

SUBJECT: Limiting duration of county and municipality employment contracts

COMMITTEE: County Affairs — committee substitute recommended

VOTE: 6 ayes — Ramsay, G. Lewis, Chisum, Farabee, Salinas, Shields
0 nays
3 absent — B. Brown, Hilderbran, Krusee

WITNESSES: For — None
Against — Mary Gauer, Texas Municipal League; Susan Rocha, City of San Antonio

BACKGROUND: In 1997, the 75th Legislature enacted SB 536 by Ogden, requiring certain actions involving governing boards and executive officers of state agencies to occur in open meetings and be subject to public disclosure. The act also limited terms of severance packages and reassignments for state agency executive officers.

DIGEST: CSHB 798 would prohibit a political subdivision from extending a contract longer than the term of an elected member of the governing board and would prohibit any severance package worth more than 50 percent of the members' salary to be paid for the remainder of the employment contract. The bill would not affect any other benefits that were accrued during the person's employment.
The bill would take effect September 1, 2001, and would apply only to employment contracts signed before or on that date.

SUPPORTERS SAY: New majorities on local governing boards should have the flexibility to hire the professional staff of their choosing without being contractually bound by the decisions of previous boards. Cities seeking to hire a new city manager or a school board wanting to replace a superintendent may be forced to buy out existing contracts. This could be expensive and would be devastating for the budgets of small cities and school districts.

The state has taken steps to remedy the problems of state agencies awarding fired executives' lucrative settlement packages to avoid lawsuits or controversy. In the past, this type of "golden parachute" settlement has included severance pay, lucrative consulting contracts with the agency, or reassignment to another position within the agency. Governing boards of local governments should not be allowed to make any similar expenditures, because they involve taxpayer dollars.

**OPPONENTS
SAY:**

Limiting the duration and the severance terms of contracts would make it difficult for local governments to find qualified managers and executives. These professional administrators need some insulation from political pressures from their governing boards and some assurances of the security of their jobs.

NOTES:

The committee substitute changed the filed version in regard to employment termination agreements.