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OPPAGA

OFFICE OF PROGRAM POLICY ANALYSIS & GOVERNMENT ACCOUNTABILITY

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State Agency Travel Costs Are Down; Some Options Remain to Further Reduce Expenditures

at a glance

In Fiscal Year 2009-10, state agencies spent over $59.8 million on travel. Travel costs have declined 48%, or $55.2 million, over the last four fiscal years. Agencies are changing their operations to further reduce costs, including limiting travel to mission-critical activities and increasing use of conferencing technology.

Changes to Florida laws and directives from the Governor have substantially restricted travel. However, restrictions in law expire in July 2011. We recommend that the Legislature consider reauthorizing these restrictions. In addition, the Legislature could consider several options to further reduce costs, including

- reducing travel funding;
- statutorily capping reimbursement for hotel expenses using the federal hotel reimbursement rate as a ceiling;
- modifying per diem rates for the last day of travel;
- contracting for travel agent services;
- modifying the transportation model for travelers driving personal vehicles high-mileage for state business; and
- directing agencies to procure the most cost-effective electronic conferencing services.

Scope

As directed by the Legislature, OPPAGA examined Florida's state agency travel and answered three questions.

1. What are the purposes and the estimated costs of state agency employee travel?
2. What efforts have agencies made to reduce travel costs?
3. What options could the Legislature consider to further streamline agency travel costs?

Background

To regulate state travel expenses, the Legislature established standard travel reimbursement rates, procedures, and limitations for all public officers, employees, and authorized persons whose travel is approved and paid by a public agency.[1] State law specifies three categories of travel for which an agency may provide reimbursement.[2]

- **Class A** — Continuous travel of 24 hours or more away from official headquarters.
- **Class B** — Continuous travel of less than 24 hours requiring overnight absence from official headquarters.
- **Class C** — Travel for short or day trips where the traveler is not away from his or her official headquarters overnight.

[1] Section 112.061, *F.S.*

[2] Section 112.061(2)(k), (l), (m), *F.S.*

Recent changes to the Laws of Florida require that all state agency travel must be mission-critical.[3] In order to receive authorization to spend travel funds, the agency head must provide the Executive Office of the Governor with a statement of the mission-critical nature of the travel and show that the agency considered the feasibility of alternatives to travel.

Florida Statutes also require that travel be conducted by the most efficient and economical means possible. To this end, state law also establishes limits on reimbursement for travel.[4] All state agency travelers engaging in Class A or Class B travel are allowed two cost reimbursement options.

- Per diem that is paid in quarter-day increments with a daily maximum payment of $80.
- If expenses exceed $80, the state will pay for meals ($6 for breakfast, $11 for lunch, and $19 for dinner).[5] Actual expenses for lodging, transportation, and incidentals will also be reimbursed if substantiated by paid bills.[6]

Class C travelers receive reimbursement for transportation, such as the cost of a rental car or personal vehicle mileage allowance ($0.445 per mile), whichever is least expensive.

The Governor and individual agencies may promulgate stricter reimbursement policies than those specified in statute.[7] For example, in Fiscal Year 2009-10, the Executive Office of the Governor requested that agencies try to obtain hotel rates of $100 per night or less, and in the same year, the Department of Business and Professional Regulation set a policy of paying no more than $89 per night for lodging.

To assist agencies in implementing new laws or gubernatorial directives, the Department of Financial Services' Division of Accounting and Auditing establishes enterprise-wide rules for travel reimbursement, develops related forms, and provides agencies guidance on proper claims submittal procedures.[8] Once a trip occurs, the division is responsible for ensuring the overall accuracy of claims for travel expense reimbursement. To do so, the division conducts post-audits of selected travel vouchers. In these audits, the division reviews key internal controls within agencies to ensure the validity of the dollar value of claims and to determine whether claims comply with the law and current statewide policies. The Auditor General also periodically reviews state agency travel expenses.

Questions and Answers –

What are the purposes and the estimated costs of state agency employee travel?

Because state law requires that travel be mission-critical, it is limited to a few types of activities. In Fiscal Year 2009-10, state agencies spent over $59.8 million for travel. To determine the purposes and costs of state agency travel over time, OPPAGA analyzed FLAIR expenditure data and surveyed state agencies. Agency travel costs have declined by 48%, or $55.2 million, over the past four years.

