

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: The Professional Staff of the Policy and Steering Committee on Ways and Means

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BILL: CS/SB 2580

INTRODUCER: Education Pre-K-12 Committee and Senator Gaetz

SUBJECT: Group Insurance for Public Employees

DATE: April 15, 2010

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Brown</u>	<u>Matthews</u>	<u>ED</u>	<b>Fav/CS</b>
2.	<u>Wilson</u>	<u>Wilson</u>	<u>GO</u>	<b>Favorable</b>
3.	<u>McVaney</u>	<u>Coburn</u>	<u>WPSC</u>	<b>Favorable</b>
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

**Please see Section VIII. for Additional Information:**

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|------------------------------|--|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="checked" type="checkbox"/> | Statement of Substantial Changes        |
| B. AMENDMENTS.....           | <input type="checkbox"/>                   | Technical amendments were recommended   |
|                              | <input type="checkbox"/>                   | Amendments were recommended             |
|                              | <input type="checkbox"/>                   | Significant amendments were recommended |

**I. Summary:**

This bill establishes the School District Insurance Consortium (Consortium). Health, accident, and hospitalization insurance will be procured through the Consortium for school district officers and employees, and their dependents.

The Consortium will be managed by a nine-member board of directors with representation from school board members, superintendents, public school teachers or support personnel, and an individual with expertise in employee benefit systems. Directors serve two-year terms. The board of directors is authorized to hire staff, contract for services, and request technical support from the Department of Management Services (Department).

This bill requires competitive bid participation. Multiple providers are authorized and insurance coverage may be statewide or regionally-based. For regional coverage, the Consortium must include school districts of varying size.

This bill clarifies that collective bargaining is required, and specifies included subjects, consistent with current law.

An opt-out provision is available to any school district provided that the school board holds a properly noticed public meeting and finds that less expensive insurance is available elsewhere.

This bill substantially amends section 112.08 of the Florida Statutes.

## **II. Present Situation:**

### **Health Insurance for School District Employees**

Chapter 112, F.S., addresses various conditions of employment, including retirement and group insurance for local governmental units, defined to include school boards.<sup>1</sup> Section 112.08, F.S., authorizes local governmental units to contract with private companies for the provision of all types of insurance, including life, health, accident, hospitalization, legal expense, and annuity insurance.<sup>2</sup> The local governmental unit is required to participate in the competitive bid process in procuring group insurance.<sup>3</sup>

If the local governmental unit intends to self-insure, approval by the Office of Insurance Regulation is required, with approval to be based upon the actuarial soundness of the plan.<sup>4</sup>

Currently, the 67 school districts purchase health, accident, and hospitalization insurance for officers, employees and dependents, as individual school districts.

### **Florida Law on Collective Bargaining**

Chapter 447, F.S., addresses labor organizations. The district school board is considered the public employer for all employees of the district.<sup>5</sup> A public employee is generally defined as a person employed by a public employer.<sup>6</sup> Collective bargaining is required between the public employer and the bargaining agent of public employees in the following areas: wages, hours, and terms and conditions of employment.<sup>7</sup>

## **III. Effect of Proposed Changes:**

This bill requires school districts to enter into interlocal agreements to establish the School District Insurance Consortium (Consortium) for the provision of health, accident, and hospitalization insurance.

The Consortium is managed by a nine-member board of directors, with representation as follows:

- Three members who are elected school board members appointed by the Florida School Boards Association;

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<sup>1</sup> s. 112.08(1), F.S.

<sup>2</sup> s. 112.08(2)(a), F.S.

<sup>3</sup> *Id.*

<sup>4</sup> s. 112.08(2)(a) and (b), F.S.

<sup>5</sup> s. 447.203(2), F.S.

<sup>6</sup> s. 447.203(3), F.S.

<sup>7</sup> s. 447.309(1), F.S.

