

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

April 22, 2021

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2695 by Noble (relating to 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 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 a defunding city from increasing the combined revenues of the city's general fund, enterprise funds, and special revenue funds for a fiscal year above the combined revenues of the same funds for the preceding fiscal year. The bill would require the chief fiscal officer of a defunding city to verify in writing that the budget complies before the city council may adopt a budget.

The bill would allow a property taxpayer of the defunding city to obtain an injunction to prevent implementation of a budget or the property tax rate adopted for the fiscal year for which a defunding city adopts a budget with combined revenues in excess of the limit.

The Office of the Governor anticipates that any costs associated with the bill could be absorbed using existing resources.

The bill would take effect September 1, 2021.

Local Government Impact

The bill could have a significant fiscal impact on municipalities that meet the definition of a defunding municipality, as provided by the bill. The number of municipalities that would meet the definition of a defunding municipality in the future is unknown, therefore the fiscal impacts cannot be determined at this time.

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

LBB Staff: JMc, KK, SD, CMA, DPE