



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #104

Central Fleet Funding Increase (DOA -- General Agency Provisions)

[LFB 2013-15 Budget Summary: Page 24, #12]

CURRENT LAW

The Bureau of Enterprise Fleet, within DOA's Division of Enterprise Operations, oversees the state's Central Fleet operations. Central Fleet provides state agencies and campuses with vehicles for short-term rentals and long-term leases to carry out state business.

GOVERNOR

Provide \$1,138,900 PR annually for: (a) replacement of older state vehicles (\$378,900 annually); and (b) purchase of additional vehicles to meet state agency demand (\$760,000 annually).

DISCUSSION POINTS

1. Base funding for the fleet is \$14,449,200 PR. Currently, DOA has 1,590 vehicles in its fleet. Program revenue to support vehicle fleet operations is generated from monthly lease and mileage assessments to the agencies. In 2012-13, \$7,592,900 of the Central Fleet budgeted funding is allocated to vehicle purchases, including replacement of older vehicles.

2. Vehicles may be leased to agencies and campuses. The leasing agency determines whether the vehicle will be designated as "work-share" vehicles, which are shared by an office or group of employees, or "personally assigned" vehicles, which an individual employee uses. Personally assigned vehicles are less common and used mostly for staff who travel frequently for work (such as inspectors for the Department of Agriculture, Trade and Consumer Protection) or who transport specialized equipment in the performance of work duties.

3. In April, 2013, Central Fleet conducted a survey of agency demand for additional state vehicles. Eleven agencies showed an interest, of which eight were able to provide a specific number of vehicles that would be requested. The desired number of vehicles by type of vehicle is displayed in the table below.

<u>Vehicle Type</u>	<u>Quantity</u>
Midsized	6
Pickup	2
Minivan	7
Full Size Van	2
To Be Determined	<u>10</u>
Total	27

4. The table below shows reimbursement rates paid for use of a personal vehicle as well as Central Fleet rates charged for daily and monthly lease of DOA-owned small vehicles, midsize vehicles, pickup trucks, minivans, and full size cargo vans. State agencies reimburse employees for use of a personal vehicle in the performance of work duties. The rate of reimbursement paid individuals who choose to use a personal vehicle when a state vehicle is available is commonly referred to as a "turn-down" rate, which is lower than the rate paid if a vehicle is unavailable. For daily lease of a vehicle, the first 50 miles are not charged the mileage rate. Lease rates charged by DOA include the cost of fuel, oil, tires, maintenance, and repairs.

	State Vehicle Unavailable	State Vehicle Available		
	<u>Per Mile</u>	<u>Per Mile</u>	<u>Daily</u>	<u>Monthly</u>
State Pool Vehicle	--	\$0.20 - 0.40	\$24 - 36	--
Assigned Vehicle	--	\$0.16 - 0.38	--	\$120 - 238
Personal Vehicle	\$0.51	\$0.352	--	--

5. The administration estimates that the funding provided under the bill would save the state \$187,900 annually per 38 vehicles added to the fleet. Of the total, \$76,300 is associated with a reduction in long-term private lease usage, and \$111,600 is associated with a reduction in reimbursement of employees for use of a personal vehicle. The administration's estimates are based on the following assumptions, obtained from actual requests for vehicles: (a) 19 vehicles would be used by agencies in lieu of private long-term leases; (b) 19 vehicles would be used in place of employees using personal vehicles for which they are reimbursed \$0.51 per mile; (c) the cost to privately lease a vehicle is \$7,324 annually; (d) the operating cost for Central Fleet for a vehicle is \$3,307 annually (based on a life cycle cost analysis); and (e) employees reimbursed for use of a personal vehicle drive 18,000 miles per year. To the extent that these assumptions differ from actual costs or usage, actual savings could vary. Estimated savings are shown in the following table.

