

SUBJECT: Conflicts of interest for local public officials

COMMITTEE: County Affairs — committee substitute recommended

VOTE: 7 ayes — R. Lewis, Kamel, Bonnen, Chisum, Christian, Denny, G. Lewis
0 nays
2 absent — Flores, Gutierrez

WITNESSES: For — A. Don Drennan, Abilene City Council; Jim Allison and John Thompson, County Judges and Commissioners Association of Texas
Against — None

BACKGROUND : Chapter 171 of the Local Government Code establishes standards for determining conflicts of interest between local public officials and business entities. Local public officials who have a substantial interest in a business entity or real property are required to abstain from further participation if the action will have a special economic effect on the business entity or property. A substantial interest in a business entity occurs when a public official owns 10 percent or more of the voting stock or share of the entity or either 10 percent or more or \$5,000 or more of the fair market value of the business.

DIGEST: CSHB 998 would eliminate the \$5,000 threshold defining a substantial interest in a business entity.

The bill would take immediate effect if finally approved by a two-thirds record vote of the membership in each house.

SUPPORTERS SAY: CSHB 998 would update and modernize the conflict of interest laws. The \$5,000 threshold in current statute is too low, given the globalization and merging of corporations. A percentage level is more meaningful than this strict dollar amount, and should be used exclusively to determine conflicts by local public officials.

Owning \$5,000 of the fair market value of a large corporation in most cases would amount to much less than 10 percent. The \$5,000 threshold would

not constitute a substantial interest in a large corporation and would not unfairly influence local policymaking.

OPPONENTS
SAY:

Traditionally, there have been two tests to determine potential conflicts of interest. The \$5,000 threshold makes it is easy for local officials to determine whether a conflict of interest exists; deleting this bright-line standard would remove protections now afforded officials and the public they serve. Although owning \$5,000 of the fair market value of a large corporation may not constitute a large interest, it could still unduly and unfairly influence the actions of local officials and should remain in the statute.

OTHER
OPPONENTS
SAY:

Rather than eliminating the threshold as too low, CSHB 998 should raise it to reflect a more accurate level of interest in a business.

NOTES:

The original version of the bill would have raised threshold for fair market value to \$25,000.