

Update on Fleet Issues

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**A Report to the Executive Appropriations Committee
Of the Utah State Legislature**

**Prepared by
Office of the Legislative Fiscal Analyst**

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Executive Summary - Update on Fleet Issues

During the 2001 General Session, the Capital Facilities and Administrative Services Appropriation Committee expressed concern over the number of four wheel drive vehicles in the fleet and the level of participation by Higher Education in the state's fleet consolidation. To specifically deal with these issues, the Legislature approved the following intent language in Item 66 of House Bill 1, Appropriations Act:

It is the intent of the Legislature that the Legislative Fiscal Analyst prepare an analysis of 4x4 usage and policy in the State Fleet.

It is the intent of the Legislature that the Legislative Fiscal Analyst prepare an analysis of USHE participation in the State Fleet.

Scope of Report

In addition to the specific assignments above, the Analyst gathered data to update the Legislature on policies regarding fleet expansion, commuting and use of alternative fuel vehicles. These issues have been presented both to the Executive Appropriations Committee and the Capital Facilities and Administrative Services appropriations committee in the past. Therefore, this report will answer five questions:

1. Is the state appropriately utilizing four wheel drive vehicles in the fleet?
2. What is the current status of personal commute vehicles in State government?
3. Should the Utah System of Higher Education fully participate in the State Fleet?
4. What is the status of the alternative fuel vehicle component of the state fleet?
5. How can expansions within the state fleet be monitored more effectively by the legislature?

**Recommendations
for Improving Fleet
Management**

A statutory role for the Division of Fleet Operations (DFO) is to provide effective customer service to agencies and institutions. By almost all accounts, the Division excels at providing services as requested by state agencies. Prior to implementation of the **Fleet Anywhere** system, fleet data was random and mostly useless. Today, DFO generates hundreds of customized reports that allow user agencies and institutions to manage their fleets more effectively.

The Analyst believes that improvements can be made by strengthening participation requirements for higher education, using funding mechanisms to control four wheel drive utilization, reducing costs associated with alternative fuel vehicles and tightening the statutory definition of “motor vehicle.”

In presenting this report the Analyst makes the following recommendations:

**#1 Funding of 4x4
Vehicles**

The Legislature should fund lease rates for passenger vehicles at a level no higher than the rate for a standard sedan. Agencies desiring to operate 4x4 vehicles should provide the additional capital and funding from their existing budget. The Division of Wildlife Resources should be exempted from this policy and the Legislative Fiscal Analyst should make appropriate budget reductions to agency budgets in preparing the FY 2003 budget.

**#2 Commute
Authorizations**

The Analyst recommends the Legislature require agencies to prepare a follow up audit using standards developed by the Legislative Auditor General to ensure that state commute policies are followed.

**#3 Compliance with
fuel dispensing
policies**

The Analyst recommends that the Legislature add to statute a means to enforce compliance – including fines to agencies and institutions– for failure to comply with the statewide fuel dispensing policy. The Legislature should also include Higher Education in the prohibition against subscribing to an outside fuel dispensing program.

**#4 Higher Education
reporting and
oversight**

The Analyst recommends that the Legislature assign reporting and oversight responsibilities for institutional fleets to the Board of Regents through the USHE Commissioner’s Office. The Analyst also recommends that compliance with state fleet operational policies be used as a performance indicator for the Commissioner’s Office.

**#5 Higher Education
participation
requirements**

The Analyst recommends that the Legislature put a participation requirement in statute that will ensure that all institutions are treated like other state agencies in regard to fleet management.

**#6 Alternative Fuel
Compliance**

The Analyst believes that the State should comply with the federal AFV mandate without adding costs to user agencies and recommends future purchases of alternative fuel vehicles be limited to flexible fuel vehicles or to hybrid gas/electric vehicles.

**#7 Motor Vehicle
Definition
Amendments**

The Analyst recommends that the Legislature amend the statutory definition of “motor vehicle” to include only vehicles licensed for highway use.

