

## **BILL ANALYSIS**

H.B. 2960  
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Business & Industry  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

There are concerns that covenants not to compete, which are contracts that ban workers at a certain company from going to work for a competing employer within a certain period of time after leaving a job, are being misused. While these covenants make sense for high-level employees with proprietary business information, the restriction of low-wage employees' right to work hampers the business interests of Texas by limiting the mobility of these employees to practice their trade. Because covenants not to compete are less likely to have the business benefit of protecting trade secrets when applied to low-wage workers, there is a need to restrict the enforceability of these covenants for employees under a certain income threshold. H.B. 2960 seeks to address this issue by prohibiting private employers from requiring certain low-wage employees to enter into a covenant not to compete.

### **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**

H.B. 2960 amends the Business & Commerce Code to prohibit a private employer from requiring an employee who earns not more than the greater of the federal minimum wage or \$15 an hour to enter into a covenant not to compete that restricts the employee from performing work for another employer for a specified period of time, in a specified geographical area, or for another employer similar to the employee's work for the current employer. The bill renders such a covenant void and unenforceable and exempt from statutory provisions prescribing procedures and remedies in actions to enforce a covenant not to compete.

### **EFFECTIVE DATE**

September 1, 2019.