

BILL ANALYSIS

C.S.H.B. 4317
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Intergovernmental Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The bill author has informed the committee that many public employee contracts include "golden parachutes"—payout clauses that can result in substantial taxpayer-funded payments, even in cases of misconduct or poor performance. The bill author has also informed the committee that while some states, including Florida, Illinois, and California, have restricted severance pay for government employees, Texas law places limited restrictions on severance pay for school district superintendents but lacks broader regulation of severance payments to government employees. C.S.H.B. 4317 seeks to address this issue by limiting the amount of severance pay that may be paid from public funds to employees and independent contractors of political subdivisions and prohibiting the provision of any severance pay if such an individual is terminated for misconduct.

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. 4317 amends the Local Government Code to require a political subdivision that enters into an employment agreement or contract, or renewal or renegotiation of an existing employment agreement or contract, that contains a provision for severance pay to include the following:

- a requirement that severance pay that is paid from public funds may not exceed the amount of compensation, at the rate at the termination of employment or of the contract, the employee or independent contractor would have been paid for 12 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 requires a political subdivision to post each severance agreement in a prominent place on the political subdivision's website. The bill prohibits a court from issuing a writ of execution or mandamus in connection with a judgment in 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 if the judgment does not comply with the bill's provisions. For these purposes, the bill defines the following terms:

- "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, including any finding of criminal conduct; and

- "severance pay" as dismissal or separation income paid on termination of:
 - the employment of an employee 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 of a political subdivision that is in addition to the contractor's usual earnings from the political subdivision as prescribed by the contract.

C.S.H.B. 4317 applies only to an employment agreement or contract entered into or an action filed on or after the bill's effective date.

EFFECTIVE DATE

September 1, 2025.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 4317 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

Both versions of the bill establish limitations on severance pay for certain individuals. However, whereas the introduced applied only to severance pay for an executive employee of a political subdivision under an employment agreement with the political subdivision, the substitute applies to severance pay for any employee or independent contractor of a political subdivision under an employment agreement or contract with the political subdivision. The substitute accordingly revises the introduced version's definition of "misconduct" and "severance pay" to reflect the inclusion of contractors and omits the introduced version's provision specifying who is considered an executive employee.

The introduced and substitute differ in the following ways with respect to the cap on severance payments:

- the introduced capped the amount of severance pay that may be paid from tax revenue, whereas the substitute caps the amount of severance pay that may be paid from public funds; and
- the substitute changes the basis of the cap from the amount of compensation for which the applicable individual would have been paid for 20 weeks, as in the introduced, to the amount of compensation for which the individual would have been paid for 12 weeks.

The substitute revises the provision of the introduced relating to compliance with the severance pay limitations by a court issuing a writ of execution or mandamus to reflect the expanded applicability of those limitations.