



Office of Senator Willis E. Blackshear Jr.
State Senator

Thank you Chair Wilson, Vice Chair Lang, Ranking Member Craig and members of the Financial Institutions, Insurance and Technology Committee for allowing us to submit sponsor testimony on SB 79.

INTRO/General

SB 79 bans the use of price-fixing algorithms, an increasing problem with modern technology and artificial intelligence. Price fixing is already illegal under state and federal law. This bill makes the important clarification that price-fixing algorithms are also unlawful and adds additional oversight to the use of pricing algorithms in general.

This bill will have positive effects on consumers. Currently companies have a range of tools that they can use to help them determine the best rate to offer their products and services in the market. Any well-run business understands how their products and services compare to their competitors in a given industry. Issues can arise however, when companies have direct access to private information about their competitors and use a roundabout way of colluding with competitors to raise prices. This comes in the form of pricing algorithms that use non-public competitor data.

Rental Industry

One specific industry in which we see considerable price fixing and the use of algorithms is the apartment rental industry. The companies that own apartment complexes often contract with the same software companies to determine optimal rates to charge tenants. This leads to landlords within the same geographical area using data to effectively fix prices and raise rates on consumers. A recent White House report that released in Decemberⁱ showed that pricing algorithms can add an average of \$70 per month to the cost of rent in algorithm-utilizing buildings. That same study also found that several major



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Metropolitan areas nationwide had over 30% of landlords utilizing the same rental pricing software. This creates a ripple effect as even the landlords that don't utilize pricing algorithms may be inclined to raise their prices if a high concentration of other landlords in the same city raise their prices.

AI

The use of Artificial Intelligence has also exacerbated this issue. Now getting access to algorithms that are capable of processing market and pricing data is easier than ever. Furthermore, the expanded use of AI technology and the popularity of common AI models makes it increasingly likely that 2 companies or individuals can use the same software to formulate prices for their businesses. We need to resolve this issue by clarifying the prohibition of price-fixing algorithms in our state to stop this practice from continuing.

INFLATION

When our constituents talk to us about the effects of inflation- this bill is one way we can combat that. There is certainly a portion of the inflation we have experienced over the last several years that is attributable to market-related factors. But we cannot deny that uncompetitive market factors have played a large role in the increased cost of goods and services.

USE OF ALGORITHMS ALTOGETHER

This bill also requires companies with greater than \$5 million in gross receipts to include a disclosure if they use a pricing algorithm. This provision will increase transparency, and help consumers, employees and contractors alike become aware of the usage of pricing algorithms in their everyday transactions.



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CLOSING

If multiple companies in an industry use the same or similar pricing algorithms it can create the effect of a cartel. Companies drive up prices for consumers while giving a false impression of a normal competitive market. By eliminating the practice of using pricing algorithms with non-public competitor data we will limit the market concentration in numerous industries and even the playing field for consumers.

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ⁱ <https://bidenwhitehouse.archives.gov/cea/written-materials/2024/12/17/the-cost-of-anticompetitive-pricing-algorithms-in-rental-housing/>