

**SUBJECT:** Special district depositories and competitive bidding

**COMMITTEE:** County Affairs — committee substitute recommended

**VOTE:** 9 ayes — R. Lewis, Kamel, Bonnen, Chisum, Christian, Denny, Flores, Gutierrez, G. Lewis

0 nays

**WITNESSES:** For — John Heasley, Texas Bankers Association

Against — None

**BACKGROUND :** The Local Government Code provides separate sets of guidelines for counties and municipalities to use in selecting depositories for public funds and establishing competitive bidding procedures for awarding public contracts. Under the code, competitive bidding requirements vary also according to the size of the jurisdiction and the amount of the expenditure.

Art. 3, sec. 52 and Art. 16, sec. 59 of the Texas Constitution allow for creating water and wastewater and conservation and reclamation districts. These special districts have taxing and investment authority but are not subject to any standards for selecting public depositories or awarding public contracts. The 72nd Legislature eliminated from the Local Government Code a requirement that districts use competitive bidding for certain public works projects.

**DIGEST:** HB 1564 would establish procedures for special districts, including conservation and reclamation districts and water and wastewater districts, to select depositories and set standards for competitive sealed bidding for contracts. Districts that were not already required to have standards in place would have to adopt those currently governing either municipalities or counties.

HB 1564 would provide that population brackets applying to municipalities or counties and provisions describing the composition of the governing boards for counties would not apply to special districts.

**SUPPORTERS  
SAY:**

HB 1564 would improve the financial mechanisms of special districts, reduce the potential for fraud and negligence in their public contracts, and ensure that their funds were invested in fiscally sound institutions.

Many public and quasi-public entities, such as water and conservation districts, are not held to any standards of fiscal responsibility. There is no requirement that they seek to make the best and most efficient use of public funds. Special districts that spend and invest public funds should be held to the highest standards of fiduciary responsibility, and HB 1564 would impart this needed accountability to the financial policies of special districts.

Special districts can have differing investment and contracting needs, and the bill would ensure the necessary flexibility by allowing these districts to choose which types of provisions they would apply to themselves.

**OPPONENTS  
SAY:**

While fiscal responsibility is desirable for all entities spending or investing public funds, there are so many varieties of special districts that no single set of standards could be developed to appropriately regulate them all. The standards developed for larger municipalities and counties may not be suitable for small districts with specialized functions.