

AN ACT

relating to the functions and operation of the State Office of Administrative Hearings.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 2001.058, Government Code, is amended by adding Subsection (d-1) to read as follows:

(d-1) On making a finding that a party to a contested case has defaulted under the rules of the State Office of Administrative Hearings, the administrative law judge may dismiss the case from the docket of the State Office of Administrative Hearings and remand it to the referring agency for informal disposition under Section 2001.056. After the case is dismissed and remanded, the agency may informally dispose of the case by applying its own rules or the procedural rules of the State Office of Administrative Hearings relating to default proceedings. This subsection does not apply to a contested case in which the administrative law judge is authorized to render a final decision.

SECTION 2. Section 2003.023, Government Code, is amended to read as follows:

Sec. 2003.023. SUNSET PROVISION. The State Office of Administrative Hearings is subject to review under Chapter 325 (Texas Sunset Act), but is not abolished under that chapter. The office shall be reviewed during the periods in which state agencies abolished in 2027 [~~2015~~] and every 12th year after 2027 [~~2015~~] are

1 reviewed.

2 SECTION 3. Section 2003.024, Government Code, is amended by  
3 amending Subsections (a), (a-2), (c), and (d) and adding Subsection  
4 (a-3) to read as follows:

5 (a) If a state agency referred matters to the office during  
6 any of the three most recent state fiscal years for which complete  
7 information about the agency's hourly usage is available and the  
8 costs to the office of conducting hearings and alternative dispute  
9 resolution procedures for the state agency are not to be paid by  
10 appropriations to the office during a state fiscal biennium, the  
11 office and the agency shall enter into an interagency contract for  
12 the biennium under which the referring agency pays the office  
13 either a lump-sum amount~~[,]~~ at the start of each fiscal year of the  
14 biennium or a fixed amount at the start of each fiscal quarter of  
15 the biennium for all services provided to the agency~~[, a lump-sum~~  
16 ~~amount to cover the costs of conducting all hearings and~~  
17 ~~procedures]~~ during the fiscal year. The office shall report to the  
18 Legislative Budget Board any agency that fails to make a timely  
19 payment under the contract. The lump-sum or quarterly amount paid  
20 to the office under the contract must be based on:

21 (1) an hourly rate that is set by the office:  
22 (A) in an amount that sufficiently covers the  
23 office's full costs in providing services to the agency, including  
24 costs for items listed in Subsection (c)(2); and

25 (B) in time for the rate to be reviewed by the  
26 legislature, as part of the legislature's review of the office's  
27 legislative appropriations request for the biennium, in

1 determining the office's legislative appropriations for the  
2 biennium; and

3 (2) the anticipated hourly usage of the office's  
4 services by the referring agency for each fiscal year of the  
5 biennium, as estimated by the office under Subsection (a-1).

6 (a-2) The office, for a contract entered into as provided by  
7 Subsection (a) under which a quarterly amount is paid by the  
8 referring agency to the office, shall:

9 (1) track the agency's actual hourly usage of the  
10 office's services during each fiscal quarter; and

11 (2) forecast, after each fiscal quarter, the agency's  
12 anticipated hourly usage for the rest of the fiscal year.

13 (a-3) If a state agency did not refer matters to the office  
14 during any of the three state fiscal years preceding a state fiscal  
15 biennium for which complete information about the agency's hourly  
16 usage would have been available and did not provide information to  
17 the office sufficient for the office to reasonably and timely  
18 estimate anticipated usage and enter into a contract with the  
19 agency before the start of the state fiscal biennium, and the costs  
20 to the office of conducting hearings and alternative dispute  
21 resolution procedures for the state agency are not paid by  
22 appropriations to the office for the state fiscal biennium, the  
23 referring agency shall pay the office the costs of conducting  
24 hearings or procedures for the agency based on the hourly rate that  
25 is set by the office under Subsection (a) and on the agency's actual  
26 usage of the office's services.

27 (c) Each state fiscal biennium, the office as part of its

1 legislative appropriation request shall file:

2 (1) information, as estimated under Subsection (a-1),  
3 related to the anticipated hourly usage of each state agency that  
4 refers matters to the office for which the costs of hearings and  
5 alternative dispute resolution procedures are anticipated to be  
6 paid by appropriations to the office; and

7 (2) an estimate of its hourly costs in conducting each  
8 type of hearing or dispute resolution procedure [~~. The office shall~~  
9 ~~estimate the hourly cost~~] based on the average cost per hour during  
10 the preceding state fiscal year of:

11 (A) the salaries of its administrative law  
12 judges;

13 (B) the travel expenses, hearing costs, and  
14 telephone charges directly related to the conduct of a hearing or  
15 procedure; and

16 (C) the administrative costs of the office,  
17 including docketing costs [~~and the administrative costs of the~~  
18 ~~division of the office that conducts the hearing or procedure~~].

