend the Local Government Code to add Chapter 109 regarding certain municipalities that defund municipal police departments.

The chapter would apply only to cities with a population of more than 250,000. A defunding municipality would be defined as a city that reduces the appropriation to the police department and for which the Governor's office issues a written determination of such a funding reduction. The determination would stay in effect until the Governor's office issues a finding that the city has reversed the reduction, as adjusted for inflation as provided in the bill. The bill would provide for exceptions when certain reductions are not considered defunding.

The bill would prohibit cities determined as defunding municipalities from adopting a property tax rate that exceeds the lesser of the no-new-revenue tax rate or the voter-approval tax rate. The bill would set the unused increment rate for applicable cities to zero. The bill would prohibit a city determined to be a defunding municipality according to a budget adopted for the first fiscal year beginning on or after September 1, 2021 from adopting a tax rate for the current year that exceeds the least of the no-new-revenue tax rate or voter-approval tax rate for the current tax year, the preceding tax year, or the second preceding tax year.

The bill's restrictions on property tax rate adoption could create a cost to certain 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 future budget actions of governing bodies of cities and which would be subject to a written determination is unknown; consequently, the fiscal impact to local governments (cities) cannot be determined. There would be no impact to the state.

The bill would take effect September 1, 2021.

Local Government Impact

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

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