

SUBJECT: Limiting property tax rates in cities that defund police

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 8 ayes — Meyer, Thierry, Button, Guerra, Murphy, Noble, Sanford, Shine
3 nays — Cole, Martinez Fischer, Rodriguez

WITNESSES: For — (*Registered, but did not testify:* Chris Jones, Combined Law Enforcement Associations of Texas; James Parnell, Dallas Police Association; Anthony Kivela, Houston Police Retired Officers Association; Ray Hunt, HPOU; John Wilkerson, Texas Municipal Police Association; Frederick Frazier, Texas State Fraternal Order of Police and Dallas Police Association)

Against — Joseph Chacon, City of Austin; David Stout; (*Registered, but did not testify:* Matt Simpson, ACLU of Texas; Joe Hamill, AFSCME Harris County Local 1550, HOPE Local 123, Austin/Travis County Local 1624, El Paso Local 59, and San Antonio Local 2021; Melissa Shannon, Bexar County Commissioners Court; Kate Goodrich, City of Denton; Jamaal Smith, City of Houston, Office of the Mayor Sylvester Turner; Dick Lavine, Every Texan; Thamara Narvaez, Harris County Commissioners Court; Julie Wheeler, Travis County Commissioners Court; Aimee Mobley Turney)

On — Karen Hunt and Mike Land, City of Coppell; Sally Bakko, City of Galveston; Jim Allison, County Judges and Commissioners Association of Texas; Russell Schaffner, Tarrant County; (*Registered, but did not testify:* Korry Castillo, Comptroller of Public Accounts; Aimee Snoddy, Office of the Governor Public Safety Office; Bill Longley, Texas Municipal League)

BACKGROUND: Concerns have been raised that cities across the country have significantly reduced police department budgets in response to certain local policing issues. Some have suggested limiting the authority to raise taxes of cities that reduced police budgets until the budget reductions are restored.

DIGEST: CSHB 2438 would limit property tax rates for municipalities that were determined to have defunded their police departments.

Determination of defunding municipality. A defunding municipality would be a municipality that adopted a budget for a fiscal year that, in comparison to the preceding year, reduced the appropriation to the police department and for which the Office of the Governor's Criminal Justice Division issued a written determination.

The bill would apply only to a municipality with a population over 250,000.

Exceptions. A municipality would not be considered a defunding municipality if the percentage of reduction to the police department did not exceed the percentage of reduction to the total budget.

A municipality also would not be a defunding municipality if before it adopted a budget it applied for and was granted approval from the division for a reduction to the municipality's police department to account for capital expenditures related to law enforcement during the preceding fiscal year, the municipality's response to a declared state of disaster, or another reason approved by the division.

The division would have to adopt rules establishing the criteria used to approve reductions.

Termination of determination. A defunding determination would continue until the division issued a written determination finding that the municipality had reversed the reduction, adjusted for inflation.

Property tax limitations. A defunding municipality could not adopt a property tax rate that exceeded the no-new-revenue rate or the voter-approval rate, whichever was less.

For the purposes of determining the unused increment rate, the difference

between the defunding municipality's actual tax rate and voter-approval tax rate would be zero.

Initial determinations. In making a determination of whether a municipality was a defunding municipality for the first fiscal year beginning on or after September 1, 2021, the division would have to compare the appropriation to the municipality's police department in that year's budget to appropriation to that department in the budget of the preceding or second preceding fiscal year, whichever was greater.

A municipality determined to be a defunding municipality by a budget adopted for the first fiscal year on or after September 1, 2021, could not adopt a tax rate that exceeded the no-new-revenue rate or voter-approval rate for that tax year, the preceding year, or the second preceding year, whichever was least.

Provisions on initial determinations would expire September 1, 2023.

Provisions of the bill on property tax rates would apply beginning with the 2021 tax year.

The bill would take effect September 1, 2021, and would apply only to a budget adopted for a fiscal year that began on or after that date.