- Three members who are elected or appointed school superintendents appointed by the Florida Association of District School Superintendents;
- Two members who are public school teachers or support personnel appointed by the Florida Education Association; and
- One member who has experience in operating employee benefit systems.

Members serve two-year terms. It appears that reappointments are authorized. The board of directors is authorized to hire staff or contract for staffing services.

This bill makes participation in the competitive bid process mandatory for Consortium-purchased insurance, consistent with current law on group insurance purchases by local governments. Insurance may be purchased for statewide or regional use, and if regional, the Consortium must include districts of different sizes. Multiple providers are authorized.

School districts are required to collectively bargain for all units of employees who will be provided insurance, consistent with current law.

The Department must provide technical services to the Consortium, as requested.

To opt-out, a school board must hold a properly noticed public meeting and find that it is less expensive to purchase insurance elsewhere. Therefore, some school districts may continue to purchase insurance independently.

This bill takes effect July 1, 2010, with application to begin upon the latter of the date of July 1, 2011, or upon expiration or renewal of existing contracts.

#### **IV. Constitutional Issues:**

##### **A. Municipality/County Mandates Restrictions:**

None.

##### **B. Public Records/Open Meetings Issues:**

None.

##### **C. Trust Funds Restrictions:**

None.

#### **V. Fiscal Impact Statement:**

##### **A. Tax/Fee Issues:**

None.

**B. Private Sector Impact:**

With a greater volume of participants in the pool, better benefits may be offered, resulting in cost savings for claimants.

**C. Government Sector Impact:**

The Department of Education indicates that economies of scale through joint purchases of group insurance will likely result in a cost savings to school districts, with the amount indeterminate at this time.

When the bill required the Department of Management Services to provide administrative services, as needed, the Department expected an unknown fiscal impact. This committee substitute deletes the provision requiring Department assistance with rulemaking and changed the requirement for administrative services to that of technical services. Without more specific direction regarding what is meant by technical services, the Department is uncertain about a fiscal impact.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

The bill has organizational attributes similar to the regional consortium service organizations authorized for small school districts by s. 1001.451, F.S. In that statutory arrangement, school districts with fewer than 20,000 unweighted full-time equivalent students, the four university laboratory schools, and the Florida School for the Deaf and Blind are permitted to aggregate ten common administrative functions. At least three of the following functions must be included in that aggregation:

- Exceptional student education;
- Teacher education centers;
- Environmental education;
- Federal grant procurement and coordination;
- Data processing;
- Health insurance;
- Risk management insurance;
- Staff development;
- Purchasing; and
- Planning and accountability

School districts with four or more members can apply for Department of Education incentive grants, although the grant eligibility is subject to partial funding and expires in its entirety July 1, 2010.

The bill leaves unstated how such an organization is to be constituted, whether the interlocal agreement identifies a lead school district as the principal organizer, or whether this is to be an incorporated entity formed by the districts themselves. While the health insurance component is the largest single expenditure among the ten components identified under s. 1001.451, F.S., it is also the only one that is subject to state and federal regulatory compliance.

School districts participating in a consortium under s. 1001.451, F.S., will have to examine their participatory role as the effect of this bill could create an inducement to leave their current arrangement or to sponsor participation beyond their current membership since there are no student enrollment caps.

There are three regional consortia participating under s. 1001.451, F.S.: the North East Florida Educational Consortium (NEFEC); the Heartland Educational Consortium (HEC); and the Panhandle Area Education Consortium (PAEC).

### **VIII. Additional Information:**

**A. Committee Substitute – Statement of Substantial Changes:**  
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

**CS by Education Pre-K-12 on March 23, 2010:**

The committee substitute:

- Amends board membership;
- Replaces the requirement that the Department of Management Services provide administrative services to the Consortium, including rulemaking assistance, with that of requiring technical assistance;
- Mandates competitive bid participation; and
- Deletes the requirement that regions be defined in rule.

**B. Amendments:**

None.