

BILL ANALYSIS

Senate Research Center
89R23942 MZM-D

C.S.S.B. 2403
By: Middleton et al.
State Affairs
4/23/2025
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Texas Ethics Commission (TEC) is tasked with promoting transparency and accountability in government by enforcing campaign finance, lobbying, and personal financial disclosure laws. However, over time, concerns have emerged about the commission's procedures for complaint resolution, enforcement actions, and general responsiveness to the public and those it regulates. Critics have pointed to the commission's lack of consistency, outdated notice procedures, vague standards for violations, and limited transparency in how cases are prioritized and resolved. Currently, state law offers few requirements on how the TEC categorizes violations, conducts discovery, or prioritizes complaints. The absence of clear rules has led to lengthy cases and perceived unfairness—particularly for minor or technical infractions that receive disproportionate scrutiny. Additionally, many notices and documents must still be delivered by traditional mail, slowing down processes and increasing administrative burden.

S.B. 2403 addresses these shortcomings by modernizing TEC's operations and codifying fairer, more transparent standards. The bill requires TEC to categorize violations into three tiers—technical (Category One), standard (Category Two), and serious (Category Three)—to ensure proportional handling of complaints. It also mandates a risk-based policy for prioritizing complaints, modernizes notice requirements (allowing for electronic communication), and introduces discovery procedures modeled on civil court rules. Further, S.B. 2403 improves due process by clarifying procedures for preliminary and formal hearings, requiring bipartisan hearing panels, and expanding legal remedies for individuals harmed by improper enforcement actions. These changes ensure the commission operates with greater consistency, transparency, and efficiency while maintaining its core mission of ethical oversight.

By updating procedures and strengthening safeguards for respondents and the public, S.B. 2403 reinforces trust in the ethics system and ensures that TEC's enforcement actions are timely, proportionate, and rooted in fairness.

(Original Author/Sponsor's Statement of Intent)

C.S.S.B. 2403 amends current law relating to the functions and duties of the Texas Ethics Commission.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Texas Ethics Commission in SECTION 10 (Section 571.033, Government Code), SECTION 14 (Section 571.1233, Government Code), SECTION 18 (Section 571.1251, Government Code), and SECTION 20 (Section 571.127, Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 254.036(b), Election Code, to delete existing text creating an exception under Subsection (c).

SECTION 2. Amends Section 254.038(c), Election Code, as follows:

(c) Deletes existing text requiring that a report under Section 254.038 (Special Report Near Election by Certain Candidates and Political Committees) that complies with Section 254.036(a) (relating to certain formatting requirements for each report filed under Chapter 254 (Political Reporting) with an authority other than TEC) be accompanied by an affidavit under Section 254.036(c)(1) (relating to authorizing certain entities to file certain reports if that entity files a certain affidavit with TEC) unless the candidate or committee has submitted an affidavit under Section 254.036(c)(1) with another report filed in connection with the election for which a report is required under this section.

SECTION 3. Amends Section 254.039(a-1), Election Code, to make a conforming change.

SECTION 4. Amends Sections 254.042(a) and (b), Election Code, as follows:

(a) Requires the Texas Ethics Commission (TEC), on making a determination from any available evidence whether a report required to be filed with TEC under this chapter is late, to immediately provide, rather than mail a notice of the determination, to the person required to file the report notice of the determination.

(b) Provides that, if a report under certain sections of the Election Code, rather than a report under those sections or the first report under Section 254.063 (Semiannual Reporting Schedule for Candidate) or 254.123 (Semiannual Reporting Schedule for Committee) that is required to be filed following the primary or general election, is determined to be late, the person required to file the report is liable to the state for a civil penalty of \$500. Provides that, if a report under Section 254.064(c), 254.124(c), or 254.154(c) is determined to be late, the person required to file the report is liable to the state for a civil penalty of \$500 for the first day the report is late and \$100 for each day thereafter that the report is late and continuing only through the day of the election. Requires TEC, if a report is more than 30 days late, to issue a warning of liability, rather than a warning of liability by registered mail, to the person required to file the report. Makes a conforming change.

SECTION 5. Amends Sections 254.157 and 254.158, Election Code, as follows:

Sec. 254.157. MONTHLY REPORTING SCHEDULE. (a) Requires the campaign treasurer of a general-purpose committee filing monthly reports to file a report not later than the 10th, rather than the fifth, day of the month following the period covered by the report. Requires that a report covering the month preceding an election in which the committee is involved be received by the authority with whom the report is required to be filed not later than the 10th, rather than the fifth day of the month following the period covered by the report.

