

1-1 By: Leach, et al. (Senate Sponsor - Schwertner) H.B. No. 5061
1-2 (In the Senate - Received from the House May 5, 2025;
1-3 May 5, 2025, read first time and referred to Committee on Business
1-4 & Commerce; May 13, 2025, reported favorably by the following vote:
1-5 Yeas 11, Nays 0; May 13, 2025, sent to printer.)

1-6 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-7				
1-8	Schwertner	X		
1-9	King	X		
1-10	Blanco	X		
1-11	Campbell	X		
1-12	Creighton	X		
1-13	Johnson	X		
1-14	Kolkhorst	X		
1-15	Menéndez	X		
1-16	Middleton	X		
1-17	Nichols	X		
1-18	Zaffirini	X		

1-19 A BILL TO BE ENTITLED
1-20 AN ACT

1-21 relating to prohibiting certain activities by contractors and
1-22 vendors of state agencies; providing administrative penalties.

1-23 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-24 SECTION 1. This Act shall be known as the Texas Integrity in
1-25 State Contracting and Privacy Protection Act.

1-26 SECTION 2. Chapter 2261, Government Code, is amended by
1-27 adding Subchapter G to read as follows:

1-28 SUBCHAPTER G. CERTAIN PROHIBITED ACTIVITIES BY CONTRACTORS AND
1-29 VENDORS

1-30 Sec. 2261.301. DEFINITIONS. In this subchapter:

1-31 (1) "State agency employee" includes an independent
1-32 contractor who contracts with a state agency to perform work or
1-33 provide a service.

1-34 (2) "Surveillance" means monitoring, investigating,
1-35 tracking, or collecting information about an individual without the
1-36 individual's express or contractual authorization, including
1-37 physical surveillance, electronic tracking, and data mining. The
1-38 term does not include collecting information that is publicly
1-39 available or available to the public through a subscription
1-40 service.

1-41 (3) "Undue influence" means an improper use of power,
1-42 position, or information to manipulate a decision-making process,
1-43 including the use of private or confidential information for
1-44 personal or organizational gain.

1-45 Sec. 2261.3015. APPLICABILITY. Notwithstanding Sections
1-46 2261.001(a) and (d), this subchapter applies to each procurement of
1-47 goods or services made by a state agency, including a procurement
1-48 made:

1-49 (1) by the comptroller;

1-50 (2) under purchasing authority delegated to the agency
1-51 by or under Section 51.9335 or 73.115, Education Code, or Section
1-52 2155.131 or 2155.132 of this code; or

1-53 (3) by the Texas Department of Transportation or a
1-54 procurement paid for by local or institutional funds of an
1-55 institution of higher education.

1-56 Sec. 2261.302. PROHIBITED ACTIVITIES. A contractor or
1-57 subcontractor of a state agency or a vendor responding to a contract
1-58 solicitation may not directly or indirectly through a third party:

1-59 (1) engage in surveillance targeting;

1-60 (A) a member of the state legislature or a person
1-61 employed to support the state legislature in any capacity;

(B) a family member of a person described by Paragraph (A);
 (C) a state agency employee; or
 (D) an individual making a complaint or raising concerns regarding state agency operations or contracting;
 (2) engage in an act of intimidation, coercion, extortion, undue influence, or other similar conduct intended to influence, silence, or retaliate against a person described by Subdivision (1)(A), (B), (C), or (D); or
 (3) use private or confidential information to manipulate or influence a state contracting decision or proceeding.

Sec. 2261.303. OVERSIGHT AND ENFORCEMENT. (a) The state auditor's office shall oversee and enforce this subchapter.
 (b) The state auditor's office may collaborate with the Texas Ethics Commission to ensure compliance with this subchapter and transparency of oversight and enforcement actions.
 (c) The Texas Rangers division of the Department of Public Safety shall investigate any alleged criminal offense related to a violation of this subchapter.

Sec. 2261.304. COMPLAINT PROCESS. (a) A person who believes that a prohibited activity under Section 2261.302 has occurred may file a complaint with the state auditor's office.
 (b) The state auditor's office shall establish and maintain a confidential reporting hotline and an online portal for submitting a complaint under Subsection (a).

Sec. 2261.305. INVESTIGATION. (a) The state auditor's office shall investigate a complaint submitted under Section 2261.304 and determine whether a violation of this subchapter occurred not later than the 90th day after the date the office receives the complaint.
 (b) If during an investigation of a complaint the state auditor's office suspects that a criminal offense has been committed, the office shall refer the matter to the Texas Rangers division of the Department of Public Safety for a comprehensive criminal investigation. The Texas Rangers division of the Department of Public Safety shall investigate the complaint and, if appropriate, refer the matter to the attorney general's office for prosecution.

Sec. 2261.306. ENFORCEMENT: CONTRACT TERMINATION; BARRING FROM STATE CONTRACTS; ADMINISTRATIVE PENALTIES. (a) On a final determination by the state auditor's office that a person violated this subchapter, the person is:

(1) for a first violation:

(A) subject to immediate termination of any state contracts without further obligation;

(B) liable for an administrative penalty in an amount not to exceed:

(i) \$500,000; or
 (ii) \$2 million if the violation involved undue influence or the misuse of private or confidential information; and

(C) barred from responding to a solicitation for or being awarded a state contract until:

(i) the tenth anniversary of the date the person receives the final determination; or
 (ii) the fifteenth anniversary of the date the person receives the final determination if the violation involved undue influence or the misuse of private or confidential information; and

(2) for a second or subsequent violation:

(A) subject to immediate termination of all state contracts without further obligation;

(B) liable for an administrative penalty in an amount not to exceed:

(i) \$1 million; or
 (ii) \$2 million if the violation involved undue influence or the misuse of private or confidential information; and

(C) barred permanently from responding to a

solicitation for or being awarded a state contract.

