



# MONTANA LEGISLATIVE BRANCH

## Legislative Fiscal Division

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Director  
AMY CARLSON

DATE: August 11, 2022

TO: Legislative Finance Committee

FROM: Alice Hecht

RE: Biennial budget impacts of high fuel prices

The State Motor Pool is operated by the Montana Department of Transportation (MDT) as a proprietary program which manages the state vehicle fleet. The motor pool provides both long-term agency leases as well as a fleet of vehicles for agencies to use on a per-day basis.

Weekly fuel prices over the summer of 2022 were between \$3.84 - 4.48 per gallon. The prices exceeded \$3.26 per gallon, the highest rate charged by the state motor pool. When fuel prices exceed projected rates, MDT uses short term general fund loans to cover any shortfalls in working capital. These loans will be built into motor pool costs in the 2025 biennium budget proposal as debt service and will be reflected in increased rates charged to agencies.

MDT utilizes a dual rate structure that charges for each class of vehicle based on an assigned daily rate and a "per mile" usage rate. The usage rate is broken into three tiers based on the price of fuel, with the highest rate being charged only if fuel costs exceed \$3.26 per gallon. The rates and tiers are voted on by the legislature and are included in the rates section of HB 2. Below are the rates for the 2023 biennium.

Approved Motor Pool Rates								
Class	FY 2022				FY 2023			
	Assigned Rate	Usage Rate			Assigned Rate	Usage Rate		
		2.26/gal	2.76/gal	3.26/gal		2.26/gal	2.76/gal	3.26/gal
02	1.408	0.113	0.132	0.152	1.522	0.113	0.133	0.153
04	1.688	0.163	0.192	0.221	1.812	0.164	0.193	0.221
05	1.005	0.103	0.116	0.130	1.074	0.104	0.117	0.130
06	1.161	0.113	0.131	0.149	1.244	0.114	0.132	0.149
07	0.496	0.162	0.190	0.218	0.514	0.163	0.191	0.219
11	1.314	0.177	0.209	0.242	1.428	0.178	0.210	0.242
12	1.453	0.139	0.165	0.190	1.571	0.140	0.165	0.191

When building the budget for the 2025 biennium, the executive proposal will include motor pool in two of the statewide present law (SWPL) decision packages: fixed costs and inflation/deflation.

#### SWPL 2: Fixed costs

Fixed costs include items that are generally fixed in quantity but may need an adjustment related to increases or decreases in cost of services or allocation of expenses, such as rent and insurance. Leased vehicle costs associated with the motor pool are included in SWPL 2. Leases are based on a pre-determined number of usage hours and charged at the usage rate tier based on fuel prices. These will have increased at the same rate as the per-day fleet.

#### SWPL 3: Inflation/deflation

This includes costs for inflation or deflation of the following: electricity, natural gas, gasoline, diesel fuel, aviation gasoline, motor pool, etc. In the 2023 biennium budget proposal there was a deflationary adjustment to short term vehicle rental. The expected adjustment for motor pool inflation/deflation in the 2025 biennium executive proposal is between 9.0-16.0%. This only represents the portion of this rate contributed to by motor pool costs, other operating cost items will contribute to the overall inflation/deflation adjustment that will be reviewed by the legislature.