(b) Provides that a monthly report covers the period beginning the first day of each month and continuing through the last day of the month.

Deletes existing text providing that a monthly report covers the period beginning from the 26th day of each month and continuing through the 25th day of the following month, except that the period covered by the first report begins January 1 and continues through January 25.

Sec. 254.158. EXEMPTION TO MONTHLY REPORTING SCHEDULE. Makes a conforming change. Deletes existing text providing that, if the campaign treasurer appointment of a general-purpose committee filing monthly reports is filed after January 1 of the year in which monthly reports are filed, the period covered by the first monthly report begins the day the appointment is filed and continues through the 25th day of the month in which the appointment is filed unless the appointment is filed the 25th or a succeeding day of the month. Deletes existing text providing that, in that case, the period continues through the 25th day of the month following the month in which the appointment is filed.

SECTION 6. Amends Sections 305.033(a) and (c), Government Code, as follows:

(a) Requires TEC, on making a determination that a required registration or report is late, to immediately provide, rather than mail a notice of the determination, to the person responsible for the filing, TEC, and the appropriate attorney for the state notice of the determination. Makes nonsubstantive changes.

(c) Makes a conforming change to this subsection.

SECTION 7. Amends Section 305.034(b), Government Code, as follows:

(b) Requires TEC, if TEC determines that a person has failed to file any required form, statement, or report as required by Chapter 305 (Registration of Lobbyists), to provide to the person written notice of the determination.

Deletes existing text requiring TEC, whenever TEC determines that a person has failed to file any required form, statement, or report as required by this chapter, to send a written statement of this finding to the person involved. Deletes existing text requiring that notice to the person involved be sent by certified mail.

SECTION 8. Amends Section 571.022, Government Code, to require TEC to be reviewed during the periods in which state agencies abolished in 2037, rather than 2013, and every 12th year after that year are reviewed.

SECTION 9. Amends Section 571.0271, Government Code, by amending Subsection (b) and adding Subsection (d), as follows:

(b) Requires that the training program provide the person with information regarding the law governing TEC operations; the programs, functions, rules and budget of TEC; the scope of and limitations on the rulemaking authority of TEC; the results of the most recent formal audit of TEC; the requirements of laws relating to open meetings, public information, administrative procedure, and disclosing conflicts-of-interest, and other laws applicable to members of a state policy-making body in performing their duties; and any applicable ethics policies adopted by TEC.

Deletes existing text requiring that the training program provide the person with certain information. Makes nonsubstantive changes.

(d) Requires the executive director of TEC to create a training manual that includes information required by Subsection (b). Requires the executive director to distribute a copy of the training manual annually to each member of TEC. Requires each member of TEC to sign and submit to the executive director a statement acknowledging that the member received and has reviewed the training manual.

SECTION 10. Amends Subchapter B, Chapter 571, Government Code, by adding Section 571.033, as follows:

Sec. 571.033. METHOD OF PROVIDING NOTICE. (a) Requires TEC by rule to prescribe the method by which TEC will provide a notice required by Chapter 305, Chapter 571 (Texas Ethics Commission), Chapter 572 (Personal Financial Disclosure, Standards of Conduct, and Conflict of Interest), or Title 15 (Regulating Political Funds and Campaigns), Election Code.

(b) Authorizes the method TEC prescribes under Subsection (a) for providing notice to include electronic mail.

SECTION 11. Amends Section 571.064(b), Government Code, as follows:

(b) Requires TEC, if a law, other than Sections 305.005(g) (relating to certain categories of compensation or reimbursement required to be reported) and (g-1) (relating to methodical requirements by which certain compensation or reimbursement is required to

be reported), administered and enforced by TEC sets dollar amounts or categories of amounts as reporting thresholds or if TEC sets those amounts, to decennially, rather than annually, adjust those thresholds in accordance, rather than upward to the nearest multiple of \$10 in accordance, with the percentage increase for the previous year in the Consumer Price Index for Urban Consumers published by the Bureau of Labor Statistics of the United States Department of Labor to the nearest multiple of \$10 if the amount is less than \$100; the nearest multiple of \$100 if the amount is \$100 or more but less than \$10,000; or the nearest multiple of \$1,000 if the amount is \$10,000 or more.

