



OFFICE OF THE GOVERNOR

GREG ABBOTT

January 28, 2015

To: All State Agency Heads

Re: Transparency in State Agency Contracting and Procurement

As leaders in state government, we must never forget that we work for the people of Texas, whose hard-earned tax dollars make all our work possible. Our duty to be good stewards of the taxpayers' money is not just a statutory or public policy goal—it is a moral obligation that we owe to the millions of Texans whose precious resources have been entrusted to us.

One simple, effective way state agencies can both maximize value for the taxpayers—and improve the public's confidence in their government—is to utilize a competitive bidding process to purchase goods and services whenever that is possible. As Governor, I must ensure that all state agencies are committed to maximizing value and utilizing open and transparent contracting processes.

With that very important goal in mind, I am strongly supporting contracting reform legislation that Sen. Jane Nelson announced Monday. If enacted, SB 353 would impose meaningful reforms on state contracting processes that would improve transparency and foster accountability in the contracting process. Specifically, Sen. Nelson's legislation would, among other requirements:

- Require public disclosure of all no-bid contracts and a public justification for using such a procurement method;
- Require that all agency employees involved in procurement or contract management disclose any possible conflicts of interest;
- Prohibit contracts with business entities with which high-level agency leadership or staff have a financial interest;
- Require that the agency's board chair sign any contract valued at more than \$1 million—or delegate signature authority to the agency head;
- For procurements of more than \$5 million, require the agency's central contracting office or procurement director to sign off on the procurement method and to indicate, in writing, to the Board and agency head any potential issue that could arise in the contract solicitation.

While this bill is still a work in progress and may be amended to include additional reforms, I believe that the filed version of SB 353 is an important first step toward restoring public trust. There is no reason to wait and no time to waste in working to ensure the highest level of transparency and integrity in the state contracting process. And while we plan to work proactively with Sen. Nelson with the goal of enacting even more stringent reforms to the contracting process, as Governor, I believe that immediate action is necessary and that the reforms outlined above form a solid foundation that will improve public confidence and transparency in state contracting.

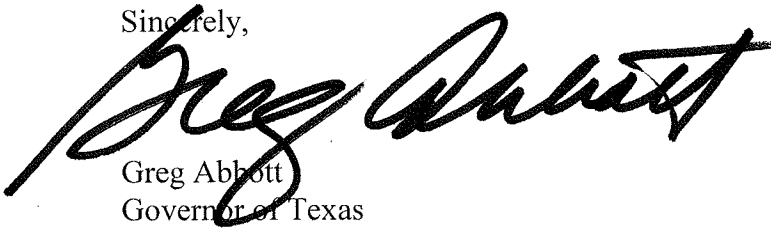
With that in mind, effective February 1, I expect all state agency heads to begin complying with the reforms outlined above. Again, we recognize that this legislation may be amended as it proceeds through the legislative process, however until the law eventually takes effect, state agencies must begin to implement the reforms outlined in this letter immediately.

Finally, I want to reiterate my commitment to an open and transparent bidding process for all state contracts. In light of that goal, I expect that all state agencies will utilize a competitive bidding process not only when it is required by law—but also at all times that it is feasible to do so. Of course, I understand that emergencies may arise that require immediate action by agencies that is not amenable to a more lengthy competitive bidding process. However, it is my expectation as Governor that agencies will utilize a competitive bidding process at all other times.

This memorandum does not change the law. That is the Legislature's responsibility. It does not change any agency administrative rules regarding contracting or procurement. There is a process for that. The purpose of this letter is to outline higher standards for state agencies and to call on custodians of the public trust to achieve those high standards when they face decisions about how to spend the taxpayers' hard-earned money.

Thank you for your service to the State of Texas.

Sincerely,

A handwritten signature in black ink, appearing to read "Greg Abbott", written over a printed name and title.

Greg Abbott
Governor of Texas