19 (d) This section does not apply to hearings conducted:

20 (1) under Section 2003.047 or 2003.049 [~~by the natural~~  
21 ~~resource conservation division or the utility division~~]; or

22 (2) under the administrative license revocation  
23 program.

24 SECTION 4. Subchapter B, Chapter 2003, Government Code, is  
25 amended by adding Section 2003.025 to read as follows:

26 Sec. 2003.025. REQUIRED INFORMATION REGARDING ANTICIPATED  
27 HOURLY USAGE. (a) This section applies to a state agency that has

1 entered into a contract with the office for the conduct of hearings  
2 and alternative dispute resolution procedures for the agency,  
3 including a contract under Section 2003.024, 2003.048, 2003.049, or  
4 2003.105, during any of the three most recent state fiscal years.

5 (b) On a date determined by the office before the beginning  
6 of each state fiscal biennium, a state agency to which this section  
7 applies shall submit to the office and the Legislative Budget Board  
8 information regarding the agency's anticipated hourly usage of the  
9 office's services for each fiscal year of that biennium.

10 SECTION 5. Section 2003.0421(c), Government Code, is  
11 amended to read as follows:

12 (c) This section applies to any contested case hearing  
13 conducted by the office, except hearings conducted on behalf of the  
14 Texas [~~Natural Resource Conservation~~] Commission on Environmental  
15 Quality or the Public Utility Commission of Texas which are  
16 governed by Sections 2003.047 and 2003.049.

17 SECTION 6. The heading to Section 2003.047, Government  
18 Code, is amended to read as follows:

19 Sec. 2003.047. HEARINGS FOR TEXAS COMMISSION ON  
20 ENVIRONMENTAL QUALITY [~~NATURAL RESOURCE CONSERVATION DIVISION~~].

21 SECTION 7. Sections 2003.047(a), (b), and (c), Government  
22 Code, are amended to read as follows:

23 (a) The office shall [~~establish a natural resource~~  
24 ~~conservation division to~~] perform [~~the~~] contested case hearings for  
25 the Texas [~~Natural Resource Conservation~~] Commission on  
26 Environmental Quality.

27 (b) The office [~~division~~] shall conduct hearings relating

1 to contested cases before the commission, other than a hearing  
2 conducted by one or more commissioners. The commission by rule may  
3 delegate to the office [~~division~~] the responsibility to hear any  
4 other matter before the commission if consistent with the  
5 responsibilities of the office [~~division~~].

6 (c) [~~Only an administrative law judge in the division may~~  
7 ~~conduct a hearing on behalf of the commission. An administrative~~  
8 ~~law judge in the division may conduct hearings for other state~~  
9 ~~agencies as time allows.] The office may [~~transfer an~~  
10 ~~administrative law judge to the division on a permanent or~~  
11 ~~temporary basis and may~~] contract with qualified individuals to  
12 serve as temporary administrative law judges as necessary.~~

13 SECTION 8. Section 2003.048, Government Code, is amended to  
14 read as follows:

15 Sec. 2003.048. TEXAS [~~NATURAL RESOURCE CONSERVATION~~]  
16 COMMISSION ON ENVIRONMENTAL QUALITY HEARINGS FEE. The office shall  
17 charge the Texas [~~Natural Resource Conservation~~] Commission on  
18 Environmental Quality a fixed annual fee rather than an hourly rate  
19 for services rendered by the office to the commission. The amount  
20 of the fee may not be less than the amount appropriated to the Texas  
21 [~~Natural Resource Conservation~~] Commission on Environmental  
22 Quality in the General Appropriations Act for payment to the office  
23 [~~natural resource conservation division~~] to conduct commission  
24 hearings. The amount of the fee shall be based on the costs of  
25 conducting the hearings, the costs of travel expenses and telephone  
26 charges directly related to the hearings, docketing costs, and  
27 other applicable administrative costs of the office [~~including the~~

1 ~~administrative costs of the natural resource conservation~~  
2 ~~division].~~ The office and the Texas [~~Natural Resource~~  
3 ~~Conservation]~~ Commission on Environmental Quality shall negotiate  
4 the amount of the fixed fee biennially, subject to the approval of  
5 the governor, to coincide with the commission's legislative  
6 appropriations request.

