Reason Foundation Criminal Justice Policy Explainer

Local "Taxation by Citation" in Texas

Texas has adopted reforms intended to prevent local government from using law enforcement and courts to raise revenue, but opportunities for improvement remain.

The fundamental duties of law enforcement are to protect public safety and promote the fair administration of justice. Local government reliance on law enforcement and courts to generate revenue creates inappropriate incentives that undermine these core responsibilities.

Texas caps traffic fine revenue at 30% of a small city or county's budget, but the cap can be gamed by local governments.

- Under Texas Transportation Code § 542.402, municipalities and counties with fewer than 5,000 residents may retain traffic fine revenue up to 30% of the prior year's total revenue "from all sources, other than federal funds and bond proceeds." Amounts above that threshold, less $1 per citation, must be remitted to the state comptroller. Jurisdictions collecting at least 20% must also file an annual report and financial statement with the comptroller.
- The statute does not exclude enterprise or business-type revenue such as water, sewer, and other self-sustaining utility funds from revenue sources in the denominator. A jurisdiction can pad its "total revenue" with these funds to keep its fine-revenue percentage under 30%. Business and enterprise revenue should be excluded from the cap's calculation because these revenues do not support general government operations and distort comparisons across governments. A 30% cap is also too permissive given that local governments collect less than 1% of their budgets from fines and forfeitures on average.

Recommendations to improve Texas's fine revenue cap:

- Anchor the cap's denominator to general revenue as reported in audited financial statements, excluding enterprise and business-type activities, so jurisdictions can't dilute their ratio with utility revenue.
- Lower the retention threshold from 30% to 10%, count all types of fine and forfeiture revenue toward the cap, and replace self-reporting with independent audit-based verification.

Texas's police quota ban is one of the strongest in the country on paper, but has no process to enforce it.

- Texas Transportation Code § 720.002 prohibits agencies from evaluating, promoting, compensating, or disciplining officers or judges based on citation numbers or fine collections. A violation may result in removal from office.
- However, the statute does not provide a channel for complaints, designate investigating authority, or establish anti-retaliation protection for officers who report a violation.

Recommendations to improve Texas's police quota ban:

- Establish a state-level reporting channel (e.g., through the attorney general or comptroller) that accepts anonymous complaints.
- Require a mandatory investigation within a defined timeframe once a complaint is filed.
- Add explicit anti-retaliation protections for officers who report quota violations.

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Texas has adopted reforms intended to prevent local government from using law enforcement and courts to raise revenue, but opportunities for improvement remain.

According to Census Bureau data, local governments in Texas collected a total of $998.9 million in fines and forfeitures in 2022. Fines and forfeitures are a small source of revenue among most local governments. On average in Texas, revenue from fines and forfeitures made up 0.58% of local government general revenue, compared to a 50-state average of 0.38%. However, a small number of jurisdictions are considerably more reliant on fines and forfeitures as a source of revenue.

Reason Foundation analyzed audited financial statements for 355 cities and 184 counties in Texas. Among these, fines and forfeitures values were available for 338 cities and 161 counties. Our analysis identified 11 cities and 7 counties reporting fines and forfeitures exceeding 10% of general revenues in fiscal year 2023.

In 17 Texas jurisdictions, fines and forfeitures exceeded 10% of general revenues in fiscal year 2023.

Entity	General Revenues	Fines & Forfeitures	Fines & Forfeitures as a % of General Revenues
Arcola	$2,012,914	$918,854	45.65%
Wallis	$865,361	$310,236	35.85%
Starr County	$21,073,524	$5,916,270	28.07%
Refugio	$2,439,931	$662,499	27.15%
Elmendorf	$1,201,977	$308,088	25.63%
Linden	$1,332,291	$314,540	23.61%
Kemp	$1,439,078	$306,900	21.33%
Cooke County	$27,228,572	$4,776,080	17.54%
Palo Pinto County*	$20,183,939	$2,940,381	14.57%
Lumberton	$6,724,129	$900,620	13.39%
Rogers	$687,368	$88,402	12.86%
La Joya	$5,400,778	$677,873	12.55%
Mitchell County	$7,755,361	$967,367	12.47%
Terrell County*	$1,379,101	$168,071	12.19%
Los Fresnos	$5,570,057	$677,244	12.16%
Hubbard	$807,740	$94,402	11.69%
Hudspeth County	$6,547,765	$738,520	11.28%
Montague County*	$12,889,237	$1,384,668	10.74%

Source: Reason Foundation analysis of local government FY 2023 financial statements. *The fines and forfeitures figure for Palo Pinto County includes "Licenses, Fees, and Fines"; Terrell County includes "Fines, Fees, and Permits"; Montague County includes "Registrations, Fines, and Fees."

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