Agencies reported that they primarily approve employee travel for regulatory activities, business operations, and training. Most state agencies we surveyed (27 of 32, or 84%) reported that they approved travel for employees to conduct regulatory activities, such as child protective investigations, health inspections, contract monitoring, or client site visits.[9] Eight agencies reported that most (over

[3] Chapter 2010-153, Section 62, *Laws of Florida*, will expire July 1, 2011.

[4] Section 112.061(6)(a)2., *F.S.*

[5] Ibid.

[6] Section 112.061, *F.S.,* specifies conditions for lodging, transportation, and incidental reimbursement.

[7] For example, s. 112.061(3)(h), *F.S.,* authorizes the State Surgeon General to set lower reimbursement rates for travel related to providing medical care to Department of Health clients.

[8] Chapter 69I-42, *F.A.C.*

[9] We surveyed 32 executive agencies and all responded.

50%) of their travel expenses were associated with regulatory travel.[10]

Most state agencies we surveyed (31 of 32, or 97%) reported that during Fiscal Year 2009-10 they approved travel to manage and supervise agency business operations. This travel included program coordination activities and board meetings. Four agencies reported that this type of travel accounted for more than half of their travel expenditures.[11]

In addition, 28 of 32 agencies (88%) reported that they approved travel for training. Some training is considered mission-critical. For example, education related to professional certifications like bridge inspections or law enforcement is integral to agency personnel being able to perform required duties.

[10] The eight agencies were the Department of Agriculture and Consumer Services, the Department of Children and Families, the Department of Elder Affairs, the Department of Health, the Department of Revenue, the Office of Insurance Regulation, the Public Service Commission, and the State Board of Administration.

[11] The four agencies were the Agency for Workforce Innovation, the Department of Children and Families, the Department of Community Affairs, and the Fish and Wildlife Conservation Commission.

A few agencies incur most of the state's travel expenses, and most travel is conducted within the state. Agencies spent over $59.8 million to travel in Fiscal Year 2009-10 (see Exhibit 1).[12] During this period, individual agencies had travel costs ranging from $97,000 for the Parole Commission to about $9.7 million for the Department of Children and Families. Travel expenditures by five agencies (the Department of Children and Families, the Department of Health, the Department of Corrections, the Department of Agriculture and Consumer Services, and the Agency for Health Care Administration) amounted to $31.5 million, more than half of the state's total travel costs.

Most of the travel payments in Fiscal Year 2009-10 (91%, or about $54 million) were for in-state travel. In January 2010, the Executive Office of the Governor limited out-of-state travel to agency leadership, so this travel made up a small proportion of travel expenses. In Fiscal Year 2009-10, agencies spent approximately $5.4 million for out-of-state travel.

[12] This total does not include operating, repair, and maintenance costs associated with state vehicles.

Exhibit 1
State Agencies Spent $59.8 Million on Travel in Fiscal Year 2009-10

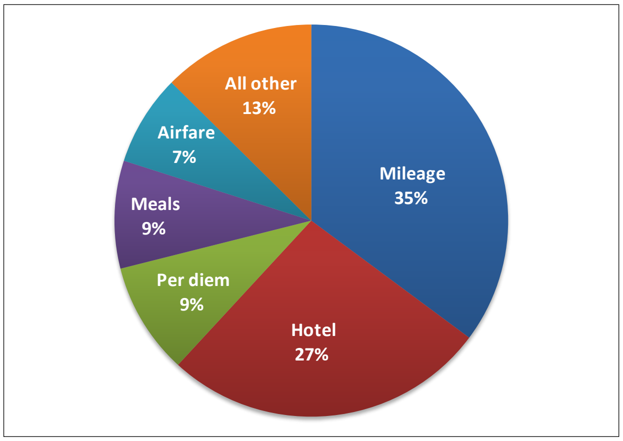
Agency	Travel Expenditures	Percent of Total State Travel Expenditures
Department of Children and Families	$9,734,803.59	16.27%
Department of Health	9,202,990.30	15.38%
Department of Corrections	5,919,723.59	9.89%
Department of Agriculture and Consumer Services	3,416,448.40	5.71%
Agency for Health Care Administration	3,281,821.12	5.48%
Department of Education	3,179,403.41	5.31%
Department of Financial Services	3,123,638.70	5.22%
Department of Transportation	2,516,648.27	4.21%
Department of Environmental Protection	2,108,401.67	3.52%
Department of Law Enforcement	2,013,310.09	3.36%
Fish and Wildlife Conservation Commission	1,931,567.05	3.23%
Department of Revenue	1,895,093.78	3.17%
Department of Business and Professional Regulation	1,594,384.26	2.66%
Department of Community Affairs	1,524,098.43	2.55%
Department of Juvenile Justice	1,130,201.85	1.89%
Department of Elder Affairs	1,123,006.71	1.88%
Department of Highway Safety and Motor Vehicles	1,054,629.89	1.76%
Department of Legal Affairs	1,035,264.43	1.73%
Agency for Persons with Disabilities	896,046.10	1.50%
Agency for Workforce Innovation	705,778.94	1.18%
Department of Management Services	477,368.61	0.80%
Department of Military Affairs	472,244.16	0.79%
Public Service Commission	324,643.80	0.54%
Division of Administrative Hearings	307,426.07	0.51%
Department of Citrus	259,990.28	0.43%
Department of Veterans Affairs	230,872.97	0.39%
Department of State	152,650.93	0.26%
The Florida Lottery	136,434.31	0.23%
Parole Commission	97,283.16	0.16%
TOTALS	**$59,846,174.87**	**100%**