7 SECTION 9. The heading to Section 2003.049, Government  
8 Code, is amended to read as follows:

9 Sec. 2003.049. UTILITY HEARINGS [~~DIVISION~~].

10 SECTION 10. Sections 2003.049(a), (b), and (c), Government  
11 Code, are amended to read as follows:

12 (a) The office shall [~~establish a utility division to~~  
13 perform [~~the~~] contested case hearings for the Public Utility  
14 Commission of Texas as prescribed by the Public Utility Regulatory  
15 Act of 1995 and other applicable law.

16 (b) The office [~~utility division~~] shall conduct hearings  
17 relating to contested cases before the commission, other than a  
18 hearing conducted by one or more commissioners. The commission by  
19 rule may delegate the responsibility to hear any other matter  
20 before the commission if consistent with the duties and  
21 responsibilities of the office [~~division~~].

22 (c) [~~Only an administrative law judge in the utility~~  
23 ~~division may conduct a hearing on behalf of the commission. An~~  
24 ~~administrative law judge in the utility division may conduct~~  
25 ~~hearings for other state agencies as time allows.] The office may~~  
26 [~~transfer an administrative law judge into the division on a~~  
27 ~~temporary or permanent basis and may~~] contract with qualified

1 individuals to serve as temporary administrative law judges as  
2 necessary.

3 SECTION 11. Section 2003.051, Government Code, is amended  
4 to read as follows:

5 Sec. 2003.051. ROLE OF REFERRING AGENCY. (a) Except in  
6 connection with interim appeals of orders or questions certified to  
7 an agency by an administrative law judge, as permitted by law, a  
8 state agency that has referred a matter to the office in which the  
9 office will conduct a hearing may not take any adjudicative action  
10 relating to the matter until the office has issued its proposal for  
11 decision or otherwise concluded its involvement in the matter. The  
12 state agency may exercise its advocacy rights in the matter before  
13 the office in the same manner as any other party.

14 (b) If the office issues a proposal for decision in a matter  
15 referred to the office by a state agency, the referring agency shall  
16 send to the office an electronic copy of the agency's final decision  
17 or order in the matter.

18 SECTION 12. The heading to Subchapter D, Chapter 2003,  
19 Government Code, is amended to read as follows:

20 SUBCHAPTER D. TAX HEARINGS [~~DIVISION~~]

21 SECTION 13. The heading to Section 2003.101, Government  
22 Code, is amended to read as follows:

23 Sec. 2003.101. TAX HEARINGS [~~DIVISION~~].

24 SECTION 14. Sections 2003.101(a), (b), (d), and (i),  
25 Government Code, are amended to read as follows:

26 (a) The office shall [~~establish a tax division to~~] conduct  
27 hearings relating to contested cases involving the collection,



1 receipt, administration, and enforcement of taxes, fees, and other  
2 amounts as prescribed by Section 111.00455, Tax Code.

3 (b) An administrative law judge who presides at a [~~in the~~  
4 tax hearing [~~division~~] is classified as a "master administrative  
5 law judge II." Section 2003.0411 does not apply to this section.

6 (d) To be eligible to preside at a tax [~~division~~] hearing,  
7 an administrative law judge, including a temporary administrative  
8 law judge contracted with under Section 2003.043, must:

9 (1) be a United States citizen;

10 (2) be an attorney in good standing with the State Bar  
11 of Texas;

12 (3) have been licensed in this state to practice law  
13 for at least seven years; and

14 (4) have substantial experience in tax cases in making  
15 the record suitable for administrative review [~~or otherwise, and~~

16 [~~(5) have devoted at least 75 percent of the person's~~  
17 ~~legal practice to Texas state tax law in at least five of the past 10~~  
18 ~~years before the date on which the person begins employment in the~~  
19 ~~tax division].~~

20 (i) For each hearing conducted under this section, an  
21 administrative law judge [~~in the tax division~~] shall issue a  
22 proposal for decision that includes findings of fact and  
23 conclusions of law. In addition, the proposal for decision must  
24 include the legal reasoning and other analysis considered by the  
25 judge in reaching the decision. Each finding of fact or conclusion  
26 of law made by the judge must be:

27 (1) independent and impartial; and

1           (2) based on state law and the evidence presented at  
2 the hearing.

3           SECTION 15. Sections [2003.103](#)(a) and (b), Government Code,  
4 are amended to read as follows:

5           (a) The office [~~tax division~~] shall conduct all hearings  
6 under this subchapter in a timely manner.

7           (b) The office [~~tax division~~] shall use every reasonable  
8 means to expedite a case under this subchapter when the comptroller  
9 requests that the office [~~division~~] expedite the case.

