

AN ACT

relating to severance pay for political subdivision employees and independent contractors.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 180, Local Government Code, is amended by adding Section 180.011 to read as follows:

Sec. 180.011. LIMITATION ON SEVERANCE PAY FOR EMPLOYEES AND INDEPENDENT CONTRACTORS. (a) In this section:

(1) "Misconduct" means 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 term includes any finding of criminal conduct.

(2) "Severance pay" means dismissal or separation income paid on termination of:

(A) the employment of an employee that is in addition to the employee's usual earnings from the employer at the time of termination; or

(B) the contract of an independent contractor that is in addition to the contractor's usual compensation from the employer as prescribed by the contract.

(b) This section does not apply to a public or teaching hospital.

(c) A political subdivision that enters into a contract or

1 employment agreement, or renewal or renegotiation of an existing  
2 contract or employment agreement, that contains a provision for  
3 severance pay with an employee or independent contractor must  
4 include:

5       (1) a requirement that severance pay that is paid from  
6 public money may not exceed the amount of compensation, at the rate  
7 at the termination of employment or the contract, the employee or  
8 independent contractor would have been paid for 20 weeks, excluding  
9 paid time off or accrued vacation leave; and

10       (2) a prohibition of the provision of severance pay  
11 when the employee or independent contractor is terminated for  
12 misconduct.

13       (d) A political subdivision shall post each severance  
14 agreement in a prominent place on the political subdivision's  
15 Internet website.

16       (e) This subsection applies to an action brought against a  
17 political subdivision by an employee or independent contractor of  
18 the political subdivision arising from the termination of the  
19 person's employment or contract. A court may not issue a writ of  
20 execution or mandamus in connection with a judgment in the action if  
21 the judgment does not comply with this section.

22       SECTION 2. Section 180.011, Local Government Code, as added  
23 by this Act, applies only to a contract entered into or an action  
24 filed on or after the effective date of this Act.

25       SECTION 3. This Act takes effect September 1, 2025.

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President of the Senate

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Speaker of the House

I certify that H.B. No. 762 was passed by the House on May 1, 2025, by the following vote: Yeas 128, Nays 6, 1 present, not voting; and that the House concurred in Senate amendments to H.B. No. 762 on May 28, 2025, by the following vote: Yeas 121, Nays 13, 1 present, not voting.

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Chief Clerk of the House

I certify that H.B. No. 762 was passed by the Senate, with amendments, on May 21, 2025, by the following vote: Yeas 30, Nays 1.

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Secretary of the Senate

APPROVED: \_\_\_\_\_

Date

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Governor