	DOA	Agency	
	Central Fleet <u>Operating Cost</u>	Private <u>Lease</u>	Employee <u>Reimbursement</u>
Per Vehicle Cost	\$3,307	\$7,324	\$9,180
Number of Vehicles	19	19	19
Total Annual Cost	\$62,833	\$139,156	\$174,420
Less DOA Annual Cost		<u>- 62,833</u>	<u>- 62,833</u>
Annual Savings		\$76,323	\$111,587

6. Based on the administration's estimates and assumptions, the funding provided under the bill would produce savings in 2013-14 of \$187,900 due to the addition of 38 vehicles in the first year. In 2014-15, another 38 would be added, resulting in total savings in the second year of \$375,800 (savings for 76 vehicles, including the 38 purchased in the first year). In total, savings would be \$563,700 for 2013-15 biennium. By comparison, if only 38 vehicles were added to the fleet, all in 2013-14, savings would be \$187,900 annually (\$375,800 over the biennium).

7. The amount of actual cost savings would be affected by a number of factors, including: (a) allocation of funds across priorities; (b) number and type of vehicles purchased; (c) current agency usage, including agency-specific private lease costs and the number of miles reimbursed for employee use of a personal vehicle; (d) future agency usage; (e) number of miles driven; and (f) choices made by employees to use a state vehicle or personal vehicle. In addition, the purchase of vehicles would not be contingent on advance usage commitments by specific agencies. Therefore, it is unknown which agencies would realize savings or how much each agency would save.

8. According to DOA, additional funding is needed for replacement of older state vehicles. In addition, the administration argues that because agency demand for state vehicles currently exceeds the supply of vehicles in the fleet, adding vehicles to the fleet would save the state money by reducing the use of higher cost alternatives such as private leasing and reimbursement of employees for use of a personal vehicle in the performance of work duties. For these reasons, the Committee could approve the Governor's recommendation to provide \$1,138,900 PR annually to DOA's Central Fleet to replace older state vehicles and purchase additional vehicles to meet agency demand. Funding would be provided for the purchase of 57 vehicles annually (38 additional vehicles and 19 replacement vehicles). [Alternative 1]

9. If the Committee wishes to limit the addition of Central Fleet vehicles, it could choose to provide \$1,138,900 PR in 2013-14 and \$378,900 in 2014-15 to fund additions to the fleet in 2013-14 only, along with full funding for replacement of older vehicles. Funding would be provided for the purchase of 57 vehicles in 2013-14 (38 additional vehicles and 19 replacement vehicles) and 19 vehicles in 2014-15 (all replacement vehicles). [Alternative 2]

10. On the other hand, if the Committee wishes to fund only the replacement of older state vehicles at this time, it could choose to provide \$378,900 PR annually to DOA's Central Fleet

for that purpose. Funding would be provided for the purchase of 19 replacement vehicles annually. [Alternative 3]

11. The following table summarizes the funding that would be provided, estimated savings that would result, and number of vehicles that would be purchased under each of the alternatives in this paper.

	<u>2013-14</u>	<u>2014-15</u>	<u>Biennium</u>
Alternative 1			
Funding	\$1,138,900	\$1,138,900	\$2,277,800
Savings	187,900	375,800	563,700
Vehicles Purchased	57	57	114
Alternative 2			
Funding	\$1,138,900	\$378,900	\$1,517,800
Savings	187,900	187,900	375,800
Vehicles Purchased	57	19	76
Alternative 4			
Funding	\$378,900	\$378,900	\$757,800
Savings	0	0	0
Vehicles Purchased	19	19	38

ALTERNATIVES

1. Approve the Governor's recommendation to provide \$1,138,900 PR annually to DOA's Central Fleet for replacement of older state vehicles and to purchase additional vehicles to meet state agency demand.

2. Modify the provision to provide \$1,138,900 PR in 2013-14 and \$378,900 PR in 2014-15 to DOA's Central Fleet for annual replacement of older state vehicles and to purchase additional vehicles to meet state agency demand in 2013-14.

ALT 2	Change to Bill
	Funding
PR	- \$760,000

3. Modify the provision to provide \$378,900 PR annually to DOA's Central Fleet for replacement of older state vehicles.

ALT 3	Change to Bill
	Funding
PR	- \$1,520,000

4. Delete provision.

ALT 4	Change to Bill
	Funding
PR	- \$2,277,800

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