

## **BILL ANALYSIS**

C.S.H.B. 1059  
By: Turner, Chris  
General Investigating & Ethics  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

It is held that the availability of financial information concerning officeholders and candidates is one factor in ensuring full transparency on the part of candidates and elected officials. C.S.H.B. 1059 seeks to improve the transparency of the financial information of those who hold the public trust and to make state-required personal financial statements, in some aspects, more closely mirror what is required of federal officeholders under federal law.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

C.S.H.B. 1059 amends the Government Code to require each personal financial statement required to be filed by certain public officials and candidates to be submitted electronically through a secure website maintained by the Texas Ethics Commission.

C.S.H.B. 1059 changes the reporting categories for the personal financial statement based on an amount to reflect the following reporting categories: less than \$200; at least \$200 but less than \$1,000; at least \$1,000 but less than \$2,500; at least \$2,500 but less than \$5,000; at least \$5,000 but less than \$15,000; at least \$15,000 but less than \$50,000; at least \$50,000 but less than \$100,000; at least \$100,000 but less than \$1 million; at least \$1 million but less than \$5 million; or \$5 million or more. The bill repeals a provision requiring an individual to report an amount of stock by category of number of shares instead of by category of dollar value.

C.S.H.B. 1059 requires the description of a gift required to be reported by an individual filing a personal financial statement because the gift's value exceeds \$250 to include the actual face value if the gift is cash or a cash equivalent and requires such description to include a statement of the value of a gift other than cash or a cash equivalent.

C.S.H.B. 1059 requires a personal financial statement to include an account of the financial activity of the individual required to file a personal financial statement and an account of the financial activity of the individual's spouse and dependent children if the individual had control over that activity for both the preceding calendar year and, listed separately, the year before the preceding calendar year, for information relating to certain specified sources of income required to be reported.

C.S.H.B. 1059 changes the required contents of an account of financial activity as follows:

- replaces the category of the number of shares of stock of any business entity held or acquired with the category of the dollar value of shares of stock of any business entity held or acquired as information required to be identified;
- includes the date that a total financial liability in excess of \$1,000 was incurred among the information to be identified related to the liability; and
- requires the identification of any other source of earned or unearned income not reported under other parts of the statutory provision specifying the required contents of an account of financial activity, including public benefits or a pension, individual retirement account, or other retirement plan, and the category of the amount of income derived from each source.

C.S.H.B. 1059 requires the commission to make financial statements available to the public on the commission's website not later than the 15th day after the date the statement is required to be filed or is actually filed, whichever is later. The bill expressly does not require the commission to continue to make available on its website a financial statement that the commission is authorized to destroy after the second anniversary of the date the individual ceases to be a state officer and prohibits the commission from making available on its website a financial statement that the commission has received notification from the former state officer to destroy.

C.S.H.B. 1059 repeals a provision requiring the commission, each time a person other than the commission or a commission employee acting on official business requests to see a financial statement during the one-year period following the filing of the statement, to place in the file a statement of the person's name and address, whom the person represents, and the date of the request and requiring the commission to retain such statement in the file for one year after the date the requested financial statement is filed.

C.S.H.B. 1059 specifies that its provisions relating to the electronic filing of a financial statement, the reporting categories for financial statements, the reporting of gifts of a certain value, and the contents of a financial statement in general apply only to a financial statement filed on or after January 1, 2017.

C.S.H.B. 1059 repeals the following provisions of the Government Code:

- Section 572.022(b)
- Section 572.032(b)

### **EFFECTIVE DATE**

On passage, or, if the bill does not receive the necessary vote, September 1, 2015.

### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.H.B. 1059 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

#### INTRODUCED

No equivalent provision.

#### HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Section 572.021, Government Code, is amended to read as follows:

Sec. 572.021. FINANCIAL STATEMENT REQUIRED. (a) Except as provided by Section 572.0211, a state officer, a partisan or independent candidate for an office as an elected officer, and a state party chair shall file with the commission a verified financial statement complying with Sections 572.022 through 572.0252.

(b) Each financial statement filed under this subchapter must be submitted electronically through a secure website maintained by the commission.

SECTION 1. Sections 572.022(a) and (d), Government Code, are amended.

