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Gov Agency: Administration—Consolidation of State Vehicle Management Functions

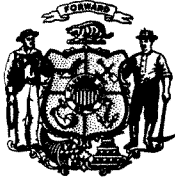
Recommendations:

Paper No. 149 Alternative ~~4~~ 2+3

Comments: The governor has proposed consolidating most of the state's vehicle fleet management activities. Currently, four different agencies operate their own fleets (DOA, DOT, DNR and UW System). The governor thinks the state can save some money and reduce duplicative services by consolidating the four fleets into one. LFB says DOA has not followed normal procedure with regard to other centralization of services initiatives in that they have not yet conducted a study of the organizational and fiscal implications of the consolidation. Further, the proposed timetable is far too ambitious, and realization of savings is fairly ambiguous. Probably best just to maintain current law (Alt. 4). If the Committee thinks this is a good idea, we should adopt Alts. 2 and 3 instead of the governor's recommendation. These options would just direct DOA to conduct a study instead.

Everyone prefers 2+3. This is fine.

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June 1, 1999

Joint Committee on Finance

Paper #149

Consolidation of State Vehicle Management Functions (DOA -- Agency Services)

[LFB 1999-01 Budget Summary: Page 65, #12]

CURRENT LAW

The Department of Administration operates the state central fleet through the Bureau of Transportation in the Division of State Agency Services. The state central fleet currently includes about 2,400 cars or light trucks. The Departments of Transportation and Natural Resources and the UW-Madison also operate vehicle fleets. The DOT fleet consists of approximately 1,300 vehicles, the DNR fleet has about 1,500 vehicles and the UW-Madison fleet consists of approximately 750 vehicles. These separate agency fleets consists of cars, vans and light and heavy trucks. In addition, some other agencies, such as the Departments of Corrections and Health and Family Services and other UW campuses also own their own fleets, but also use the DOA central fleet.

GOVERNOR

Create session law language to require DOA to submit to the Co-chairs of Joint Finance Committee (JFC), for approval by the Committee, two implementation plans for consolidating certain state vehicle fleet management activities. Provide that the first implementation plan would be due at the fourth quarterly meeting in CY 1999 (December, 1999) of the Committee under section 13.10, and would be an implementation plan for the consolidation of DNR vehicle fleet operations with corresponding DOA operations. Provide that the second implementation plan would be due at the third quarterly s. 13.10 Committee meeting in CY 2000 (September, 2000) and would be an implementation plan for the consolidation of the DOT and UW-Madison vehicle fleet operations with corresponding DOA operations. Include language specifying that the Committee may disapprove, approve with modification, or approve one or both implementation plans and that if approved, DOA is authorized to implement the plans on the date specified in the plans.

Provide that the respective plans could include provisions affecting DNR, DOT and/or the UW-Madison and relating to what are termed "vehicle fleet management functions" for any of the following items on the effective date specified in the respective plan:

- a. the transfer of all assets and liabilities from the respective agency to DOA;
- b. the transfer of all tangible personal property, including records, from the respective agency to DOA;
- c. the transfer of all contracts of the agency from the respective agency to DOA with the provision that contracts that were in effect on the effective date of the bill would remain in effect until their specified expiration date or until they were rescinded or modified by DOA to the extent allowed in the contract;
- d. the transfer of all rules promulgated and orders issued by agency that were in effect on the effective date of the plan to DOA with the provision that they would remain in effect until their specified expiration date or until they were amended or repealed by DOA;
- e. the transfer of all pending matters and all materials submitted to the agency to DOA with the specification that all materials submitted to or actions taken by the respective agency concerning the pending matter would be considered as having been submitted to or been taken by DOA;
- f. the transfer of any FTE positions of the agency relating to its vehicle fleet management functions from the related agency to DOA, with an identification of the numbers, revenue sources and types of the positions to be transferred; and
- g. the transfer to DOA of any incumbent employees holding those positions with the specification that any employees transferred would retain all employment rights and status they held prior to the transfer and that no transferred employee who had attained permanent status in the classified service would be required to serve a new probationary period.

Require that DNR, DOT and the UW Board of Regents submit, as a part of their 2001-03 biennial budget request, information reflecting any savings incurred from any consolidation of vehicle fleet management functions approved under these provisions. Finally, require that these agencies shall fully cooperate with DOA in implementing any plan approved by the Joint Committee of Finance.

DISCUSSION POINTS

1. The state's four largest vehicle fleets are operated by DOA, DNR, DOT and the UW-Madison. In total, these fleets consist of 5,950 vehicles and trucks. In addition to automobiles and trucks, DNR, DOT, and UW-Madison all also own and operate other specialized vehicles to assist in the conduct of their agency missions.

