

**SUBJECT:** Permitting more cities and counties to award contracts locally

**COMMITTEE:** County Affairs — favorable, without amendment

**VOTE:** 5 ayes — Ramsay, B. Brown, Farabee, Salinas, Shields  
0 nays  
4 absent — G. Lewis, Chisum, Hilderbran, Krusee

**WITNESSES:** For — Frank Feild, Brownsville Chamber of Commerce; Gilberto Hinojosa, Cameron County; Lanny S. Lambert, City Commission of Brownsville; *Registered but did not testify:* Jack Harris, Brazoria County; Donald Lee, Texas Conference of Urban Counties  
Against — None

**BACKGROUND:** Local Government Code, sec. 271.905, enacted by the 76th Legislature (HB 2787 by Eiland/Gray), allows municipalities with a population of 100,000 or less and counties with a population of 300,000 or less to accept either the lowest bid for contracts or a bid that is within 3 percent of the lowest bid if made by a bidder whose principal place of business is located within the local jurisdiction. The local government must determine in writing that the qualifying local bid offers the local government the best combination of contract price and additional economic development opportunities, including employment of local residents and increased local tax revenues.

**DIGEST:** HB 969 would amend Local Government Code, sec. 271.905(a) by redefining “local government” to mean a municipality with a population of 200,000 or less and a county with a population of 400,000 or less.  
HB 969 would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2001.

**SUPPORTERS SAY:** HB 969 would expand the number of municipalities and counties that may contract with local businesses if their bids are within 3 percent of the lowest bid, rather than forcing local governments to spend taxpayer money outside the community. Also, unless the population thresholds in current law are

changed as proposed in HB 969, population increases from the 2000 census could disqualify some cities and counties that now are eligible for this program. HB 969 simply would allow these local governments to continue “business as usual.” Examples of cities likely to be affected include Abilene, Amarillo, Beaumont, Brownsville, Grand Prairie, Mesquite, Midland, Pasadena, Wichita Falls, and Waco.

While cities and counties must be good stewards of taxpayer resources, they also need to reinvest in their communities. In expanding the number of cities and counties that qualify for this program, HB 969 would not circumvent the competitive bidding process but would give more communities the flexibility to do business locally when they meet the necessary criteria. This would enable local firms to be more competitive in bidding to supply goods and services.

The economic benefit of keeping money in the community through employment and taxes can more than outweigh the initial difference between bids. To help ensure that this flexibility in accepting local bids is used as intended, the statute requires that local governments specify in writing how a local bid that is higher than a non-resident’s bid will benefit the local economy.

**OPPONENTS  
SAY:**

The state should not increase the number of municipalities and counties that are exempt from the requirement to accept the lowest bid on contracts. Cities and counties owe it to taxpayers to secure the lowest bids and should not give preference to certain firms or geographical areas. By expanding this program, HB 969 would inhibit competition and could have a significant impact on local finances. The permissible 3 percent variance on bids can add up to a lot of money. For example, 3 percent of a \$600,000 bid on automobiles would amount to \$20,000.