



**STATE
REVISED FISCAL IMPACT**

(replaces fiscal note dated March 9, 2010)

Drafting Number: LLS 10-0823
Prime Sponsor(s): Rep. Lambert
 Sen. Cadman

Date: April 28, 2010
Bill Status: Senate Transportation
Fiscal Analyst: Kerry White (303-866-3469)

TITLE: CONCERNING THE USE OF A STATE-OWNED MOTOR VEHICLE FOR COMMUTING PURPOSES.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012
State Revenue		
Cash Funds		
State-Owned Motor Vehicle Commuter Cash Fund	increase not quantified	increase not quantified
State Expenditures	decrease not quantified	decrease not quantified
FTE Position Change		
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2010-2011: See State Appropriations section.		
Local Government Impact: None.		

Note: All agencies were canvassed for purposes of this fiscal note, both for the introduced bill and the strike-below amendment L.011, but not all agencies were able to respond with complete information. Therefore this fiscal note should be considered preliminary. It will be revised if further information becomes available.

Summary of Legislation

This reengrossed bill defines commuting as driving a state-owned vehicle between an employee's residence and his or her principal or temporary work location, except when the employee's residence is his or her principal work location or the employee is responding to an emergency. As of October 1, 2010, a state-owned vehicle may be used by an employee for commuting purposes only if current law requirements are met, the employee's job description requires it, and the employee agrees to allow the state to deduct reimbursement for commuting from his or her salary. A state agency may not waive reimbursement except for an employee who drives a clearly marked police or fire vehicle, or other qualified non-personal use vehicle. Other provisions of the bill:

- ▶ require each state agency to submit a written application to the Division of Central Services (DCS) within the Department of Personnel and Administration (DPA) for each employee that the executive director authorizes for commuting;

- ▶ direct the DCS to establish rules for commuting, to verify and approve each employee's commuting authorization, and provide an annual report to the Joint Budget Committee on the use of state-owned vehicles for commuting;
- ▶ specify that the Internal Revenue Service (IRS) lease-value rule will be used to determine the rate for employees that are required to provide reimbursement; and
- ▶ require the state to tax the employee if the amount reimbursed for the commuting use of the vehicle is less than the IRS value of the commuting benefit.

Reimbursement monies are credited to the State-Owned Motor Vehicle Commuter Cash Fund created under the bill and appropriated to the DCS to pay operating expenses for commuter vehicles. Appropriations made to state agencies for these costs will be reduced by a corresponding amount. All interest and income is credited to and shall remain in the cash fund.

Background

As of this writing, there are 1,058 employees using a state-owned vehicle to commute. Participation and costs are shown in Table 1.

Table 1. Current Commuter Program Vehicle Distribution and Costs				
Agency	Total Commuters	Estimated Annual Miles*	Cost Per Mile Driven	Current Cost
Corrections	335	2,361,750	\$0.37	\$873,848
Higher Education	4	28,200	\$0.37	10,434
Judicial	1	7,050	\$0.37	2,609
Local Affairs	14	98,700	\$0.37	36,519
Natural Resources	18	126,900	\$0.44	55,836
Public Health and Environment	3	21,150	\$0.37	7,826
Public Safety	357	2,516,850	\$0.38	956,403
Regulatory Agencies	38	267,900	\$0.37	99,123
Revenue	80	564,000	\$0.32	180,480
Transportation	208	1,466,400	\$0.34	498,576
TOTAL	1,058	7,458,900		\$2,721,653

* Estimated as 30 miles round trip for 20 days per month.

Under current practice, employees who commute to work using a state vehicle must pay income taxes based on the value of the vehicle to the employee. Most employees pay taxes on \$60 per month of imputed income. This amount represents the taxable value of the commuting benefit and is not a reimbursement to the state.

State Revenue

Overall, state revenue will increase from employees that reimburse the state for commuting. While a small amount of state income tax from the imputed income will be lost, this amount is likely to be more than offset by reimbursements received from employees. The amount of the reimbursement will be unique to each employee based on IRS lease-value rules and has not been estimated. Reimbursement amounts will be calculated annually using the following:

- ▶ the fair market value of the average state-owned vehicle used for commuting, including sales tax and title fees, but not including any special equipment;
- ▶ the projected ratio of commuting miles to total vehicle miles; and
- ▶ a fuel reimbursement rate per projected commuter mile, currently set at \$0.082 per mile.

Table 2 shows the anticipated changes in the commuting program as a result of this bill, including the total number of commuters expected to provide reimbursement.

Department	Number of Commuters	Commuters that will be reclassified or opt out	Commuters that will be exempt from reimbursement	Commuters that will provide reimbursement
Corrections	335	0	316	19
Higher Education*	4	0	0	4
Judicial	1	0	0	1
Local Affairs	14	3	0	11
Natural Resources	18	0	0	18
Public Health & Environment	3	0	0	3
Public Safety	357	0	340	17
Regulatory Agencies*	38	0	0	38
Revenue	80	37	43	0
Transportation*	208	0	9	199
TOTAL	1,058	40	708	310

* Note that these agencies either did not have a chance to respond or were unable to estimate the future actions of employees that currently commute. While the fiscal note shows all existing commuters as providing reimbursement, it should be noted that it is likely that a portion of these employees will choose to opt out rather than provide the required reimbursement. The fiscal note assumes that these decisions will be made at such time as the actual reimbursement rate is provided to employees, to be calculated as described above.

State Expenditures

State expenditures will decrease under this bill as a total of 310 vehicles will have at least a portion of their associated operating costs offset by employee reimbursements. These costs are estimated to be at least \$841,550 as shown in Table 3 and are currently paid by state agencies. As the reimbursement amounts have not been calculated, the corresponding impact on state expenditures has not been estimated. It should be noted that if employees opt to cease commuting, some agencies may experience increased costs for overnight parking of state vehicles and other impacts. As these impacts are based on future actions of individual commuters, they have not been estimated or included in this fiscal note.

Table 3. Commuter Vehicle Expenses		
Department	Number of Commuter Vehicles Eligible for Reimbursement	Estimated Total Vehicle Operating Expenses
Corrections	19	not available
Higher Education	4	not available
Judicial	1	1,734
Local Affairs	11	16,286
Natural Resources	18	171,567
Public Health & Environment	3	27,568
Public Safety	17	90,141
Regulatory Agencies	38	not available
Transportation	199	534,254
TOTAL	310	at least \$841,550

State Appropriations

The many appropriations required in this bill will be addressed in a revised fiscal note.

Departments Contacted

All departments