

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1405

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Deanna Hallworth
Operator's Signature

10/3/03
Date

2003 HOUSE TRANSPORTATION

HB 1405

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10/3/03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1405

House Transportation Committee

☐ Conference Committee

Hearing Date February 6, 2003

Tape Number	Side A	Side B	Meter #
1	x		6.9 to 20.9
Committee Clerk Signature <i>Laurence Zink</i>			

Minutes:

Rep. Weisz, Chairman opened the hearing on HB 1405, a bill for an Act to amend and reenact subsection 1 of section 24-02-03.3 of the North Dakota Century Code, relating to vehicles under the control of the central vehicle management system.

Rep. Eckre: Id from Wahpeton and represents District 25 in southeast North Dakota. I am passing out some amendments to this. My local college as well as state agencies are currently paying up to a dollar per mile for maintenance vehicles used on the campus -- the yearly usage for a lot of these vehicles varies considerably --- based on the respective trade or the supervisor responsibility. Many of these vehicles do not exceed the proposed 2000 miles annual exemption annually or travel more than thirty miles from the facility. There are numerous examples of new vehicles putting on considerably less than 200 miles per year and are used only on campus grounds. The cost of these almost new vehicles is obviously putting an upward pressure on the overall cost of the management fleet. HB 1405 will allow the campus to management to fleet

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Date

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House Transportation Committee
Bill/Resolution Number HB 1405
Hearing Date February 6, 2003

much more efficiently. The maintenance guys came to him stating they knew how to save the state some money. We could use older pickup to deliver supplies, toilet paper, etc. and plumbing supplies and tools in -- now the electricians and plumbers have new pickups to do these things. The mandatory use of the state fleet vehicles is costing these colleges and agencies money. As in the private sector individuals and businesses don't have all new vehicles in their fleets.

Rep. Weisz, Chairman : I understand that this provision is optional.

Rep. Eckre: That is correct.

There was no further support for the bill.

Opposition:

Paul Feyereisen: State Fleet Services Director, ND DOT appeared in opposition of HB 1405. A copy of his written testimony is attached.

Rep. Weisz, Chairman (15.1) Using your example 2 you would be better off without those 4 vehicles in the fleet -- is looks like you lost money on those 4 vehicles.

Paul Feyereisen: Yes from strictly a financial standpoint but the cost as little as it is still there for the state what ever it is.

Rep. Dosch: Please explain the states rental rate system -- does the state own the vehicles and rent them out to the universities?

Paul Feyereisen: State the State does own the vehicles and then explained the rental rate procedures .

Donna Hall Smith
Operator's Signature

10/3/03
Date

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House Transportation Committee
Bill/Resolution Number HB 1405
Hearing Date February 6, 2003

Rep. Dosch : What I don't understand here -- is the state replacing those vehicles in the fleet every so often then? It seems to me that if you have a very low mileage vehicle and it is not used very much -- it could be used by the university for 15 years and still be plenty adequate.

Paul Feyereisen: the vehicles we are talking about here are what we call facilities vehicles -- we have 12 year life for those vehicles -- that is our projected life -- we do buy the replacement vehicles very cheaply -- they are stripped down models --- no radios, no air, etc. For example a pickup may list out with the retail equipment at \$15 -18, 000 we get the stripped models for \$12,000 but if we go out -- to search for used vehicles which we have done -- when they are equipped with air, radios, electric windows or whatever they have on them besides in most cases a lot of miles they are still more expensive on the lots than what we pay for the new ones.

In many cases there is not many to choose from on North Dakota lots and when they go out of state and transport them in it costs more.

Rep. Dosch: But couldn't they just buy those from you and put them in their fleet? --- that is at the end of their useful life or isn't that allowed?

Paul Feyereisen: Yes that is correct -- the law would not allow them to buy that vehicle -- separately and independently as all the state vehicle must be under our management.

Rep. Weisz, Chairman: If this bill would pass they could get into the auction -- when you sell that 12 year old vehicle -- and purge that from your system?

Paul Feyereisen: Yes, if they found the price reasonable.

Rep. Ruby: (19.9) In your example 2 -- you show 4 trucks here -- operating only 4 hours in one year -- what kind of trucks are those?

