

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 3, 2025

TO: Honorable Ken King, Chair, House Committee on State Affairs

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB4552 by Gerdes (relating to a prohibition on certain discriminatory activities by governmental entities and vendors of governmental entities; providing for declaratory and injunctive relief and the withholding of certain funds from political subdivisions.), **Committee Report 1st House, Substituted**

The bill would prohibit certain activities that pertain to race, sex, ethnicity, and other factors among state agencies, local governments, and vendors doing business with state agencies and local governmental entities. This analysis assumes that state agencies could absorb costs associated with implementing the bill within existing resources. However, the number of state contracts that may be impacted by the provisions of this bill and the related fiscal consequences cannot be estimated. Therefore, the fiscal implications of the bill cannot be determined.

Among its provisions, the bill would prohibit by state agencies and local governmental entities discriminatory activities as defined by the bill . The bill's definition of discriminatory activity would include certain activities that are based on race, sex, color, or ethnicity. The definition would encompass:

- hiring decisions;
- policies that promote differential treatment; trainings or programs that are implemented in reference to race, sex, color, or ethnicity; and
- official agency policies or opinions that promote a range of prohibited concepts.

The bill would make exceptions for activities or trainings that are required under state or federal law.

The bill would prohibit discriminatory activities by local governments, school districts, and vendors under contract with state agencies. The bill's requirements would not apply to institutions of higher education.

The bill would require state agencies and local governmental agencies to adopt disciplinary policies for employees who violate the provisions of the bill. An individual who believes a governmental entity is violating the bill's requirements could file a complaint with the Office of the Attorney General (OAG). The bill specifies actions that OAG may take in response to such a complaint, including the option to file a writ of mandamus to compel compliance by the governmental entity and designating political subdivisions as noncompliant. The bill would require the Comptroller of Public Accounts (CPA) to withhold mixed beverage taxes and sales and use taxes from cities and counties that are found to be in violation of the bill.

The bill would prohibit state and local governmental entities from contracting with vendors engaged in discriminatory activities. The bill would require that vendors entering into contracts with the state and local governmental entities certify their compliance with its provisions, and would allow for no-fault contract termination by the state and local governmental entities upon a violation of the bill's provisions. The bill would apply only to contracts for which requests for bids or proposals are made on or after the effective date of the act.

This analysis assumes that costs associated with implementing the bill at OAG, CPA, and other state agencies could be absorbed within existing resources. However, according to CPA, the bill could have financial

implications due to the consequences enforcing of prohibitions on state and local governmental entity contracting. The number of state contracts that may be impacted by the provisions of this bill and the fiscal implications of the provisions related to private vendors are unknown.

Local Government Impact

The bill would exempt school districts from certain aspects of the bill. Exemptions would include:

- the observance of state or federal holidays or commemorative months;
- classroom instruction;
- the collection, monitoring, and reporting of data; and
- initiatives intended to enhance student achievement or postgraduate outcomes designed without consideration of race, sex, color, or ethnicity.

According to OAG, the bill could result in administrative impacts to local governmental entities. These entities would be required to review and revise internal policies, eliminate any prohibited offices or programs. Entities would also be required to implement procedures to discipline employees or contractors who engage in prohibited practices. As described above, the bill would authorize the OAG to designate a political subdivision as noncompliant and would direct the Comptroller to withhold mixed beverage and sales and use tax revenue from such entities until compliance is restored. The likely scope and number of such incidents is unknown. Thus, the fiscal impact on local governments cannot be determined.

Source Agencies: 302 Office of the Attorney General, 303 Facilities Commission, 304 Comptroller of Public Accounts, 320 Texas Workforce Commission, 352 Bond Review Board, 452 Department of Licensing and Regulation, 503 Texas Medical Board, 529 Health and Human Services Commission, 582 Commission on Environmental Quality, 601 Department of Transportation, 701 Texas Education Agency

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