



# SCHOOL & COLLEGE LEGAL SERVICES OF CALIFORNIA

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## LEGAL UPDATE

September 16, 2015

**To: Superintendents, Member School Districts (K-12)**  
**From: Carl D. Corbin *CDC*  
General Counsel**  
**Subject: Limit on Cash Settlement in Superintendent Contracts  
Memo No. 24-2015**

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On September 2, 2015, the Governor signed Assembly Bill (“AB”) 215, which amends Government Code section 53260 and applies to all school district superintendents’ contracts executed on or after January 1, 2016.

Existing law requires all employment contracts between an employee and a local agency employer to contain a provision that provides for the amount of a cash settlement that may be paid out if the contract is terminated with the maximum settlement that an employee can receive being no more than the amount equal to the monthly salary of the employee multiplied by the number of months left on the unexpired term of the contract, or, if the unexpired terms of the contract is greater than 18 months, an amount equal to the monthly salary of the employee multiplied by 18.

AB 215 provides an exception only applicable to school district superintendent contracts, executed on or after January 1, 2016<sup>1</sup>, which limits the maximum cash settlement to no more than the amount of the superintendent’s monthly salary multiplied by 12. In addition, in the case of a superintendent who is terminated when the district believes, and subsequently confirms pursuant to an independent audit, the superintendent has engaged in fraud, misappropriation, or other illegal practices, then the district shall not provide a cash or non-cash settlement in any amount.<sup>2</sup>

For your convenience, a copy of AB 215 is attached at the end of this Legal Update.

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<sup>1</sup> Government Code section 53260(a)(2).

<sup>2</sup> Government Code section 53260(b).



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Please contact our office with questions regarding this Legal Update or any other legal matter.

*The information in this Legal Update is provided as a summary of law and is not intended as legal advice. Application of the law may vary depending on the particular facts and circumstances at issue. We, therefore, recommend that you consult legal counsel to advise you on how the law applies to your specific situation.*

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## Assembly Bill No. 215

### CHAPTER 240

An act to amend Section 53260 of the Government Code, relating to employment.

[Approved by Governor September 2, 2015. Filed with  
Secretary of State September 2, 2015.]

#### LEGISLATIVE COUNSEL'S DIGEST

AB 215, Alejo. Local agency employment contracts: maximum cash settlement.

Existing law requires all employment contracts between an employee and a local agency employer to contain a provision that provides for the amount of a cash settlement that may be paid out if the contract is terminated, as specified. Existing law provides that the maximum settlement that an employee can receive is an amount equal to the monthly salary of the employee multiplied by the number of months left on the unexpired term of the contract, or, if the unexpired terms of the contract is greater than 18 months, an amount equal to the monthly salary of the employee multiplied by 18.

This bill would provide that in the case of a district superintendent of schools, for contracts of employment executed on or after January 1, 2016, the maximum cash settlement shall be an amount equal to the monthly salary of the employee multiplied by 12.

Existing law limits the amount of a cash or noncash settlement that a local agency employer may provide its district superintendent of schools to an amount no greater than the superintendent's monthly salary multiplied by zero to 6, if it terminates the superintendent's contract of employment and confirms pursuant to an independent audit that the superintendent engaged in fraud, misappropriation of funds, or other illegal fiscal practices. In this case, existing law requires an administrative law judge, after a hearing, to determine the amount of the cash settlement.

This bill, with regard to a contract for employment executed on or after January 1, 2016, would instead provide that a cash or noncash settlement in any amount may be paid by a local agency employer to its district superintendent of schools under these provisions.

*The people of the State of California do enact as follows:*

SECTION 1. Section 53260 of the Government Code is amended to read:

53260. (a) All contracts of employment between an employee and a local agency employer shall include a provision that provides that regardless of the term of the contract, if the contract is terminated, the maximum cash settlement that an employee may receive shall be an amount equal to the monthly salary of the employee multiplied by the number of months left on the unexpired term of the contract, with the following exceptions:

(1) If the unexpired term of the contract is greater than 18 months, the maximum cash settlement shall be an amount equal to the monthly salary of the employee multiplied by 18.

(2) In the case of a district superintendent of schools, for contracts of employment executed on or after January 1, 2016, the maximum cash settlement shall be an amount equal to the monthly salary of the employee multiplied by 12.

(b) (1) Notwithstanding subdivision (a), if a local agency employer, including an administrator appointed by the Superintendent, terminates its contract of employment with its district superintendent of schools, that local agency employer shall not provide a cash or noncash settlement to its superintendent in any amount if the local agency employer believes, and subsequently confirms, pursuant to an independent audit, that the superintendent has engaged in fraud, misappropriation of funds, or other illegal fiscal practices.

(2) This subdivision applies only to a contract for employment executed on or after January 1, 2016.

(c) The cash settlement formulas described in subdivision (a) are maximum amounts that may be paid by a local agency employer to an employee and not a target or example of the amount of the cash settlement to be paid by a local agency employer to an employee in all contract termination cases.