

1-1 By: Zaffirini S.B. No. 1254
1-2 (In the Senate - Filed February 13, 2025; February 28, 2025,
1-3 read first time and referred to Committee on Business & Commerce;
1-4 March 31, 2025, reported adversely, with favorable Committee
1-5 Substitute by the following vote: Yeas 10, Nays 0; March 31, 2025,
1-6 sent to printer.)

1-7	COMMITTEE VOTE				
1-8		Yea	Nay	Absent	PNV
1-9	Schwertner	X			
1-10	King			X	
1-11	Blanco	X			
1-12	Campbell	X			
1-13	Creighton	X			
1-14	Johnson	X			
1-15	Kolkhorst	X			
1-16	Menéndez	X			
1-17	Middleton	X			
1-18	Nichols	X			
1-19	Zaffirini	X			

1-20 COMMITTEE SUBSTITUTE FOR S.B. No. 1254 By: Zaffirini

1-21 A BILL TO BE ENTITLED
1-22 AN ACT

1-23 relating to the regulation of professional employer organizations.
1-24 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:
1-25 SECTION 1. Section 91.001(11), Labor Code, is amended to
1-26 read as follows:
1-27 (11) "License holder" means a person who holds a
1-28 license issued by the department ~~[licensed under this chapter]~~ to
1-29 provide professional employer services.
1-30 SECTION 2. The heading to Section 91.016, Labor Code, is
1-31 amended to read as follows:
1-32 Sec. 91.016. LICENSE ISSUANCE; TERM; EFFECT OF
1-33 EXPIRATION.
1-34 SECTION 3. Section 91.016, Labor Code, is amended by
1-35 amending Subsection (b) and adding Subsection (d) to read as
1-36 follows:
1-37 (b) A license issued or renewed by the department under this
1-38 chapter is valid for one year from the date of the issuance or
1-39 renewal. The department shall renew a license in accordance with
1-40 Subchapter H, Chapter 51, Occupations Code, and the rules adopted
1-41 by the department ~~[on receipt of a complete renewal application~~
1-42 ~~form and payment of the license renewal fee]~~.
1-43 (d) Notwithstanding any other law, for purposes of this
1-44 chapter, if a license holder fails to timely apply for license
1-45 renewal, the license holder's status as employer of a covered
1-46 employee continues until the expiration of 18 months after the date
1-47 the license expires. If the license holder fails to apply for
1-48 license renewal before the expiration of the 18th month after the
1-49 license expiration date:
1-50 (1) the license holder's status as employer of a
1-51 covered employee terminates; and
1-52 (2) the license holder is subject to disciplinary
1-53 action if the license holder engages in or offers professional
1-54 employer services at any time while the license is expired.
1-55 SECTION 4. Section 91.020, Labor Code, is amended to read as
1-56 follows:
1-57 Sec. 91.020. GROUNDS FOR DISCIPLINARY ACTION. The
1-58 department may take disciplinary action against a person under
1-59 Subchapter F, Chapter 51, Occupations Code, regardless of whether
1-60 the person holds a license under this chapter, [license holder] on

2-1 any of the following grounds:

2-2 (1) engaging in professional employer services or
 2-3 offering to engage in the provision of professional employer
 2-4 services;

2-5 (A) without a license; or

2-6 (B) while the person's license is expired,
 2-7 suspended, or inactive;

2-8 (2) transferring or attempting to transfer a license
 2-9 issued under this chapter;

2-10 (3) violating this chapter or any order or rule issued
 2-11 by the executive director or commission under this chapter;

2-12 (4) failing after the 31st day after the date on which
 2-13 a felony conviction of a controlling person is final to notify the
 2-14 department in writing of the conviction;

2-15 (5) failing to cooperate with an investigation,
 2-16 examination, or audit of the license holder's records conducted by
 2-17 the license holder's insurance company or the insurance company's
 2-18 designee, as allowed by the insurance contract or as authorized by
 2-19 law by the Texas Department of Insurance;

2-20 (6) failing after the 31st day after the effective
 2-21 date of a change in ownership, principal business address, or the
 2-22 address of accounts and records to notify the department and the
 2-23 Texas Department of Insurance of the change;

2-24 (7) failing to correct any tax filings or payment
 2-25 deficiencies within a reasonable time as determined by the
 2-26 executive director;

2-27 (8) refusing, after reasonable notice, to meet
 2-28 reasonable health and safety requirements within the license
 2-29 holder's control and made known to the license holder by a federal
 2-30 or state agency;

2-31 (9) being delinquent in the payment of the license
 2-32 holder's insurance premiums other than those subject to a
 2-33 legitimate dispute;

2-34 (10) being delinquent in the payment of any employee
 2-35 benefit plan premiums or contributions other than those subject to
 2-36 a legitimate dispute;

2-37 (11) knowingly making a material misrepresentation to
 2-38 an insurance company or to the department or other governmental
 2-39 agency;

2-40 (12) failing to maintain the working capital required
 2-41 under Section 91.014; or

2-42 (13) using professional employer services to avert or
 2-43 avoid an existing collective bargaining agreement.

2-44 SECTION 5. The changes in law made by this Act apply only to
 2-45 conduct that occurs on or after the effective date of this Act.
 2-46 Conduct that occurs before that date is governed by the law in
 2-47 effect on the date the conduct occurred, and the former law is
 2-48 continued in effect for that purpose.

2-49 SECTION 6. This Act takes effect September 1, 2025.

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