

By: Cain

H.B. No. 325

A BILL TO BE ENTITLED

AN ACT

relating to a limit on municipal and county expenditures.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 140, Local Government Code, is amended by adding Section 140.014 to read as follows:

Sec. 140.014. LIMIT ON ANNUAL EXPENDITURES. (a) In this section:

(1) "Board" means the Legislative Budget Board.

(2) "Consumer price index" means the average over a calendar year of the index the board considers to most accurately report changes in the purchasing power of the dollar for consumers in this state.

(3) "Inflation rate" means the amount, expressed in decimal form rounded to the nearest thousandth, computed by determining the percentage change in the consumer price index for the preceding calendar year as compared to the consumer price index for the calendar year preceding that calendar year.

(4) "Population growth rate" means the rate of growth of the state's population during the preceding calendar year, expressed in decimal form rounded to the nearest thousandth, determined by the board in accordance with the most recent population estimates published by the United States Census Bureau.

(b) This section applies only to a political subdivision that is a municipality or county.

1 (c) Except as provided by Subsection (e), a political
2 subdivision's total expenditures from all available sources of
3 revenue in a fiscal year may not exceed the greater of:

4 (1) the political subdivision's total expenditures
5 from all available sources of revenue in the preceding fiscal year;
6 or

7 (2) an amount determined by multiplying:

8 (A) the political subdivision's total
9 expenditures from all available sources of revenue in the preceding
10 fiscal year; and

11 (B) the sum of one and the rate most recently
12 published by the board under Subsection (d).

13 (d) Not later than January 31 of each year, the board shall
14 publish a rate equal to the product of the population growth rate
15 and the inflation rate.

16 (e) A political subdivision's total expenditures from all
17 available sources of local revenue in a fiscal year may exceed the
18 amount described by Subsection (c) if:

19 (1) the political subdivision's voters approve the
20 additional expenditures for that fiscal year at an election called
21 for that purpose and held on a uniform election date; or

22 (2) the governor declares or renews a declaration of a
23 state of disaster under Section 418.014, Government Code, in that
24 fiscal year, and the governor's designation of the area threatened
25 includes all or part of the geographic territory of the political
26 subdivision.

27 (f) For purposes of this section, the following are not

1 considered an available source of revenue:

2 (1) money received from the issuance of bonds approved
3 by the voters; or

4 (2) a grant, donation, or gift.

5 SECTION 2. Section 140.014, Local Government Code, as added
6 by this Act, applies only to a fiscal year of a municipality or
7 county that begins on or after December 1, 2025.

8 SECTION 3. This Act takes effect September 1, 2025.