# Florida PBA's 2010
# Legislative Agenda

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## DROP Extension

**(SB 612 by Senator Carey Baker and HB 249 by Representative Will Snyder)** – This legislation is our third attempt to extend the DROP for rank and file members of law enforcement, correctional, and correctional probation officers. The legislation will allow officers at the rank or equivalent rank of captain or below to extend their DROP enrollment up to an additional three years. After such extension, the officer will officially retire and be barred from returning to the employer from which he or she retired.

It specifically addresses the retention problem Florida's law enforcement and correctional agencies are facing. In Florida, we are seeing that a majority of public safety employees are in the latter half of their careers. Many of the younger employees who could potentially fill the positions of retired members are instead choosing to enter into professions such as the military, firefighting, or something other than law enforcement, or corrections.


The PBA has decided extending the DROP for current and future enrollees will slow down the professional depletion and allow agencies a longer opportunity to recruit new officers.

Classroom teachers were able to extend DROP in a similar manner following the passage of the class size amendment. The Legislature's sense of urgency about workforce shortages at the time is often cited as the reason why this extension was granted. Right now, the same drain on talent and experience is prevalent in the law enforcement and corrections fields.

The issue of cost has stymied this legislation over the last two years. Florida's Constitution requires that before any benefit enhancement is made within the Florida Retirement System an actuarial study must be completed to see the costs such a change would have on the system.

A serious conflict about how DROP should be funded and whether it is still a cost effective program is raging within the operational circles of the pension system. Currently, DROP is funded by a flat rate that is separate from the rates of other membership classes in the FRS. Every employer with a DROP participant pays this rate for the DROP enrollee regardless of the prior membership of the enrollee. The conflict arises out of concerns that some employers are not paying the true costs for their DROP enrollees.

On one side, there are a number of people, including the actuary performing the analysis of DROP and some employers, who believe DROP should not be a separate class. They believe in order to appropriately fund DROP that each enrollee should be funded at the membership rate from which the enrollee retired. An often cited rationale is that employers with high concentrations of regular class employees subsidize the system for employers with high concentrations of special risk employees.

On the other side of this argument is a suggestion that perhaps DROP participants fund themselves and therefore an employer should not have to pay a rate to the system at all. Under this argument, the DROP employee would be an employee with a hefty discount. Since DROP is funded by the monthly deposits of a person's pension payments, the employers' costs are unnecessary.

All arguments aside, in order for this legislation to gain any traction at all, the actuarial study will have to come back with little or no costs involved. We should have the study results by the end of February. SB 612 received a hearing during the Senate Criminal Justice Committee on Wednesday, February 3.

## Past Service Credit Update

**(SB 198 by Senator Carey Baker and HB 49 by Representative Ed Hooper)** – This legislation has been hanging around for five years. It changes one number in the statutes from two to three and thereby allows a number of officers to fairly purchase past service credit for their time as a special risk employee in a non-FRS pension system when converting their prior service into FRS credit.

Under the current law an officer purchasing past service is limited to past service accrual credit at two percent instead of the statutorily authorized three percent for special risk employees. The difference in retirement accrual is substantial. Over a ten year period it amounts to a ten percent reduction in retirement credit.

It becomes a real point of contention during negotiations with employers attempting to move its employees into the Florida Retirement System.

The fix will remove this barrier and allow either the employee or the employer to purchase the past service. We are thankful to be working together with our friends the Florida Professional Firefighters and to be joined in support with the Florida League of Cities.

# A state budget deficit measured in billions

## Major shortages predicted for schools and Medicaid

By LLOYD DUNKELBERGER, H-T Capital Bureau • Thursday, January 14, 2010

State lawmakers are facing a budget deficit of nearly $3 billion as they try to craft next year's spending plan.

A sharper picture of the state's budget problems came into focus this week as legislators held committee meetings in preparation for the regular session, which begins in March.

Two areas that appear particularly vulnerable are:

Medicaid, which provides health care for the poor and disabled. It faces a shortfall of $1 billion to $1.7 billion.

The Florida schools budget, which faces deep cuts unless the state can make up a projected $800 million shortfall.

While Florida is faring better overall than some states, particularly California, it is still far from resolved how the state will meet next year's spending because tax revenues are not growing nearly fast enough to meet the demand.

After hearing an update Wednesday, Senate budget chief J.D. Alexander, R-Lake Wales, said the financial woes will likely result in more budget cuts, layoffs for state workers and the need to cover the increasing cost of pension and health care coverage for state employees.

"We have our work cut out for us," Alexander said. "Will we be able to do everything we need to do? Absolutely not. But I hope we will be able to do what's necessary to keep us moving forward."

But legislators made clear that they have no intention of raising taxes to close the budget gap.

Instead, the sentiment among House Republican leaders is for tax cuts, a reduction in the corporate income tax and a 10-day sales tax break for back-to-school purchases. In the Senate, Alexander said he would like to see some of the fee increases approved last year, such as on license tags, be rescinded.

Alexander said legislative leaders would also like to provide some relief to Florida businesses facing a steep increase this year in their unemployment compensation taxes—although that issue would not affect the bottom line of the budget.

Advocates for tax cuts say they would stimulate the economy and ultimately bring in more revenue to the state.

One of the biggest issues facing lawmakers in the 2010-11 state budget is the expansion of Medicaid. More financially struggling Floridians need the service, which has expanded by 16 percent this year, with a projection of more than 2.9 million clients next year at a cost of more than $19 billion.

Additionally, lawmakers face the end of federal stimulus money for Medicaid in December, which leaves a $986 million gap for lawmakers. But Alexander said there is a reasonable likelihood that Congress will extend the financial help through the end of the next state budget year.

Even if the federal issue is resolved, lawmakers will have to come up with an additional $835 million to cover the increased use of Medicaid next year, according to the latest budget projections.

Another major cost driver in the budget is the result of a steep decline in real estate values around the state. The lower property values mean fewer tax dollars for public schools—with lawmakers having to come up with an estimated $782 million to prevent a drop in student funding.

Another $147 million will be needed to cover other school costs including the class-size amendment, which restricts the number of students in each K-12 classroom.

The Legislature will face about $800 million in increased costs for the state pension fund because of a projected deficit.

And Alexander said lawmakers are looking at having state workers pay more for their health care coverage, including requiring some 27,000 employees who now get free insurance to pay some of the costs.

Not all the budget news is bad. State tax collections are slowly increasing again and the need for some programs, such as state prisons, has declined slightly.

The budget numbers are preliminary. State economists will hold another series of revenue forecasts leading up to the start of the annual legislative session in March. Lawmakers will vote on the final budget bill in late April, with the spending plan taking effect July 1.

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