

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 2009 - HB 1901

March 9, 2009

SUMMARY OF BILL: Requires the Department of Finance and Administration (F&A) to set the standard mileage rate, as it applies to reimbursement of travel expenses, at a rate that is at least 90 percent of the standard federal mileage rate.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – The fiscal impact of this bill is dependent upon changes made to the federal mileage rate and any action taken by F&A to adjust the state mileage rate. This bill could increase state expenditures in any given year the federal mileage rate is increased. Determining a precise estimate for such an increase is difficult due to several unknown factors. However, in any given year that the federal mileage rate is increased, the increase to state expenditures could range from an amount considered not significant up to an amount greatly exceeding \$100,000.

Assumptions:

- Based on information provided by F&A, the current state mileage rate is \$0.54 per mile; the current federal mileage rate is \$0.585 per mile. As a result, the current state mileage rate is 92.3 percent of the current federal mileage rate.
- The fiscal impact of this bill is dependent upon any change made to the federal mileage rate and any adjustments made to the state mileage rate by F&A.
- Based on information provided by F&A, the state reimburses fuel costs for an average of 5,337,612 miles each month (or 64,051,344 miles per year).
- According to F&A, the Department has traditionally maintained the state rate within two to five cents of the federal rate. If this practice were to continue relative to the current federal mileage rate, the state

mileage rate would range from \$0.535 to \$0.565 per mile; thus the establishing the state mileage rate between 91.5 percent and 96.6 percent of the current federal mileage rate. Under this scenario, any change to state expenditures as a result of this bill would be considered not significant.

- In August 2008, the federal mileage rate was increased from \$0.505 to \$0.585 per mile. The state mileage rate remained at \$0.46 per mile until October 2008 when it was then increased to \$0.54 per mile. Therefore, the state rate was 78.6 percent of the federal mileage rate for two months (August and September of 2008).
- Under this bill, the state would have been required to increase the state mileage rate in August 2008 to at least \$0.527 per mile; thus the state would have incurred additional expenditures for the two months combined estimated to be \$715,200 $[(5,337,612 \times 2) \times (\$0.527 - \$0.46) = \$715,240]$. As a result, this bill could increase state expenditures in any year that the federal government increases the federal mileage rate.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/rnc