THE FLORIDA LEGISLATURE

Report No. 96-12

Office of
Program Policy Analysis
And Government Accountability

John W. Turcotte
Director

October 16, 1996

REVIEW OF PERSONAL VEHICLE USE BY STATE EMPLOYEES

REPORT ABSTRACT

- The state could save up to $1.7 million by providing vehicles to state employees who drive personal cars extensively for state business instead of reimbursing these workers at the 29-cent-per-mile rate.

- In the short term, Florida could save up to $400,000 annually by reassigning underutilized state-owned vehicles to employees who drive more extensively.

PURPOSE OF REVIEW

The Joint Legislative Auditing Committee requested that our Office review the use of state-owned vehicles. As a part of this effort, we examined whether it would be more cost-effective to provide state-owned vehicles to employees who drive personal vehicles extensively on the job rather than reimbursing these workers for their mileage.

This report is one of a series that addresses state-owned vehicle management. Our related reports address how state-owned vehicles are used by employees, the data system used to track state vehicle costs and use, and the methods the state uses to acquire and maintain its vehicle fleet.

BACKGROUND

Many state employees must travel to perform their jobs. For example, employees may travel to conduct regulatory inspections, transport clients, or supervise field operations. The state provides cars and light trucks to some workers who perform such tasks, and pays the acquisition and operating costs for these vehicles. [1] The state also reimburses employees who drive their personal vehicles for state business at the rate of 29 cents per mile. (The reimbursement rate was 20 cents per mile for the first quarter of fiscal year 1994-95 and was raised to 25 cents on October 1, 1994, and to 29 cents per mile effective July 1, 1995.)

There is no available statewide summary data on total state mileage reimbursement expenses. However, 12 agencies use the State Automated Management Accounting System (SAMAS) to track this information. [2] In fiscal year 1994-95, employees in these agencies drove approximately 78.5 million miles and were reimbursed approximately $18.4 million. This would equate to about $22.7 million at the current mileage reimbursement rate.

[1] As of May 1, 1996, there were approximately 18,000 state-owned passenger vehicles. Some of these vehicles are assigned to agency motor pools and used by authorized employees on an as-needed basis. Other vehicles are assigned to specified employees for their daytime use only, or are assigned to employees who may use the vehicles during the day and drive them home at night. Agency heads make vehicle assignment decisions.

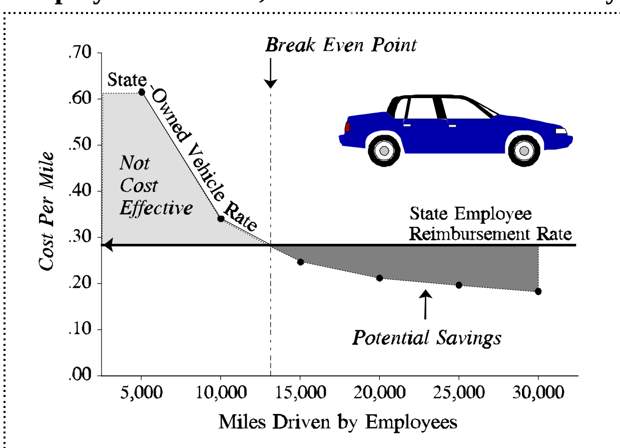
[2] The 12 agencies are the Departments of Agriculture and Consumer Services, Commerce, Corrections, Elder Affairs, Health and Rehabilitative Services, Highway Safety and Motor Vehicles, Insurance, Juvenile Justice, Revenue, State, and Veteran's Affairs, and the Public Service Commission.

FINDINGS

Operating costs for state-owned vehicles are substantially lower than the mileage reimbursement rate when employees drive extensively.

Although it is economical for the state to reimburse most employees who drive personal vehicles for state business, it saves money to provide state-owned vehicles to those who drive extensively (more than 13,600 miles per year). As shown in Exhibit 1, this occurs because state-owned vehicles generally have lower per-mile operating costs than the 29-cent-per-mile reimbursement rate when the vehicles are driven this extensively.[3] Vehicle per-mile operating costs vary depending on the number of miles driven; the higher the miles driven the lower the state operating costs. For example, the per-mile cost of operating a state-owned vehicle is about 18 cents per mile when the vehicle is driven 29,000 miles, compared to the 29-cent-per-mile reimbursement rate. Potential savings are marginal when vehicles are driven less than 15,000 miles annually. However, these potential savings increase with higher mileage and exceed 30% when vehicles are driven more than 29,000 miles annually.

