F I S C A L I M P A C T R E P O R T

ORIGINAL DATE 2/14/07
SPONSOR Stewart **LAST UPDATED** **HB** 826

SHORT TITLE Revise Public Official Mileage Reimbursement **SB**

ANALYST Propst

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total	0.0	2,856.6	2,250.7	5,107.3	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Department of Finance and Administration (DFA)
Department of Health (DOH)
Department of Transportation (DOT)

SUMMARY

Synopsis of Bill

House Bill 826 would change the Per Diem and Mileage Act to increase payment for mileage in a personal vehicle from its current .32 per mile to track the Internal Revenue Service's standard mileage rate currently at .485 per mile.

FISCAL IMPLICATIONS

The FY08 Executive recommendation for in-state mileage is $5,540.1 at .32 per mile. Increasing the rate to .485 per mile will cost $2,856.6 in FY08. Using the same base and an estimated 45¢/mile for FY09 yields an estimated FY09 impact for this proposal of $2,250.7.

SIGNIFICANT ISSUES

HB 826 raises the mileage reimbursement rate to comport with the rate established by the IRS, currently .485 per mile, as opposed to the current Pier Diem and Mileage Act rate of .32 per mile. DFA notes that current agency budgets were estimated on the .32 figure and, therefore, may face a shortfall in FY08 if HB 826 is enacted.

Mileage Rates	
Calendar Year:	**Rate:**
2002 IRS Mileage Rate	**36.5 cents/Mile**
2003 IRS Mileage Rate	**36 cents/Mile**
2004 IRS Mileage Rate	**37.5 cents/Mile**
2005 (Jan 1 - Aug.31) IRS Mileage Rate	**40.5 cents/Mile**
2005 (Sep. 1 - Dec. 31) IRS Mileage Rate	**48.5 cents/Mile**
2006 IRS Mileage Rate	**44.5 cents/Mile**
2007 IRS Mileage Rate	**48.5 cents/Mile**
Likely 2008 IRS Mileage Rate	**45 cents/mile**
Likely 2009 IRS Mileage Rate	**46 cents/mile**

HB 826 would increase the payments by agencies to employees using their personal vehicles for work-related travel by 44%. Since HB 826 would take effect for FY08 and FY08 budgets were based upon the .32 per mile figure, agencies may need to find money to fund the difference. Depending upon the size of the agency, this could result in substantial increases for which agencies had not budgeted. Some agencies, such as the Department of Transportation that restrict usage of personal vehicles will face little financial impact while others may be better situated to absorb the increase. Agencies for which the increase would be problematical would have to address their travel needs in different methods (car pooling, changing use of personal vehicles to motor pool vehicles, cutting back on travel, etc.).

DFA expressed the concern that by tying the rate to the Federal rate, future budget requests will be impacted by an authority outside of the State. Although over the long-term, the rates have increased, CY06 was less than CY06 and CY08 is expected to be less than CY07. Another potential issue is that the IRS does not publish the next year's official rates until the August preceding the calculation year which may not allow sufficient time to use the official IRS rate in the budget development process.

ALTERNATIVES

DFA reports that the proposal would be workable for budgeting purposes if the bill specified using the previous year's IRS mileage rate.

DUPLICATION

Duplicates SB 922.

WEP/mt