



**Colorado
Legislative
Council
Staff**

HB17-1296

FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 17-0712 **Date:** April 10, 2017
Prime Sponsor(s): Rep. Nordberg; Kraft-Tharp **Bill Status:** House Transportation
 Sen. Smallwood; Jahn **Fiscal Analyst:** Ryan Long (303-866-2066)

BILL TOPIC: ASSIGNMENT OF STATE-OWNED VEHICLES

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue	See State Revenue section.	<u>\$106,439</u>
Cash Funds		106,439
State Expenditures	<u>\$218,190</u>	<u>\$239,453</u>
General Fund	94,765	98,162
Cash Funds	93,370	106,439
Centrally Appropriated Costs	30,055	34,852
FTE Position Change	1.7 FTE	2.0 FTE
Appropriation Required: \$188,135 - Department of Personnel and Administration (FY 2017-18).		
Future Year Impacts: Ongoing revenue and expenditure increases.		

Summary of Legislation

This bill, **recommended by the Legislative Audit Committee**, clarifies the criteria and requirements for the assignment of state-owned vehicles to state agencies and employees. Under this bill, the assignment of a vehicle to a state agency is only authorized when the agency's use of the vehicle is likely to meet the minimum required mileage for the vehicle's intended work, or if the agency can justify the need for a permanent assignment of a vehicle for a unique use.

State agency refers mainly to Executive Branch agencies, and it does not include Judicial or Legislative Branch agencies, or institutions of higher education. However, the definition of agency does include the State Board of Stock Inspection Commissioners. A state agency may assign a vehicle to an officer or employee of the agency for business and commuting purposes for the following reasons:

- assignment of the vehicle is necessary to conduct official and legitimate state business;
- the assignment either meets the federal Internal Revenue Service definition of qualified nonpersonal use or is the most cost efficient means of transportation; and
- assignment of the vehicle complies with any additional criteria established in rules adopted by the Department of Personnel and Administration (DPA).

The bill specifies that an officer or employee of an agency must pay income tax on the value of the fringe benefit of an assigned vehicle.

The authorization of a vehicle assignment must be submitted in writing to the Division of Central Services in DPA by the executive director of an agency or their designee. The director of the division must establish a program and adopt rules to annually to verify that the assignment of all state owned vehicles comply with state and federal law.

On or before September 1, 2019, the DPA is required to report to the Legislative Audit Committee on the implementation and enforcement of this bill.

Background

This bill implements recommendations from the November 2017 Commuting Use of State-Owned Vehicles audit from the Office of the State Auditor.

State Revenue

This fiscal note assumes that there will be a sufficient cash fund balance in the Fleet Management Fund to accommodate the expenditures in the Fleet Management Program and Motor Pool Services for FY 2017-18. As a result, fees will not need to be increased in FY 2017-18 to account for the new expenditures.

Beginning in FY 2018-19, DPA will increase internal fees by at least \$106,439 in the Fleet Management Program and Motor Pool Services to offset the expenditures associated with an increased allocation of 1.0 FTE from the cash fund. Fees in the Fleet Management Program and Motor Pool Services are set directly to the costs the program incurs, and are deposited in the Fleet Management Fund.

State Expenditures

This bill will increase state General Fund and cash fund expenditures in DPA by \$218,190 and 1.7 FTE in FY 2017-18 and \$239,453 and 2.0 FTE in FY 2018-19 . These impacts are outlined in Table 1 and described below.

Table 1. Expenditures Under HB17-1296.		
Cost Components	FY 2017-18	FY 2018-19
Personal Services	\$177,019	\$202,701
FTE	1.6 FTE	2.0 FTE
Operating Expenses and Capital Outlay Costs	11,116	1,900
Centrally Appropriated Costs*	30,055	34,852
TOTAL	\$218,190	\$239,453

* Centrally appropriated costs are not included in the bill's appropriation.

Department of Personnel and Administration. In FY 2017-18, the department will require an allocation of 1.7 FTE to implement the new requirements for fleet vehicles. The FTE will be split between the Fleet Management Program and Motor Pool Services and the Central Payroll unit in Financial Operations and Reporting.

Fleet Management Program and Motor Pool Services. This section will require 0.8 FTE in FY 2017-18 and 1.0 FTE in FY 2018-19 to hire for a Program Management I position. This position will work with departmental and program management coordinating commuting authorization, as well as the implementation of ongoing enforcement activities. Costs for FY 2017-18 are prorated to account for an assumed September 1, 2017 start date. In order to attract qualified candidates, it is assumed this position will be paid at the mid-point of the salary range.

Central Payroll. This section will require an allocation of 0.9 FTE in FY 2017-18 to hire for an Accountant III position. This position will be responsible for the development and maintenance of proper payroll accounting for state owned commuter vehicles, the review and interpretation of IRS regulations regarding commuting, and for proposing recommendations for rule changes and fiscal procedure changes. Costs for FTE in FY 2017-18 are prorated to account for the General Fund pay date shift and an assumed July 1, 2017 start date. In order to attract qualified candidates, it is assumed this position will be paid at the mid-point of the salary range.

Legislative Audit Committee report. It is assumed that the report due to the Legislative Audit Committee by September 1, 2019 can be accomplished within current appropriations. Should additional resources be required, it is assumed this will be addressed within the annual budget process.

Other state agencies. State agencies that use state vehicles may experience a minimal workload increase to modify their existing practices and calculate employee benefits. It is assumed that this workload can be accomplished in existing appropriations, and the need for any additional resources will be addressed in the annual budget process.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

Cost Components	FY 2017-18	FY 2018-19
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$14,193	\$16,689
Supplemental Employee Retirement Payments	15,862	18,163
TOTAL	\$30,055	\$34,852

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature. The requirements of the bill takes effect September 1, 2017.

State Appropriations

For FY 2017-18, the bill requires the following appropriations to the Department of Personnel and Administration, and an allocation of 1.7 FTE:

- \$93,370 from the Fleet Management Fund; and
- \$94,765 from the General Fund.

State and Local Government Contacts

All State Agencies