

## **BILL ANALYSIS**

C.S.H.B. 1065

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Homeland Security, Public Safety & Veterans' Affairs  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Security guard companies are regulated by the Department of Public Safety (DPS) and such companies must register their guards with DPS as employees under the company's license. In order to work legally in Texas, all security guards must work under a company license and are therefore considered employees under DPS rules, Texas Workforce Commission rules, and federal rules. Security guard companies are subject to a number of statutory requirements, including requirements regarding liability insurance coverage, criminal background checks, and training. The bill author has informed the committee that there are security guard companies that circumvent such requirements set by state and federal law by classifying their guards as independent contract labor and that such security guards so classified might not be covered by liability insurance, may have criminal histories, and may have no applicable training. Moreover, the author has informed the committee that companies misclassifying their employees are not collecting payroll taxes for those employees. C.S.H.B. 1065 seeks to address this issue by requiring DPS, during an audit or inspection of a person licensed only as a security services contractor, to inspect the license holder's employment records to confirm that the license holder has not misclassified employees as independent contractors in violation of applicable federal guidelines.

### **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. 1065 amends the Occupations Code to prohibit a person licensed only as a security services contractor under the Private Security Act from intentionally misclassifying an employee as an independent contractor in violation of applicable federal guidelines. The bill requires the Department of Public Safety (DPS), during an audit or inspection of a person licensed only as a security services contractor, to inspect the license holder's employment records to confirm that the license holder has not misclassified employees as independent contractors in violation of applicable federal guidelines. The bill requires DPS, if it determines that the license holder misclassified such an employee, to notify the Texas Workforce Commission (TWC) of that determination. The bill's provisions apply only to an audit or inspection that occurs on or after the bill's effective date.

## **EFFECTIVE DATE**

September 1, 2025.

## **COMPARISON OF INTRODUCED AND SUBSTITUTE**

While C.S.H.B. 1065 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

Whereas the introduced prohibited a company license holder under the Private Security Act from intentionally misclassifying an employee as an independent contractor in violation of applicable federal guidelines, the substitute prohibits a person licensed only as a security services contractor under that act from such a misclassification.

The introduced required DPS, before issuing or renewing a company license under that act, to inspect the applicant's or license holder's employment records to confirm that the applicant or license holder has not misclassified employees as independent contractors in violation of those guidelines, whereas the substitute does the following:

- requires DPS, during an audit or inspection of a person licensed only as a security services contractor, to inspect the license holder's employment records to confirm that the license holder has not misclassified employees as independent contractors in violation of those guidelines; and
- requires DPS, if it determines that the license holder misclassified such an employee, to notify TWC of that determination.

Whereas the introduced established the applicability of its provisions to an application for the issuance or renewal of a company license submitted on or after the bill's effective date, the substitute establishes the applicability of its provisions to an audit or inspection that occurs on or after the bill's effective date.