

BILL ANALYSIS

C.S.H.B. 1473
By: Middleton
County Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

It has been suggested that the current ethics disclosure requirements for local government officers regarding business relationships with vendors contain major loopholes, particularly with regard to familial relationships with vendors and the consideration of investment income. There are concerns that these loopholes undermine the effectiveness of the disclosure requirements and undercut the transparency vital to gaining and keeping the public's trust in local government. C.S.H.B. 1473 seeks to help close these loopholes by expanding the types of business relationships subject to reporting requirements for local government officers.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 1473 amends the Local Government Code to include the following conditions among those triggering the requirement that a local government officer file a conflicts disclosure statement with respect to a vendor entering or seeking to enter into a contract with a local governmental entity:

- the vendor having an employment or other business relationship with a business entity in which the officer or a family member of the officer holds an ownership interest or is an employee that results in the entity receiving taxable income, including investment income, that exceeds \$2,500 in a specified 12-month period;
- the vendor having an employment or other business relationship with the officer, a family member of the officer, or a business entity in which the officer or a family member of the officer holds an ownership interest or is an employee that the officer anticipates will result in the officer, family member, or business entity receiving any amount of taxable income, including investment income, in the future; or
- the vendor having given to a business entity in which the officer or a family member of the officer holds an ownership interest or is an employee one or more gifts that have an aggregate value of more than \$100 in a specified 12-month period.

C.S.H.B. 1473 revises the condition triggering the requirement that a local government officer file a disclosure statement with respect to a vendor on the basis of the vendor having an employment or other business relationship with the officer or a family member of the officer to include consideration of investment income in determining if the relationship meets the

minimum taxable income threshold. The bill revises the required contents of the conflicts disclosure statement adopted by the Texas Ethics Commission (TEC) for use by local government officers and requires the TEC to adopt a disclosure statement consistent with those revisions not later than December 1, 2019.

C.S.H.B. 1473 includes the following conditions among those triggering the requirement that a vendor file a completed conflict of interest questionnaire:

- the vendor having a business relationship with a local governmental entity and having an employment or other business relationship with a business entity in which the local government officer or a family member of the officer holds an ownership interest or is an employee; or
- the vendor having a business relationship with a local government entity and having given that entity one or more gifts with a specified minimum aggregate value.

The bill revises the information that the questionnaire must require of the vendor filing the questionnaire with the TEC and requires the TEC to adopt a questionnaire consistent with those revisions not later than December 1, 2019.

C.S.H.B. 1473 with regard to applicable definitions:

- redefines "agent" to include a subcontractor;
- removes a provision excluding from the term "business relationship" a connection based on certain transactions;
- redefines "investment income" to include certain income generated from a trust and to exclude from an applicable personal or business investment an investment in a mutual fund or a publicly traded company with a market capitalization of \$2 billion or more; and
- expands the definition of "family member" to include a person related within the third degree by consanguinity or the second degree by affinity.

The bill applies only to an event requiring disclosure that occurs on or after January 1, 2020.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2019.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 1473 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute includes a provision redefining "family member."