Exhibit 1
State Per-Mile Operating Cost Is Lower Than the Per-Mile Reimbursement Rate When Employees Drive 13,600 Miles or More Annually



Source: Office of Program Policy Analysis and Government Accountability analysis of Department of Management Services data.

More than 500 state employees drive their personal vehicles 13,600 miles or more annually for official state business.

While many state employees occasionally use their personal vehicles for state travel, some drive their vehicles extensively. Our analysis of data maintained by the State Automated Management Accounting System (SAMAS) showed that over 500 employees were reimbursed for driving more than 13,600 miles during fiscal year 1994-95. The actual number of employees who drive personal vehicles extensively is likely higher than this estimate, as we could assess employee mileage in only 12 of the state's agencies. As shown in Exhibit 2, these employees drove more than 9.8 million miles and were reimbursed more than $2.3 million. These employees averaged over 19,000 miles, with some driving more than 40,000 miles during the year for state business.

Exhibit 2
Many Employees Drove Personal Vehicles More Than 13,600 Miles on State Business During Fiscal Year 1994-95

Miles Driven	Employees	Amount Reimbursed
13,600 to 14,999	115	$ 391,000
15,000 to 16,999	124	470,000
17,000 to 20,999	146	653,000
21,000 to 24,999	67	361,000
25,000 to 28,999	37	236,000
29,000 and Over	30	241,000
Total	**519**	**$2,352,000** [1]

[1] Employees were reimbursed for 9,876,510 miles driven in fiscal year 1994-95 at a rate of 20 cents and 25 cents per mile.

Source: Office of Program Policy Analysis and Government Accountability analysis of SAMAS data.

Exhibit 3 shows that most (450) of these employees worked in the Department of Agriculture and Consumer Services (231) and the Department of Health and Rehabilitative Services (219). These employees include inspectors, investigators, case workers, and financial examiners who travel throughout the state.

[3] We calculated this break-even mileage point using present value techniques and state operating costs for the types of vehicles that would most likely be assigned to employees who drive extensively. These vehicles include compact and mid-size sedans and light and heavy duty pick-up trucks.

Exhibit 3
Most Employees Who Drove Personal Vehicles Extensively During Fiscal Year 1994-95 Worked in Two Agencies

Agency [1]	Employees Driving More Than 13,600 Miles
Agriculture and Consumer Services	231
Health and Rehabilitative Services	219
Corrections	28
Revenue	16
Juvenile Justice	11
Insurance	11
Public Service Commission	3
Total	**519**

[1] In the remaining five state agencies we assessed, employees drove less than 13,600 miles.

Source: Office of Program Policy Analysis and Government Accountability analysis of SAMAS data.

Florida could save about $1.7 million by providing state-owned vehicles to employees who drive extensively.

Florida could save up to $1.7 million (or $290,000 annually) over the useful lives of the vehicles by providing state-owned vehicles to employees who currently drive personal cars over 15,000 miles annually for state business. (While the break-even point is 13,600 miles, the potential savings at 15,000 miles exceed 10% and increase with higher mileage.) This option would require providing about 400 vehicles at a cost of approximately $5 million and $2.6 million to operate over their expected lives. These costs are significantly lower than the $9.3 million the state would pay employees to drive their own vehicles over this period. As shown in Exhibit 4, the state would save about $2,600 per vehicle by providing cars to employees who drive between 15,000 and 16,999 miles a year. However, providing vehicles to employees who drive more than 29,000 miles annually would save over $8,000 per vehicle. These savings would total $1.7 million over the expected lives of these vehicles. [4]

Exhibit 4
The State Can Receive Substantial Cost Savings By Providing State-Owned Vehicles To Employees Who Drive Personal Vehicles More Than 15,000 Miles Annually

Employees Driving Over 15,000 Miles Annually (404)			
Present Value Costs Over Expected Vehicles Lives			
Mileage Class	**Number of Vehicles[1]**	**Savings Per Vehicle**	**Total Savings**
15,000-16,999	124	$2,587	$ 320,788
17,000-20,999	146	3,865	564,290
21,000-24,999	67	5,449	365,083
25,000-28,999	37	7,029	260,073
29,000 +	30	8,113	243,390
Potential Savings			**$1,753,624[1]**

[1] These figures are based on SAMAS data for fiscal year 1994-95 on the number of employees who drove personal vehicles over 15,000 miles for state business and the Department's ownership and operating cost data.