SECTION 12. Amends the heading to Subchapter E, Chapter 571, Government Code, to read as follows:

SUBCHAPTER E. CATEGORIZATION OF VIOLATIONS; COMPLAINT PROCEDURES
AND HEARINGS

SECTION 13. Amends Section 571.1211, Government Code, by amending Subdivisions (2) and (3) to redefine "Category One violation" and "Category Two violation" and adding Subdivision (4) to define "Category Three violation."

SECTION 14. Amends Subchapter E, Chapter 571, Government Code, by adding Sections 571.1213, 571.1232, and 571.1233, as follows

Sec. 571.1213. CATEGORIZATION OF VIOLATIONS. (a) Requires TEC to categorize each violation of law within TEC's jurisdiction as a Category One violation, a Category Two violation, or a Category Three violation. Authorizes a violation of law to be categorized as more than one category of violation. Requires TEC, in determining the category of a violation, to consider, as applicable, the dollar amount at issue for a violation, the timing of the report relative to an election or legislative session, the penalty of any criminal offense associated with a violation, the potential a violation has to conceal evidence of a person's influence over a public official or distort a public disclosure, and any other consideration TEC determines necessary to prevent harm to the public.

(b) Requires TEC to publish on TEC's Internet website the violation categorizations described by Subsection (a).

(c) Requires TEC, before TEC adopts a new violation categorization or changes an existing violation categorization described by Subsection (a), to publish the proposed violation categorization in the Texas Register for a period determined by TEC rule and hold an open meeting to obtain public comment on the proposed violation categorization.

Sec. 571.1232. POLICY ON PRIORITIZING COMPLAINTS. (a) Requires TEC to adopt a written policy on prioritizing the investigation of sworn complaints in accordance with this subchapter based on the risk TEC determines the violation alleged in the complaint poses to public disclosure integrity.

(b) Requires TEC, in adopting the policy, to ensure a sworn complaint is prioritized based on certain criteria.

(c) Requires that the policy TEC adopts under this section include a process for TEC to reprioritize the investigation of a sworn complaint as TEC determines necessary.

(d) Requires TEC to publish on TEC's Internet website the policy TEC adopts under this section and train TEC staff on using the policy in processing sworn complaints.

(e) Requires TEC, before TEC adopts or changes the policy required by this section, to publish the proposed policy in the Texas Register for a period

determined by TEC rule and hold an open meeting to obtain public comment on the proposed policy.

Sec. 571.1233. DISCOVERY REQUIREMENTS. Requires TEC to adopt rules that prescribe the procedure required of TEC staff and respondents to agree to a discovery control plan to conduct discovery in connection with a sworn complaint. Requires that the rules outline a period during which all discovery be completed and set appropriate limits to the amount of discovery that is authorized to be requested and comply with the Texas Rules of Civil Procedure, except that TEC is required to determine the level of discovery under Rule 190, Texas Rules of Civil Procedure, appropriate for the category of the violation alleged in a complaint and the policies TEC adopts under Section 571.1232 on prioritizing the investigation of complaints.

SECTION 15. Amends Section 571.124(e), Government Code, as follows:

(e) Requires that the notice under Section 571.123(b) (relating to requiring TEC to attempt to contact a respondent of a certain complaint), if the executive director determines that TEC has jurisdiction, include certain statements, including a statement of whether the complaint will be processed as a Category One violation, a Category Two violation, or a Category Three violation, rather than a Category One violation or a Category Two violation, subject to reconsideration as provided for by Section 571.1212 (Categorization of Violations). Makes a nonsubstantive change.

SECTION 16. Amends Section 571.1242(a), Government Code, to require a respondent, rather than to require the respondent, if the alleged violation is a Category One violation, to respond to the notice required by Section 571.123(b) not later than the 30th, rather than the 10th, business day after the date the respondent receives the notice.

SECTION 17. Amends Section 571.1244, Government Code, to require that procedures include certain criteria, including a deadline on the convening of a panel to conduct a preliminary review hearing and to make nonsubstantive changes.

SECTION 18. Amends Sections 571.125(a), (b), (d), and (e), Government Code, as follows:

(a) Requires a panel of two TEC members selected in accordance with Section 571.1251 to conduct a preliminary review hearing if following the preliminary review, the respondent rejects the resolution proposed by TEC staff of the complaint or motion or the respondent in writing requests a hearing.

Deletes existing text requiring TEC to conduct a preliminary review hearing if, following the preliminary review, TEC and the respondent cannot agree to the disposition of the complaint or motion.

(b) Requires TEC to provide to the complainant, if any, and the respondent written notice that includes the date, time, and place the panel will conduct the preliminary review hearing and a statement that if TEC orders a formal hearing because the complaint could not be resolved and settled as a result of the preliminary review hearing, the formal hearing is authorized to result in a higher sanction than the one the panel proposes for the preliminary review hearing.

