

## **BILL ANALYSIS**

Senate Research Center

S.B. 736  
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Business & Commerce  
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Enrolled

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Since passage of S.B. 7, 76th Legislature, Regular Session, 1999, the General Land Office (GLO) has been authorized to sell electricity to an agency of the state, a state institution of higher education, a public school district, a political subdivision of this state, a military installation of the United States, or a United States Department of Veterans Affairs facility. S.B. 7 was foundational legislation that enacted the competitive electric marketplace in Texas, and whose central tenet is that market forces should drive innovation, efficiency, and competitive prices for the benefit of consumers.

At the time of its implementation there was great concern among market participants that prices may increase sharply for consumers, but as conditions stabilized those prices were expected to fall over time. The GLO program was intended to provide a low-cost option for government entities to soften the initial shock of deregulation.

An unfortunate effect of the GLO program is that as the Texas retail electric market has evolved in sophistication the state now finds itself in direct competition with private companies. GLO has significant advantages at its disposal in bidding against the competitive retail market. Chief among them is that they are granted an approximate two percent gross receipts tax exemption on all sales. Retail electric providers now assert that they are underbid by GLO by approximately two percent each time they compete for a government contract in a competitive area of the state.

The competitive retail electric market was established for a reason. The government's ability to have a carve-out program with special tax treatment in direct competition with private business is counter to the central tenets of deregulation. It can have no other effect than to distort market forces and hamper further innovation for the marketplace as a whole.

S.B. 736 removes the ability for GLO to compete in the competitive retail electric market. (Original Author's/Sponsor's Statement of Intent)

S.B. 736 amends current law relating to a report on the sale of retail electric power by the General Land Office.

### **RULEMAKING AUTHORITY**

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

### **SECTION BY SECTION ANALYSIS**

SECTION 1. (a) Requires the Texas General Land Office (GLO) to collect information on the sale of electric power by GLO.

(b) Requires GLO, not later than September 1, 2018, to provide to the legislature a report on the information collected under Subsection (a) and requires that the report include the following information for each year:

(1) number of participants;

(2) aggregate rates;

(3) general contract terms; and

(4) the extent of any fiscal impact on state resources of administering the program.

SECTION 2. Effective date: September 1, 2017.