

BILL ANALYSIS

H.B. 762
By: Leach
Intergovernmental Affairs
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The bill author has informed the committee that there is no law that limits the amount of severance pay that a public employee in Texas can receive nor a law that eliminates severance pay for those whose employment or contract is terminated as a result of misconduct and has further indicated that, as a result, there have been instances where certain officials have received excessively large severance packages, at taxpayer expense, on termination of employment. Commonly called "golden parachutes," these packages, according to the bill author, are honored even when the termination was the result of misconduct. H.B. 762 seeks to address this issue by setting certain restrictions on severance pay with regard to certain political subdivisions.

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. 762 amends the Local Government Code to require a political subdivision, other than a public or teaching hospital, that enters into a contract or employment agreement, or renewal or renegotiation of an existing contract or employment agreement, that contains a provision for severance pay with an employee or independent contractor to include the following:

- a requirement that severance pay that is paid from tax revenue may not exceed the amount of compensation, at the rate at the termination of employment or the contract, the employee or independent contractor would have been paid for 20 weeks, excluding paid time off or accrued vacation leave; and
- a prohibition of the provision of severance pay when the employee or independent contractor is terminated for misconduct.

The bill defines "severance pay" as dismissal or separation income paid on termination of the following:

- an employee's employment that is in addition to the employee's usual earnings from the employer at the time of termination; or
- the contract of an independent contractor that is in addition to the contractor's usual compensation from the employer as prescribed by the contract.

The bill defines "misconduct" as an act or omission by an employee or contractor of a political subdivision in the performance of the employee's or contractor's duties that the governing body of the political subdivision determines to be misconduct. The bill specifies that the term includes any finding of criminal conduct.

H.B. 762 requires an applicable political subdivision to post each severance agreement in a prominent place on the political subdivision's website. The bill prohibits a court, with respect to an action brought against a political subdivision by an employee or independent contractor of the political subdivision arising from the termination of the person's employment or contract, from issuing a writ of execution or mandamus in connection with a judgment in the action if the judgment does not comply with the bill's provisions.

H.B. 762 applies only to a contract entered into or an action filed on or after the bill's effective date.

EFFECTIVE DATE

September 1, 2025.