10          SECTION 16. The heading to Section [2003.104](#), Government  
11 Code, is amended to read as follows:

12          Sec. 2003.104. CONFIDENTIALITY OF TAX HEARING [~~DIVISION~~]  
13 INFORMATION.

14          SECTION 17. The heading to Section [2003.105](#), Government  
15 Code, is amended to read as follows:

16          Sec. 2003.105. TAX [~~DIVISION~~] HEARINGS FEE.

17          SECTION 18. Section [2003.109](#), Government Code, is amended  
18 to read as follows:

19          Sec. 2003.109. RULES; EARLY REFERRAL. (a) The comptroller  
20 may adopt rules to provide for the referral to the office [~~tax~~  
21 ~~division~~] of issues related to a case described by Section  
22 [111.00455](#), Tax Code, to resolve a procedural or other preliminary  
23 dispute between the comptroller and a party.

24          (b) After a referral under this section, the office [~~tax~~  
25 ~~division~~] shall docket the case and assign an administrative law  
26 judge under Section [2003.101](#). If additional proceedings are  
27 required after the consideration of the procedural or other

1 preliminary dispute, the office [~~tax division~~] shall appoint the  
2 same administrative law judge to hear the case.

3 SECTION 19. The heading to Section 111.00455, Tax Code, is  
4 amended to read as follows:

5 Sec. 111.00455. CONTESTED CASES CONDUCTED BY [~~TAX DIVISION~~  
6 ~~OF~~] STATE OFFICE OF ADMINISTRATIVE HEARINGS.

7 SECTION 20. Sections 111.00455(a) and (c), Tax Code, are  
8 amended to read as follows:

9 (a) The [~~tax division of the~~] State Office of Administrative  
10 Hearings shall conduct any contested case hearing as provided by  
11 Section 2003.101, Government Code, in relation to the collection,  
12 receipt, administration, and enforcement of:

- 13 (1) a tax imposed under this title; and  
14 (2) any other tax, fee, or other amount that the  
15 comptroller is required to collect, receive, administer, or enforce  
16 under a law not included in this title.

17 (c) A reference in law to the comptroller that relates to  
18 the performance of a contested case hearing described by Subsection  
19 (a) means the [~~tax division of the~~] State Office of Administrative  
20 Hearings.

21 SECTION 21. Section 524.032(b), Transportation Code, is  
22 amended to read as follows:

23 (b) A hearing shall be rescheduled if, before the fifth day  
24 before the date scheduled for the hearing, [~~the department~~  
25 ~~receives~~] a request for a continuance from the person who requested  
26 the hearing is received in accordance with the memorandum of  
27 understanding adopted under Section 524.033(c). Unless both

1 parties agree otherwise, the hearing shall be rescheduled for a  
2 date not earlier than the fifth day after the date [~~the department~~  
3 ~~receives~~] the request for [~~the~~] continuance is received.

4 SECTION 22. Section 524.033, Transportation Code, is  
5 amended by adding Subsections (c) and (d) to read as follows:

6 (c) The department and chief administrative law judge of the  
7 State Office of Administrative Hearings shall adopt and at least  
8 biennially update a memorandum of understanding establishing that  
9 the State Office of Administrative Hearings has primary scheduling  
10 responsibility for a hearing under this subchapter. The memorandum  
11 of understanding must, at a minimum:

12 (1) set out the roles and responsibilities of the  
13 State Office of Administrative Hearings and the department in  
14 scheduling a hearing under this subchapter, including which agency  
15 is responsible for scheduling each stage of a hearing;

16 (2) ensure that the State Office of Administrative  
17 Hearings and the department have timely access to scheduling and  
18 continuance information; and

19 (3) provide for the transfer of funding for department  
20 employees responsible for scheduling hearings under this  
21 subchapter from the department to the State Office of  
22 Administrative Hearings when the State Office of Administrative  
23 Hearings assumes responsibility for initial scheduling of hearings  
24 under this subchapter.

25 (d) The State Office of Administrative Hearings and the  
26 department shall consult with the Department of Information  
27 Resources and the Office of Court Administration of the Texas

1 Judicial System in developing any information technology solutions  
2 needed to complete the transfer of scheduling responsibilities, as  
3 outlined in the memorandum of understanding adopted under  
4 Subsection (c).

5 SECTION 23. Section 14.052(a), Utilities Code, is amended  
6 to read as follows:

7 (a) The commission shall adopt and enforce rules governing  
8 practice and procedure before the commission and, as applicable,  
9 practice and procedure before the [~~utility division of the~~] State  
10 Office of Administrative Hearings.

