

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**March 25, 2007**

**TO:** Honorable Geanie Morrison, Chair, House Committee on Higher Education

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: HB2597** by Homer (Relating to allowing state employees and employees of a public junior college to receive payment for a portion of accrued vacation or sick leave at a discounted rate.), **As Introduced**

**No significant fiscal implication to the State is anticipated.**

The bill would amend Government Code 661 to allow state agencies, institutions of higher education, and junior colleges to provide partial payment for annual and sick leave in lieu of taking the leave. Any such payments would have to be approved by the agency's governing body, along with the discount rate, limitations on payments, and requirements for leave balances.

The bill would likely create costs for agencies who chose to implement the provisions of the bill, though those costs would have to be borne by the agency from its budget. Currently, sick leave is paid for only upon death of an employee, although it can be used for additional credit at retirement. So payments for sick leave would add to an agency's costs. Most annual leave is taken and never gets paid as additional salary. Annual leave is paid upon termination of employment, at death, or at retirement, through either a lump-sum, or allowing an employee to remain on payroll while using up their leave. Also, annual leave can be converted to sick leave if the balance at the end of a fiscal year exceeds statutory guidelines. While the discount factor would allow for agency savings for payment of annual leave under certain conditions, partial payment of annual leave would generally add to an agency's long term costs.

**Local Government Impact**

No significant fiscal implication to units of local government is anticipated. The only potential impact would be from junior colleges, which are included in the bill's provisions. Government Code 661.915 excludes junior colleges from the provisions of Government Code 661.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JOB, MN, SD, WM