Note: The Department of Education's costs include travel for the School for the Deaf and Blind. The Department of Financial Services' costs include the Office of Financial Regulation and the Office of Insurance Regulation.

Source: OPPAGA analysis of FLAIR data.

Over half of all travel expenses for Fiscal Year 2009-10 were for personal vehicle mileage and lodging. As shown in Exhibit 2, during the period the state spent $21 million (35% of the year's total travel expenditures) on mileage and $15.9 million (27% of the year's total travel expenditures) on lodging. Mileage and lodging costs have generally been the highest travel expenses for the last four fiscal years.

Exhibit 2
Mileage and Hotel Expenses Were the Highest Travel Expenditures in Fiscal Year 2009-10



Source: OPPAGA analysis of FLAIR data.

A relatively small number of high mileage drivers affect the state's personal mileage reimbursement travel expenditures. The number of state employees driving high numbers of miles in their personal vehicles for official state business has increased, as has the distance they drive. FLAIR data shows that in Fiscal Year 2009-10, 761 employees were reimbursed for driving their personal vehicles over 10,000 miles on state business.[13] These employees drove approximately 9.3 million miles (or an average of 12,233 miles per year) and were reimbursed over $4.1 million.[14] These figures represent a 16% increase in the number of high-mileage drivers and a 6% increase in the mileage by this group when compared to Fiscal Year 2008-09. Examples of employees that fall into this high-mileage group are probation officers, agricultural inspectors, and child protective officers, who use their personal vehicles to perform day-to-day duties in different geographic areas.

According to agency officials, these increases may be due to the availability and quality of the automobile fleet at particular agencies. For example, the Departments of Corrections and Children and Families report that their staff is more frequently using personal vehicles to provide services to agency clients because they do not have enough vehicles to do so and an increasing number of agency-owned vehicles are in poor condition.

State agency travel expenses have declined since Fiscal Year 2006-07. Total statewide travel costs declined by approximately 48%, or $55.2 million, between Fiscal Years 2006-07 and 2009-10 (see Exhibit 3).[15] The largest single decrease was for airfare expenditures, which declined by almost 58%. The smallest reduction was for mileage expenses, which dropped by 33%. Declines in all travel expenditures are likely attributable to agency cost saving measures taken in response to funding reductions and more restrictive travel policies.

Exhibit 3
Travel Expenses Have Declined Overall Since Fiscal Year 2006-07 but Mileage and Hotel Expenses Remain the Highest Costs

Type of Expense	Costs Per Fiscal Year		Percentage Change
	2006-07	2009-10	
Mileage	$31,423,077.17	$21,042,918.82	-33.0%
Hotel	30,374,802.45	15,981,144.70	-47.4%
Per Diem	11,029,323.97	5,508,719.90	-50.1%
Meals	10,206,522.24	5,300,462.06	-48.1%
Airfare	10,576,327.46	4,476,565.49	-57.7%
Other	21,460,205.49	7,536,363.90	-64.9%
Total	**$115,070,258.78**	**$59,846,174.87**	**-48.0%**

Note: The other category includes several expenses, such as rental car, incidentals (including parking and tolls), and insurance.