11 SECTION 24. Sections 14.053(a) and (b), Utilities Code, are  
12 amended to read as follows:

13 (a) The [~~utility division of the~~] State Office of  
14 Administrative Hearings shall conduct each hearing in a contested  
15 case that is not conducted by one or more commissioners.

16 (b) The commission may delegate to the [~~utility division of~~  
17 ~~the~~] State Office of Administrative Hearings the authority to make  
18 a final decision and to issue findings of fact, conclusions of law,  
19 and other necessary orders in a proceeding in which there is not a  
20 contested issue of fact or law.

21 SECTION 25. Sections 102.006(a), (b), (c), and (e),  
22 Utilities Code, are amended to read as follows:

23 (a) The railroad commission by rule shall provide for  
24 administrative hearings in contested cases to be conducted by one  
25 or more members of the railroad commission, by railroad commission  
26 hearings examiners, or by the [~~utility division of the~~] State  
27 Office of Administrative Hearings. The rules must provide for a

1 railroad commission hearings examiner or the [~~utility division of~~  
2 ~~the~~] State Office of Administrative Hearings to conduct each  
3 hearing in a contested case that is not conducted by one or more  
4 members of the railroad commission. A hearing must be conducted in  
5 accordance with the rules and procedures adopted by the railroad  
6 commission.

7 (b) The railroad commission may delegate to a railroad  
8 commission hearings examiner or to the [~~utility division of the~~]  
9 State Office of Administrative Hearings the authority to make a  
10 final decision and to issue findings of fact, conclusions of law,  
11 and other necessary orders in a proceeding in which there is not a  
12 contested issue of fact or law.

13 (c) The railroad commission by rule shall define the  
14 procedures by which it delegates final decision-making authority  
15 under Subsection (b) to a railroad commission hearings examiner or  
16 to the [~~utility division of the~~] State Office of Administrative  
17 Hearings.

18 (e) The State Office of Administrative Hearings shall  
19 charge the railroad commission a fixed annual rate for hearings  
20 conducted by the office under this section only if the legislature  
21 appropriates money for that purpose. If the legislature does not  
22 appropriate money for the payment of a fixed annual rate under this  
23 section, the State Office of Administrative Hearings shall charge  
24 the railroad commission an hourly rate set by the office under  
25 Section 2003.024(a), Government Code, [~~of not more than \$90 per~~  
26 ~~hour]~~ for hearings conducted by the office under this section.

27 SECTION 26. The following provisions of the Government Code

1 are repealed:

- 2 (1) Sections 2003.049(k) and (l);
- 3 (2) Section 2003.101(c);
- 4 (3) Section 2003.102;
- 5 (4) Section 2003.106; and
- 6 (5) Section 2003.107.

7 SECTION 27. (a) Section 2001.058(d-1), Government Code, as  
8 added by this Act, applies only to a hearing conducted by the State  
9 Office of Administrative Hearings on or after September 1, 2015.

10 (b) The State Office of Administrative Hearings shall  
11 develop and submit a legislative appropriations request in  
12 accordance with Section 2003.024, Government Code, as amended by  
13 this Act, beginning with the office's legislative appropriations  
14 request for the 2018-2019 state fiscal biennium.

15 (c) Section 2003.024, Government Code, as amended by this  
16 Act, applies only to a contract entered into on or after the  
17 effective date of this Act. A contract entered into before that  
18 date is governed by the law in effect immediately before the  
19 effective date of this Act, and the former law is continued in  
20 effect for that purpose.

21 (d) Not later than September 1, 2016, the Department of  
22 Public Safety and the chief administrative law judge of the State  
23 Office of Administrative Hearings shall adopt an initial memorandum  
24 of understanding under Section 524.033(c), Transportation Code, as  
25 added by this Act.

26 SECTION 28. (a) Except as provided by Subsection (b) of this  
27 section, this Act takes effect September 1, 2015.

H.B. No. 2154

1           (b) Section [524.032\(b\)](#), Transportation Code, as amended by  
2 this Act, takes effect September 1, 2016.



---

President of the Senate

---

Speaker of the House

I certify that H.B. No. 2154 was passed by the House on April 29, 2015, by the following vote: Yeas 136, Nays 3, 1 present, not voting; and that the House concurred in Senate amendments to H.B. No. 2154 on May 19, 2015, by the following vote: Yeas 139, Nays 5, 2 present, not voting.

---

Chief Clerk of the House

I certify that H.B. No. 2154 was passed by the Senate, with amendments, on May 13, 2015, by the following vote: Yeas 31, Nays 0.

---

Secretary of the Senate

APPROVED: \_\_\_\_\_

Date

---

Governor