

By: Toth

H.B. No. 3537

A BILL TO BE ENTITLED

AN ACT

relating to a limit on local government 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 previous three-year average percentage change in the chained consumer price index for the three preceding calendar years published by the Bureau of Labor Statistics.

(4) "Population growth rate" means the rate of growth of the state's population during the preceding three-year average percentage change for the last three calendar years, 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 to all political subdivisions.

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 sum of the population growth rate and
15 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.

22 (f) For purposes of this section, the following are not
23 considered an available source of revenue:

24 (1) money received from the issuance of bonds approved
25 by the voters; or

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

27 SECTION 2. Section 140.014, Local Government Code, as added

1 by this Act, applies only to a fiscal year of a municipality or
2 county or special purpose district that begins on or after December
3 1, 2025.

4 SECTION 3. This Act takes effect immediately if it receives
5 a vote of two-thirds of all the members elected to each house, as
6 provided by Section 39, Article III, Texas Constitution. If this
7 Act does not receive the vote necessary for immediate effect, this
8 Act takes effect September 1, 2025.