Source: Office of Program Policy Analysis and Government Accountability analysis of SAMAS data and Department data.

Actual cost savings from a policy of providing state-owned vehicles to employees who drive extensively would probably be larger than this estimate, as some employees in the agencies we could not examine are probably being reimbursed for driving more than 15,000 miles per year. The amount of these additional savings cannot be readily estimated.

The state's ability to buy additional vehicles for employees could be problematic given limited state resources. However, the need for an up-front appropriation could be avoided if the state used third-party financing to buy the vehicles. This alternative will be assessed in a separate OPPAGA report that will review how the state acquires its vehicle fleet.

Short-term cost savings opportunities.

In the short term, cost savings could be achieved by reassigning state-owned vehicles that are currently underutilized or inappropriately assigned. In a related OPPAGA report, we concluded that 311 state-owned vehicles are assigned to

[4] Our analysis was based on the state's 1995 vehicle contract prices and a cost of capital rate of 5.7%. This rate is based on the average earned interest yield Florida received for fiscal year 1995-96. We applied net-present value techniques in determining the reimbursement costs and the costs of owning and operating these vehicles over their useful lives. The useful lives of these vehicles range from three years to six years, depending on the mileage driven. Additionally, we assumed that 85% of the employees would drive compact sedans; 5% would drive mid-size sedans; 5% would drive light duty pick-up trucks; and 5% would drive heavy duty pick-up trucks. We used these assumptions after discussion with staff of the Department of Management Services.

employees who drive 10,000 miles or less annually on state business. [5] Paying these 311 employees personal mileage and reassigning these vehicles to employees who drive more extensively would produce short-term cost savings up to $400,000 annually, depending on the number of vehicles that can feasibly be transferred to other employees. For example, three agencies included in this review owned 63 of the 311 vehicles that could be reassigned. [6] Reassigning these 63 vehicles would avoid the need to spend approximately $799,000 to buy new vehicles. Other agencies would likely be able to reassign vehicles and avoid additional purchase costs.

Conclusions and Recommendations

The state could save about $1.7 million by providing vehicles to employees who drive more than 15,000 miles a year instead of reimbursing these workers for using their personal vehicles. In the short term, Florida could save up to $400,000 annually by reassigning underutilized state-owned vehicles to those workers who drive more extensively.

To achieve these cost savings, we recommend that:

- The Legislature adopt a policy to provide state vehicles for employees who drive personal cars extensively for state business when it is more cost-effective for the state to do so;

- The Department of Management Services compute the break-even mileage level every two years to account for changes in the price of vehicles, cost of maintenance, and potential changes in the mileage reimbursement rate. The Department should inform state agencies, the Executive Office of the Governor, and the Legislature of any significant changes in the break-even mileage level;

- The Executive Office of the Governor and the Legislature amend the Budget Instructions to require agencies to identify, in their Legislative Budget Requests, all instances in which employees are reimbursed for driving more than 15,000 miles annually. This would allow the Legislature to consider this information when evaluating agency funding requests for vehicle acquisitions; and

- State agencies should identify on an annual basis assigned vehicles that are underutilized or inappropriately assigned and, when feasible, reassign such vehicles to employees who are being reimbursed for driving their personal vehicles extensively for state business.

Agency Response

The Secretary of the Department of Management Services responded:

> "The Department agrees to compute the break-even mileage level every two years to account for changes in the price of vehicles, cost of maintenance, and potential changes in the employee per-mile reimbursement rate. This information should be useful in determining whether it would be more cost-effective to provide state-owned vehicles to employees who drive personal vehicles extensively on the job rather than reimbursing these workers for their mileage. The Department will also inform state agencies, the Executive Office of the Governor, and the Legislature of any significant changes in the break-even mileage level."

[5] Use of Assigned State Vehicles, Report No. 96-03, issued July 29, 1996.

[6] The Departments of Agriculture and Consumer Services, Corrections, and Insurance owned 63 of the underutilized vehicles.

This project was conducted in accordance with applicable evaluation standards. Copies of this report may be obtained by telephone (904/488-1023 or 800/531-2477), by FAX (904/487-3804), in person (Claude Pepper Building, Room 312, 111 W. Madison St.), or by mail (OPPAGA Report Production, P.O. Box 1735, Tallahassee, FL 32302).
Web site: http://www.state.fl.us/oppaga/

Project Supervised by:
Gary R. VanLandingham (904/487-0578)

Project Conducted by:
Cleo Johnson (904/487-1183) and Carol Matthews