

**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: HB3021** by Burns (relating to sales and use tax revenue of municipalities that adopt budgets that defund municipal police departments.), **Committee Report 1st House, Substituted**

**Because the number of municipalities that would meet the definition of a defunding municipality in the future is unknown, the fiscal impacts cannot be determined at this time. There could be an indeterminate revenue gain to the General Revenue Fund.**

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 require the Comptroller to deduct the amount, as determined by the Governor's office, that was spent by the state to provide law enforcement services to a defunding municipality from the municipality's share of local sales tax revenue and deposit that money to the General Revenue Fund (GR) for appropriation only to the Department of Public Safety.

The bill's provisions regarding municipal sales tax revenue could increase revenue to GR in the same amount that revenue to local governments would be reduced. The future budget actions of governing bodies of cities and counties which might be subject to a written determination is unknown; consequently, the fiscal impact to the state or local governments cannot be determined.

The Office of the Governor indicates they could absorb their new responsibilities from the bill within existing resources.

The bill would 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. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Although this bill would not make an appropriation, it would establish the basis for an appropriation.

The bill would take effect September 1, 2021.

**Local Government Impact**

Because the number of municipalities that would meet the definition of a defunding municipality in the future is unknown, the fiscal impacts cannot be determined at this time. There could be an indeterminate revenue loss to units of local government.

**Source Agencies:** 300 Trusteed Programs - Gov, 304 Comptroller of Public Accounts, 405 Department of Public Safety  
**LBB Staff:** JMc, KK, SD, AF