Update on Fleet Issues

Is the state appropriately utilizing four wheel drive vehicles in the fleet?

Utah's mountainous terrain and large tracts of open space would lead one to understand the need for a certain amount of four wheel drive vehicles in the state fleet. However, the state owns more than 1,400 4x4 vehicles – roughly 20 percent of all state vehicles, including patrol cars and construction vehicles. The Analyst believes that agencies are purchasing 4x4 vehicles when smaller, less expensive vehicles would fulfill agency needs. The following table shows distribution of state owned four wheel drive vehicles.

Agency	Van 4x4	Truck 4x4	One Ton 4x4	SUV 4X4	Total 4x4	Total Vehicles	Percent 4x4
Admin Services Daily Pool	0	1	1	19	21	192	11%
Administrative Services	0	74	13	4	91	149	61%
Agriculture	0	10	16	16	42	102	41%
Alcoholic Beverage Control	0	0	0	1	1	21	5%
Area Hlth Ed Cntrs	0	0	0	2	2	7	29%
Attorney General	0	0	0	7	7	40	18%
Board Of Education	0	0	0	2	2	46	4%
Board Of Pardons	0	0	0	1	1	3	33%
Board Of Regents	0	0	0	1	1	1	100%
Central Ut Pub Health	0	0	0	2	2	8	25%
College Of Eastern Utah	0	1	0	1	2	57	4%
Commerce	0	0	0	4	4	34	12%
Community & Econ Develop	4	1	0	3	8	41	20%
Corrections	0	20	6	26	52	400	13%
Courts Administration	0	1	1	2	4	168	2%
Environmental Quality	0	1	2	19	22	45	49%
Governors Office	0	0	0	2	2	5	40%
Health	0	1	0	6	7	54	13%
Human Services	2	27	6	29	64	493	13%
Industrial Commission	0	1	0	5	6	34	18%
National Guard	0	6	0	11	17	29	59%
Natural Resources	0	429	59	111	599	757	79%
Northeast Cnslng Cntr	2	0	0	0	2	10	20%
Public Safety	0	59	2	18	79	687	11%
Salt Lake Community College	1	5	0	1	7	116	6%
San Juan Cnslng Cntr	0	0	0	5	5	8	63%
School/Deaf & Blind	0	0	0	1	1	26	4%
Snow College	0	2	0	1	3	45	7%
Southeast Dist Hlth	0	0	0	3	3	9	33%
Southern Utah University	0	2	0	0	2	117	2%
Southwest Dist Hlth	0	0	0	1	1	10	10%
State Auditor	0	0	0	1	1	3	33%
State Treasurer	1	0	0	0	1	1	100%
Tax Commission	0	1	0	3	4	60	7%
Transportation	14	43	16	66	139	1,862	7%
Tri-Co Hlth Dept	0	0	0	2	2	5	40%
Trust Lands Administration	0	5	0	8	13	14	93%
University Of Utah	1	49	9	25	84	485	17%
Utah College Of Applied Technology	0	3	0	0	3	77	4%
Utah State University	0	62	10	22	94	590	16%
Utah Valley State College	0	2	0	0	2	104	2%
Weber State University	0	0	0	5	5	141	4%
Workforce Services	0	2	0	7	9	117	8%
Grand Total	25	808	141	443	1,417	7,173	

Source: Division of Fleet Operations, October 26, 2001

Some agencies need 4x4 vehicles

During the 2001 General Session, the Division of Fleet Operations (in conjunction with other state agencies) made a presentation justifying the need for a 4x4 component of the state fleet. Clearly, some agencies have a compelling need for the more expensive vehicles. The Division of Wildlife Resources places officers in off-road settings on a daily basis, the Division of Facilities and Construction Management must be able to remove snow from state parking lots and the Department of Corrections patrols open fields around the Draper prison to provide quick response in the event of an attempted escape – although it seems unlikely that the Department is using 26 SUVs to patrol the prison site.