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House Transportation Committee

Bill/Resolution Number HB 1405

Hearing Date February 6, 2003

Paul Feyereisen: 2 of them were -- well obviously we did show the extremes -- 2 of the trucks are down in Hettinger -- and they had a gross drought -- one was a feed wagon and the other was a farm assist truck. The other two were personnel lift trucks -- one at Towner where they strip pine cones and I don't recall the other one. There are vehicles in our state fleet which are very specialized and can not be used for other purposes -- used only a few times a year and it does cost we know that.

There being no further testimony for or against HB 1405 , the Chairman closed the hearing on HB 1405.

End (21.4).

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10/3/03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1405b

House Transportation Committee

☐ Conference Committee

Hearing Date February 7, 2003

Tape Number	Side A	Side B	Meter #
2	x		2.7 to 9.4
Committee Clerk Signature <i>Lauren B. Fink</i>			

Minutes:

Discussion for Action: Chairman Weisz for the committees information he explained the amendments which were added --- were incorrect --- it instead of changing it from 3500 miles it was supposed to change it to \$2000. This LC number ending in .01010 -- it was handed out by Rep. Eckre --- when he testified. What it should say -- looking at the original bill "of a state entity" -- not the Board of Higher Education.; and -- then ---" Which will not cost over \$2000"; and, "will not be driven beyond 30 miles from the facility to which the vehicle is assigned"

Rep. Headland moved to approve the amendments. Rep. Delomere seconded the motion.

Motion carried on a voice vote.

Rep. Delmore moved a 'Do Pass as Amended' motion for HB 1405. Rep. Price seconded the motion. On a roll vote the motion carried 13 Ayes 0 Nays 0 Absent.

Rep. Schmidt was designated to carry HB 1405 on the Floor.

End of Record (9.4)

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10/3/03
Date

FISCAL NOTE
Requested by Legislative Council
02/12/2003

Amendment to: HB 1405

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

This bill provides that entities having State Fleet vehicles valued less than \$2,000 that are not driven beyond 30 miles from their assigned facility can be exempted from inclusion in the fleet.

While it is impossible to accurately assess the fiscal impact of this bill at this time, we can provide some general fiscal information that may be informative.

We estimate approximately 62 units in the fleet would meet the \$2,000 value criteria in the coming biennium. We don't know how many of these vehicles would meet the 30 mile criteria and be requested for exclusion from the fleet, thus we cannot accurately determine the fiscal impact. However, we do know that if a majority of those vehicles were removed from the fleet, the remaining vehicles in the affected groups would have to continue to absorb all of the fixed costs and remaining vehicle replacement costs that have not yet been fully amortized. As a result, the current rates for those groups would likely be negatively impacted, which could result in higher per mile costs to the remaining user agencies.

Regarding the agencies that choose to remove vehicles from the fleet, it is possible they may experience increased costs per mile in some cases.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive*

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10/3/03
Date

budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

Name:	Shannon Sauer	Agency:	NDDOT
Phone Number:	328-4375	Date Prepared:	02/14/2003

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10/3/03
Date

FISCAL NOTE
Requested by Legislative Council
01/21/2003

Bill/Resolution No.: HB 1405

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

This bill would provide that State Fleet vehicles driven less than 3,500 miles per year and assigned to institutions under the control of the state board of higher education are to be exempted from the state fleet upon request. It is impossible to accurately determine the full fiscal impact of this bill as we do not know how many vehicles would be requested to be exempted from the fleet. However, we can provide some general fiscal information that may be informative.

It is estimated that approximately 235 light vehicles and 20 trucks could be eligible for exemption. If these vehicles were removed from the fleet, the remaining vehicles in the affected groups would have to continue to absorb all of the fixed costs and remaining vehicle replacement costs that have not yet been fully amortized. As a result, the current rate of \$1.02 would likely more than double.

