

## **BILL ANALYSIS**

S.B. 1254  
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Licensing & Administrative Procedures  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Professional employer organizations provide businesses with essential human resource services, including payroll, benefits administration, workers' compensation, and regulatory compliance. The bill sponsor has informed the committee that current law requires the Texas Department of Licensing and Regulation (TDLR) to update the Texas Workforce Commission monthly on the status of professional employer organization licenses but does not clearly define what happens when an organization fails to renew its license on time, with this lack of clarity creating uncertainty about whether the organization remains a co-employer for purposes of unemployment taxes, workers' compensation, and employee benefits and leading to inconsistencies in hearings and enforcement. The bill sponsor has also informed the committee that an inconsistency with respect to a statutory definition of "license holder" has raised questions about late renewals and whether TDLR can accept them. S.B. 1254 seeks to address these issues by revising current law relating to the regulation of professional employer organizations.

### **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**

S.B. 1254 amends the Labor Code to revise statutory provisions regulating professional employer organizations by doing the following:

- with respect to the definition of "license holder," replacing the specification that the term means a person licensed under the applicable provisions to provide professional employer services with the specification that the term means a person who holds a license issued by the Texas Department of Licensing and Regulation (TDLR) to provide such services;
- replacing the requirement for TDLR to renew a license issued under those provisions on receipt of a complete renewal application form and payment of the license renewal fee with a requirement for TDLR to renew such a license in accordance with TDLR governing statutes relating to license requirements and the rules adopted by TDLR;
- establishing that, if a license holder fails to timely apply for license renewal, the license holder's status as employer of a covered employee continues until the expiration of 18 months after the date the license expires; and
- establishing that, if the license holder fails to apply for license renewal before the expiration of the 18th month after the license expiration date, the following occurs:

- the license holder's status as employer of a covered employee terminates; and
- the license holder is subject to disciplinary action if the license holder engages in or offers professional employer services at any time while the license is expired.

S.B. 1254 expands the authorization for TDLR to take disciplinary action against a license holder for certain violations as follows:

- extends that authorization to any person who commits an applicable violation regardless of whether the person holds a license under statutory provisions relating to professional employer organizations; and
- includes engaging in professional employer services or offering to engage in the provision of professional employer services while a person's license is expired, suspended, or inactive among the grounds on which TDLR may take disciplinary action against the person.

The bill specifies that TDLR takes such disciplinary action under TDLR governing statutes relating to administrative penalties.

S.B. 1254 applies only to conduct that occurs on or after the bill's effective date. Conduct that occurs before that date is governed by the law in effect on the date the conduct occurred, and the former law is continued in effect for that purpose.

#### **EFFECTIVE DATE**

September 1, 2025.