2. The largest fleet is operated by DOA and consists of almost 2,400 cars and light trucks. Of the total, approximately 280 are pool vehicles that are available for temporary use by state employees. The remaining 2,120 are vehicles that are assigned ("leased") to individual agencies for either a specific individual's use (termed an assigned vehicle) or as an agency pool vehicle. Operations of the main fleet are located in Madison, where minor maintenance is done but most repair and maintenance activities are contracted out. The Bureau of Transportation in DOA is responsible for central fleet operations and has 11 employees dedicated to this function.

3. DNR operates its own fleet consisting of approximately 1,500 cars, light trucks and heavy trucks. In addition, DNR has almost 450 other types of vehicles such as trailers, tractors, and bulldozers. Of the 1,500 cars and trucks, 144 are pool vehicles with the remainder assigned to facilities such as state parks or to specific individuals such as law enforcement wardens. Vehicles are located throughout the state with the fleet administrative staff and a central fleet in Madison. DNR also operates six facilities in the northwest part of the state to perform maintenance on its vehicles. At these facilities some maintenance work is conducted but the majority of maintenance is actually done by private service contractors or under warranty (for new vehicles). The mechanics at these facilities are also responsible for the maintenance of other equipment as well. DNR has a total of 18.5 employees assigned to the operation of their fleet, of which 5.5 are located in Madison.

4. The DOT fleet consists of approximately 1,300 vehicles, of which almost 450 are state patrol vehicles. The remaining 850 vehicles are located throughout the state, primarily at the district offices of the Division of Motor Vehicles and at state patrol and the highway division offices. Maintenance of the DOT fleet vehicles is contracted with an outside vendor. Unlike the other fleets, DOT contracts with a single vendor to manage the maintenance of all its vehicles, rather than contracting directly with individual maintenance vendors in various geographical locations. This vendor also keeps the maintenance history of the vehicles and prompts users to get routine maintenance. DOT has 2.0 mechanics on staff who do preparation work on new cars or make used cars ready for auction. It also has 4.0 employees assigned to fleet management activities.

5. The UW-Madison fleet consists of approximately 750 vehicles. Of these, about 300 are part of a central fleet pool for use by University employees. The remaining 450 vehicles are assigned to individual departments or operating units of the UW-Madison and include service vehicles and other specialized vehicles. The UW operates a garage where maintenance on a portion of the central fleet and on departmental vehicles is undertaken. UW fleet staff estimate the UW garage does approximately 60% of both UW central fleet vehicle and departmental assigned vehicle maintenance. The UW garage has 10 full-time employees and the UW-Madison fleet operations office has 3.0 full-time positions, plus limited-term and student employees.

6. According to DOA Budget Office and Bureau of Transportation staff, the intent of the consolidation language is to develop implementation plans which will transfer those aspects of the vehicle fleet and vehicle management operations of these three entities to DOA which DOA determines makes sense to transfer after a study of current fleet operations. DOA cannot currently identify or estimate exactly what equipment or which activities might be transferred. However, the Division of State Agency Services intends to allocate from its base budget a total of \$25,000 PR in

1999-00 to hire a consultant to assist in developing a plan for consolidating these vehicle fleets into DOA.

7. DOA staff argue that while they currently cannot quantify what the specific savings from any consolidation would be, they believe efficiencies can be gained from operating one large fleet of passenger vehicles and vans, rather than several smaller fleets. Savings are expected to accrue primarily from: (a) a reduction in duplicative staff activities such as scheduling of vehicles; (b) consolidation of fuel purchasing arrangements; and (c) better management of repairs and maintenance of state-owned vehicles. For example, the Bureau of Transportation states it has been able to reduce fleet maintenance costs by increasing the scrutiny of outstate vehicle repairs and contracting out routine maintenance rather than using state employees.

8. A June, 1998, report from the Wisconsin Commission on Privatization identified reducing the operating costs of these non-DOA fleets as a possible area of savings. The report stated that the average cost per mile varied among the four fleets with the DOA fleet having the lowest operating cost per mile costs and estimated that if these other fleets' per mile operating costs could be lowered to the level of DOA's costs, the state could save an estimated \$633,100 annually. The report did not provide any details on how these costs were calculated nor who prepared them.

9. Questions have subsequently been raised by UW-Madison and DOT staff about the potential savings in the report based on using the average mile per cost comparison. Specifically, questions were posed regarding the significantly different mixes of vehicles and trucks in the various fleets, different rate structures and different methods used for calculating overhead costs for the four fleets. For example, it was noted that DNR has some vehicles assigned to parks that are not intended to travel a large number of miles and therefore, the cost per mile of this vehicle may be significantly higher than for a passenger vehicle.