Capital cost for 4x4 is significant

During the 2000 Interim, the Analyst reported that the up front capital cost of a new 4x4 vehicle is \$2,000 to \$4,000 over the cost of a comparable two wheel drive vehicle. The difference is even more dramatic if one considers the price difference between a standard sedan and a SUV. The State of Utah buys a significant number of Ford Taurus sedans. According to *Edmunds.com*, a leader in vehicle price information, the incremental cost of a Ford Escape over a Taurus is approximately \$3,000. A Ford Explorer can add as much as \$6,000 in capital costs that the state must front to purchase these vehicles. If the state were to convert every 4x4 vehicle into a sedan, the upfront capital cost over the depreciation cycle would total more than \$4.2 million at the lesser differential of \$3,000. This is a cost that is built into each agency's rate and impacts the amount of General Fund borrowing needed to manage the fleet. Furthermore, the rate for a SUV is \$141 per month more than the fee for a standard mid-sized sedan. If all SUVs were converted to sedans, agencies would save a combined \$750,000 per year.

4x4 vehicles available on an "as needed" basis

At this point, the Analyst believes that the only agency in State government that needs sport utility vehicles to accomplish its mission is the Division of Wildlife Resources. Other agencies could use the motor pool for emergency situations or the occasional trek that takes them off road. A standard justification for owning a four wheel drive vehicle is snow – but the Analyst believes that if road conditions are too dangerous for a front wheel drive vehicle to manage, then it is too dangerous to allow an employee to make the trip. Such trips should be postponed until road conditions improve and allow for safe travel. Over the years the Legislature's attempts to reign in 4x4 purchases in the fleet met with staunch resistance. Rather than make an across the board prohibition, the Analyst recommends the following action:

Recommendation #1

The Legislature should fund lease rates for passenger vehicles at a level no higher than the rate for a standard sedan. Agencies desiring to operate 4x4 vehicles should provide the additional capital and funding from their existing budget. The Division of Wildlife Resources should be exempted from this policy and the Legislative Fiscal Analyst should make appropriate budget reductions to agency budgets in preparing the FY 2003 budget.

What is the current status of personal commute vehicles in State government?

State statute authorizes certain officials to drive state vehicles as a part of their compensation plan. Among these individuals are elected officials within the executive branch, college presidents, and some cabinet level officers. The table below identifies 27 state employees who receive a vehicle as part of their compensation package.

State Officials with Statutory Vehicle Authorization	
Governor	
Lieutenant Governor	
State Treasurer	
State Auditor	
Attorney General	
Public Safety - Commissioner	
State Tax Commission - Executive Director	
Department of Transportation - Executive Director	
Department of Natural Resources - Executive Director	
Department of Corrections - Executive Director	
National Guard - Adjutant General	
Board of Pardons and Parole - Each of the five members	
USHE - Commissioner and Ten Presidents	

Agencies may have more commutes than reported

Beyond these 27 individuals, other employees may use a state car as their commute vehicle if it is a benefit to the state. In 1999 the Legislature approved commute privileges for highway patrol officers as a way of increasing visibility and improving public safety. Other workers may be investigators with no fixed office, UDOT station managers or employees who need to have ready access to a vehicle. In order to receive commute privileges an agency must turn in form MP-2 to justify the need for a dedicated vehicle. The Division of Fleet Operations tracks this process and can identify 104 commute authorizations – mostly from UDOT.

Verified Commuter Counts	
Administrative Services	4
Attorney General	4
Commerce	1
Corrections	2
Education	1
Health	1
Insurance	7
Judicial Branch	4
UDOT	79
Workforce Services	1
Total	104

Source: Division of Fleet Operations, October 26, 2001

The Analyst shares DFO's concern that the information regarding commute vehicles is incomplete. It is up to individual agencies to ensure that commute policy is managed properly:

Rule 27-3-7. Application for Commute Use.

