

SUBJECT: Providing school districts with a new option to purchase electricity

COMMITTEE: Public Education — favorable, without amendment

VOTE: 5 ayes — Grusendorf, Branch, Eissler, Griggs, Hochberg

0 nays

4 absent — Oliveira, Dawson, Dutton, Madden

SENATE VOTE: On final passage, May 5 — voice vote

WITNESSES: *(On House companion bill, HB 2528:)*

For — Cathy Douglass, Texas Association of School Boards; David Thompson, Texas Association of School Administrators

Against — None

BACKGROUND: Education Code, sec. 44.031(a) specifies nine methods, such as competitive bidding or an interlocal contract, by which a school district can enter into a contract worth \$25,000 or more for one year, except for contracts to buy produce or vehicle fuel. Local Government Code, sec. 304.001 allows political subdivisions to band together to form a political subdivision corporation to act as an agent in negotiating the purchase of electricity.

In Opinion No. JC-0492 (April 2002), Attorney General John Cornyn concluded that a school district could not join a political subdivision corporation for the purchase of electricity because Education Code, sec. 44.031(a) does not include that option among the exclusive list of methods by which a school district may enter into a contract worth \$25,000 or more.

DIGEST: SB 687 would add formation of a political subdivision corporation to the list of methods by which a school district could enter into a one-year contract worth \$25,000 or more. It also would amend Local Government Code, sec. 304.001 by adding school districts to the list of entities considered to be political subdivisions.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2003.

**SUPPORTERS
SAY:**

SB 687 would allow a school district to join a political subdivision corporation for the purchase of electricity. Such an approach would result in lower electricity rates for the school district. By combining the purchasing power of a number of public entities, a political subdivision corporation negotiates better electricity rates for its members than they could obtain independently. Currently, an attorney general opinion prevents school districts from joining political subdivision corporations. SB 687 would make it clear that a school district could join such a corporation, enabling schools to share in the benefits of a competitive electricity market.

**OPPONENTS
SAY:**

No apparent opposition.

NOTES:

The companion bill, HB 2528 by Madden, passed the House on May 9 and was reported favorably, without amendment, by the Senate Business and Commerce Committee on May 21.