10. Further, concerns about the consolidation proposed in the budget have been raised by the potentially affected agencies. One concern that has been raised is how or whether non-traditional vehicles, such as heavy-equipment, would be included in any fleet consolidation. How existing agency staff will be affected is also a concern. Further, as with the cost savings estimate used in the privatization study, there are concerns about how potential savings would be determined.

11. In regard to this latter expressed concern, it may be noted that the session law language does not contain any express requirement that DOA include any cost savings or other cost impact data in either of the required implementation plans. The only reference in the provision in the bill to this issue is that each of these agencies would be required in their individual 2001-03 biennial budget request submissions to include information "reflecting any savings incurred from the consolidation of vehicle fleet management functions as a result of implementation of one or both of the required plans." It could be argued that this key information should be available for evaluation before any plans are implemented and arguably even before any final plans are developed.

12. The Committee is not being asked at this time to approve consolidation of any of

these other fleets into DOA. At the same time, however, approval of the Governor's proposed language would set in motion a process that would result in whatever consolidations DOA may later recommend in its implementation plans, unless the Committee acts to not approve such plans. It can be argued that this proposed process is at variance with the normal procedure which DOA has followed in the past with regard to both fleet and other centralization of services initiatives. In those cases, DOA will typically have conducted or have had conducted a study of both the organizational and fiscal implications of any proposed consolidation. This has most typically been done in the period preceding the development of DOA's biennial budget request. Then, in DOA's budget request, or in the Governor's budget recommendations, a proposed consolidation of services may be included including necessary agency budget changes to accomplish any budgetary and position changes in both DOA and any affected agency that may be necessary to accomplish the proposed consolidation. Further, backup documents are typically available which provide details on any estimated savings that are expected as a result of the consolidation and how the costs were calculated.

13. The bill would contain language to require the affected agencies to cooperate with DOA in the effort to consolidate fleets and establish this consolidation. DOA argues that legislative direction is necessary to ensure the cooperation of all parties involved and to create a specific process and deadline for the proposals. DOA argues that the proposed s. 13.10 implementation process is preferable to the budget process because it will improve the likelihood that any efficiencies identified will more likely to be implemented. However, the opposite could also be argued. That is, in a budget any savings could be immediately reflected in the respective budgets of the affected agencies where the savings are to accrue. Such actions are not possible under the proposed language. Moreover, the proposed language refers only to savings being documented in the agencies' next biennial budget requests.

14. Further, it may be noted that legislative action is not necessary to direct DNR or DOT to cooperate with DOA in planning to consolidate vehicle fleets. It is within the Governor's current authority to direct the Secretaries of these agencies to work with DOA to study the issue and develop a proposed consolidation plan. With regard to the UW-Madison, the UW Board of Regents would presumably have to agree to undertake any consolidation study. If the Committee believes that the UW Board of Regents needs some statutory direction to ensure that the UW will participate in such a consolidation study, then creating session law language to provide that direction could be included in such study language.

15. The proposed timetable and the call for sequential plans will likely create significant time pressures on DOA and the affected agencies and could result in the full range of alternatives not being examined. Assuming the budget becomes effective in August, DOA and DNR would have less than four months to develop the implementation plan for a DNR-DOA fleet consolidation. Given the diverse nature of the DNR fleet, it could be argued that more time is necessary. In addition, the Governor's proposal provides for a separate review and plan for the DOT and UW-Madison fleets. It could be argued that a single study of all three fleets would be preferable because other alternatives that might combine agency fleets, but not necessarily with DOA's fleet, might not receive consideration.

ADMINISTRATION -- AGENCY SERVICES

Report on Multi-state Electronic Procurement Activities

Motion:

Move to include a session law provision to require the Department of Administration to provide a report to the Joint Finance Committee, before December 31, 1999, on the operation of multi-state electronic procurement systems. Provide that the report shall address at least all of the following issues: (1) the current status of multi-state electronic procurement systems available for potential use by the state; (2) estimated costs and benefits of Wisconsin use of a multi-state electronic procurement systems; and (3) funding and statutory change that would be required for Wisconsin participation in such a system.

Note:

This motion would require DOA to provide the Committee with a report by the end of this year on the feasibility of Wisconsin's use of a multi-state electronic procurement system. There is growing use of the Internet for purchasing. For example, there is an Internet site called the Multi-State EMail which is currently used by five states, on a pilot project basis, as a procurement tool. This report would provide the Committee with information on other states' efforts in this area and an estimate of the costs and benefits of Wisconsin participation in such a system.

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