

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO. 2350-01
BILL NO. HB 1218
SUBJECT: Motor Vehicles: State Departments
TYPE: Original
DATE: March 14, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$800,000)	\$0	\$0
All State Funds	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
State Vehicle Fleet Revolving Fund	\$0	\$0	\$0
State Fleet Vehicle Cost Savings Fund	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	(\$800,000 to Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses
This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

The **Missouri Department of Conservation (MDC), Department of Public Safety - Division of Fire Safety, Missouri House Appropriations (MHA), Office of the State Auditor (SAU), Office of the Attorney General (AGO), Missouri Veterans' Commission (VET), Missouri Gaming Commission (GAM), Missouri Consolidated Health Care Plan, Office of Prosecution Services (OPS), Harris-Stowe State College, Missouri Western State College, Office of the Adjutant General, Department of Transportation (DHT), Office of the State Treasurer (STO), Joint Committee on Public Employee Retirement (JCP), Missouri Local Government Employees Retirement System (LAG), Public School Retirement (PSR), Sheriff Retirement System (SRS) and the Office of the Lieutenant Governor (MLT)** assume this proposal would not fiscally impact their agencies.

In a similar previous proposal, officials from the **Department of Agriculture (AGR), State Tax Commission (TAX) and the Missouri House of Representatives (MHR)** assumed the proposal would not fiscally impact their agencies.

Officials from the **Department of Revenue (DOR)** assume the DOR is unable to determine if evidence exists that a state motor pool would generate more efficient costs than the DOR is currently experiencing with its own fleet management. It is believed that for the first few years of operation, the costs to the DOR may be somewhat higher due to the allocated operating costs of pool vehicles to the DOR. Allowing the proceeds from the sale of state vehicles at public auctions to be placed to the credit of the State Vehicle Fleet Revolving Fund may offset the negative impact of paying an allocated cost to the state fleet vehicle manager. The Department of Revenue is also concerned that this may potentially result in both a net reduction in the use of vehicles and in the Department's budget in order to set-up the State Vehicle Fleet Fund.

Officials from the **Department of Public Safety - Missouri State Highway Patrol (MHP)** assumes the only possible impact on the MHP could be a change in the number of used vehicles sold to other state agencies. Whether this is a positive or negative impact can't be determined at this time, because the impact would depend on the direction taken by the state vehicle fleet manager. The impact would be on the Vehicle Revolving Fund, where money from used car sales is deposited.

ASSUMPTION (continued)

The **Office of Administration (OA), Division of General Services** states that there is not sufficient information to estimate the full fiscal impact of this legislation or to prepare an accurate business plan. COA further states that their projections are preliminary and based on similar programs in other states. Specifically, the COA relied on information provided by a 1988 review of fleet management for the State of Missouri by Ernst & Whinney, the 1996 Annual Survey Repo of the National Conference of State Fleet Administrators, fleet management in the states of Oklahoma, Kentucky and Tennessee and other fleet management resources. COA notes there are approximately 12,000 registered state vehicles of which they estimate 3,000 are exempt from the program. COA assumes the average state vehicle travels 18,000 miles per year and that the average charge per mile is \$.28 per mile, which includes depreciation, maintenance, fuel, accident risk and administration. The assumption is that a program costing more than this rate would not be funded as it would be more economically feasible to reimburse state employees for mileage incurred on their personal vehicles rather than operate a more expensive centralized program.

For the 9,000 state vehicles impacted by this proposal, traveling an average of 18,000 miles per year, the total costs to operate the proposed program would be \$45,360,000 per year (9,000 x 18,000 miles x .28 cents per mile). This would represent the annual revolving fund appropriation needed. COA assumes that the 9,000 vehicles transferring to the program will be representative of the age cycle, meaning no extraordinary replacement would be necessary.

Startup monies proportionally allocated from General Revenue and other funds would be required the first year to fund replacement of approximately 1,800 vehicles at \$14,000 per vehicle, or \$25,200,000. This reflects the fact that agencies, knowing this program was coming into effect, would not request funds to purchase new vehicles in the budget, nor would they likely use internal funds to purchase vehicles that would be turned over to the Fleet Management Program. Some of those funds could be recovered through the budget process; however, agencies will likely argue that those monies will be necessary to pay the capitalization charges included in the fees charged. For fiscal note purposes, **Oversight** assumes \$25,200,000 to fund replacement vehicles as a cost to COA and an equal savings to all state funds due to the fact that other state agencies will no longer need to purchase state vehicles.

COA further assumes one-time costs of \$800,000 will be needed for start-up costs. COA estimates one time data processing software and hardware costs of \$600,000 and other one-time costs of office equipment and furniture of approximately \$200,000. All other costs are ongoing and would be reflected in the reimbursement rate. Based on similar programs in other states with comparable fleet sizes, COA estimates 45 FTE will be necessary for the operation of a comprehensive fleet management program that will purchase, assign, operate, maintain, and dispose of most state-owned vehicles. This estimate does not include the responsibility of

ASSUMPTION (continued)

coordinating all work-related travel activities of state employees. The exact duties and titles of these employees cannot be projected at this time. Most state agencies will not be able to reassign FTE to a central fleet within the Office of Administration since many of these employees perform other non-vehicle related duties within each agency. **Oversight** assumes a corresponding staff reduction or reassignment of 45 FTE, along with related expense and equipment, to COA from other agencies, resulting in a net impact of zero.

