

**SUBJECT:** Eliminating competitive bid requirements for certain cities

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

**VOTE:** 7 ayes — Carter, Bailey, Burnam, Clark, Edwards, Ehrhardt, Najera  
0 nays  
2 absent — Hill, Hodge

**WITNESSES:** For — None  
Against — Tony Koriath, Texas Municipal League Intergovernmental Risk Pool

**BACKGROUND:** Local Government Code, sec. 252.021(b) requires cities with a population of less than 100,000 to use a competitive sealed bidding process if they enter into an insurance contract that requires the city to spend more than \$5,000. In a competitive sealed bidding process, bidders on the contract submit sealed bids, and the contract is awarded to the lowest responsible bidder. Notice of the time and place such a contract will be awarded must be published at least 14 days before the date set for awarding such a contract.

Local Government Code, sec. 252.021(c) provides that cities with a population of more than 100,000 may use a competitive sealed proposal procedure to buy insurance. In a competitive sealed proposal procedure, quotations are solicited through a request for proposals (RFP) and must specify the relative importance of price and other evaluation factors. The contract is awarded to the person who submits the most advantageous offer to the city, taking into consideration the relative importance of price and other evaluation factors set forth in the RFP.

**DIGEST:** HB 1003 would allow cities with populations greater than 75,000 to enter into insurance contracts that require expenditure of more than \$5,000 without using a competitive sealed bidding procedure. It also would allow these cities to use a competitive sealed proposal procedure to buy insurance.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. It would apply only to a purchase for which the notice required by Local Government Code, sec. 252.041, relating to competitive bids, was published on or after the effective date.

**SUPPORTERS  
SAY:**

HB 1003 would allow cities with populations between 75,000 and 100,000 to enjoy the same flexibility that those with populations over 100,000 now have in regard to the purchase of certain insurance contracts. Under current law, Texas cities with a population of less than 100,000 must solicit sealed bids to buy workers' compensation, health, general liability, motor vehicle fleet, or other kinds of insurance if those services are valued at more than \$5,000.

Insurance plans, especially for health insurance, have become very complex, and mid-size cities have been stymied in their ability to choose the best plans for their employees because the law requires these cities to use competitive sealed bidding. Because insurance plans vary so widely in the kinds and extent of services that they offer, it has become important for cities to negotiate the best insurance coverage taking into consideration factors other than cost. HB 1003 would allow cities to do just this.

The bill also would allow these cities to solicit insurance contracts through competitive sealed proposal procedures, which would allow cities to examine each proposal carefully and decide which plan would be better entirely on its own merits.

The bill also would help some smaller cities that do not have the staff or legal counsel available to review the submitted proposals and to make sure the elaborate bidding process is carried out fairly. Many small cities would like to give their business to locally based insurance companies, but it can be hard to find local firms who are willing to submit to the complicated competitive bidding process.

**OPPONENTS  
SAY:**

The Legislature should be expanding rather than contracting competitive bidding requirements for city insurance contracts. The smaller a city is, the more likely that it will be flummoxed by the complexities of health insurance proposals. Requiring the city to outline clearly the services it needs and to put out a proposal for competitive sealed bidding is the safest and fairest way to ensure that taxpayers will pay for a plan tailored to the city's needs at the lowest possible cost.

Sealed competitive bidding requirements ensure that bids are handled fairly without favoritism or graft. It would be unwise to expand the number of cities that can escape these requirements.

**NOTES:**

The companion bill, SB 507 by Duncan, passed the Senate on April 19 and was reported favorably by the House Urban Affairs Committee on April 21, making it eligible to be considered in lieu of HB 1003.

A related bill, HB 1029 by Keffer et al., would allow cities with populations of less than 100,000 to contract for insurance costing more than \$5,000 not only by sealed competitive bidding, as current law requires, but also by negotiating for the contract with at least two insurance agents and one intergovernmental risk pool, then selecting the contract that was lowest and best. The city then would publish the name of the selected carrier or risk pool, the contract amount, and the names of the other entities making proposals. HB 1029 was reported favorably as substituted by the House Urban Affairs Committee on April 8.