Deletes existing text requiring TEC to provide written notice to the complainant, if any, and the respondent of the date, time, and place TEC will conduct the preliminary review hearing. Makes nonsubstantive changes.

(d)-(e) Makes conforming changes to these subsections.

SECTION 19. Amends Subchapter E, Chapter 571, Government Code, by adding Section 571.1251, as follows:

Sec. 571.1251. SELECTION OF PANEL TO CONDUCT PRELIMINARY REVIEW HEARING. Requires TEC to adopt rules for the selection of TEC members to serve on panels to conduct preliminary review hearings. Requires that the rules ensure that a panel is composed of two TEC members selected on a rotating basis and each member of the panel is a member of a different political party.

SECTION 20. Amends Section 571.126, Government Code, as follows:

Sec. 571.126. PRELIMINARY REVIEW HEARING: RESOLUTION. (a) Requires the panel, except as provided by Subsection (e), as soon as practicable after the completion of a preliminary review hearing, by vote to issue a decision stating whether there is credible evidence for the panel to determine that a violation within the jurisdiction of TEC has occurred and whether the violation is a Category One violation, rather than technical or de minimis, or that there is insufficient evidence for the panel to determine whether a violation within the jurisdiction of TEC has occurred. Makes conforming and nonsubstantive changes.

(b) Requires the panel, if the panel determines that there is credible evidence for the panel to determine that a violation within TEC's jurisdiction has occurred, to propose to the respondent a resolution to resolve and settle the complaint or motion to the extent possible. Requires TEC, if the panel successfully resolves and settles the complaint or motion, not later than the fifth business day after the date the respondent accepts the proposed resolution, rather than the fifth business day after the date of the final resolution of the complaint or motion, to provide, rather than send, to the complainant, if any, and the respondent a copy of the decision stating the panel's determination and written notice of the resolution and the terms of the resolution. Requires the panel, if the panel is unsuccessful in resolving and settling the complaint or motion, to order a formal hearing to be held in accordance with Sections 571.127 through 571.132 (Formal Hearing: Resolution), rather than Sections 571.129 (Formal Hearing: Standard of Evidence) through 571.132, and not later than the fifth business day after the date the panel determines that there is credible evidence to determine that a violation has occurred or the date the respondent rejects the panel's proposed resolution, rather than the fifth business day after the date of the decision, send to the complainant, if any, and the respondent certain information. Makes conforming changes.

(c) Provides that, if the panel determines that there is credible evidence to determine that a violation within the jurisdiction of TEC has not occurred, the panel is required to dismiss the complaint or motion and TEC is required to not later than the fifth business day after the date of the dismissal, send to the complainant, if any, and the respondent a copy of the decision stating the panel's determination and written notice of the dismissal and the grounds for dismissal. Makes conforming changes.

(d) Authorizes the panel, if the panel determines that there is insufficient credible evidence to determine that a violation within the jurisdiction of TEC has occurred, to dismiss the complaint or motion or promptly order, rather than conduct, a formal hearing to be held under Sections 571.127 through 571.132. Makes conforming changes.

(e) Requires the panel, if, because of a tie vote, the panel cannot issue a decision under Subsection (a), to order a formal hearing to be held under Sections 571.127 through 571.132. Requires TEC, not later than the fifth business day after the date of the vote, to notify the complainant, if any, and the respondent of the date, time, and place of the hearing.

(f) Requires the panel, except as provided by other law or TEC rule, if the respondent accepts the proposed resolution under Subsection (b), to submit the proposed resolution to TEC for approval.

(g) Provides that a TEC member that serves on a preliminary review hearing panel is not required to be recused from a formal hearing held under Sections 571.127 through 571.132.

SECTION 21. Amends Subchapter E, Chapter 571, Government Code, by adding Section 571.127, as follows

Sec. 571.127. FORMAL HEARING: CONDUCT. (a) Authorizes TEC to conduct a formal hearing under Subchapter E (Complaint Procedures and Hearings) or to delegate to the State Office of Administrative Hearings (SOAH) the responsibility of conducting a formal hearing under this subchapter.

(b) Requires TEC to adopt rules of practice regarding a formal hearing referred to SOAH, including rules on which party bears the burden of proof, on what standard of evidence is required, of evidence that may be applicable, on subpoena power, and on contempt power.

