FISCAL NOTE
HOUSE BILL NO. 1402
LC# 25.0870.01000
01/27/2025

1 - 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.

	2023-2025 Biennium		2025-2027 Biennium		2027-2029 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

2 - County, City, School District, and Township Fiscal Effect

Identify the fiscal effect on the appropriate political subdivision.

	2023-2025 Biennium	2025-2027 Biennium	2027-2029 Biennium
Counties			
Cities			
School Districts			
Townships			

3 - Bill and Fiscal Impact Summary

Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).

This bill requires that motor vehicles must be made available for purchase by political subdivisions fourteen days prior to public auction at a cost of thirty percent less than fair market value.

4 - Fiscal Impact Sections Detail

Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.

Section 1 of this bill requires that surplus motor vehicles must first be made available to political subdivisions at a 30% discount of fair market value prior to public auction. This would have a substantial negative impact to state fleet revenues and a substantial increase to all agency fleet rental costs.

5 - Revenues Detail

For information shown under state fiscal effect in 1 or 2, please explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

This bill would reduce the revenue realized on resale of State Fleet vehicles at public auction by thirty percent for those vehicles purchased by political subdivisions. The estimate of auction proceeds related to state fleet vehicle sales for the current biennium is approximately $9 million. We have no way of determining what percentage of the available vehicles will be purchased by the political subdivisions, thus we have no way to estimate the actual loss of revenue that would occur. However, given the current market for used vehicles, a thirty percent discount on fair market value would likely be a strong incentive to purchase as many vehicles as they can afford. If 100 percent of the vehicles were purchased by political subdivisions, the reduction of state fleet revenue would be about $2.7 million. One hundred percent of any revenue reduction would only be applicable to the State Fleet fund which is considered an “other fund” in section 1 of this fiscal note.

6 - Expenditures Detail

For information shown under state fiscal effect in 1 or 2, please explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

In addition to reducing the revenue available for the State Fleet to replace vehicles, the revenue reduction will drive up the fleet rental rates to all state agencies. As a result, in total and over time, they will realize an increase in expenditures equivalent to the negative revenue impact. As discussed in part 5, this impact could be $2.7 million if 100% of the vehicles were purchased by political subdivisions.

It is important to note that the State Fleet rates are prepared in accordance with 2 CFR 200 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards); accordingly, the depreciation and operating components of the rate are fully eligible to be charged to federal programs. A third component of the fleet rates known as the “replacement rate” is not eligible for federal funding and is thus 100 percent covered with state funds. The increase in rental rates that would result from this bill would not be an allowable cost for reimbursement by federal programs. Accordingly, the increase would become a component of the non-reimbursable “replacement rate”; agencies would have to come up with additional state funds to cover this increase.

We have no way to determine an allocation of the additional expenditures between general and special funds.

7 - Appropriations Detail

For information shown under state fiscal effect in 1 or 2, please explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.

Contact Information

Name: Shannon L Sauer

Agency: NDDOT

Telephone: 7013284375

Date Prepared: 01/27/2025