- (1) Each petitioning agency shall submit a completed and approved MP-2 form to the Division of Fleet Operations.
 - (a) Approval for commute privileges must be obtained from the Agency Head of the requesting agency before being submitted to the Division of Fleet Operations Director for final approval and processing. MP-2 forms shall be returned to the requesting Department Head after final approval.
 - (b) All approved commute drivers will be assessed the IRS Daily Rate while using a State-owned vehicle. Each commuter will also receive an IRS 1099 form to report the additional income.
 - (c) The MP-2 form shall be completed and submitted annually by the department, for continued commute privileges.
 - (d) The agency shall be responsible to enter any additional income reported through commute use privileges into the State's payroll system using the correct commute approval number for each individual.

*Commuters are
subject to Income Tax*

A check with the State FINET system shows that 134 individuals are having commute income reported to the IRS – including an additional fifteen employees in the Department of Administrative Services, five Agriculture employees and six additional Health Department Employees. Employees that fail to report that they have commute privileges could be facing problems with their federal tax returns if they are ever audited.

Enforcement of commute rules is split between the Division of Fleet Operations and the employee's agency:

Rule 27-3-10. Enforcement of Commute and Personal Use Standards.

- (1) Agencies with approved commute drivers shall establish internal policies to enforce commute and personal use standards. Penalties for unauthorized commute and personal use of a State-owned vehicles shall include suspension of commute privileges for repeat offenses.
- (2) The Division of Fleet Operations reserves the right to withdraw commute privileges at any time and for any reason.
- (3) Agencies shall establish internal policies and procedures to prevent unauthorized and intentional misuse of State-owned vehicles.

DFO Enforcement is Limited

The Division of Fleet Operations has the authority to suspend only the commute authorizations of which it is aware. Furthermore, it seems that it would be difficult to “suspend commute privileges” if the violation is the unauthorized use of a commute vehicle. It is up to individual agencies to set internal commute policies in accordance with guidelines established by rule. To be eligible for a commute vehicle, the employee must have one of the following job characteristics:

- ▶ On call 24 Hour to prevent substantial property damage or loss of life;
- ▶ Virtual Office;
- ▶ Alternate Work Site;
- ▶ Statutory Compensation;
- ▶ Other unique emergency situation.

Ten years ago the Legislature requested an audit of commute policies from the Legislative Auditor General. That audit led to the revision of commute policies and the removal of commute privileges from many employees. In gathering data for this report, the Analyst believes that sufficient *prima facie* evidence exists to indicate that commute policy should be reviewed again by the Legislature.

Recommendation #2

The Analyst recommends the Legislature require agencies to prepare a follow up audit using standards developed by the Legislative Auditor General to ensure that state commute policies are followed.

Should the Utah System of Higher Education fully participate in the State Fleet?

College and university fleets include vehicles owned by the institution and vehicles leased from the Division of Fleet Operations. Utah Code¹ requires all agencies and institutions to use the fuel system (GasCard) established by the Division of Fleet Operations. This allows the state to better manage costs and provides a discount for bulk purchases of fuel. It appears that institutions within higher education are not using the system as would be expected. There are several factors that affect the grade for miles per gallon and fuel usage. The primary indicator is GasCard utilization – failure to use the GasCard system not only increases costs to the state, it corrupts data collection efforts vital to proper fleet management. To be fair, no agency (including DFO lease vehicles) are scoring well on this item, but given that this is the only fleet statute that applies to Higher Education, it seems that they would be more diligent in compliance.

¹ UCA 63A-9-401(2)(a)(i) – Each state agency and each higher education institution shall subscribe to the fuel dispensing services provided by the division.

