

BILL ANALYSIS

S.B. 604
By: Bettencourt
Pensions, Investments & Financial Services
Committee Report (Unamended)

BACKGROUND AND PURPOSE

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 has outstanding debt. It has been noted that some districts deliberately bypass 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 the district. S.B. 604 seeks to prevent MMDs from doing so by prohibiting MMDs from issuing bonds secured by assessments after receiving a valid petition by property owners for the district's dissolution.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

S.B. 604 amends the Local Government Code to require the board of directors of a municipal management district, if a petition for dissolution is filed with the board by the requisite amount of applicable property owners, to consider the petition not later than the 60th day after the date the petition is filed. The bill prohibits the district from issuing bonds secured by assessments after the date the board confirms that the petition is valid and complete.

S.B. 604 requires the following upon the filing of such a petition with the board of a district if the district has outstanding bonded indebtedness secured by assessments:

- the district to remain in existence solely for the purpose of discharging its bonded indebtedness; and
- the board to use all district money that is available for the purpose to repay or defease the bonded indebtedness as soon as practicable in accordance with the order or resolution authorizing the issuance of the bonds.

These requirements do 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.

S.B. 604 establishes that its provisions may not be construed to impair an obligation under a contract entered into before the bill's effective date and authorizes a political subdivision to fulfill the subdivision's obligations under a contract entered into before that date, but prohibits the extension of such a contract beyond the contract's original term.

EFFECTIVE DATE

September 1, 2021.