Fiscal Highlights

Division of Fleet Operations General Fund Borrowing Follow-up - Brian Wikle

Since its inception in FY 1997, the Division of Fleet Operations has been in debt to the General Fund. Its debt level has fluctuated over the years with periods of relative stability, periods of decline, and periods of increase. As explained in the November 2015 issue of Fiscal Highlights, the debt is due largely to three issues: (1) Fleet has historically under recovered on fuel charges, (2) Fleet has historically under recovered on maintenance costs, and (3) Fleet's lease rates have not been sufficient to cover the purchase cost of replacement vehicles. The division has adjusted its billing and operational practices regarding the first two issues, and they are no longer leading to the division incurring additional debt. Fleet has also modified its lease rate model thereby reducing its need to borrow from the General Fund.

Last January Fleet reported to the Infrastructure and General Government (IGG) Appropriations Subcommittee that it expected to end FY 2016 with about $37 million in debt and that it projected the debt level to rise to $46 million by FY 2018 (largely due to the need to purchase an above average number of vehicles in each of FY 2016, 2017, and 2018). However, the division reported to IGG in its recent October interim meeting that it ended FY 2016 with $31 million in debt and that it now projects the debt level to decline to $20 million by FY 2018 (near the 20-year low). The new projections are due largely to the fact that Fleet will purchase fewer vehicles than planned. Instead the division is expanding use of services from private vendors who provide rental vehicles on-demand to customer agencies at a number of locations throughout the state. The figure below depicts Fleets debt from FY 1997 through FY 2015. It also shows FY 2016 actual debt along with Fleet's projections through FY 2018 as of last January and its new projections as reported to IGG earlier this month.