

- If a district elects to allow for non-competitive purchases as identified within this section, procedures should be established providing guidance on what types of purchases will be included from the list above, from whom will justification be acceptable, and how to manage purchases that will be valued greater than the current legal threshold annually.
- If a district utilizes a governmental entity on a consistent basis for same services, it should consider establishing a formal interlocal with the entity.

5.11 Purchases Valued at or above \$50,000

References: [TEC, §44.031\(a\)](#)

As required by statute and policy, all district contracts for the purchase of goods and services valued at \$50,000 or more in the aggregate for each 12-month period should be made by one of the procurement methods outlined in the [TEC, §44.031](#), that provides the best value for a district. This requirement does not include contracts for the purchase of produce, vehicle fuel, or depository contracts.

The procurement methods identified by statute are:

- competitive bidding for services other than construction services
- competitive sealed proposals for services other than construction services
- a request for proposals for services other than construction services
- an interlocal contract
- a method provided by the [Texas Government Code, Chapter 2269](#), for construction services
- the reverse auction procedure as defined by the [Texas Government Code, §2155.062\(d\)](#)
- the formation of a political subdivision corporation under the [Texas Local Government Code, §304.001](#)

As noted within several of the methods provided above, the district must utilize the [Texas Government Code, Chapter 2269](#), for all construction related procurements. The [Texas Government Code, Chapter 2269](#), identifies allowable procurement methods available to the district for consideration based on what is the best value for the district.

5.11.1 12-Month Aggregation

The term “aggregate,” as used in the [TEC, §44.031\(a\)](#), can be defined as the total sum of demand for desired or “like” goods and services that in normal purchasing practices would be made in one purchase over a 12-month period for all campuses and departments within the school district. The term “aggregate” is not used in any other purchasing-related statutes and is not defined within the chapter. Each district must define “aggregate” within their procedures. The definition should be based on the resources available to the district, such as the ability to track purchases within the district’s finance system, either by vendor (not suggested) or by a pre-determined set of categories or commodity codes (suggested).

The 12-month period can be calendar year or by fiscal year. The district is advised to select the period that best meets its tracking needs.

It is the responsibility of the school district to determine the method or structure of the aggregation process. Because of the [TEC, § 44.031\(a\)](#), requirement, tracking of category spend by the purchasing department is vital. Districts must be consistent in their categories and review prior purchases to ensure categories are not created to circumvent the laws. Note certain requirements for federal funds may vary from this terminology.

5.11.1.1 Categories and Commodity Codes

As stated above, categories or commodity codes can assist a district in reporting and understanding aggregated procurement expenditures.

Categories lend themselves to be a descriptor or high-level definition of a type of commodity or service (e.g., office supplies). A category may have many different types of items that would be included in the aggregate. Some finance systems may not have the ability to run reports against the individual descriptions, which may limit the utilization of categories.

On the most basic level, commodity codes use a series of numbers or letters to depict or represent a type of general or unique good or service. The decision to use one or more codes is a district decision and will be based on the annual aggregation and the ability of the finance system.

A school district may choose to create its own list or use other established, recognized commodity codes. These may be shared by other school districts, the district's finance system vendor, or other entities such as the National Institute of Governmental Purchasing (NIGP). The district should adopt the one that best fits their needs. The following are codes a school district should consider:

- Commercial and Government Entity (CAGE)
- Federal Supply Class Codes (FSC)
- National Institute of Government Purchasing (NIGP)
- North American Industry Classification System (NAICS)
- Product Service Codes (PSC)
- Standard Industrial Classification (SIC)
- United Nations Standard Products and Services Code (UNSPSC)

Commodity codes can be minimal in length (easily adopted but may surpass the legal threshold quickly, less management/oversight) or very detailed in length (more difficult to learn and implement but less chance of exceeding the legal threshold, more management/oversight).

If a school district is or will be considering a change in its finance system, the purchasing office should make a high priority to review how the system will handle and report codes.

5.11.1.2 Federal Funds and the Use of Commodity Codes

For federal micro-purchasing purposes, purchases must be considered in the aggregate over the entire period of applicable federal grants. Therefore, the cost of items purchased using the micro-purchase method is cumulative across the grant year and cannot exceed the current threshold. The aggregate, for federal micro-purchasing purposes, applies to "like types" of purchases, which must be defined by each district in its local policies and procedures. Districts may not define "like types" as a single purchase order or a single vendor, and must be prepared to submit the written policy or rule to TEA monitors and auditors. Commodity codes are the preferred method for tracking spending of federal micro-purchases.