In a similar previous proposal, the **Department of Corrections (DOC)** stated it was unable to predict the fiscal impact as it remains unclear whether the number or type of vehicles pursuant to the proposal would change from those in DOC's current fleet. DOC further states the size and makeup of their fleet is critical to the agencies' function which regularly involves the emergency transport of inmates and staff. Transportation of inmates required for court appearances and routine medical services alone accounts for thousands of vehicle miles in a fiscal year.

The **Coordinating Board for Higher Education (CBH)** states that they have relatively few state vehicles and anticipates little fiscal impact associated with this proposal.

The **Department of Natural Resources (DNR)** states that since the charge for vehicle usage established by the state vehicle fleet manager is unknown, the fiscal impact of the legislation is also unknown. Rates which include significant administration fees to fund the fleet manager and staff, a statewide fleet management system, insurance, facilities, etc., in addition to depreciation, fuel, and maintenance may be higher than current department practices.

The **Department of Economic Development (DED)** assumes the fiscal impact of this proposal, if any, cannot be determined, since it is not known what the average life cycle cost per mile would total. Some divisions that currently own vehicles could have an increase in expenditures as they have already paid the original acquisition cost of the vehicle (it is assumed the cost of the original acquisition would be included in the calculation of the average life-cycle cost per mile). However, this legislation would eliminate future one-time funding for the replacement of Department owned vehicles. DED further assumes any savings resulting from this proposal would be used for other purposes.

The **Office of State Courts Administrator (CTS)** assumes this proposal does not extend to the legislative or judicial branches, and therefore, would have no fiscal impact on the budget of the judiciary.

The **Department of Labor and Industrial Relations (DOL)** assumes the proposal would have a fiscal impact on its agency, but the amount is unknown.

ASSUMPTION (continued)

The **Department of Health (DOH)** assumes this proposal could possibly result in the need to hire one additional FTE (Clerk Typist III, annual salary - \$22,164 plus fringe - \$6,815). In order to insure DOH personnel are in compliance with the program, the process of requesting vehicles would remain centralized. However by eliminating the DOH fleet and requiring OA to “coordinate all of the work-related travel activities of state employees”, the responsibilities and time required to manage and coordinate this task for the entire Department (including offices not located in Jefferson City) will require a full time FTE. The FTE will manage the coordination of obtaining fleet vehicles or other methods of transportation for all DOH employees throughout the state. This individual would transmit requests to OA, receive responses, notify the employee of the result, and develop reports to management on monthly travel activities. This employee would be responsible for the timely tracking and filling of all travel requests, monitoring expense accounts to insure that requests for vehicles were obtained prior to utilizing privately owned or rented vehicles, and tracking travel dollars reported on expense accounts. In addition, reports on rented vehicles would be developed and maintained. Forms would be developed, ordered, distributed and updated as needed for requesting vehicles.

The **Department of Insurance (INS)** states that the vehicles purchased by their agency could only lawfully be utilized by INS and no other agency per 374.150, RSMo. Therefore, INS assumes there would be no positive fiscal impact on the department, and if fewer vehicles are available as a result of this proposal, the costs for vehicle use may be higher. This cannot be determined at this time.

The **Department of Public Safety (DPS)** assume this proposal would have an unknown fiscal to its agency.

The **Department of Social Services (DOS), Division of General Services (DGS)** assumes there will be costs associated with this bill concerning creating the position of fleet manager. However, DGS is not sure how these costs will be allocated to the various departments and department divisions affected, as the bill does not specify this. Therefore, the proposal would have an unknown fiscal impact on DOS. The **Division of Budget and Finance** and the **Division of Youth Services** assume this proposal would not affect their divisions.

Officials from the **Missouri Ethics Commission (MEC)** assume the proposal could have a possible fiscal impact on its agency.

The **Office of Secretary of State (SOS)** assumes the services of an onsite coordinator would be required to assure agency approvals prior to request and to coordinate requests for the agency. This employee, an Account Clerk II (1 FTE at \$22,164 per year) would act as a coordinator of vehicle requests onsite as all travel must be agency approved. This FTE would assure

ASSUMPTION (continued)

documentation of need is complete and agency approval is obtained. Other responsibilities would include transmitting requests to the fleet manager, receiving fleet manager responses, notifying employees, and reporting to management on monthly travel activities. SOS further assumes annual vehicle charges of \$54,600 ((13 vehicles @ 15,000 miles @ \$.28 per mile) + \$10,000 for administrative fees). SOS estimates annual net total costs (costs less savings incurred) at approximately \$70,000.

In a similar previous proposal, officials from the **University of Missouri System** assumed annual costs of \$100,000 in order to comply with the provisions of this legislation. These costs are attributed to additional staff each campus would need to employ to coordinate their travel with the new State Fleet Manager.

