

Date of Hearing: May 13, 2015

ASSEMBLY COMMITTEE ON EDUCATION

Patrick O'Donnell, Chair

AB 215 (Alejo) – As Amended May 4, 2015

SUBJECT: Local agency employment contracts: maximum cash settlement.

SUMMARY: Reduces the maximum cash settlement that may be paid to a school district superintendent in the case of terminations of employment. Specifically, for contracts of employment negotiated on or after January 1, 2016. Specifically, **this bill:**

- 1) Reduces the maximum cash settlement that may be paid to a school district superintendent from 18 times the monthly salary to 12 times the monthly salary, unless the superintendent was dismissed for cause, in which case the maximum cash settlement is 6 times the monthly salary.
- 2) Reduces the maximum cash settlement that may be paid to a school district superintendent in the case of a termination in which the school district believes and subsequently confirms that the superintendent has engaged in fraud, misappropriation of funds, or other illegal fiscal practices from 6 times the monthly salary to 3 times the monthly salary.

EXISTING LAW: Provides that, in the event of a termination of employment of a school district superintendent, the maximum cash settlement shall be the employee's monthly salary multiplied by the number of months left on the unexpired term of the contract, but no more than 18 months. In the case of a termination in which the school district believes and subsequently confirms that the superintendent has engaged in fraud, misappropriation of funds, or other illegal fiscal practices, the maximum cash settlement is 6 times the monthly salary.

FISCAL EFFECT: This bill is keyed non-fiscal by the Legislative Counsel

COMMENTS: This bill reduces from 18 times the monthly salary to 12 times the monthly salary the maximum cash settlement that may be paid to a school district superintendent whose employment has been terminated. In the case of a termination in which the school district believes and subsequently confirms that the superintendent has engaged in fraud, misappropriation of funds, or other illegal fiscal practices, this bill reduces the maximum cash settlement from 6 times the monthly salary to 3 times the monthly salary. In no case can the amount of the cash settlement exceed the number of unexpired months on the contract.

According to the California Department of Education (CDE) the average annual salaries for unified school district superintendents, by district size, in 2012-13 as follows:

- \$116,606 for districts with less than 1,500 average daily attendance (ADA);
- \$151,912 for district with 1,500 to 4,999 ADA;
- \$183,557 for districts with 5,000 to 9,999 ADA;
- \$206,292 for districts with 10,000 to 19,999 ADA; and

- \$227,183 for districts with more than 20,000 ADA

There is considerable variance around these averages. Information provided by the author's office shows that the highest salaries range from \$265,773 to \$322,159. With salaries in this range, the maximum cash settlement could range from \$398,660 to \$483,239 under existing law.

It has been argued that these salaries and the related cash settlements reflect the market cost of recruiting high-quality candidates to a position with inherent instability. A 2014 survey by the Brown Center on Education Policy at the Brookings Institution ("Urban School Superintendents: Characteristics, Tenure, and Salary") found that the average tenure of an urban school district superintendent is 3.18 years in 2014—up from 2.8 years in 2003.

On the other hand, some buyouts have generated negative publicity. For example, a state-appointed administrator in the Inglewood Unified School District received a six-month buyout worth \$100,000 after serving only two months on the job. In another case, the Hesperia Unified School District put its superintendent on a paid leave of absence for six months and then provided an 18-month cash settlement—effectively providing a 24-month buy-out at a cost of about \$325,000, plus benefits, for a district with 23,000 ADA.

The premise of the bill. The author's office argues that, "by placing a cap on district superintendent's severance pay, we can save money for students, begin to improve our school administrative processes, and demonstrate fiscal discipline in the administration of taxpayer dollars." While this bill would reduce the cost of cash settlements in individual cases where there is more than 12 months left on a contract, this does not necessarily mean that it will reduce the cost of cash settlements overall. What is unknown is the relationship between the cost of a settlement and the decision to terminate. Currently, the relatively high cost of a settlement may reduce the number of terminations. Conversely, reducing the cost of a settlement could increase terminations, reducing the already-short tenure of district superintendents and increasing the statewide costs of settlements.

Arguments in opposition. Opponents argue that superintendents are at-will employees, who have no due process rights and can be terminated any time without cause. This action can end the career of a superintendent. Rather than being extra pay or a gift of public funds, cash settlements are damages paid to a superintendent "who is released by breach of contract."

REGISTERED SUPPORT / OPPOSITION:

Support

None received

Opposition

Association of California School Administrators/

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