SECTION 2. Same as introduced version.

SECTION 2. Sections 572.023(a) and (b), Government Code, are amended to read as follows:

SECTION 3. Sections 572.023(a) and (b), Government Code, are amended to read as follows:

(a) A financial statement must include an account of the financial activity of the individual required by this subchapter to file a financial statement and an account of the financial activity of the individual's spouse and dependent children if the individual had actual control over that activity for:

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(1) the preceding calendar year; or  
(2) both the preceding calendar year and, listed separately, the year before the preceding calendar year, for information reported under Subsection (b)(1), (4), (8), or (15).

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(2) both the preceding calendar year and, listed separately, the year before the preceding calendar year, for information reported under Subsection (b)(1), (4), (8), or (15).

(b) The account of financial activity consists of:

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(1) a list of all sources of occupational income, identified by employer, or if self-employed, by the nature of the occupation, including identification of a person or other organization from which the individual or a business in which the individual has a substantial interest received a fee as a retainer for a claim on future services in case of need, as distinguished from a fee for services on a matter specified at the time of contracting for or receiving the fee, if professional or occupational services are not actually performed during the reporting period equal to or in excess of the amount of the retainer, and the category of the amount of the fee;

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(2) identification by name and the category of the dollar value of the ~~[number of]~~ shares of stock of any business entity held or

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acquired, and if sold, the category of the amount of net gain or loss realized from the sale;

(3) a list of all bonds, notes, and other commercial paper held or acquired, and if sold, the category of the amount of net gain or loss realized from the sale;

(4) identification of each source and the category of the amount of income in excess of \$500 derived from each source from interest, dividends, royalties, and rents;

(5) identification of each guarantor of a loan and identification of each person or financial institution to whom a personal note or notes or lease agreement for a total financial liability in excess of \$1,000 existed at any time during the year, the date the liability was incurred, and the category of the amount of the liability;

(6) identification by description of all beneficial interests in real property and business entities held or acquired, and if sold, the category of the amount of the net gain or loss realized from the sale;

(7) identification of a person or other organization from which the individual or the individual's spouse or dependent children received a gift of anything of value in excess of \$250 and a description of each gift, except:

(A) a gift received from an individual related to the individual at any time within the second degree by consanguinity or affinity, as determined under Subchapter B, Chapter 573;

(B) a political contribution that was reported as required by Chapter 254, Election Code; and

(C) an expenditure required to be reported by a person required to be registered under Chapter 305;

(8) identification of the source and the category of the amount of all income received as beneficiary of a trust, other than a blind trust that complies with Subsection (c), and identification of each trust asset, if known to the beneficiary, from which income was received by the beneficiary in excess of \$500;

(9) identification by description and the category of the amount of all assets and liabilities of a corporation, firm, partnership, limited partnership, limited liability partnership, professional corporation, professional association, joint venture, or

acquired, and if sold, the category of the amount of net gain or loss realized from the sale;

(3) a list of all bonds, notes, and other commercial paper held or acquired, and if sold, the category of the amount of net gain or loss realized from the sale;

(4) identification of each source and the category of the amount of income in excess of \$500 derived from each source from interest, dividends, royalties, and rents;

(5) identification of each guarantor of a loan and identification of each person or financial institution to whom a personal note or notes or lease agreement for a total financial liability in excess of \$1,000 existed at any time during the year, the date the liability was incurred, and the category of the amount of the liability;

(6) identification by description of all beneficial interests in real property and business entities held or acquired, and if sold, the category of the amount of the net gain or loss realized from the sale;

(7) identification of a person or other organization from which the individual or the individual's spouse or dependent children received a gift of anything of value in excess of \$250 and a description of each gift, except:

(A) a gift received from an individual related to the individual at any time within the second degree by consanguinity or affinity, as determined under Subchapter B, Chapter 573;

(B) a political contribution that was reported as required by Chapter 254, Election Code; and

(C) an expenditure required to be reported by a person required to be registered under Chapter 305;

(8) identification of the source and the category of the amount of all income received as beneficiary of a trust, other than a blind trust that complies with Subsection (c), and identification of each trust asset, if known to the beneficiary, from which income was received by the beneficiary in excess of \$500;