Source: OPPAGA analysis of FLAIR data.

[13] We used 10,000 miles for this assessment, as this is the statutory estimate (s. 287.17, *F.S.*) of the point at which it may benefit an agency to provide access to a state vehicle instead of making a personal mileage reimbursement.

[14] This figure is 20% of the dollar value of mileage reimbursements made in Fiscal Year 2009-10.

[15] We used Fiscal Year 2006-07 as our baseline, as the Legislature increased travel reimbursement rates starting in this fiscal year.

Several agencies we interviewed reported that travel expense reductions have had implications for their business operations. For example, the Department of Health reported that travel restrictions have negatively affected relationships with federal funders and local networks. Because of limited ability to travel, the agency reported that it may be jeopardizing federal grants that require conference attendance; travel restrictions also generate gaps in information sharing at the federal and local levels. In addition, the Departments of Agriculture and Consumer Services, Health, and Transportation reported that they have had to reduce or eliminate training activities and noted that the restrictions on travel make it difficult for some of their staff to complete certification or other essential training. These agencies reported that without this training, some scientific or clinical staff cannot provide oversight that is critical to public safety, such as bridge inspections or radiation response, and cannot provide education, surveillance, and response that may be critical to public health.

What efforts have agencies made to reduce travel costs?

To reduce travel costs, state agencies are changing how they conduct business and increasing their use of technology as a travel alternative. Other states also are using a variety of approaches to control travel costs.

Agencies are changing travel operations to reduce costs

In general, agencies are reducing the number of trips they take by either consolidating multiple work activities into single trips or restricting travel to a limited number of purposes. Agencies also are changing their transportation and lodging practices to reduce costs.

Most agencies are requiring staff to consolidate work to maximize travel efficiency. To save staff time and travel dollars, 88% (28 of 32) of the agencies we surveyed reported that they encourage multitasking, such as using one trip to attend an in-state conference, visit a contractor's site, and meet with a district office administrator. Staff from several departments (e.g., Financial Services and Transportation) also reported that they require employees to schedule multiple inspections or other agency business within a single trip.

Agencies are also restricting travel to select purposes. Because of recent changes to statute, agencies are restricting travel that is not related to law enforcement or public safety. In particular, agencies are reducing or eliminating travel for training or business operations that is not mission-critical.

Many agencies (23 of 32, or 72%) reported that they are seeking alternatives to travel for professional development or training. For example, the Department of Corrections reported that employees seeking training by criminal justice associations must pay for training and must use annual leave to attend. In addition, Department of Agriculture and Consumer Services staff noted that they use online training, and Department of Health and Department of Transportation staff reported that they bring speakers featured at national conferences to their offices. This allows more employees to benefit from the education at a lower cost.

Moreover, a few agencies reported reducing travel related to agency business operations. The Department of Health reported that it no longer allows travel for some of its advisory board meetings. Similarly, the Department of Transportation reported that it has reduced the number of in-person meetings it has with district secretaries from four to two per year.

Agencies are taking steps to reduce transportation and lodging costs. Most agencies (26 of 32, or 81%) indicated that they were trying to reduce travel costs by requiring driving instead of flying to more destinations. This change is reflected in the almost 58% reduction in airfare expenses over the past four years. Typically, agencies have informally directed employees not to fly if a flight from Tallahassee would require landing in Tampa or Orlando, or would be north of the Interstate 4 corridor. However, the Departments of Transportation and Health reported that they generally discourage all airline travel and assess the cost-effectiveness of it on a case-by-case basis. A number of agencies (22 of 32, or 69%) also reported that they now require day trips instead of overnight stays. This substantially reduces travel costs because employees are not reimbursed for meals or overnight lodging.

Agencies we surveyed also reported making other changes to their travel processes to reduce state costs.[16] These approaches include requiring

- employees to share hotel rooms to save lodging costs;
- carpooling when multiple employees are traveling to the same location;
- use of state campgrounds for lodging; and
- documentation of the cost effectiveness of different forms of transportation (e.g. rental car versus personal vehicle) or lodging.

Agencies are increasing the use of technology as an alternative to some types of travel

State agencies reported that they avoid some travel costs by using conferencing services instead of traveling. These services include telephone, web, or video conferencing. Agencies obtain these services from the Department of Management Services' (DMS) Division of Telecommunications, private vendors, or their in-house technology. However, technology services may not address a large portion of agency activities that lead to travel expenses.

