

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

SENATE VOTE: On final passage, May 3 — 31-0

WITNESSES: *On House companion bill, HB 878:*

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 may 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: SB 754 would allow a school district to extend a depository contract with a bank for up to three two-year terms, rather than two. If both parties agreed to terms, the depository contract could be modified for each two-year extension 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: SB 754 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 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.

Many rural area have 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 possible 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, HB 878 by K. King, was approved by the House on

April 12 and reported favorably from the Senate Education Committee on
May 16.