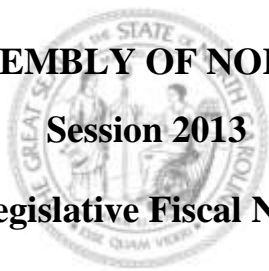


# GENERAL ASSEMBLY OF NORTH CAROLINA



**Session 2013**

## Legislative Fiscal Note

**BILL NUMBER:** House Bill 61 (Second Edition)

**SHORT TITLE:** Reform Oversight of State-Owned Vehicles.

**SPONSOR(S):** Representative Howard

<b>FISCAL IMPACT</b>					
(\$ in millions)					
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> No Estimate Available					
<b>State Impact</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>
All State Fund Revenues:					
All State Fund Expenditures:	287,675	369,842	395,880	422,713	449,285
Special Fund Revenues:	287,675	369,842	395,880	422,713	449,285
Special Fund Expenditures:	7,311,356	369,842	395,880	422,713	449,285
State Positions:	5	5	5	5	5
<b>NET STATE IMPACT</b>	<b>(\$7,311,356)</b>	<b>(\$369,842)</b>	<b>(\$395,880)</b>	<b>(\$422,713)</b>	<b>(\$449,285)</b>
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b>					
Department of Administration, Division of Motor Fleet Management, all State Agencies and Institutions					
<b>EFFECTIVE DATE</b> When the Bill becomes Law, Oct. 1, 2013 for Section 7					
<b>TECHNICAL CONSIDERATIONS:</b>					
None					

**BILL SUMMARY:** House Bill 61 makes various changes to State law pertaining to the Division of Motor Fleet Management within the Department of Administration (DOA) as recommended by a 2012 Program Evaluation Division (PED) study. The study is entitled “Ineffective Policies and Diffuse Oversight Result in Inefficient Use of State Owned Motor Vehicles.”

**Section 1:** All agencies and institutions are required to:

- Establish a standard naming convention for State owned vehicles on titling and registration documents
- Submit the above convention to the State Auditor
- Conduct an internal reconciliation of license plates on record at the Division of Motor Vehicles (DMV) and at the various State agencies and institutions

- Update records at DMV as a result of the above action
- Provide the State Auditor with the result of the above update to DMV
- The Office of the State Auditor is to provide an independent review of the above actions.

**Section 2:** As required by current State-law (G.S. 143-341(8)(i)(3)), all agencies and institutions are required to transfer ownership of passenger vehicles identified in the above referenced PED study to DOA.

**Section 3:** The Division of Motor Fleet Management implemented a new per mile rate structure in January of 2012 of \$0.30 per mile for vehicles under management. The Division is required to report to the House Appropriations Subcommittee on General Government and the Senate Appropriations Subcommittee on General Government and Information Technology regarding the impact of the rate change on expenditures at the various agencies, vehicle usage, and expenditures at the Division Motor Fleet Management. The report is due February 14, 2014.

**Section 4:** The Division of Motor Fleet Management is required to improve management practices by:

- Collect information on the frequency of use for all State-owned vehicles
- Performing a daily demand analysis on motor pool vehicle usage and determine what, if any, vehicles should be eliminated
- Replace vehicles with mileage over 125,000
- Enhance training opportunities and resources for Agency vehicle coordinators
- Conduct periodic customer satisfaction surveys.

The Division is required to report on the status of the above requirements to the House Appropriations Subcommittee on General Government and the Senate Appropriations Subcommittee on General Government and Information Technology by February 14, 2014.

**Section 5:** The Division of Motor Fleet Management is directed to transfer \$10,000 to the Office of State Controller for a study on a statewide fleet management system. The Office of the State Controller is directed to report the outcome of the study to the Joint Legislative Program Oversight Committee by October 1, 2013.

**Section 6:** The Division of Motor Fleet Management is required to implement a test of a telematics package for its vehicles during FY 2013-14 and submit a detailed report to the House Appropriations Subcommittee on General Government, Senate Appropriations Subcommittee on General Government and Information Technology, and the Joint Legislative Program Oversight Committee. A telematics package utilizes GPS to allow for the real time collection of vehicle usage. The Division of Motor Fleet Management is required to convene an advisory group from other vehicle managers in State government to discuss the use of telematics in other State fleets.

**Section 7:** Five positions are created within the Division of Motor Fleet Management to assist in implementing this Bill.

**Section 8:** This section recodifies the statutory location of many of the current General Statutes related to the Division of Motor Fleet Management from G.S. 143-341(8)(i) (Department of

Administration) and creates a new Article in G.S. 20 (Motor Vehicles). The Division of Motor Fleet Management is renamed to the Division of State Fleet Management. In addition to existing responsibilities required in Statute, all State agencies and institutions are required to mark their vehicles with an appropriate designation identifying the agency to which the vehicle is assigned. The newly named Division is also required to formulate rules for all of State government regarding State vehicle usage. In addition, the Division is to be the central agency responsible for coordinating State fleet management policy and reporting, regardless of whether or not the vehicles are allocated specifically to the Division on State Fleet Management. All agencies and institutions are required to report to the Division on their fleet replacement plans; seek approval from the Division for their vehicle acquisitions; report vehicle direct cost, usage, and identification; and pay fees to perform the functions of Sections 5, 6, and 7 of this Bill.

**ASSUMPTIONS AND METHODOLOGY:**

The Fiscal Research Division determines that there are no costs associated with Section 1, 2, 3, and 6 of this bill. According to the DOA, many of the bill’s requirements in Section 1 are either complete or nearing completion. Additionally, while providing unique agency identification as required in Section 8 may require some expenditure of funds, it assumed that this would be of negligible impact to the agencies in question.