Fleet report card shows low usage of GasCard

Scores for fuel utilization are low across state government, even in the fleets managed by the Division of Fleet Operations. However, this year DFO abandoned “incentive” programs aimed at improving compliance among its customers and implemented strong measures to ensure that those leasing vehicles are fully compliant. A difficulty in applying this principle to Higher Education is the lack of central coordination. Each institutional fleet is managed on campus with no accountability to the Commissioner or the Board of Regents. If the Commissioner’s Office were assigned oversight (not ownership or management) responsibilities for institutional fleets, the Legislature would have a single contact point to measure performance.

Recommendation #3

The Analyst recommends that the Legislature add to statute a means to enforce compliance – including fines to agencies – for failure to comply with fuel dispensing policy. The Legislature should also include Higher Education in the prohibition against subscribing to an outside fuel dispensing program.²

Reporting and oversight of Fleet compliances

The table below is taken from DFO reports sent to each institution. DFO works with each school to ensure that they understand how scores are calculated. (Note: PM categories stand for “preventative maintenance”).

Institution	PM			Res. System	Vehicle Count	Full Time Employees	FTE Per Vehicle
	Fuel Usage	Schedule	PM Due				
College of Eastern Utah	F	F	I	B-	49	307	6.27
CEUSJC	C	F	F	F	8	41	5.13
Dixie State College	C	A	A-	B+	51	588	11.53
Snow College	C-	A	A-	F	45	468	10.40
SLCC	D+	C+	D+	A+	116	1,846	15.91
Southern Utah University	C-	A	C+	D-	117	926	7.91
University of Utah	D	A-	C	C+	485	9,387	19.35
Utah State University	D	A	B-	B	591	4,016	6.80
Utah Valley State College	D	F	F	B+	104	1,690	16.25
Weber State University	D	A	D-	B-	141	1,777	12.60

Source: Division of Fleet Operations, June, 2001

Recommendation #4

The Analyst recommends that the Legislature assign reporting and oversight responsibilities for institutional fleets to the Board of Regents through the USHE Commissioner’s Office. The Analyst also recommends that compliance with fleet operational policies be used as a performance indicator for the Commissioner’s Office.

² UCA 63A-9-401(2)(a)(ii) – A state agency may not provide or subscribe to any other fuel dispensing services, systems or products other than those provided by the division.

Higher Education should be included in statute for compliance with all Fleet operations

While fuel usage management needs to improve quickly at Higher Education institutions, most schools are doing well in maintenance of vehicles. Statute does not require Higher Education to participate in the management and information system (Fleet Anywhere) program, but the Higher Education System continues to follow intent language passed during the 1999 General Session that required them to comply with the Fleet Anywhere program. The Analyst applauds Higher Education for working with the Division of Fleet Operations in using the management and information system but feels that some schools are more cooperative than others. The State as a whole and the system of higher education are negatively impacted when some agencies do not fully participate. Therefore, the Analyst offers the following recommendation:

Recommendation #5

The Analyst recommends that the Legislature put a participation requirement in statute that will ensure that all institutions are treated like other state agencies in regard to fleet management.

What is the status of the alternative fuel vehicle component of the state fleet?

During the 2000 Interim, the Executive Appropriations Committee accepted an Analyst recommendation that called for the elimination of add-on costs associated with compressed natural gas vehicles. During the 2001 General Session, the Capital Facilities and Administrative Services Committee received a commitment from Administrative Services that the add-on fee would be dropped. In pursuing the issue, the Committee learned that the Department of Administrative Services (DAS) intended to add the amount of the fee to the basic rental rate, thus eliminating the “add-on fee” but maintaining the higher cost for user agencies.

Dependence on CNG is expensive

Federal mandates require the state fleet to include alternative fuel vehicles (AFVs) in new purchases and federal accounting standards require recovery of costs associated with capital outlay. However, compressed natural gas vehicles are not the only option available to the state. Flexible Fuel Vehicles (FFV) use either gasoline or ethanol and cost only slightly more than a traditional vehicle – and sometimes cost less due to incentives. The Analyst continues to believe that Flexible Fuel Vehicles offer the best value to the state.

