

BILL ANALYSIS

Senate Research Center

S.B. 604
By: Bettencourt; Birdwell
Local Government
6/1/2021
Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Municipal management districts (MMDs) are political subdivisions of the state created to promote and develop commerce, transportation, economic development, safety, and the public welfare within a defined area.

Under current law, an MMD is unable to fully dissolve if it continues to have outstanding debt. S.B. 604 would prevent an MMD from issuing new debt once it receives a valid petition by property owners calling for the district's dissolution. The purpose of S.B. 604 is to prevent districts from deliberately bypassing the voices of property owners who have called for a district to dissolve by continuing to issue more debt, thereby artificially continuing the life of a district.

(Original Author's / Sponsor's Statement)

S.B. 604 amends current law relating to bonds issued by and the dissolution of municipal management districts.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter M, Chapter 375, Local Government Code, by adding Section 375.2621, as follows:

Sec. 375.2621. PROHIBITION ON ISSUANCE OF BONDS AFTER PETITION. Requires the board of directors of a municipal management district (board), if a petition for dissolution under Section 375.262 (Dissolution by Petition by Owners) is filed with the board, to consider the petition not later than the 60th day after the date the petition is filed. Prohibits the management district (district) from issuing bonds secured by assessments after the date the board confirms that the petition is valid and complete under Section 375.262.

SECTION 2. Amends Section 375.264, Local Government Code, as follows:

Sec. 375.264. New heading: LIMITATIONS ON DISSOLUTION BY BOARD OF DISTRICT WITH DEBT. (a) Creates this subsection from existing text. Prohibits a district from being dissolved by its board under Section 375.261 (Dissolution by Board Vote) or after a petition is filed under Section 375.262 if the district has outstanding bonded indebtedness until that bonded indebtedness has been repaid or defeased in accordance with the order or resolution authorizing the issuance of the bonds. Makes a nonsubstantive change.

(b) Provides that, if a petition is filed under Section 375.262 with the board of a district and the district has outstanding bonded indebtedness secured by assessments:

(1) the district is required to remain in existence solely for the purposes of winding up district operations and discharging its bonded indebtedness; and

(2) the board is required to use all district money that is available to wind up district operations and to repay or defease all bonded indebtedness as soon as practicable in accordance with the order or resolution authorizing the issuance of the bonds.

(c) Provides that Subsection (b) does not apply to a district that has outstanding bonded indebtedness secured by a source other than assessments on the date the petition is filed with the board.

SECTION 3. Makes application of this Act prospective.

SECTION 4. Prohibits the changes in law made by this Act from being construed to impair an obligation under a contract entered into before the effective date of this Act. Authorizes a political subdivision to fulfill the subdivision's obligations under a contract entered into before that date and prohibits it from extending such a contract beyond the contract's original term.

SECTION 5. Effective date: September 1, 2021.