

BILL ANALYSIS

Senate Research Center
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S.B. 1393
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Intergovernmental Relations
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Public Property Finance Act currently allows governmental entities to finance purchases of personal property, but not real property. Uncertainty as to whether electricity meets the definition of personal property has caused the attorney general to reject contracts by political subdivisions wishing to issue debt to pay for their long-term electricity needs. As a result, political subdivisions seeking such contracts may be required to seek a bond validation suit, which can be prohibitively expensive.

S.B. 1393 amends the definition of personal property in the Local Government Code to include electricity purchased by a governmental body for its own needs. This will help bring stability to municipal electric prices because local governments, using their bond authority, would be able to purchase a fixed amount of energy at a lower borrowing cost than would otherwise be possible. Under these contracts, cities would be able to purchase electricity using low-cost financing, thus saving taxpayer money and giving political subdivisions another option for securing a stable supply of needed electricity.

As proposed, S.B. 1393 amends current law relating to the use of contracts by local governments to purchase electricity.

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. Amends Section 271.003(8), Local Government Code, to provide that the term "personal property" includes electricity.

SECTION 2. Effective date: upon passage or September 1, 2011.