Officials of **Southwest Missouri State University (SMSU)** assume the proposal could result in an increased fiscal impact. It would require more paperwork and minimal staff.

Officials of **Central Missouri State University (CMSU)** assume an unknown fiscal impact as a result of this legislation.

Officials from the **Department of Elementary and Secondary Education (DES)** assume changes in the process for acquiring new vehicles will effect DES and other non-exempt state agencies. Additionally, DES will contribute to the State Vehicle Fleet Revolving Fund as directed. It is not possible to determine whether there would be a net cost-savings to DES under this bill.

Officials from the **Department of Mental Health (DMH)** assume the proposal would result in savings related to selling, rather than surplus using used vehicles. The DMH operates approximately 800 vehicles, which are replaced approximately every six years. Estimated average value of surplus vehicles is \$2,000, a cost that will now be recovered. Cost savings would be \$266,667 per year ($800/6 \times \$2,000$) when the program is fully functional. Because the DMH will pay for vehicles by monthly "rental" payments, the savings will not be up front, but will be amortized over the life of the vehicle. Consequently, the total estimated yearly savings will not be realized until all current vehicles have been replaced. Savings, then are estimated 1/6 of the total the first year, compounding by 1/6 each year until all vehicles have been replaced. However, subject to appropriations, savings will be returned to the DMH to be used for projects. The DMH has estimated savings of \$37,037 for FY 01, \$88,888 for FY 02 and \$133,332 for FY 03.

Officials from the **Lottery Commission, Truman State University, Southeast Missouri State University, Office of State Public Defender, Senate Appropriations** and the **Northwest**

ASSUMPTION (continued)

Missouri State University did not respond to our fiscal impact request. **Oversight** assumes an unknown fiscal impact on these agencies.

Oversight assumes the intent of this proposal is to include all state vehicles, other than those specifically excluded. Oversight further assumes that state vehicles purchased with federal funds will continue to be purchased in the same manner, and therefore, will not show a fiscal impact on federal funds.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE			
<u>Costs - Office of Administration</u>			
Start-up costs for state vehicle fleet	(\$800,000)	\$0	\$0
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$800,000)</u>	<u>\$0</u>	<u>\$0</u>
ALL STATE FUNDS			
<u>Savings</u> to state agencies due to state vehicle fleet management			
	Unknown	Unknown	Unknown
<u>Costs</u> to state agencies			
	(Unknown)	(Unknown)	(Unknown)
Transfer of savings to state agencies from State Fleet Vehicles Cost Savings Fund			
	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON ALL STATE FUNDS	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>

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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal creates the position of state vehicle fleet manager within the Office of Administration. Beginning July 1, 2000, the manager will purchase, allocate, and dispose of state vehicles and coordinate vehicle-related travel activities for all state agencies except the National Guard, Department of Transportation, Department of Conservation, and the Highway Patrol.

Agencies will request vehicles at least 6 months prior to the start of each fiscal year. The manager will purchase and allocate vehicles based on efficiency and cost effectiveness, and bill agencies for vehicle use on a life-cycle cost per mile basis. The manager will also maintain a pool of vehicles for occasional agency use, develop a data system to track vehicle use and maintenance, and implement a vehicle replacement cycle that optimizes efficiency. Agencies may use savings resulting from efficient vehicle use for any purpose except salary increases. The manager is also responsible for investigating citizen complaints about inappropriate state vehicle use. Employees who use state vehicles for any purpose other than state business are subject to disciplinary action or termination.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Missouri Department of Conservation
Department of Public Safety - Division of Fire Safety
Missouri House Appropriations
Office of the State Auditor
Office of the Attorney General
Missouri Veterans' Commission
Missouri Gaming Commission
Missouri Consolidated Health Care Plan
Office of Prosecution Services
Harris-Stowe State College
Missouri Western State College
Office of the Adjutant General
Department of Transportation

MLW:LR:OD:005 (9-94)

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SOURCES OF INFORMATION (continued)

Office of the State Treasurer
Joint Committee on Public Employee Retirement
Missouri Local Government Employees Retirement System
Public School Retirement
Sheriff Retirement System
Office of the Lieutenant Governor
Department of Agriculture
State Tax Commission
Missouri House of Representatives
Department of Revenue
Department of Public Safety - Missouri State Highway Patrol
Office of Administration - Division of General Services
Department of Corrections
Coordinating Board for Higher Education
Department of Natural Resources
Department of Economic Development
Office of State Courts Administrator
Department of Labor and Industrial Relations
Department of Health
Department of Insurance
Department of Public Safety
Department of Social Services
Missouri Ethics Commission
Office of the Secretary of State
University of Missouri System
Southwest Missouri State University
Central Missouri State University
Department of Elementary and Secondary Education
Department of Mental Health

NOT RESPONDING: Lottery Commission, Truman State University, Southeast Missouri State University, Office of State Public Defender, Senate Appropriations, Northwest Missouri State University.



Jeanne Jarrett, CPA
Director
March 14, 2000

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