In summary, if no vehicles were removed from the fleet, there would be no fiscal impact. If vehicles were exempted, the cost per mile for the remaining vehicles would increase.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

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10/3/03
Date

Name:	Shannon L. Saur	Agency:	NDDOT
Phone Number:	328-4375	Date Prepared:	02/03/2003

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Shannon L. Saur
Operator's Signature

10/3/03
Date

30667.0101
Title.0200

Prepared by the Legislative Council staff for
Representative Eckre
January 30, 2003

VR
2/7/03

HOUSE AMENDMENTS to HB 1405 htrn 2-10-03

Page 1, line 22, replace "an institution under the control of the state board of higher education" with "any state entity"

Page 1, line 23, replace "institution" with "entity" and replace "three" with "two"

Page 1, line 24, remove "five hundred", replace "5632.70" with "3218.69", and after "year" insert "and which will not be driven beyond thirty miles (48.28 kilometers) from the facility to which the vehicle is assigned by the entity"

Renumber accordingly

Page No. 1

30667.0101

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Donna Hall

10/3/03

Date

Date: 2/07/03
Roll Call Vote #: 1

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1405

House TRANSPORTATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 30667.010

Action Taken Do Pass or Amended

Motion Made By Rep. Delmore Seconded By Rep. Price

Representatives	Yes	No	Representatives	Yes	No
Robin Weisz - Chairman	✓		Lois Delmore	✓	
Kathy Hawken - Vice Chairman	✓		Arlo E. Schmidt	✓	
LeRoy G. Bernstein	✓		Elwood Thorpe	✓	
Mark A. Dosch	✓		Steven L. Zaiser	✓	
Pat Galvin	✓				
Craig Headland	✓				
Clara Sue Price	✓				
Dan J. Ruby	✓				
Dave Weiler	✓				

Total Yes 13 No 0

Absent 0

Floor Assignment Rep. Schmidt

If the vote is on an amendment, briefly indicate intent:

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Donna Hall Smith
Operator's Signature

10/3/03
Date

REPORT OF STANDING COMMITTEE (410)
February 10, 2003 9:10 a.m.

Module No: HR-25-2084
Carrier: Schmidt
Insert LC: 30687.0101 Title: .0200

REPORT OF STANDING COMMITTEE

HB 1405: Transportation Committee (Rep. Welsz, Chairman) recommends
AMENDMENTS AS FOLLOWS and when so amended, recommends **DO PASS**
(13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1405 was placed on the
Sixth order on the calendar.

Page 1, line 22, replace "an institution under the control of the state board of higher education"
with "any state entity"

Page 1, line 23, replace "institution" with "entity" and replace "three" with "two"

Page 1, line 24, remove "five hundred", replace "5632.70" with "3218.69", and after "year"
insert "and which will not be driven beyond thirty miles (48.28 kilometers) from the
facility to which the vehicle is assigned by the entity"

Renumber accordingly

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Donna Halliwell
Operator's Signature

10/3/03
Date

30667.0102
Title.0300

Adopted by the Transportation Committee
February 10, 2003

VR
2/10/03

HOUSE AMENDMENTS to HB 1405 htrn 2-11-03

Page 1, line 22, replace "an institution under the control of the state board of higher education" with "any state entity"

Page 1, line 23, replace "institution" with "entity" and replace "will not be used over three" with "has a value less than two thousand dollars and which will not be driven beyond thirty miles [48.28 kilometers] from the facility to which the vehicle is assigned by the entity."

Page 1, remove line 24

Renumber accordingly

Page No. 1

30667.0102

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Dorinda Halliwell
Operator's Signature

10/3/03
Date

REPORT OF STANDING COMMITTEE (410)
February 11, 2003 8:49 a.m.

Module No: HR-26-2212
Carrier: Schmidt
Insert LC: 30667.0102 Title: .0200

REPORT OF STANDING COMMITTEE

HB 1405: Transportation Committee (Rep. Welsz, Chairman) recommends
AMENDMENTS AS FOLLOWS and when so amended, recommends **DO PASS**
(13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1405 was placed on the
Sixth order on the calendar.

Page 1, line 22, replace "an institution under the control of the state board of higher education"
with "any state entity"

Page 1, line 23, replace "institution" with "entity" and replace "will not be used over three" with
"has a value less than two thousand dollars and which will not be driven beyond thirty
miles (48.28 kilometers) from the facility to which the vehicle is assigned by the entity."

Page 1, remove line 24

Renumber accordingly

2003 SENATE TRANSPORTATION

HB 1405

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Operator's Signature

10/3/03
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1405

Senate Transportation Committee

☐ Conference Committee

Hearing Date 03-07-03

Tape Number	Side A	Side B	Meter #
1		X	375-3060
1		X	4850-5400
Committee Clerk Signature <i>Mary K Monson</i>			

Minutes:

Chairman Senator Thomas Trenbeath opened the hearing on HB 1405 relating to vehicles under the control of the central vehicle management system.