DMS reported increased use of state term contracts for conferencing services. Most agencies (29 of 32, or 91%) reported that they use DMS telecommunications for telephone conferencing services. In addition, over half (17 of 32) reported that they use the division's web conferencing services, and three agencies subscribe to the division's video conferencing services. DMS billed agencies $1.75 million in Fiscal Year 2009-10 for all conferencing services.[17] These costs ranged from about $672 for the Department of Citrus to $459,128 for the Department of Health.

DMS reported that use of its telephone and web conference services has generally increased since July 2009. For example, the number of telephone conferences held by state agencies increased over 20%, from 8,877 in July 2009 to 10,713 in July 2010. Similarly, the number of host licenses purchased by agencies for holding web conferences increased 169% during Fiscal Year 2009-10, from 32 to 86.[18]

Three of the 22 agencies that reported that they conduct video conferencing use DMS video conference services.[19] Seven agencies leverage web conferencing services and web cameras to conduct desktop video conferences, six use private sector providers, and six rent technology and space from other agencies to conduct video conferencing.[20] DMS reported

[16] Some of these ideas were promoted in the January 11, 2010, memo from the Executive Office of the Governor.

[17] The costs of conferencing services include the cost of establishing a site with appropriate hardware to receive and transmit. DMS charges a minimum $150 per month per site for its IP video network services. DMS web conferencing is $100 for a site license, and $1 per minute of use. DMS teleconferencing costs $0.032 per minute. For comparison, at least five agencies used commercial web conferencing services, such as GoToMeeting, which has a flat fee per year. DMS reported that few agencies use free videoconferencing software (e.g., Skype) because of security concerns.

[18] DMS began offering web conferencing services in August 2008.

[19] The Division of Telecommunications provides video conferencing routing, specifically, bridging and gateway technology. The Division of Administrative Hearings, the Department of Corrections, and the Department of Juvenile Justice subscribe to DMS video conference services. The Department of Children and Families and the Department of Transportation occasionally use DMS's video conferencing services to connect to some sites.

[20] The Department of Children and Families, the Department of Health, the Department of Transportation, the Fish and Wildlife Conservation Commission, and the Department of Law Enforcement use private vendors such as Adobe, Citrix, and

that it is in the process of developing a solicitation for video conferencing that would meet more agency needs.

Conferencing services may produce net savings, but may not address the most common purposes for agency travel. Utilizing telecommunications services may produce net savings from reductions in travel expenses. Further, using these technologies saves staff time spent on travel, which also reduces state costs. However, conferencing cannot completely address all the purposes for which state agency employees travel.

Agencies reported that they were largely using conferencing services to avoid the costs associated with travel for business operations or training. For example, most (31 of 32) agencies reported that they used teleconferencing instead of traveling to manage agency business. In addition, many (23 of 32) agencies reported that they utilized online training via web conferencing rather than sending employees to in-state training.

However, fewer agencies reported using conferencing services to replace regulatory (18 of 32) and law enforcement travel (6 of 32). Because current policy generally allows travel for these reasons and many agencies reported that regulatory travel is the among the most common purposes for approved travel, conferencing services are not likely addressing a large portion of the state's current travel expenses.

Other states use a variety of approaches for controlling travel costs

Other states are also reducing operating expenses in response to revenue declines. Florida's management of travel costs is generally comparable to that of other states, but some states have established lodging rate ceilings and lower per diem rates.

Polycon. The Department of Military Affairs uses video conference services from the federal government. The Department of Business and Professional Regulations uses a private provider for web conferencing. Three agencies reported that they did not use DMS because of cost concerns.

States are minimizing out-of-state travel. Florida currently does not allow out-of-state travel unless it is conducted by agency leadership for particular purposes (such as law enforcement) and approved by the Governor's office.[21] Similarly, other states are not allowing out-of-state travel for particular groups of state employees. For example, Massachusetts, Missouri, and Nevada do not fund out-of-state travel by state legislators.

Although some other states describe steps to restrict out-of-state travel as moratoriums, they, like Florida, are minimizing certain travel purposes rather than completely prohibiting travel. For instance, states such as Michigan, Pennsylvania, and Washington are limiting out-of-state travel to mission-critical activities such as law enforcement, revenue collection, or child protection.

