



# LEGISLATOR'S GUIDE TO THE ISSUES 2021-2022

## Severance Pay Reform

### The Issue

A growing number of school superintendents are walking away with generous severance payment packages, even while some are embroiled in scandal.

Severance payments offer departing superintendents compensation that is guaranteed under the terms of their contract, but for which no service was provided to the public. For superintendents, such an arrangement has an obvious advantage, that is, financial gain. For school boards, the arrangement's advantage is that it provides coverage against any potential legal action.

The terms of a severance agreement vary from district to district since it is neither required by state law nor strictly governed by the statehouse. However, some small, structural disincentives were built into the overall system following a strong public outcry in the 1990s. The measures require schools to receive reduced state funding when these payouts exceed the equivalent of one year's compensation.

These taxpayer-funded payouts can cost upward of a half million dollars and are sometimes even awarded to superintendents embroiled in controversy. In fact, there is a growing list of examples in which school administrators left their posts under a cloud of suspicion but with a golden parachute negotiated behind closed doors.

Whether these agreements comport with the spirit of the Texas Constitution is dubious at best. At several points, our foundational document decries spending public money for the purpose of private gain. At the heart of these various provisions is a desire to prevent state and local governments, including school districts, [“from using public funds to give away something for nothing.”](#)

This problem is not limited to Texas. Other state legislatures—namely, those in Illinois, Florida, and California—have taken action to halt this practice. In 2018, Illinois passed the Government Severance Pay Act—which limited severance payment amounts to government employees to be no greater than 20 weeks' worth of compensation. Florida adopted a similar piece of legislation in 2011, and California also enacted a law that caps public school superintendents' severance pay amount and prohibits schools from providing any payment at all in cases where a superintendent has participated in illicit financial practices.

Texas schoolchildren and taxpayers stand to benefit from the passage of a law to protect education funding from supersized severance packages. Reforms are needed to limit the size of the award and who is eligible to receive it.

### The Facts

- School superintendents in Texas have been paid millions of dollars to leave their posts over the last few years.
- From 2013 to 2017, Texas taxpayers paid out \$18.3 million to terminate superintendents.
- These big buyouts take money away from students and teachers in the classroom.
- Other states have passed legislation to limit the size of severance pay allowed and stop certain government employees from receiving a golden parachute altogether.

### Recommendations

- Cap severance pay at a definite amount such as the equivalent of 20 weeks' compensation.
- Withhold payouts altogether in the event of employee misconduct.
- Require severance payment agreements to be prominently posted online.

### Resources

[California Government Code](#), Article 3.5, Section 53260.

[SB 88](#), Florida Legislature, 2011.

[Illinois Government Severance Payment Act](#).

[“Limiting Golden Parachutes in Illinois”](#) by the Editorial Board, *Chicago Tribune* (May 7, 2018).

[Superintendent Certification and Contract Provisions](#), Legislative Budget Board (August 2018).