(c) Provides that proceedings for a formal hearing conducted by SOAH are governed by Chapter 2001 (Administrative Procedure). Requires TEC, notwithstanding Section 571.1233, to ensure rules of practice TEC adopts under Section 2001.004 (Requirement to Adopt Rules of Practice and Index Rules, Orders, and Decisions) applicable to the proceedings for a formal hearing do not conflict with rules SOAH adopts.

SECTION 22. Amends Section 571.1731, Government Code, by adding Subsection (d) to require TEC to waive a civil penalty imposed under Section 305.033(b) (relating to the penalty if a certain registration or report is determined to be late) or 572.033(b) (relating to the penalty if a certain statement is determined to be late) of this code or Section 254.042(a) (relating to requiring TEC to determine if a certain report filed is late and applicable proceedings), Election Code, if TEC has no record of providing the late filing notice required by those sections.

SECTION 23. Amends Section 571.177, Government Code, as follows:

Sec. 571.177. New heading: ASSESSMENT AND SCHEDULE OF SANCTION OR PENALTIES. (a) Creates this subsection from existing text. Requires TEC to consider certain factors in assessing a sanction or civil penalty for a violation of a law within TEC's jurisdiction.

(b) Authorizes TEC to assess graduated penalties against a person who repeatedly files late statements or reports in violation of Chapter 305, this chapter, Chapter 572, or Title 15, Election Code.

(c) Requires TEC to establish and publish on TEC's Internet website a penalty schedule that outlines the full range and scope of penalties TEC is authorized to assess under a law within TEC's jurisdiction. Requires TEC to ensure the penalty schedule includes the specific statutes or TEC rules under which TEC is authorized to assess a penalty and takes into consideration aggravating and mitigating factors related to the assessment of a penalty, including the severity of a violation and graduated penalties for repeat violations.

SECTION 24. Amends the heading to Section 572.030, Government Code, to read as follows:

Sec. 572.030. PREPARATION OF FORMS; NOTICE OF FILING REQUIREMENTS.

SECTION 25. Amends Sections 572.030(b), (c), and (d), Government Code, as follows:

(b) Requires TEC to mail to each individual required to file under Subchapter B (Personal Financial Statement) a notice that meets certain criteria, including stating that on request

of the individual, TEC will provide, rather than mail, to the individual with a copy of the financial statement forms and instructions.

(c) Requires TEC to provide the notice required by Subsection (b) by a certain time, including not later than the fifth day after the date the certificate of nomination is filed for candidates required to file under Section 572.027(d) (relating to requiring an individual nominated to fill a certain vacancy to file a certain financial statement not later than a certain date), rather than 574.027(d). Makes a conforming change.

(d) Requires TEC to provide a copy of the financial statement forms and instructions to an individual on request of the individual not later than the third business day after the date TEC receives the individual's request for the forms and instructions. Makes a conforming change.

SECTION 26. Amends Sections 572.033(a) and (b), Government Code, as follows:

(a) Makes conforming and nonsubstantive changes to this subsection.

(b) Deletes existing text requiring TEC, if a statement is more than 30 days late, to issue a warning of liability by registered mail to the individual responsible for the filing.

SECTION 27. Repealers: Sections 254.036(c) (relating to authorizing certain entities that are required to file reports with TEC to file certain reports) and (c-1) (relating to required criteria of an affidavit under Subsection (c)), Election Code.

Repealer: Section 254.036(g) (relating to requiring TEC to ensure that a certain report meets certain disclosure requirements for political expenditures made with a credit card), Election Code.

Repealers: Sections 571.032 (Mailing of Notices, Decisions, and Reports) and 571.1212 (Categorization of Violations), Government Code.

Repealer: Section 571.1242(b) (relating to response requirements if an alleged violation is a Category Two violation), Government Code.

SECTION 28. Makes application of Section 254.042, Election Code, as amended by this Act, prospective.

SECTION 29. (a) Provides that, except as provided by Subsection (b) of this section, Section 571.0271 (Commission Member Training), Government Code, as amended by this Act, applies to a member of TEC appointed before, on, or after the effective date of this Act.

(b) Provides that a member of TEC who, before the effective date of this Act, completed the training program required by Section 571.0271, Government Code, as that law existed before the effective date of this Act, is only required to complete additional training on the subjects added by this Act to the training program required by Section 571.0271, Government Code. Prohibits a member described by this subsection from voting, deliberating, or being counted as a member in attendance at a meeting of TEC held on or after December 1, 2025, until the member completes the additional training.

SECTION 30. Effective date: September 1, 2025.