Some states have statutory limits on employee hotel expenses. Currently, agencies are generally operating under Fiscal Year 2009-10 gubernatorial directives to use lodging that costs under $100 per night or the most economical lodging available, but state law does not specify a dollar value rate ceiling for lodging.[22] As such, it permits flexibility not allowed in any other travel expense category.

In contrast, at least 30 other states have established rate ceilings for hotel reimbursement. For example, state administrative entities in Arizona, Kansas, and Louisiana conduct market rate research and set rate ceilings according to regional lodging rates. However, most (15) of the states with a rate ceiling use the federal lodging reimbursement rate as their base or ceiling rate for in-state travel.[23]

[21] Memo from the Executive Office of the Governor, January 11, 2010.

[22] The single occupancy rate is the only rate restriction on lodging in statute (s. 112.061(6)(2), *F.S.*).

[23] In Florida, the average federal rate ranges from $78 per night in lower cost areas to over $120 per night in more expensive areas of the state.

Other states provide less per diem. For the "last day" of Class A or B travel, Florida's state agency employees choose whether they will be reimbursed on a per diem basis (up to $80) or a meals and incidental expenses basis ($36 and approved expenses).[24] New York is the only other state we identified with similar flexibility in the law. Most other states do not offer employees a choice. In addition, states that present an option between per diem or actual expenses (e.g., Delaware and New Mexico), make this a management rather than an employee decision.

Some other states also use lower per diem reimbursement rates than Florida. Given variability in factors such as the cost of food, fuel, and incidental expenses, it is difficult to compare per diem rates even in states of similar size or region. However, at least 12 states use federal per diem rates as the basis or the rate ceiling for reimbursing state employee meals and incidental in-state travel expenses.[25] Federal per diem rates, which range from $46 to $71 per day, are standardized, discounted rates for each state based on nationwide market research, and they are considerably lower than Florida's state per diem rate.[26] In the most expensive areas of Florida, the base federal per diem reimbursement rate is $71, and on the last day of travel, is 75% of that, or $53.25. Consequently, on the last day of travel the federal rate is 33% lower than the current state per diem rate ($80).

At least five other states, including Arizona, Arkansas, Nebraska, North Carolina, and Vermont do not provide a per diem option but reimburse state employees for reasonable actual expenses.

Several other large states have more centralized travel operations. State travel management processes vary greatly across the nation. Florida's travel policy is established primarily via state law and gubernatorial directive, but agency travel operations such as trip approvals and procurement are largely decentralized. Generally, individual employees are responsible for making their own travel arrangements, such as making airline and hotel reservations.

In contrast, at least six states, including Alaska, Colorado, Louisiana, New Hampshire, Texas, and Wisconsin have centralized travel entities that contract with travel agencies that make all arrangements for employees. Some states with travel contracts reported advantages such as emergency services, travel insurance, refundable fares, and high-volume fare discounts. These contracts also may generate cost savings. For example, Colorado's travel agent saved state agencies an estimated $1.7 million on airfare.

What options could the Legislature consider to further streamline agency travel costs?

The 2010 Legislature restricted travel to mission-critical trips, and the Governor provided directives on ceiling expenses for hotels and limited out-of-state travel. In addition, agencies have taken numerous steps to reduce travel expenditures. As a result, overall state travel expenses have significantly declined over the last four fiscal years.

As the current law requiring that all travel be mission-critical expires in July 2011, the Legislature will have to consider reauthorization.[27] State revenues are expected to increase slightly for the next fiscal year, but the impact of other financial issues, such as the 2010 Gulf of Mexico oil spill, is yet to be determined.[28] Given this fiscal outlook,

[24] Section 112.061(6), *F.S.*

[25] States that use federal rates for in-state meals and incidentals (or per diem) include Colorado, Texas, and Virginia.

[26] Federal meal reimbursement rates are provided by the U.S. General Services Administration. In general, the U.S. government determines these rates by using market rate research and discounting the findings by a field percentage. These rates vary by state, season, and locality. Employees receive 75% of the full rate on the first and last days of travel. Incidental expenses such as parking, tips, and public transportation are covered under this allotment.

[27] Chapter 2010-153, Section 62, *Laws of Florida*, will expire July 1, 2011.

