STORAGE NAME: h0259a.fpr.doc
DATE: November 27, 2001

HOUSE OF REPRESENTATIVES
COMMITTEE ON
FISCAL POLICY & RESOURCES
ANALYSIS

BILL #: HB 259

RELATING TO: Instructional Personnel/K-12/DROP

SPONSOR(S): Representative(s) Brummer

TIED BILL(S): none

ORIGINATING COMMITTEE(S)/COUNCIL(S)/COMMITTEE(S) OF REFERENCE:
(1) FISCAL POLICY & RESOURCES YEAS 12 NAYS 0
(2) STATE ADMINISTRATION
(3) FISCAL RESPONSIBILITY COUNCIL
(4)
(5)

I. SUMMARY:

DROP refers to the Deferred Retirement Option Program, administered by the Division of Retirement, which became effective July 1, 1998, and is for vested members of the Florida Retirement System (FRS) who have reached their normal retirement date. DROP is a program that allows a member to effectively retire without terminating his or her employment. While participating in DROP for a maximum of 60 months, the monthly retirement benefits accumulate in the FRS Trust Fund, earning tax-deferred interest, while the member continues to work and earn salary (but not earning additional service credit). When the member DROP period ends, the member must terminate all employment with all FRS employers or forfeit the DROP benefits. At that time, the member will receive payment of the accumulated DROP benefits, and begin receiving the monthly retirement benefit. For many members, this is the “best of both worlds,” providing both a guaranteed lifetime benefit and a lump sum that can be spent or invested after DROP ends. For employers, it provides an incentive for experienced employees to remain in service longer while limiting the costs of retirement.

This bill increases the period of time in which members who are employed as instructional personnel in grades K-12 may participate in DROP from 60 months to 96 months (from 5 years to 8 years). The goal of the bill is to retain experienced instructional personnel in an effort to address the increasing demand for additional teachers. This bill will take effect July 1, 2002, contingent upon the division receiving certain favorable letters from the Internal Revenue Service regarding this program’s tax status.

<u>SUBSTANTIVE ANALYSIS</u>:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

1.	<u>Less Government</u>	Yes []	No []	N/A [x]
2.	<u>Lower Taxes</u>	Yes []	No []	N/A [x]
3.	<u>Individual Freedom</u>	Yes [x]	No []	N/A []
4.	<u>Personal Responsibility</u>	Yes [x]	No []	N/A []
5.	<u>Family Empowerment</u>	Yes []	No []	N/A [x]

For any principle that received a “no” above, please explain:

B. PRESENT SITUATION:

DROP refers to the Deferred Retirement Option Program, administered by the Division of Retirement, which became effective July 1, 1998, and is for vested members of the Florida Retirement System (FRS) who have reached their normal retirement date. DROP is a program that allows a member to effectively retire without terminating his or her employment. While participating in DROP for a maximum of 60 months, the monthly retirement benefits accumulate in the FRS Trust Fund, earning tax-deferred interest, while the member continues to work and earn salary (but not earning additional service credit). When the member DROP period ends, the member must terminate all employment with all FRS employers or forfeit the DROP benefits. At that time, the member will receive payment of the accumulated DROP benefits, and begin receiving the monthly retirement benefit. For many members, this is the “best of both worlds,” providing both a guaranteed lifetime benefit and a lump sum that can be spent or invested after DROP ends. For employers, it provides an incentive for experienced employees to remain in service longer while limiting the costs of retirement.

C. EFFECT OF PROPOSED CHANGES:

This bill increases the period of time in which members who are employed as instructional personnel in grades K-12 may participate in DROP from 60 months to 96 months (from 5 years to 8 years). The goal of the bill is to retain experienced instructional personnel in an effort to address the increasing demand for additional teachers. This bill will take effect July 1, 2002, contingent upon the division receiving certain favorable letters from the Internal Revenue Service regarding this program’s tax status.

D. SECTION-BY-SECTION ANALYSIS:

See Section B and C above.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None

2. Expenditures:

None

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None

2. Expenditures:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None

D. FISCAL COMMENTS:

None

III. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require a city or county to expend funds or to take any action requiring the expenditure of any funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the revenue raising authority of any city or county.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the amount of state taxes shared with a city or county.

IV. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None

B. RULE-MAKING AUTHORITY:

None

C. OTHER COMMENTS:

None

V. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On November 28, 2001, the Committee on Fiscal Policy & Resources adopted an amendment, which will travel with the bill. The amendment adds a statutory cross reference for instructional personnel.

VI. SIGNATURES:

COMMITTEE ON FISCAL POLICY & RESOURCES:

Prepared by:	Staff Director:
Douglas Pile, Esq.	David Coburn