

**SUBJECT:** Extending and changing depository contracts between schools and banks

**COMMITTEE:** Public Education — favorable, without amendment

**VOTE:** 11 ayes — Huberty, Bernal, Allen, Bohac, Deshotel, Dutton, Gooden, K. King, Koop, Meyer, VanDeaver

0 nays

**WITNESSES:** For — (*Registered, but did not testify:* Meredyth Fowler, Independent Bankers Association of Texas; Mike Motheral, Small Rural School Finance Coalition; Barry Haenisch, Texas Association of Community Schools; Amy Beneski, Texas Association of School Administrators; Grover Campbell, Texas Association of School Boards; Colby Nichols, Texas Rural Education Association; Dee Carney, Texas School Alliance; David Anthony)

Against — None

On — (*Registered, but did not testify:* Leonardo Lopez, Texas Education Agency)

**BACKGROUND:** Education Code, ch. 45, subch. G requires each school district to contract with a depository bank into which the Texas Education Agency can deposit funds for the district. When seeking to contract with a depository bank, a district is required to use a competitive bidding process or issue a request for proposals.

The depository contract agreement between district and bank remains in force for two years, except that the district and bank may agree to extend a contract for up to two additional two-year terms if there are no changes to the contract other than the extension. Such an extension is not subject to the requirement for a competitive bidding process or request for proposals.

According to TEA procedures, the requirement for a district to use the

competitive bidding process or request for proposals applies when the additional two terms of extension have expired, there is a change to the contract, or the school district wishes to contract with another bank.

**DIGEST:** HB 878 would allow a school district to extend a depository contract with a bank for up to three two-year terms, rather than two. Both parties could agree to modify the depository contract when it was extended without being subject to the requirement for a competitive bidding process or request for proposals.

The bill would take effect September 1, 2017.

**SUPPORTERS SAY:** HB 878 would give school districts and banks more flexibility to extend a depository contract while also making mutually agreeable changes without requiring them to start a new process of competitive bidding or requesting proposals. This bill would allow school districts and banks to make contract changes that better reflected market conditions without entering into these costly and time-consuming processes. A district still could begin a new bidding process after any two-year term if it wished and could not extend a contract for more than eight years total.

In many rural areas, there are a limited number of banks, and a bidding process may result in only one candidate. Going through a new bidding or request for proposal process for any change is unnecessary if the end result is selecting the same bank. Increasing the number of additional contract extensions and allowing for changes to be made without beginning a new competitive bidding or request for proposal process would save school districts time and money.

**OPPONENTS SAY:** No apparent opposition.

**NOTES:** A companion bill, SB 754 by Perry, was referred to the Senate Education Committee on February 22.