

BILL ANALYSIS

Senate Research Center
87R830 SMT-D

S.B. 604
By: Bettencourt; Birdwell
Local Government
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As Filed

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.

As proposed, 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. Prohibits the management district (district) from issuing bonds after the date a petition for dissolution under Section 375.262 (Dissolution by Petition by Owners) is filed with the board of directors of a district (board).

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) Requires that, after a petition is filed under Section 375.262 with the board of a district that has outstanding bonded indebtedness, the district remain in existence solely for the purpose of discharging its bonded indebtedness, and requires that the board use all district money that is available for the purpose to repay or defease all bonded indebtedness as soon as practicable in accordance with the order or resolution authorizing the issuance of the bonds.

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.