DAS does not mandate use of alternative fuels

In the past the Division of Fleet Operations and the Department of Administrative Services have argued that use of compressed natural gas (CNG) is cheaper and lowers maintenance costs. However, DAS has yet to devise a strategy in which user agencies will actually use the CNG instead of gasoline in bi-fuel vehicles. In Fiscal Year 2001 cars that operated with dual tanks (CNG and Gasoline) were powered with gasoline ninety-four percent of the time. This means that the state has paid thousands of dollars for an extra fuel tank, accepted lost trunk space that interferes with agency missions and still incurred the higher fuel and maintenance costs associated with gasoline powered engines.

Recommendation #6

The Analyst believes that the State should comply with the federal AFV mandate without adding costs to user agencies and recommends future purchases of AFVs be limited to flexible fuel vehicles or to hybrid gas/electric vehicles.³

³ At this time, hybrid gas/electric vehicles do not count as AFV vehicles. Should the Department of Energy add hybrid vehicles as an acceptable vehicle, this recommendation will allow DFO to take advantage of the new classification.

How can expansions within the state fleet be monitored more effectively by the legislature?

Each year the Legislature receives a report from the Division of Fleet Operations detailing the size, cost, maintenance record and utilization of the state fleet. Prior to the 2000 General Session, the annual report relied on self-reported data from user agencies. The report is now tied to the Legislatively-mandated fleet management and information system. The Legislature is now receiving real time information that can be trusted to be accurate.

Management and Information System makes information more reliable

Beginning with the 2001 General Session, the Fiscal Analyst included the number of fleet vehicles as an information item in the annual budget recommendations. By using these resources, budget subcommittees can better manage costs associated with fleet vehicles. The Analyst recommends that the Legislature evaluate the effectiveness of the State Fleet Report and the additional information in budget analysis reports to see if they are producing enough information for decision making. If the Legislature determines it needs more information, the Analyst will develop further measures to use for annual budget recommendations.

Agencies should not be penalized for streamlining fleet

In the meantime, agencies should seriously evaluate their need for vehicles – the Department of Natural Resources is completing an audit that will result in a ten to twelve percent reduction in fleet size. As agencies reduce the number of vehicles they need, DFO and the agency should carefully record reductions that may need to be restored in the future. If a specific program that takes vehicle reductions now is expanded in the future, the expansion should not come with a capitalization penalty for replacement of the vehicle. The Analyst envisions a system wherein agencies would cut “marginal” vehicles now with the understanding that they will not count against them in the future for expansion. This scenario also assumes that the vehicles are program specific – a reduction in one program should not allow another program within the same department a “free” expansion.

Vehicle definition may be too broad

As DFO developed its database, it ran into a difficulty with the statutory definition of “vehicle” that defines a motor vehicle as a “self propelled vehicle capable of carrying passengers.”⁴ This broad definition allows the Legislature to monitor heavy equipment and construction vehicles, but it may be overly broad. As written, it includes state owned aircraft, golf carts and ATV equipment. The Analyst believes that the Division of Fleet Operations should focus on managing the state’s highway fleet, not airplanes and golf carts.

Recommendation #7

Therefore, the Analyst recommends that the Legislature amend the statutory definition of “motor vehicles” to include only vehicles licensed for highway travel.

⁴UCA 63A-9-101 (6)(a)

Conclusion

A statutory role for the Division of Fleet Operations is to provide effective customer service to agencies and institutions. By almost all accounts, the Division excels at providing services as requested by state agencies. Prior to implementation of the Fleet Anywhere system, fleet data was random and mostly useless. Today, DFO generates hundreds of customized reports that allow user agencies and institutions to manage their fleets more effectively. The Analyst believes that improvements can be made by strengthening participation requirements for higher education, using funding mechanisms to control four wheel drive utilization, reducing costs associated with alternative fuel vehicles and tightening the statutory definition of “motor vehicle.”