[28] *State of Florida Long-Range Financial Outlook Fiscal Year 2011-12 through 2013-14*.

OPPAGA recommends that the Legislature consider reauthorizing the standards set in the current law, as this would continue to limit state agency expenses.

In addition, if the Legislature wishes to make other changes to state agency travel, it could consider several options to further reduce costs. Exhibit 4 presents the advantages and disadvantages of these options.

Option 1: Reduce funding for travel expenses. The Legislature could direct agencies to reduce travel expenses by a percentage of the prior fiscal year expenditures (e.g., 5% to 25%), which would amount to statewide savings of between $3 million and $15 million. Under this option, agencies could select the types of travel to reduce, such as overnight trips for advisory board meetings and training. However, agencies reported specific negative implications of travel expense reductions, as agencies already are limited to mission-critical travel. For example, the Departments of Agriculture and Consumer Services, Health, and Transportation reported that further reductions would eliminate travel for individuals that require continuing education and training to maintain expertise and certifications. If travel expense reductions resulted in fewer regulatory inspections, the Departments of Health and Transportation also noted the potential for losing federal dollars due to noncompliance with inspection requirements. In addition, the Department of Health reported that further cuts would limit or eliminate community outreach and education by public hospitals and public health offices.

Option 2: Place a statutory cap on hotel rates, using the federal lodging reimbursement rate as a ceiling. The Legislature could amend s. 112.061, *Florida Statutes*, to include adopting the federal cap on reimbursement for lodging, which is adjusted for location and season (e.g., an average of $92 for Volusia or Orange County for most months).[29] Setting a formal cap introduces an opportunity for additional cost savings and increased accountability for lodging costs, which remain a significant portion of state travel costs. However, setting any limit, via either statute or gubernatorial directive, diminishes the hotel industry's opportunity for profits in an already difficult economy.

Option 3: Modify the last day per diem reimbursement. Florida Statutes specify that an employee must designate the most efficient and economical means for travel when selecting transportation. This principle could also be applied to the last day of per diem reimbursement. While Florida state employees currently have a choice between per diem (full or partial, as applicable) or meals and actual expenses, the Legislature could revise the law to specify that on the last day of travel, employees will only be reimbursed for meals at the state rate and actual incidental expenses. To control costs, most other states and the federal government do not allow a choice of reimbursement on the last day of travel.

Option 4: Contract for travel agent services. The Legislature could direct the state to contract for enterprise-wide travel agent services with private vendors.[30] Given appropriate contracts with travel agencies or specific vendors, such as hotel chains, the state could secure cheaper rates on lodging and airfare. Agencies could opt out of using the contract if they found less expensive rates from other sources. Such contracts have generated cost savings and efficiencies for other states such as Colorado and Texas. Savings would likely be dependent on how well the contract was executed.

[29] The federal government rates for each Florida county during March (the highest rate month) averaged $110, with rates ranging from $80 in Seminole County to $209 in Monroe County.

[30] Historically, Florida has secured state term contracts for transportation, including airfare and rental car agreements, with specific vendors but not travel agents. The current state rental car contracts are with Avis and Enterprise. The last airfare contract was with AirTran and expired in 2004. The state launched solicitations in 2005 and 2007, but did not receive adequate response to develop a new contract.

Option 5: Modify the transportation model for employees that annually travel more than 10,000 miles. It is generally economical for the state to reimburse employees who drive their personal vehicles significantly less than 10,000 miles per year for state business. However, in Fiscal Year 2009-10, the state reimbursed $4.1 million to 761 employees that drove more than 10,000 miles in their personal vehicles. The state should evaluate the cost-effectiveness of alternatives, such as leasing vehicles from private vendors or providing state-owned vehicles to the increasing number of employees who travel extensively. These vehicles could be pooled or assigned. As with the other options, savings would be dependent on the state of agency vehicle fleets and state resources available for leasing or purchasing vehicles.[31]

Option 6: Direct agencies to take immediate steps to ensure that current procurement practices for conferencing services are cost effective. Given varying needs, state agencies require different conferencing service plans and equipment. For example, some agencies may need on-demand video conferencing to allow urgent communication with remote offices, some may require additional security safeguards because of the confidentiality of their communication, and others may use per minute plans because they only use conferencing for special events. However, all agencies should ensure that they are purchasing the most cost-effective conferencing services and continue to assess services offered by the Department of Management Services' Division of Telecommunications.

