

SCHOOL DISTRICT PARTICIPATION IN PURCHASING COOPERATIVES



AN ISSUE BRIEF FROM LEGISLATIVE BUDGET BOARD STAFF

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OBJECTIVE

School districts can use purchasing cooperatives instead of performing competitive bidding to receive better value on goods and services through pooled purchasing power.

KEY FACTS

- ◆ Purchasing cooperatives are operated by school districts, Regional Education Service Centers, and nonprofit corporations. The Comptroller of Public Accounts also operates a cooperative available to districts.
- ◆ No state-level system registers or monitors Texas purchasing cooperatives.
- ◆ School districts use cooperatives to purchase a variety of goods and services, including printer paper and other office supplies, cafeteria food purchases, extracurricular activity uniforms, and school buses and other vehicles.

BUDGETARY IMPACT

Purchasing cooperatives are funded through fees paid by vendors, and sometimes by members.

STATUTORY REFERENCES

The Texas Education Code, Section 44.031

The Texas Local Government Code, Section 271.102

The Texas Business Organizations Code, Chapter 251

Purchasing cooperatives are organizations that school districts and other local governments can join to have access to prenegotiated contracts for most goods and services. School districts in Texas can use purchasing cooperatives in lieu of having to competitively bid goods and services themselves. Purchasing cooperatives also enable districts to pool their needs to receive a better value than a single entity may be able to receive on its own.

STATUTORY AUTHORIZATION

School districts are authorized to use purchasing cooperatives by the Texas Education Code, and as a local government entity by the Texas Local Government Code.

The Texas Education Code, Section 44.031, authorizes districts to enter into interlocal agreements with other government entities, including purchasing cooperatives that are managed by a government entity, for aggregate purchases of \$50,000 or more, instead of using competitive bidding. An interlocal agreement is a contract between a local government such as a school district and another local government, a state agency, or another state, that can be used to procure goods or services.

The Texas Local Government Code, Section 271.102, authorizes a local government, including a school district, to participate in a cooperative purchasing program with a local government or cooperative organization of Texas or another state. By doing so, a local government entity automatically satisfies any requirement to seek competitive bidding.

The Texas Business Organizations Code, Chapter 251, mandates that to use the term cooperative or any abbreviation thereof (e.g., coop, co-op) in its name, or advertise or present itself as conducting business on a cooperative basis, an organization must remit any proceeds back to member parties. As members, districts receive a portion of the organization's net savings commensurate with the amount purchased for that year.

COOPS IN TEXAS

School districts may join cooperative purchasing organizations, typically free of charge, although some charge a membership fee. Cooperatives also assess fees to vendors, based on a percentage of each sale. Some Regional Education Service Centers operate purchasing cooperatives, which are available to districts inside and outside the center's region. The Comptroller of Public Accounts also manages the State of Texas CO-OP Purchasing Program, which school districts can join.

When a school district becomes a member of a cooperative purchasing organization, it can make purchases through prenegotiated contracts with qualified vendors on the organization's website. Items available to districts through purchasing cooperatives include, for example, printer paper and other office supplies, cafeteria food purchases, student extracurricular activity uniforms, and school buses and other vehicles.

To appear on the qualified vendor list, suppliers must respond with a bid to a request for proposal (RFP) that is published and advertised by the cooperative organization. The

organization then evaluates these bids based on select, predetermined criteria such as price, quality of the product, and the vendor's past performance. Organizations rebid these contracts periodically, typically at one-year intervals. When a school district makes a purchase, it either submits a purchase order or an order is generated through the coop's website. Vendor fees are collected as a percentage of this purchase. Districts can request RFP and competitive bid information from the cooperative organization, although this information is typically sent to the district with other purchase documentation at the time of purchase.

No state-level system registers or monitors purchasing cooperatives in Texas; therefore, the number of coops operating in the state and the number of districts purchasing through cooperatives are not reported. School districts that purchase goods and services through cooperatives are required to ensure compliance with purchasing laws.

NATIONAL STANDARDS

In May 2015, the National Institute of Government Purchasing (NIGP) announced that it would implement the Accredited Cooperative program to help school districts and other purchasers choose the most qualified cooperative organization offering the best value. Based on 142 best-practice criteria, NIGP implemented this program to be "a marketplace of quickly identifiable cooperative programs that consistently practice sound public procurement behaviors." As of May 2016, NIGP is taking applications to be reviewed for accredited status, but the program has not yet announced that any organizations have received this status.

USEFUL REFERENCES

State of Texas CO-OP Purchasing Program: comptroller.texas.gov/procurement/prog/coop/

National Institute of Government Purchasing Accredited Cooperative program:
www.nigp.org/home/find-procurement-resources/tools/cooperative-accreditation-nac

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