School
Poth High School

Senate Committee
Education

Senate Author
Gage Worswick

House Committee
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School Board Corruption Act

HB 5 – SB 9

Bill Analysis

BACKGROUND & PURPOSE

In recent years, concerns have grown over potential conflicts of interest in the procurement practices of school districts and open-enrollment charter schools across Texas. Instances in which school board members or their relatives hold financial interests in vendors, either directly or through gifts and compensation, have raised questions about the fairness and transparency of public education contracting.

While general conflict-of-interest statutes exist, they often lack specificity or enforcement mechanisms tailored to the unique governance structures of school systems. This has created loopholes that can erode public trust and compromise the responsible use of taxpayer funds.

The School Board Corruption Act (HB 5/SB 9) seeks to close these gaps by clearly defining prohibited relationships between vendors and members of school boards or charter school governing bodies.

The bill establishes criminal penalties for vendors who bid on or receive contracts from school districts or charter schools when a board member or their close relative has a substantial financial interest in the vendor, or when a board member has received or been promised improper gifts or compensation.

By establishing clear restrictions and escalating penalties for repeat violations, the legislation aims to strengthen ethical contracting practices, increase accountability in school operations, and safeguard the integrity of public education funding in Texas.

(HB 5/SB 9) amends current law relating to contracting with a school district or open-enrollment charter school by a vendor in which a member of the board of trustees or governing body, or a related individual, has certain business interests, and creates a criminal offense.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

ANALYSIS

STUDENT LEGISLATIVE SESSION
TEXAS STATE CAPITOL
EST. 2003

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SECTION 1. Amends Subchapter C, Chapter 11, Education Code, by adding Section 11.067, as follows:

Sec. 11.067. PROHIBITION ON CERTAIN ACTIVITY BY VENDOR.

(a) Defines "vendor."

(b) Provides that a vendor that bids on or receives a contract from a school district or an open-enrollment charter school commits an offense if:

1. An individual serving on the board of trustees or governing body of the district or school has a substantial interest in the vendor or a subcontractor hired by the vendor;
2. An individual serving on the board is related within the second degree by consanguinity or affinity, as determined under Chapter 573, Government Code, to an individual who has a substantial interest in the vendor; or
3. An individual serving on the board has received or has been promised a gift or in-kind services valued at more than $250.

(c) Provides that an individual has a substantial interest in a vendor if the individual:

1. Owns more than 10 percent of the voting interest in the vendor; or
2. Has a direct or indirect participating interest, through shares, stock, or otherwise, in more than 10 percent of the profits, proceeds, or capital gains of the vendor, regardless of whether voting rights are included.

(d) Establishes escalating criminal penalties for violations of this section:

- First offense: Class C misdemeanor.
- Second offense: Class B misdemeanor.
- Third offense: Class A misdemeanor.
- Fourth or subsequent offense: State jail felony.

(e) Provides that, notwithstanding Subsection (d), an offense under this section is a state jail felony if the vendor directly or indirectly, including through a third party, compensates an individual serving on the board of trustees or governing body of a school district or open-enrollment charter school with money, gifts, or in-kind services in exchange for the district or school entering into a contract with the vendor.

EFFECTIVE DATE
Upon passage or January 1, 2027.