

By: Miles

S.B. No. 2019

A BILL TO BE ENTITLED

AN ACT

relating to requiring female representation on the governing authorities of certain business entities; authorizing an administrative penalty.

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

SECTION 1. Chapter 3, Business Organizations Code, is amended by adding Subchapter C-1 to read as follows:

SUBCHAPTER C-1. COMPOSITION OF GOVERNING AUTHORITY FOR CERTAIN  
BUSINESS ENTITIES

Sec. 3.115. DEFINITIONS. (a) In this subchapter:

(1) "Female" means an individual who self-identifies the individual's gender as female.

(2) "Governing authority" has the meaning assigned by Section 1.002.

(3) "Headquarters" means:

(A) with respect to a publicly traded corporation, the location listed on the corporation's most recent Form 10-K filed with the Securities and Exchange Commission; and

(B) with respect to a for-profit entity that is not a publicly traded corporation, the location of the entity's principal office.

(4) "Publicly traded corporation" means a corporation that has a class or series of the corporation's voting shares qualified for trading on a national securities exchange.

1           (5) "Qualifying business" means a for-profit entity  
2 that is formed under the laws of or has its headquarters located in  
3 this state and that is either:

4                   (A) a publicly traded corporation; or

5                   (B) a corporation, limited liability company, or  
6 other business organization, however organized, that generates  
7 annual revenue of more than \$20 million.

8           Sec. 3.116. COMPOSITION OF GOVERNING AUTHORITY FOR CERTAIN  
9 BUSINESS ENTITIES: FEMALE REPRESENTATION REQUIRED. (a) This  
10 section does not apply to a qualifying business that has one owner.

11           (b) A qualifying business must have at least one member on  
12 the business's governing authority who is female.

13           (c) A qualifying business is considered to be in compliance  
14 with Subsection (b) if, for at least six months during a calendar  
15 year, the business has at least one member who is female on the  
16 business's governing authority.

17           Sec. 3.117. NOTICE OF VIOLATION. The secretary of state  
18 shall provide notice of a violation of Section 3.116(b) to each  
19 qualifying business that violates that subsection not later than  
20 January 31 of the year following the calendar year in which the  
21 violation occurred.

22           Sec. 3.118. ADMINISTRATIVE PENALTY FOR VIOLATION OF  
23 GOVERNING AUTHORITY COMPOSITION REQUIREMENTS. (a) Except as  
24 provided by Subsection (d), the secretary of state may impose an  
25 administrative penalty on a qualifying business that violates  
26 Section 3.116(b). The penalty may be in an amount not to exceed  
27 \$100,000 for each violation.

1        (b) The amount of an administrative penalty imposed under  
2 this section must be based on:

- 3                (1) the history of any previous violations;  
4                (2) the amount necessary to deter future violations;  
5 and  
6                (3) efforts to correct the violation.

7        (c) An administrative penalty collected under this section  
8 shall be remitted to the comptroller for deposit in the general  
9 revenue fund.

10        (d) The secretary of state may not impose an administrative  
11 penalty on a qualifying business under this section if the business  
12 has at least one member of the business's governing authority who is  
13 female before the 61st day following the date a notice of violation  
14 under Section 3.117 was provided.

15        Sec. 3.119. PUBLIC REPORT ON COMPLIANCE. Not later than  
16 June 1 of each year, the secretary of state shall publish on the  
17 secretary of state's Internet website a report regarding the  
18 compliance of qualifying businesses with Section 3.116(b) during  
19 the preceding calendar year. The report must include:

20                (1) the number of qualifying businesses that were in  
21 compliance with Section 3.116(b) at any time during the preceding  
22 calendar year; and

23                (2) the number of entities that were subject to the  
24 requirements of that section at any time during the preceding  
25 calendar year but are no longer subject to that section because the  
26 entity is no longer considered a qualifying business.

27        Sec. 3.120. RULES. The secretary of state may adopt rules

necessary to implement this subchapter.

SECTION 2. Section 11.251(b), Business Organizations Code, is amended to read as follows:

(b) The secretary of state may terminate a filing entity's existence if the secretary finds that:

(1) the entity has failed to, and, before the 91st day after the date notice was mailed has not corrected the entity's failure to:

(A) file a report within the period required by law or pay a fee or penalty prescribed by law when due and payable; or

(B) maintain a registered agent or registered office in this state as required by law; ~~or~~

(2) the entity has failed to, and, before the 16th day after the date notice was mailed has not corrected the entity's failure to, pay a fee required in connection with the filing of its certificate of formation, or payment of the fee was dishonored when presented by the state for payment; or

(3) the entity violated Section 3.116(b), and, before the 61st day after the date notice of the violation was provided as required by Section 3.117, the entity has not corrected the entity's failure to comply with Section 3.116(b).

SECTION 3. The secretary of state is required to publish the initial report required by Section 3.119, Business Organizations Code, as added by this Act, not later than June 1, 2021.

SECTION 4. A qualifying business, as defined by Section 3.115, Business Organizations Code, as added by this Act, must

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1   comply with Section 3.116(b), Business Organizations Code, as added  
2   by this Act, beginning with the 2020 calendar year.

3           SECTION 5.   This Act takes effect September 1, 2019.