(b) An individual who authorizes or directs an entity to violate this subchapter may be subject to a penalty under this section in the same manner as an entity that is determined to have violated this subchapter.

(c) A violation of this subchapter committed by or involving the following individuals or entities is considered a violation of this subchapter by a contractor, subcontractor, vendor, or respondent to a contract solicitation by a state agency:

(1) a parent company of the contractor, subcontractor, vendor, or respondent;

(2) a subsidiary wholly or partially owned by the contractor, subcontractor, vendor, or respondent;

(3) a sister or affiliate entity under common ownership or control of the contractor, subcontractor, vendor, or respondent;

(4) a subdivision, division, or operational branch of the contractor, subcontractor, vendor, or respondent;

(5) a subcontractor, agent, representative, or third party acting on behalf of or in coordination with the contractor, subcontractor, vendor, or respondent;

(6) a joint venture, consortium, or partnership in which the contractor, subcontractor, vendor, or respondent has an interest;

(7) an employee, officer, or executive of the contractor, subcontractor, vendor, or respondent acting within the employee's, officer's, or executive's scope of employment; and

(8) an entity with which the contractor, subcontractor, vendor, or respondent shares significant operational control, decision-making authority, financial interest, or business goals.

(d) Subsection (c) applies regardless of whether an individual or entity described by that subsection is a direct party to a contract or procurement agreement. An individual or entity described by Subsections (c)(1) through (8) is subject to the enforcement actions, penalties, and disqualifications provided by this subchapter.

(e) The state auditor's office shall notify the comptroller of each final determination that a person violated this subchapter. The comptroller shall distribute information to state agencies regarding the final determination to assist state agencies in carrying out the intent of this subchapter. Each state agency shall review the information distributed by the comptroller to ensure that the agency does not award a contract in violation of this section.

Sec. 2261.307. RETALIATION AGAINST EMPLOYEES AND WHISTLEBLOWERS PROHIBITED. (a) In this section, "employee" means a person who is an employee of a:

(1) contractor or subcontractor of a state agency;

(2) vendor responding to a contract solicitation by a state agency; or

(3) provider or recipient of state services.

(b) An employee or other person with knowledge of a violation of this subchapter has a cause of action against an employer or entity who suspends or terminates services, contracts, or employment of or otherwise disciplines or discriminates or retaliates against the employee or other person in any manner for:

(1) reporting to a supervisor, state regulatory agency, or law enforcement agency a violation of this subchapter; or

(2) initiating or cooperating in any investigation by or proceeding of a governmental entity relating to a state contract, including by providing information or testimony in the proceeding.

(c) The petitioner may recover:

(1) actual damages and damages for lost wages or services if the petitioner's employment was suspended or terminated;

(2) exemplary damages;

(3) court costs; and
(4) reasonable attorney's fees.

(d) In addition to the amounts that may be recovered under Subsection (c), a person whose employment is suspended or terminated is entitled to appropriate injunctive relief, including, if applicable:

(1) reinstatement in the person's former position; and
(2) reinstatement of lost fringe benefits or seniority rights.

(e) The petitioner, not later than the 90th day after the date on which the person's employment is suspended or terminated, must bring suit or notify the Texas Workforce Commission of the petitioner's intent to sue under this section. A petitioner who notifies the Texas Workforce Commission under this subsection must bring suit not later than the 90th day after the date of the delivery of the notice to the commission. On receipt of the notice, the commission shall notify the employer of the petitioner's intent to bring suit under this section.

(f) The petitioner has the burden of proof, except that there is a rebuttable presumption that the person's employment was suspended or terminated for reporting abuse, neglect, or exploitation if the person is suspended or terminated within 120 days after the date the person:

(1) reported the violation; or
(2) initiated or cooperated in an investigation or proceeding.

(g) A suit under this section may be brought in the district court of the county in which:

(1) the plaintiff resides;
(2) the plaintiff was employed by the defendant; or
(3) the defendant conducts business.

(h) The state auditor's office shall provide legal assistance to a petitioner who brings suit under this section.

(i) For purposes of this section, retaliation includes harassment, blacklisting, changes or impact to a contract or state services an individual may be receiving, and any other adverse action that affects an individual's livelihood, employment, or access to services.

Sec. 2261.308. ANNUAL REPORT. Not later than September 1 of each year, the state auditor's office and the Texas Rangers division of the Department of Public Safety jointly shall submit to the governor, the lieutenant governor, the speaker of the house of representatives, and each member of the legislature a written report on the:

(1) number and nature of complaints filed alleging a violation of this subchapter;
(2) outcome of each complaint investigated by the state auditor's office and, if applicable, the Texas Rangers division of the Department of Public Safety; and
(3) penalties imposed under this subchapter.

SECTION 3. Not later than September 1, 2026, the state auditor's office and the Texas Rangers division of the Department of Public Safety jointly shall submit the first report required by Section 2261.308, Government Code, as added by this Act.

SECTION 4. This Act takes effect September 1, 2025.

* * * * *