

BILL ANALYSIS

Senate Research Center
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S.B. 1254
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Professional employer organizations (PEOs) provide businesses with essential human resource services, including payroll, benefits administration, workers' compensation, and regulatory compliance. Under current law the Texas Department of Licensing and Regulation (TDLR) is required to update the Texas Workforce Commission (TWC) monthly on the status of PEO licenses. Existing statutes, however, do not clearly define what happens when a PEO fails to renew its license on time. This lack of clarity creates uncertainty about whether the PEO remains a co-employer for unemployment taxes, workers' compensation, and employee benefits, leading to inconsistencies in hearings and enforcement.

What's more, the definition of a "license holder" in the Labor Code and the Occupations Code is inconsistent. One defines a license holder as a person who "is" licensed, while the other refers to a person who "holds" a license. This inconsistency raises questions about late renewals and whether TDLR can accept them, creating further regulatory confusion.

S.B. 1254 is a clean-up bill requested by TDLR to resolve these statutory ambiguities. It would provide clear guidelines on the expiration and renewal of PEO licenses, ensuring that if a PEO fails to renew its license on time, its status as a co-employer continues for up to 18 months after expiration. If the license is not renewed within that period, the PEO's license is terminated, and disciplinary actions may be taken. The bill also would align the Labor Code and the Occupations Code to establish a consistent definition of a license holder and clarify the renewal process.

By addressing these gaps, S.B. 1254 would enhance regulatory consistency, provide clear enforcement guidelines for TDLR, and ensure businesses have a predictable framework for compliance.

As proposed, S.B. 1254 amends current law relating to the regulation of professional employer services.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 91.001(11), Labor Code, to redefine "license holder."

SECTION 2 Amends the heading to Section 91.016, Labor Code, to read as follows:

Sec. 91.016. LICENSE ISSUANCE; TERM; EFFECT OF EXPIRATION.

SECTION 3. Amends Section 91.016, Labor Code, by amending Subsection (b) and adding Subsection (d), as follows:

(b) Requires the Texas Department of Licensing and Regulation (TDLR) to renew a license in accordance with Subchapter H (License Requirements), Chapter 51 (Texas Department of Licensing and Regulation), Occupations Code, and the rules adopted by

TDLR. Deletes existing text requiring TDLR to renew a license on receipt of a complete renewal application form and payment of the license renewal fee.

(d) Provides that, notwithstanding any other law, for purposes of Chapter 91 (Professional Employer Organizations), 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. Provides that, if the license holder fails to apply for license renewal before the expiration of the 18th month after the license expiration date, 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.

SECTION 4. Amends Section 91.020, Labor Code, as follows:

Sec. 91.020. GROUNDS FOR DISCIPLINARY ACTION. Authorizes TDLR to take disciplinary action against a person under Subchapter F (Administrative Penalty), Chapter 51, Occupations Code, regardless of whether the person holds a license under this chapter, rather than disciplinary action against a license holder, on any of certain grounds, including engaging in professional employer services or offering to engage in the provision of professional employer services without a license or while the person's license is expired, suspended, or inactive. Makes nonsubstantive changes.

SECTION 5. (a) Makes application of Section 91.016(d), Labor Code, as added by this Act, prospective.

(b) Makes application of Section 91.020, Labor Code, prospective.

SECTION 6. Effective date: September 1, 2025.