

BILL ANALYSIS

H.B. 345
By: Kleinschmidt
Judiciary & Civil Jurisprudence
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Current law specifies that a local governmental entity that is authorized to enter into certain contracts waives its right to sovereign immunity for a breach of contract claim relating to that contract. This waiver allows a contractor to sue that local governmental entity for nonpayment. Other statutory provisions specify the types of recovery available to plaintiffs in such a breach of contract dispute. In general, a contractor, subcontractor, or supplier is entitled under state law to receive interest, commonly called prompt pay interest, on past due payments for work performed on a public construction project owned by the state or other governmental entity. Some interested parties contend that recent court decisions have misinterpreted Texas law on whether prompt pay interest on public jobs is barred by government immunity. H.B. 345 seeks to clarify that issue.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

H.B. 345 amends the Local Government Code to specify that interest included in the total amount of money awarded in an adjudication brought against a local governmental entity for a breach of contract includes any interest accrued on the unpaid balance of a disputed invoice submitted by the vendor, according to the dispute's resolution.

EFFECTIVE DATE

September 1, 2011.