SB 1446
Van de Putte
(Oliveira)

SUBJECT: Restricting severance payments to departing school superintendents

COMMITTEE: Public Education — favorable, without amendment

VOTE: 9 ayes — Sadler, Dutton, Dunnam, Grusendorf, Hardcastle, Hochberg, Oliveira, Olivo, Smith

0 nays

SENATE VOTE: On final passage, April 26 — 30-0, on Local and Uncontested Calendar

WITNESSES: For — Lonnie Hollingsworth, Texas Classroom Teachers Association; Rene Lara, Texas Federation of Teachers

Against — None

BACKGROUND: Education Code, sec. 11.201 requires a board of trustees of an independent school district that makes a severance payment to a superintendent to report the terms of the payment to the education commissioner. The commissioner in turn must reduce the district's Foundation School Program (FSP) funding for the school year following the one in which the first payment is made by an amount equal to the amount of the severance payment.

DIGEST: SB 1446 would define "severance payment" to mean any amount paid by the board to, or on behalf of, a superintendent on early termination of the superintendent's contract, that exceeded the amount earned by the superintendent under the contract as of the date of termination. This would include any amount exceeding earned standard salary and benefits that were paid as a condition of early termination of the contract.

SB 1446 would direct the commissioner to reduce the district's FSP funding by any amount that a severance payment exceeded one year of salary and benefits under the superintendent's terminated contract.

The commissioner could adopt rules as needed to administer the bill.

SB 1446 would take effect September 1, 2001, and would apply only to a severance payment made by a board of trustees to a superintendent under an agreement entered into after the effective date.

SUPPORTERS SAY:

School boards should be held accountable to taxpayers for their use of state education funds in making excessive severance payments to superintendents. Schools, teachers, and students are held accountable for their performance, and school districts should be held accountable for this misuse of state education money.

By clarifying what constitutes excessive severance payments, SB 1446 would help prevent large cash payments — settlement or severance payments — made to terminated school superintendents. San Antonio ISD paid a terminated superintendent a severance package of $800,000 in 1998, and Judson ISD paid $208,000 to its departing superintendent in 2000. These payments took money away from the public school programs they were intended to fund without accountability, oversight, or penalty for doing so.

This bill would create reasonable limits on superintendent severance packages by penalizing districts for payments that exceeded one-year salary and benefits and requiring any FSP penalty to apply to the year in which the excessive severance payment was made.

SB 1446 would clearly define the term "severance payment," thus creating a "bright line" regarding which payments to superintendents are subject to FSP penalties. Lack of a clear definition has caused confusion, and some school districts did not understand which payments had to be reported. The commissioner requested an attorney general's opinion (JC-0221, May 22, 2000), which did not adequately clarify the matter.

The bill would allow districts to extricate themselves from employment contracts with superintendents without losing FSP funds and without the contract termination or nonrenewal process, which can be time consuming and expensive for districts. The bill would allow for a one-year maximum allowable payment of salary and benefits before the FSP penalty kicked in.

OPPONENTS SAY:	No apparent opposition.