

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** HB 83 w/CS Florida Retirement System  
**SPONSOR(S):** Brummer and others  
**TIED BILLS:** None **IDEN./SIM. BILLS:** SB 0328

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REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) State Administration	5 Y, 0 N w/CS	Bond	Everhart
2) Education K-20	14 Y, 9 N	Carlson	Bohannon
3) Education Apprpriations (Sub)	13 Y, 0 N	Mizereck	Mizereck
4) Appropriations			
5)			

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### SUMMARY ANALYSIS

In 1998, the DROP program (Deferred Retirement Option Program) was created as an additional retirement benefit for state and local government employees, by which employees may work up to 5 years beyond their normal retirement date, accruing a separate additional retirement fund. On June 30, 2003, the first class of DROP enrollees must retire or suffer substantial penalties for failure to retire timely. This bill extends from 5 years to 8 years the period in which instructional personnel in grades K-12 may participate in the DROP program. This 3 year extension applies to current employees.

Current law limits the time within which an employee may decide to enter the DROP program. This bill provides a 45-day window beginning on July 1, 2003, in which any employee who failed to make a timely DROP election may do so.

This bill has an unknown fiscal impact on state and local governments.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

**STORAGE NAME:** h0083e.ap.doc  
**DATE:** April 16, 2003

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. DOES THE BILL:

- |                                      |   |                             |   |
|--------------------------------------|---|-----------------------------|---|
| 1. Reduce government?                | Yes <input type="checkbox"/>            | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. Lower taxes?                      | Yes <input type="checkbox"/>            | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. Expand individual freedom?        | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/>            |
| 4. Increase personal responsibility? | Yes <input type="checkbox"/>            | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. Empower families?                 | Yes <input type="checkbox"/>            | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

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

Not applicable.

#### B. EFFECT OF PROPOSED CHANGES:

##### Background

The DROP program allows a state or local government employee who reaches his or her normal retirement date to continue working for up to 60 additional months, during which time a DROP benefit accumulates in the Florida Retirement System (FRS) Trust Fund for the benefit of the employee. An employee who fails to terminate employment at the end of his or her DROP period voids DROP participation and loses the accumulated DROP benefit. Employees other than instructional personnel must make a DROP election within 12 months after the employee's normal retirement date.

As of Fall 2002, there were 157,981 instructional staff employed by Florida public schools.<sup>1</sup> Of those, 8,668 are currently participating in the DROP program, of which 1,888 will be required to retire on or before June 30, 2003, or lose all DROP benefits. As of July 1, 2002, there were approximately 12,000 employees who would have been eligible to participate in DROP, but who did not timely make a DROP election.

##### Effect of Bill -- Instructional Personnel

This bill amends s. 121.091, F.S. (a part of the state retirement laws) to provide that instructional personnel in grades K-12 may participate in DROP for 96 months, 36 months longer than all other members within the FRS. DROP participants who are instructional personnel at the time this provision becomes law could extend their current period of participation for an additional 36 months.

Instructional personnel to whom this extension applies are those defined at s. 1012.01(2)(a)-(d), F.S. Thus, this extension applies to classroom teachers, student personnel services (primarily guidance counselors), librarians and media specialists, and other instructional staff.

##### Effect of Bill -- All Employees

This bill also provides a one-time, 45-day window beginning July 1, 2003, during which time any member who failed to make a timely DROP election may do so.

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<sup>1</sup> Statistical Brief, Series 2003-15B, by the Bureau of Education Information & Accountability Services, Florida Department of Education.

C. SECTION DIRECTORY:

Section 1 amends s. 121.091(13), F.S., to extend the maximum DROP participation period for certain instructional personnel in grades K-12 to 96 months.

Section 2 provides a window this summer during which time an employee who failed to make a timely DROP election may do so.

Section 3 declares the provisions of this bill fulfill an important state interest.

Section 4 provides an effective date of June 30, 2003.

**II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues: None.
2. Expenditures: See Fiscal Comments.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues: None.
2. Expenditures:  
All Local Government  
See Fiscal Comments.

School Boards

Local school boards may have been anticipating that current DROP enrollees, who are typically at the top of the pay scale, would be retiring this summer. The boards could have replaced those persons with newer employees who could be hired lower in the pay scale (provided that there are sufficient qualified persons who could be hired), thus saving payroll costs. This bill may have the effect of minimizing this anticipated savings.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

As to all FRS employers (state, local governments, and school boards):

Extension of DROP for instructional personnel is not anticipated to alter the contribution rate, thus there is no anticipated cost to the state for this portion of the bill.

The cost of providing the one-time, 45-day window for DROP participation for those members who did not enter DROP before the end of their 12-month limitation period may have an actuarial impact that could increase the future employer contribution rates. This potential cost is not known at this time.

A detailed fiscal analysis prepared by the Department of Management Services is available.

### **III. COMMENTS**

#### **A. CONSTITUTIONAL ISSUES:**

1. Applicability of Municipality/County Mandates Provision:

This bill does not appear to be a mandate requiring a supermajority vote.

2. Other:

None.

#### **B. RULE-MAKING AUTHORITY:**

None.

#### **C. DRAFTING ISSUES OR OTHER COMMENTS:**

Any provision that attempts to retain existing DROP participants must be effective no later than June 30, 2003. As of that date, the original DROP enrollees will be terminated from the program and will not be eligible to extend under a provision effective July 1, 2003 or later. It may be appropriate to amend the effectiveness date of the bill so that it goes into effect upon becoming law.

### **IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES**

On March 10, 2003, the Committee on State Administration adopted one amendment to this bill. As filed, the bill utilized the term "instructional personnel, in grades K-12" to define the group that may elect to extend DROP to 96 months. The amendment inserted a cross-reference to the definitions of instructional personnel found in s. 1012.01(2)(a)-(d), F.S. The bill was then reported favorably with a committee substitute.

On April 15, 2003, the House Education Appropriations Subcommittee adopted an amendment to further clarify that only instructional personnel who have received authorization from their superintendent may participate in DROP more than 60 months.