



NORTH CAROLINA GENERAL ASSEMBLY

Session 2019

Legislative Fiscal Note

Short Title: Mileage & Per Diem - State E'ees/Legislators.
Bill Number: House Bill 473 (First Edition)
Sponsor(s): Reps. Warren, Horn, Jackson, and Harrison

SUMMARY TABLE

FISCAL IMPACT OF H.B. 473, V.1 (\$ in millions)

	FY 2019-20		FY 2020-21		FY 2021-22		FY 2022-23		FY 2023-24	
State Impact										
General Fund Revenue	-	to -	-	to -	-	to -	-	to -	-	to -
Less Expenditures	<u>7.4</u>	to <u>15.3</u>	<u>8.2</u>	to <u>16.9</u>	<u>9.1</u>	to <u>18.4</u>	<u>9.8</u>	to <u>19.9</u>	<u>10.5</u>	to <u>21.3</u>
General Fund Impact	(7.4)	to (15.3)	(8.2)	to (16.9)	(9.1)	to (18.4)	(9.8)	to (19.9)	(10.5)	to (21.3)
Other Fund Revenues	-	to -	-	to -	-	to -	-	to -	-	to -
Less Expenditures	<u>17.6</u>	to <u>28.5</u>	<u>19.2</u>	to <u>31.1</u>	<u>20.9</u>	to <u>33.8</u>	<u>22.6</u>	to <u>36.5</u>	<u>24.4</u>	to <u>39.4</u>
Other Funds Impact	(17.6)	to (28.5)	(19.2)	to (31.1)	(20.9)	to (33.8)	(22.6)	to (36.5)	(24.4)	to (39.4)
NET STATE IMPACT	(\$25.0)	to (\$43.8)	(\$27.4)	to (\$48.0)	(\$30.0)	to (\$52.2)	(\$32.4)	to (\$56.4)	(\$34.9)	to (\$60.7)

FISCAL IMPACT SUMMARY

The bill modifies the travel allowances for State employees, legislators, and members of Boards and Commissions by linking the allowances to the travel allowance for federal employees traveling to Raleigh. In most instances, these allowances are an increase to the current allowances. Based on FY 2017-18 travel expenditure data, this analysis projects the total State fiscal impact from the adjustments to range between \$25 million - \$43.8 million, with the General Fund impact ranging between \$7.4 million - \$15.3 million.

FISCAL ANALYSIS

G.S. 138-6 provides the statutory guidance to the Director of the Budget on how to set and adjust travel allowances for State employees. The allowances primarily include a reimbursement rate for personal vehicle mileage, meals, and lodging. The bill would continue to link the mileage rate to the IRS business mileage rate, and proposes to tie subsistence allowances to the rates set by the federal General Services Administration (GSA) for federal employees traveling to Raleigh. G.S. 120-3.1 sets the travel allowances for legislators which is currently tied to federal travel allowance levels from December 1993. The bill proposes to update these travel allowances to levels established by the GSA in 2018.

A comparison of the current allowances and revised allowances can be found in the following table:

Comparison of Travel Allowances – Current Daily Rates

Category	Mileage	Mileage Rate	In-State		Out of State	
			Meals	Lodging	Meals	Lodging
State Employees/ Commission Members*	Current IRS Business Rate	\$0.58/mile	\$38.30	\$71.20	\$41.00	\$84.10
Legislators	IRS Rev. Proc. 93-51 (12/1993)	\$0.29/mile	\$34.00	\$70.00	\$34.00	\$70.00
H.B. 473	Current IRS Business Rate	\$0.58/mile	\$56.00	\$117.00	\$56.00	\$117.00

* If personal vehicle use is a choice, reimbursement reduced to \$0.33/mile if trip exceeds 100 miles.

Similar to current practice, subsistence allowance rates in future years for State employees and Commission members would be adjusted by the Director of the Budget. However, instead of the adjustments being made at the beginning of each biennium based on inflation as measured by the Consumer Price Index – Urban Consumers, the adjustments would be made at the beginning of each fiscal year based on the current rates established by the federal GSA. The subsistence allowance for legislators would remain unchanged until adjusted in future legislation.

Based on these findings, this analysis assumes the following:

Mileage Allowance

The mileage rate change has substantively no impact on current State expenditures with the exception of legislative travel. Since the travel allowance modifications would not take effect for legislators until the 2021-23 General Assembly convenes, this analysis assumes the total fiscal impact would be approximately \$331,200 annually, with a half-year impact beginning in FY 2020-21.

Subsistence Allowance

The table below displays the percentage change by subsistence type compared to current rates:

Proposed %-Change in Subsistence Allowance Rates

Category	In-State		Out of State	
	Meals	Lodging	Meals	Lodging
State Employees/ Commission Members	46.2%	64.3%	36.6%	39.1%
Legislators	64.7%	67.1%	64.7%	67.1%

By adjusting the \$205 million in total FY 2017-18 travel expenses by these percentage adjustments based on travel expenditure type, the first year impact is approximately \$43.8 million from all funding sources including a \$15.3 million impact on the General Fund.

However, G.S. 138-6(c) allows agencies to reimburse the actual costs of lodging for State employees and Commission members if the costs exceed the allowance amount. Therefore, an increase to the lodging allowance rate does not necessarily translate into an increased expenditure. As an example, assume an employee is traveling to a conference in another state based in a hotel with a rate of \$150/night. The agency approves the higher rate and spends \$150/night on lodging. Even if the travel allowance were increased from \$84.10/night to \$117/night, the agency would still spend \$150/night, and there would be no fiscal impact of the proposed change.

The \$43.8 million statewide impact mentioned earlier is an upper-bound estimate and the actual impact will likely be less than this amount. We do not have sufficient data on the prevalence of statewide excess lodging to precisely measure impact. However, to derive a lower bound to the estimate, this analysis assumes that 75% of the calculated impact of the increased lodging allowance would be negated due to current excess lodging. After this adjustment, the lower bound of the statewide impact is approximately \$25 million from all funding sources including a \$7.4 million impact on the General Fund.

Subsistence Allowance Rate Adjustments

The compound annual growth rate of the combined federal subsistence rate over the past 4-years is approximately 4.85%, however, this analysis assumes that the subsistence rates would have increased by 2% annually under current law based on inflationary adjustments, resulting in an effective inflationary rate of 2.85%. This analysis applies this growth rate to the first year estimates in the Summary Table.

DATA SOURCES

North Carolina Accounting System.

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.



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