[31] We examine this option and other fleet issues in a forthcoming OPPAGA report on state agency fleet management.

Exhibit 4
The Legislature Could Consider Six Options to Further Reduce Travel Costs

Option	Advantages	Disadvantages
Option 1 – Reduce funding for travel expenses		
Require agencies to demonstrate a 5% to 25% reduction in travel expenditures based on Fiscal Year 2009-10 levels	▪ Reduces travel expenses between $3 million and $15 million	▪ Could have implications for public health and safety if regulatory inspections were reduced ▪ May have implications for critical training because such activities would be deprioritized ▪ Could jeopardize federal funding if agencies could not conduct required activities (e.g., inspections)
Option 2 – Place a statutory cap on hotel rates, using the federal lodging reimbursement rate as a ceiling		
Amend Ch. 112.061, *Florida Statutes*, to include caps on hotel rates; the state could use the federal lodging rates as the reimbursement ceiling for hotels	▪ Increases potential for cost savings by identifying reasonable rates ▪ Improves accountability by establishing a clearer standard than "most economical means" ▪ Eliminates need to annually re-evaluate a hotel limit, as the federal rates are reset each year according to market conditions	▪ May add to the cost of travel if employees travel extra distances to use hotels with a set lodging rate or do not try to find hotels with a rate lower than the federal rate ▪ Could reduce the hotel industry's profits
Option 3 – Modify the last day per diem reimbursement		
Require that on the last day of overnight travel, state employees will only be reimbursed at the state rate for meals (up to $36) and for actual incidental expenses	▪ Increases potential for cost savings by not reimbursing employees for travel expenses they did not incur ▪ Improves accountability ▪ Minimizes additional paperwork (as opposed to a 100% itemized process)	▪ May be objections by collective bargaining entities as this reduction could be considered a pay cut ▪ Could shift more costs to employees if meals are more expensive than the state rate

Option	Advantages	Disadvantages
Option 4 – Contract for travel agent services		
Contract for travel agent services with private vendors; agencies could opt out of using the contract if they found less expensive rates elsewhere	▪ Allows for centralized monitoring of state travel activity ▪ Provides the opportunity for discounted fares and travel protections (refundable tickets) ▪ Facilitates reducing state employee time spent on travel arrangements	▪ Could reduce options and flexibility for travelers ▪ Would not guarantee cost savings because savings would depend on the quality of the contract ▪ Could provide the state limited transparency into vendor operations ▪ Would incur costs for private travel agency services, which would offset or reduce overall savings
Option 5 – Modify the transportation model for employees that annually travel more than 10,000 miles		
Purchase, lease, or reassign state-owned vehicles to employees who drive 10,000 miles or more each year for state business[1]	▪ Reduces reimbursements on personal vehicle use ▪ Uses state-owned assets more effectively	▪ May be difficult to identify vehicles for assignment because many state vehicles in the current fleet, given their age and disrepair, are not cost-effective alternatives ▪ Would be difficult to find resources to purchase additional vehicles for either pool or assigned use ▪ Leasing vehicles would likely require ongoing funding obligations into the future
Option 6 – Direct agencies to ensure that they purchase cost-effective conferencing services		
Direct agencies to consider the Department of Management Services (DMS) as well as private providers when making a decision to procure conferencing services	▪ Results in savings from high volume purchasing if agencies prioritized use of DMS ▪ Leverages the IP network that DMS already has in place	▪ May be difficult to ensure that agencies seek the most cost-effective service, as DMS does not have statutory authority to require agencies do a cost-effectiveness review or prioritize use of their services ▪ DMS may be more costly, as it could be difficult to offer services that adequately address a variety of agency's needs (robust, on-demand, high security) at a value to the state

[1] The Department of Management Services calculated a breakeven point of 7,448 miles for a 2010 Ford Fusion (four-cylinder), which is the type of vehicle many state employees would require. Initial savings are marginal for mileage at or just past the break-even point and become more substantial as mileage increases.

Source: OPPAGA Analysis.

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OPPAGA website: www.oppaga.state.fl.us

Project supervised by Kara Collins-Gomez (850/487-4257)
Project conducted by Emily Leventhal (850/487-9239) and Wade Melton
Kathy McGuire, OPPAGA Acting Coordinator