Representative Bruce Eckre (District 25) Introduced HB 1405. (Meter 440) It would exempt certain state institutions. The idea for the bill came from the maintenance personnel at NDSCS. They used to have older pickups that were bought at auctions or donated and the students would fix the vehicles. It was a learning experience. Now they have highway ready vehicles. The feeling is that this bill would provide a savings to institutions that could use it.

Tom Freier (ND DOT) See attached testimony for informational purposes. Testified in defense of the State Fleet. The system works well because of the volume. It is all inclusive of all the vehicles. Didn't feel that there would be any savings to remove vehicles.

(Meter 1170) Discussion as to whether vehicles of the type that suit the schools needs could be worked into the State Fleet. The agency would be willing to deal with anyone who would like to

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10/3/03
Date

Page 2
Senate Transportation Committee
Bill/Resolution Number HB 1405
Hearing Date 03-07-03

visit about how to resolve this issue outside the bill. If the vehicles are removed from the system the rest of the vehicles and the people paying the rate for them would be affected.

Senator Espgaard pointed out that the Parks and Recreation have voiced concerns with getting new pickups when they don't really need them. Also that they have to pay an extra charge if they don't run so many miles.

Tom Freier answered that that might be true, but they need to realize that in five years that vehicle won't be new anymore and the matriculation costs of the vehicle will be put into the rate.
(Meter 1680)

Paul Feyereisen (Director of State Fleet Services, ND DOT) See attached testimony.

Senator Trenbeath asked about the rental rate.

Paul Feyereisen responded that the rate of \$1.02 is the charge to the Institution.

(Meter 2580) Discussion concerning depreciation. Only operating expenses were used in the example. Depreciation or replacement rate was not used.

Senator Espgaard asked about repair costs for low mileage vehicles.

Paul Feyereisen responded that UND has many of these vehicles and there is a constant need for repairs.

Laura Glatt (North Dakota University System) See attached testimony in opposition to HB 1405.

The hearing on HB 1405 was closed.

During discussion the committee indicated feelings that the specific situations where an institution would pick up a vehicle for next to nothing, train students on it, and put it into service would be very limited and could be more costly than expected.

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Page 3
Senate Transportation Committee
Bill/Resolution Number HB 1405
Hearing Date 03-07-03

Senator Espegard moved a Do Not Pass. Seconded by Senator Mutch. Roll call vote 3-2-1.

Passed. Floor carrier is Senator Mutch.

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Operator's Signature

10/3/03
Date

Date: 3-7-03
Roll Call Vote #:

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1405

Senate TRANSPORTATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do not pass

Motion Made By Senator Espgaard Seconded By Senator Mutch

Senators	Yes	No	Senators	Yes	No
Senator Thomas Trenbeath, Chair		✓	Senator Dennis Bercier		
Senator Duaine Espgaard, V. Chair	✓		Senator Ryan Taylor		✓
Senator Duane Mutch	✓				
Senator Dave Nething	✓				

Total (Yes) 3 No 2

Absent 1

Floor Assignment Senator Mutch

If the vote is on an amendment, briefly indicate intent:

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Dennis Bercier
Operator's Signature

10/3/03
Date

REPORT OF STANDING COMMITTEE (410)
March 7, 2003 3:04 p.m.

Module No: SR-41-4284
Carrier: Mutch
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1405, as engrossed: Transportation Committee (Sen. Trenbeath, Chairman)
recommends **DO NOT PASS** (3 YEAS, 2 NAYS, 1 ABSENT AND NOT VOTING).
Engrossed HB 1405 was placed on the Fourteenth order on the calendar.

(2) DESK, (3) COMM

Page No. 1

SR-41-4284

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Diana Hall
Operator's Signature

10/3/03
Date

2003 TESTIMONY

HB 1405

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10/3/03
Date

HOUSE TRANSPORTATION COMMITTEE

February 6, 2003

**North Dakota Department of Transportation
Paul Feyereisen, State Fleet Services Director**

HB 1405

Mr. Chairman and members of the committee: I'm Paul Feyereisen, director of State Fleet Services for the N.D. Department of Transportation. HB 1405 would allow an institution under the state Board of Higher Education to exempt from the State Fleet vehicles that are not used more than 3,500 miles per year.