The Division of Motor Fleet Management is funded by a charge to the individual agencies related to vehicle usage. The funds are deposited into the Motor Fleet Management Fund. The charges reflect the cost of ownership of the vehicle (repair, insurance, replacement, gasoline, etc). The current fund balance at the close of the January period for FY 2012-13 is \$36,689,560. Thus, some non-recurring costs associated with this bill will be reductions to fund balance, while others will require increased charges to all State Agencies and institutions. As agencies pay for vehicles under the Division for Motor Fleet Management and their own fleet from a variety of funding sources, this Fiscal Note denotes “All State Funds” as the expenditure source.

**Costs Per Section:**

**Section 4:** The Division of Motor Fleet Management currently has 7,364 vehicles under management, according to DOA. 12.5% of these vehicles have an odometer reading of greater than 125,000 miles based on the 2012 PED Report.. Thus, at a high end range, it could be that 920 vehicles may be required to be replaced. However, DOA has reportedly begun a process of replacing 444 vehicles with mileage over 125,000. Thus, it is assumed that DOA will need to purchase an additional 476 vehicles. In addition, the Bill specifically requires more analysis to be done on the appropriate size of the State fleet under DOA’s management. Thus, considering all these factors, it is possible that fewer than 476 vehicles are replaced.

Using the current State term contract for automobiles (Term Contract 070A) from the Division of Purchase and Contract within DOA, the cheapest vehicle is the Ford Fiesta at \$14,150. However, it is possible that Division of Motor Fleet Management needs vehicles that cost greater than the Fiesta. For the purposes of this Note, the Fiesta’s cost is used. Using the 476 vehicle estimate explained above, the costs to the Motor Fleet Management Fund could be as high as \$6,735,400. This amount is assumed to be appropriated from the cash balance of the Motor Fleet Management Fund.

**Section 5 and 6:** Sections 5 and 6 both have costs related to information technology. The bill appropriates \$10,000 from the Motor Fleet Management Fund to the Office of State Controller. The Bill further requires a telematics study to be performed on vehicles under management by Motor Fleet Management. DOA estimates that the cost of a study on 700 cars would require \$278,281 on a non-recurring basis. The study is assumed to be funded from an appropriation from the cash balance of the Motor Fleet Management Fund. The following table provides the reductions in fund balance as a result of this Bill:

**Table 1: Change in the Motor Fleet Management Fund Balance**

<b>Beginning Balance – January 2012</b>	\$36,689,560
New Cars	(\$6,735,400)
Telematics Demonstration	(\$278,281)
OSC Transfer for Study	(\$10,000)
<b>New Balance</b>	<b>\$29,665,879</b>

Any statewide fleet management system and telematics system will have an ongoing operations and maintenance cost. These costs cannot be determined, as they are dependent on results of yet to be completed studies. Should the General Assembly determine that a telematics system is necessary; the costs will be distributed across the vehicles under the Division of Motor Fleet Management’s authority. The statewide fleet management system will be distributed across the State’s entire fleet.

**Sections 7 and 8:** These sections appropriate funding for five new positions at the Division of Motor Fleet Management. PED provided position detail information used in the report cited in the Summary. Unlike current practice, all State agencies and institutions with a vehicle will be required to pay for these positions and whatever information system is selected by the Office of State Controller outlined in Section 5. As vehicle mileage is unknown as of this time, a per vehicle charge was used. According to a PED Report (2012-06), the State currently has 28,669 vehicles under management. The positions include: Administrative Officer II, Administrative Officer I, Accounting Technician, Statistician I, and a Business and Technology Applications Specialist. Ongoing costs were inflated using guidelines contained in the Legislative Fiscal Note Preparation Manual.

**Table 2: Salary Detail**

<b>Position Title</b>	<b>Salary Midpoint</b>
Administrative Officer II (Salary Grade 70 midpoint)	\$50,502
Administrative Officer I (Salary Grade 67 midpoint)	\$44,467
Accounting Technician (Career Banded J level)	\$37,646
Statistician I (Salary Grade 68 midpoint)	\$46,384
Business and Technology Application Analyst (Career Banded J level)	\$73,220
<b>Total</b>	<b>\$252,219</b>

**Table 3: Section 7 Position Cost and Revenue (Oct. 1, 2013 Start Date)**

	<b>FY 2013-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>
Salary	\$189,164	\$270,883	\$291,850	\$311,053	\$329,654
Retirement and Social Security	\$41,389	\$59,486	\$64,090	\$68,307	\$72,392
Health	\$19,470	\$27,165	\$28,319	\$29,474	\$30,612
Employee Admin Cost (R)	\$9,401	\$12,761	\$13,077	\$13,463	\$13,802
Employee Admin Cost (NR)	\$28,250				
<b>Total Position Costs</b>	<b>\$287,675</b>	<b>\$369,842</b>	<b>\$395,880</b>	<b>\$422,713</b>	<b>\$449,285</b>
<b>Revenue per Vehicle</b>					
Annual charge per vehicle (28,669 vehicles)	\$10.02	\$12.90	\$13.81	\$14.74	\$15.67

**Additional Note:** This Fiscal Note assumes that only cars currently required by Statute and Chapter 38, Section 1 of the North Carolina Administrative Code. Thus, no additional vehicles except for those reported in the Program Evaluation Report cited in Section 1 are assumed to be transferred to the Division of Motor Fleet Management.

**SOURCES OF DATA:** Department of Administration and Program Evaluation Division

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION:** (919) 733-4910

**PREPARED BY:** Mark Bondo

**APPROVED BY:** Mark Trogdon, Director  
Fiscal Research Division

**DATE:** March 12, 2013



**Signed Copy Located in the NCGA Principal Clerk's Offices**