

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

April 5, 2021

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB3935 by Slawson (Relating to the distribution of municipal sales and use tax revenue to a municipality that reduces the funding allocated to law enforcement agencies.), **As Introduced**

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

The bill would amend Chapter 321 of the Tax Code to add new Section 321.5025 regarding local governments that defund law enforcement. The bill defines a defunding municipality as a municipality that reduces certain funding as provided in the bill for the municipality's local law enforcement agency and for which the Governor's office issues a written determination of such funding reduction. The determination stays in effect until the Governor's office issues a finding that the municipality reversed the reductions, as adjusted for inflation as provided in the bill.

The bill would require the Comptroller to deduct 150 percent of 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 as well as reduce revenue to units of local government. The future budget actions of governing bodies of municipalities which might be subject to a written determination is unknown; consequently, the fiscal impact to the state or local governments cannot be determined.

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 local 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