The cost of low-usage vehicles has been always extremely high. Over the years, State Fleet Services has placed special emphasis on the problem and dealt with it as part of our mission of quality transportation for state users at the lowest possible cost.

The 1995 Legislature removed from exemption the Board of Higher Education and its institutions, and placed all their licensed motor vehicles, including those referenced in the bill, under State Fleet Services.

Within one year, it became apparent that many on-campus facility vehicles drove as few as 1,000 miles per year. These vehicles were used daily for work crews such as electricians, plumbers, carpenters, grounds crews, and food service workers. With very low usage, the rental rate for these vehicles started to rise rapidly, to the dismay of users driving 30,000 miles per year.

After careful review, State Fleet placed all facility and grounds vehicles in a separate rental group. Within a few months, the high-mileage rental rate decreased and the facility vehicle group rental rate increased rapidly. Today, the rental rate on the facility and grounds vehicles (285 vehicles) is \$1.02 per mile. The rental rate for high-mileage vehicles is \$0.44 per mile.

The facility group of vehicles consists of 161 pickups, 6 cube vans, 108 mini- to full-size cargo vans, and 10 miscellaneous vehicles. We purchase "no frills"-type vehicle whose only accessory is an automatic transmission: no air conditioning, radio, cruise control, tilt wheel, etc. is wanted or required. A typical 0.3 ton Chevy S10 pickup costs us \$12,500. We have tried to purchase used pickups, but they usually cost several thousand dollars more because they're fully equipped. Our depreciation schedule is a minimum of 12 to 18 years. By then, vehicles are in poor condition.

Incidentally, the Agricultural Research Centers do not have any vehicles in the \$1.02 per mile rate. Their vehicles are in higher-mileage groups at about \$0.44 per mile.

If HB 1405 passes, about 235 light vehicles and 20 trucks would be eligible for exemption. This would have a substantial impact on the rental rates for the remaining vehicles in those groups. My best guess is that the \$1.02 per-mile rate could more than double.

All of our fleet vehicles, including those driven under 3,500 miles per year, are managed the same way as the passenger sedans. We continue to explore all possibilities to provide the best service at the lowest cost per mile, and will always strive to reduce our rental rates for our customer agencies and institutions.

Please see the attachment for various scenarios involving fleet vehicles.

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Donna Hall Smith
Operator's Signature

10/3/03
Date

EXAMPLE 1

If an institution drove only 800 miles per year, Fleet income would be slightly more than \$800. Fleet operating expenses, on the other hand, would be at least:

- \$150 for insurance
- \$820 for gas (at 6 miles per gallon)
- \$15 for battery (three-year life)
- \$25 for oil change
- and \$100 miscellaneous (conservative)

This amounts to a total cost of \$1,110 for operating expenses. A vehicle driving 3,000 miles would just break even.

EXAMPLE 2

Four trucks operating only 18 hours in one year had a total operating expense of \$2,150 last year, but our income was only \$405. Trucks operating several hundred hours per year had to pick up the loss for the low-usage trucks.

EXAMPLE 3

The 660 Fleet passenger sedans that drive a total of 12 million miles annually cost \$0.25 per mile. These sedans are sold in four years with more than 75,000 miles on the average. We are very proud of this rate; the state personal car reimbursement rate is \$0.31 per mile.

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SENATE TRANSPORTATION COMMITTEE

March 7, 2003

**North Dakota Department of Transportation
Tom D. Freier, Deputy Director**

HB 1405

Mr. Chairman and members of the committees: I'm Tom Freier, Deputy Director for the North Dakota Department of Transportation. We have a concern with this bill, as it relates to removing vehicles from the State Fleet system.

At present, the state has a centralized management concept for purchasing, replacing, repairing, maintaining, and utilizing state-owned vehicles in the most economical and efficient manner.

This bill would affect that centralization concept and start the reverse process of owning vehicles. There would be separate reporting of accidents, driver improvement training programs, State Risk Management, third party insurance collections, state contracts, statewide fuel management, titling, registration, etc.

Any state vehicle leaving the fleet will shift the cost to the remaining fleet, increasing their cost. Also, the cost to those vehicles leaving may increase.

We believe that we are supplying our customers with great service and a top notch system. North Dakota's State Fleet is respected nationally.

Now let me ask Paul Feyereisen to address the technical aspect of the bill.