(9) identification by description and the category of the amount of all assets and liabilities of a corporation, firm, partnership, limited partnership, limited liability partnership, professional corporation, professional association, joint venture, or

other business association in which 50 percent or more of the outstanding ownership was held, acquired, or sold;

(10) a list of all boards of directors of which the individual is a member and executive positions that the individual holds in corporations, firms, partnerships, limited partnerships, limited liability partnerships, professional corporations, professional associations, joint ventures, or other business associations or proprietorships, stating the name of each corporation, firm, partnership, limited partnership, limited liability partnership, professional corporation, professional association, joint venture, or other business association or proprietorship and the position held;

(11) identification of any person providing transportation, meals, or lodging expenses permitted under Section 36.07(b), Penal Code, and the amount of those expenses, other than expenditures required to be reported under Chapter 305;

(12) any corporation, firm, partnership, limited partnership, limited liability partnership, professional corporation, professional association, joint venture, or other business association, excluding a publicly held corporation, in which both the individual and a person registered under Chapter 305 have an interest;

(13) identification by name and the category of the number of shares of any mutual fund held or acquired, and if sold, the category of the amount of net gain or loss realized from the sale; ~~and~~

(14) identification of each blind trust that complies with Subsection (c), including:

(A) the category of the fair market value of the trust;

(B) the date the trust was created;

(C) the name and address of the trustee; and

(D) a statement signed by the trustee, under penalty of perjury, stating that:

(i) the trustee has not revealed any information to the individual, except information that may be disclosed under Subdivision (8); and

(ii) to the best of the trustee's knowledge, the trust complies with this section; and

(15) identification of any other source of earned or unearned income, including public benefits or a pension, individual retirement account, or other retirement plan, and the category of the amount of income derived

other business association in which 50 percent or more of the outstanding ownership was held, acquired, or sold;

(10) a list of all boards of directors of which the individual is a member and executive positions that the individual holds in corporations, firms, partnerships, limited partnerships, limited liability partnerships, professional corporations, professional associations, joint ventures, or other business associations or proprietorships, stating the name of each corporation, firm, partnership, limited partnership, limited liability partnership, professional corporation, professional association, joint venture, or other business association or proprietorship and the position held;

(11) identification of any person providing transportation, meals, or lodging expenses permitted under Section 36.07(b), Penal Code, and the amount of those expenses, other than expenditures required to be reported under Chapter 305;

(12) any corporation, firm, partnership, limited partnership, limited liability partnership, professional corporation, professional association, joint venture, or other business association, excluding a publicly held corporation, in which both the individual and a person registered under Chapter 305 have an interest;

(13) identification by name and the category of the number of shares of any mutual fund held or acquired, and if sold, the category of the amount of net gain or loss realized from the sale; ~~and~~

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(A) the category of the fair market value of the trust;

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(i) the trustee has not revealed any information to the individual, except information that may be disclosed under Subdivision (8); and

(ii) to the best of the trustee's knowledge, the trust complies with this section; and

(15) identification of any other source of earned or unearned income not reported under another provision of this subsection, including public benefits or a pension, individual retirement account, or other

from each source.

SECTION 3. Section 572.032, Government Code, is amended by amending Subsection (a) and adding Subsection (d).

SECTION 4. Sections 572.022(b) and 572.032(b), Government Code, are repealed.

SECTION 5.

Sections 572.022 and 572.023, Government Code, as amended by this Act, apply only to a financial statement filed under Subchapter B, Chapter 572, Government Code, on or after January 1, 2017. A financial statement filed before January 1, 2017, is governed by the law in effect on the date of filing, and the former law is continued in effect for that purpose.

SECTION 6. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2015.

retirement plan, and the category of the amount of income derived from each source.

SECTION 4. Same as introduced version.

SECTION 5. Same as introduced version.

SECTION 6. Section 572.021(b), Government Code, as added by this Act, and Sections 572.022 and 572.023, Government Code, as amended by this Act, apply only to a financial statement filed under Subchapter B, Chapter 572, Government Code, on or after January 1, 2017. A financial statement filed before January 1, 2017, is governed by the law in effect on the date of filing, and the former law is continued in effect for that purpose.

SECTION 7. Same as introduced version.