



KEN PAXTON
ATTORNEY GENERAL OF TEXAS

Austin City Council
301 W 2nd St
Austin, TX 78701

June 16, 2025

Members of the Austin City Council,

On September 1, 2021, S.B.19 became effective across Texas, prohibiting government entities from contracting with companies that discriminate against companies involved in the firearm and ammunition industries. As a political subdivision of the state, the City of Austin is bound by this law.¹

Recently, my office was made aware of exactly this type of discrimination against a company based in Texas. Defense Solutions Group (“DSG”) was a military and law enforcement supplier that specialized in high-end equipment. Following the acquisition of their credit card payment processing service provider by WEX Bank, DSG began feeling the real-world impact of politically motivated debanking. On June 2, 2021, DSG was sent a letter from Gene Bell, the director of client services for WEX Bank, stating that the bank was “electing to terminate [DSG] services under the Direct Board Fee Payment agreement.” At the time, the president of the company was told that DSG was being cut off from payment processing services because of the company’s involvement with the firearm industry. DSG was debanked on July 31, 2021. As a result of the termination of services, the company spent great time, expense and effort to find a payment processing service provider. This contributed to DSG’s eventual closing.

I am aware that the City of Austin has had an active contract with WEX Bank since September 11, 2021, after the effective date of S.B.19, for fleet card management.² Additionally, I am aware that the city has authorized up to \$3.6 million in service of its contract, with more than \$2.2 million reported as having already been spent. Upon review, I believe that this contract violates state law. S.B. 19 prohibits governmental entities from entering contracts with a value of at least \$100,000 unless the contractor includes a provision in their contract that it does not have a practice, policy, guidance, or directive that discriminates against businesses associated with the firearms industry. On October 18, 2023, I issued an advisory clarifying that these provisions are also required for contract renewals.³ Neither the original contract between the city and WEX Bank or any subsequent renewals of the contract include this required provision.

S.B.19 provides two exceptions that permit governmental entities to enter into contracts without the necessary provision. The first exception allows entities to enter into contracts without the clause if the contractor is a sole-source provider, meaning they are the only vendor capable of providing the service. This is irrelevant because WEX Bank is not the only company that can meet the city's fleet card services needs. The second exception permits the city to enter a contract if none of the contract's bidders are able to provide the clause. However, this exception does not apply to Austin. On June 10, 2021, the City Council authorized the negotiation of a multi-term contract with WEX Bank, without any open bidding or solicitation of other bids. The exception implicitly contemplates a competitive process between companies. By refusing to offer other companies the opportunity to present a contract that *does* include the required provision, this exception becomes inapplicable. S.B.19's exceptions were not meant to give cities a loophole to abuse to contract with businesses that discriminate against the firearms industry.

Given the short time frame between the effective date of S.B.19 of September 1, 2021, and the effective date of the contract with WEX Bank being September 11, 2021, the exclusion of this required provision could have been an oversight. Nevertheless, as members of the city council, you must take steps to ensure that all contracts are legal under state law. The contract with WEX Bank must be amended to include this provision or terminated to begin a competitive bidding process.

Debanking has become a hotly discussed issue throughout our country. Banks and the regulatory regime took action during the Biden administration to cut off everyday Americans and their businesses from critical financial services because of their views. The concept of debanking is anti-American and stands in stark opposition to our rights to freedom of speech guaranteed by the Constitution. I stand with businesses that have been discriminated against because of their involvement in the firearms industry, just like DSG.

As the Attorney General, I have a duty to enforce the laws of this state. The City of Austin must amend or be in the process of amending this contract with WEX Bank by July 16, 2025. Failure to do so may result in action from my office to ensure that our state laws are being enforced.

Sincerely,

A handwritten signature in black ink that reads "Ken Paxton". The signature is written in a cursive, flowing style with a large, prominent "K" and "P".

¹ <https://statutes.capitol.texas.gov/Docs/GV/htm/GV.2274.htm>

² https://financeonline.austintexas.gov/afo/contract_catalog/OCCViewMA.cfm?cd=MA&dd=7800&id=NC210000041

³ <https://bit.ly/4cJ5TM9>