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SENATE TRANSPORTATION COMMITTEE

March 7, 2003

**North Dakota Department of Transportation
Paul Feyereisen, Director of State Fleet Services**

HB 1405

Mr. Chairman and members of the committee: I'm Paul Feyereisen, director of State Fleet Services for the North Dakota Department of Transportation. HB 1405, as amended, would exempt certain vehicles from the State Fleet.

The cost of low-usage vehicles has always been high. Over the years, State Fleet Services has placed special emphasis on the problem and dealt with it as part of our mission of quality transportation for state users at the lowest possible cost.

The 1995 legislature removed from exemption the Board of Higher Education and its institutions, and placed all their licensed motor vehicles, including those referenced in the bill, under State Fleet Services.

Within one year, it became apparent that many on-campus facility vehicles drove as few as 1,000 miles per year. These vehicles were used daily for work crews such as electricians, plumbers, carpenters, ground crews, and food service workers. With very low usage, the rental rate for these vehicles started to rise rapidly, to the dismay of users driving 30,000 miles per year.

After careful review, State Fleet placed all facility and grounds vehicles in a separate rental group. Within a few months, the high-mileage rental rate decreased and the facility vehicle group rental rate increased rapidly. Today, the rental rate on the facility and grounds vehicles (285 vehicles) is \$1.02 per mile. The rental rate for high-mileage vehicles is \$0.44 per mile.

The facility group of vehicles consists of 161 pickups, 6 cube vans, 108 mini-to-full-size cargo vans, and 10 miscellaneous vehicles. We purchase a "no frills"-type vehicle whose only accessory is an automatic transmission: no air conditioning, radio, cruise control, tilt wheel, etc. is wanted or required. A typical 0.3 ton Chevy S10 pickup costs us \$12,500. We have tried to purchase used pickups, but they usually cost several thousand dollars more because they're fully equipped. Our depreciation schedule is a minimum of 12 to 18 years. By then, vehicles are in poor condition.

Incidentally, the Agricultural Research Centers do not have any vehicles in the \$1.02 per mile rate. Their vehicles are in higher-mileage groups at about \$0.44 per mile.

If HB 1405 passes, about 30-35 vehicles may be eligible for exemption. This would have a sizeable impact on the rental rates for the remaining vehicles in those groups. My best guess is that the rate could increase between 10 and 20 percent.

Please see the attachment for various scenarios involving fleet vehicles.

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Corrected example

EXAMPLE 1

If an institution drove only 800 miles per year, State Fleet income would be slightly more than \$800. State Fleet operating expenses, on the other hand, would be at least:

- \$150 for insurance
- \$238 for gas (at 6 miles per gallon)
- \$15 for battery (three-year life)
- \$25 for oil change
- and \$100 miscellaneous (conservative)

This amounts to a total cost of \$528 for just operating expenses. Depreciation and replacement would be additional State Fleet costs. A vehicle driving 3,000 miles would just break even.

EXAMPLE 2

Four trucks operating only 18 hours in one year had a total operating expense of \$2,150 last year, but our income was only \$405. Trucks operating several hundred hours per year have to pick up the loss for the low-usage trucks.

EXAMPLE 3

The 660 State Fleet passenger sedans that drive a total of 12 million miles annually cost \$0.25 per mile. These sedans are sold in four years with more than 75,000 miles on the average. We are very proud of this rate; the state personal car reimbursement rate is \$0.31 per mile.

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North Dakota University System

Engrossed HB1405

Laura Glatt, Vice Chancellor for Administrative Affairs

Engrossed HB1405 would provide for the exemption of certain motor vehicles from the State Fleet. The NDUS opposes this exemption. The NDUS campuses are concerned about the impact this may have on the rate assessed to vehicles that remain in this vehicle class, after exemptions are made, or the impact it may have on the rate assessed for other vehicle classes.

The vehicles remaining in the pool will have to absorb any debt and other costs related to the exempted vehicles. Costs will be spread over fewer vehicles in the pool, leaving those in the pool with a higher usage rate.

The NDUS has met with representatives from State Fleet to discuss this issue. State Fleet is currently working on an alternative plan to assist with specific campus issues regarding vehicles used on campus in the physical plant. We trust that a reasonable internal alternative will be found that protects the integrity of the State Fleet and the campus operations.

G:\laura\wpdocs\legis\engrossed HB1405

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