
Issue Brief – Memorandum of Understanding with DNR

NUMBER CFAS-05-13

SUMMARY

Since FY 2000, the Department of Natural Resources (DNR) and the Division of Fleet Operations (DFO) have managed the DNR fleet according to a memorandum of understanding that legislative intent language asked the two departments to use. DFO would like to terminate the MOU and incorporate DNR into the DFO rate matrix.

DISCUSSION AND ANALYSIS

During the 1999 General Session the Legislature adopted the following intent language:

It is the intent of the Legislature that, beginning in FY 2000, the Department of Natural Resources (DNR) and the Department of Administrative Services manage DNR's motor pool resources as agreed to in the Memorandum of Understanding dated January 29, 1999. Accordingly, DNR will control the dispatch and deployment of all vehicles assigned to their fleet.

The MOU provides for DNR to pay a “special lease” that recovers the cost of the vehicle, minus estimated salvage value (calculated at 20%), divided by six years (in most cases), plus approved DFO overhead and management information system rates. The MOU also allows DNR administrative control over the vehicles.

Both departments have valid reasons for their positions. The following is a summary of those reasons.

Reasons for assimilating DNR into the DFO rate matrix

- Intent language requiring the MOU passed in FY 2000. Intent language is legally valid for only one year, and this language has not been repeated since.
- There is some evidence that at the time of drafting the MOU, it was anticipated that over five years existing DNR vehicles would be replaced with DFO vehicles and DNR would phase into DFO rates.
- The MOU was signed by Kathleen Clarke and Raylene Ireland, both of whom are now former department directors.
- DFO is losing money on DNR vehicle replacements, primarily because the first vehicles being replaced are high-mileage vehicles being turned in prior to six years, thus being under-depreciated.
- Almost all other state agencies are on the DFO rate matrix, and many of them are seeing savings in their rates.
- DNR has expressed willingness to make final adjustments for under- or over-appreciated vehicles at the time vehicles are turned in, but DFO considers that approach problematic since there is no guarantee funds will be available. DFO's adjusted rate matrix captures mileage increases/decreases over the life of the vehicle so no final adjustments are necessary.
- The MOU states that all “special lease” rates are reviewed by the Rate Committee and by the Legislature. The Analyst is unaware of any prior rate committee or legislative reviews of the MOU's rates.

Reasons for continuing with the MOU

- Both departments agreed in the MOU that it would be “in force until both parties mutually agree to discontinue this interdepartmental partnership.” Only one party is attempting to discontinue it.
- DNR is paying DFO overhead and management information system costs, thus fulfilling legislative intent to clearly capture all data and costs relative to state vehicles.

- Moving DNR to the DFO rate matrix would cost more money, estimated at \$291,200. Using present funding proportions, only \$92,800 would be covered by General Funds, leaving the rest to be covered with federal funds, wildlife license fees and park fees (unless the Legislature opted to cover all costs with General Funds).
- In the future, when DNR turns in low-mileage vehicles, it is likely those will have been over-depreciated, since they will be older than six years. This would make up for under-appreciated vehicles turned in earlier.
- DNR is willing to cover all costs. Depending on whether vehicles have been over- or under-appreciated, they are willing to make adjustments at the time vehicles are turned in.
- DNR claims there are errors and a lack of detailed information in their DFO billing statements, therefore causing requests for more information and corrections, and ultimately a lack of confidence. DNR suggests that a flat rate, plus a flat per-mile charge (similar to private rental car agencies) would be simpler than a matrix to administer and understand, thus helping agency managers see how to control costs.

RECOMMENDATION

Both departments have expressed a willingness to solve this problem as sister executive branch agencies. Since the MOU was created due to legislative intent, and does not contain an expiration date or review date, the Analyst recommends the following intent language:

It is the intent of the Legislature that the memorandum of understanding between the Department of Natural Resources (DNR) and the Department of Administrative Services regarding management of DNR's motor pool resources, dated January 29, 1999, expire on June 30, 2005. It is further the intent of the Legislature that prior to June 30, 2005, the two departments agree to a new rate and management structure that fulfills all statutory requirements and recovers all costs. The departments shall present this agreement to the Government Operations and Political Subdivisions Interim Committee in July, 2005.