

**Key Ideas from Five
Program Evaluation Division Reports on
State-Owned Vehicles and
Permanent License Plates**



**Final Report to the Joint Legislative
Program Evaluation Oversight Committee**

Report Number 2012-08

June 6, 2012



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June 5, 2012

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Honorable Co-Chairs:

The Joint Legislative Program Evaluation Oversight Committee 2011-12 Work Plan, approved April 5, 2011, directed the Program Evaluation Division to study the efficiency and effectiveness of the state's motor fleet operations in the Department of Administration's Division of Motor Fleet Management. Session Law 2011-145 broadened the scope of the project to include passenger and non-passenger vehicles owned and operated by all State agencies and institutions.

During this evaluation, the Program Evaluation Division has issued three reports on the status of state-owned vehicles and two follow-up reports on the status of permanent license plates for state and non-state entities. As requested by the committee, this report summarizes the information provided in the five reports.

Sincerely,

A handwritten signature in black ink, appearing to read "John W. Turcotte".

John W. Turcotte
Director



PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

June 2012

Report No. 2012-08

Key Ideas from Five Program Evaluation Division Reports on State-Owned Vehicles and Permanent License Plates

Summary

This report provides an overview of five Program Evaluation Division reports on state-owned vehicles and permanent license plates:

- *Inadequate Data and Fleet Information Management Weaken Accountability for North Carolina's Vehicles (2011-07);*
- *Motor Fleet Management Uses Best Practices, but Needs Telematics to Strengthen Accountability (2012-02);*
- *Ineffective Policies and Diffuse Oversight Result in Inefficient Use of State-Owned Vehicles (2012-06);*
- *Follow-up Analysis of Permanent License Plates Owned by State and Non-State Entities (2011-07-01);* and
- *Follow-up Report: Reviewing Eligibility for Permanent License Plates would Strengthen State Oversight (2011-07-02)*

The reports found that North Carolina does not have complete vehicle information and has not used telematics; weak and decentralized oversight by state agencies and institutions causes lapses in accountability and inefficient use of state-owned vehicles; and technology offers opportunities to improve management and oversight.

The General Assembly should require all state agencies and institutions to report complete vehicle information to a statewide fleet management information system; direct the Department of Administration to install basic telematics services on state-owned passenger vehicles; authorize the Department of Administration to supervise the management and operation of state-owned vehicles; and recodify and clarify relevant state laws.

The reports on the status of permanent license plates found that state law allows certain non-state entities to receive permanent license plates and that several obstacles limit the State's ability to ensure whether non-state entities qualify for permanent plates.

The General Assembly should consider limiting eligibility for permanent license plates to governmental entities; review the basis for issuing permanent license plates to non-governmental entities; and make statutory changes to ensure entities receiving permanent license plates can be properly identified in DMV registration records and vehicles with permanent plates receive safety inspections.

The House and Senate Chairs of the Joint Legislative Program Evaluation Oversight Committee introduced legislation approved by the joint committee and based on recommendations from the five reports.

Overview

The 2011–12 work plan of the Joint Legislative Program Evaluation Oversight Committee directed the Program Evaluation Division to study the efficiency and effectiveness of the State’s motor fleet operations in the Department of Administration’s Division of Motor Fleet Management. The General Assembly broadened the scope of the project to include all passenger and non-passenger vehicles owned and operated by all state government departments, institutions, and entities, and include motor fleet fees and associated cash balances, mechanic operations, the use and purpose of assigned vehicles, and state fueling stations.¹

During this evaluation, the Program Evaluation Division issued three reports on the status of state-owned vehicles and two follow-up reports on the status of permanent license plates for state and non-state entities. This report synthesizes the information provided in the five reports listed below.

- ***Inadequate Data and Fleet Information Management Weaken Accountability for North Carolina’s Vehicles (2011-07)***. This report provided an overview of the number, use, and cost of motor vehicles across state government and found that North Carolina lacked adequate information to determine the appropriate size and mix of state-owned motor vehicles for state government needs.
- ***Motor Fleet Management Uses Best Practices, but Needs Telematics to Strengthen Accountability (2012-02)***. This report focused on the management of passenger vehicles by the Department of Administration’s Motor Fleet Division and found that fleet management and accountability could be improved through technology and other enhancements.
- ***Ineffective Policies and Diffuse Oversight Result in Inefficient Use of State-Owned Vehicles (2012-06)***. This report described the management of vehicles owned by state agencies and institutions and found that weak oversight and limited accountability result in inefficient use of vehicles because no single entity is responsible for ensuring appropriate and efficient use of state-owned vehicles.
- ***Follow-up Analysis of Permanent License Plates Owned by State and Non-State Entities (2011-07-01)***. This report analyzed the registration and oversight of permanent license plates owned by state and non-state entities.
- ***Follow-up Report: Reviewing Eligibility for Permanent License Plates would Strengthen State Oversight (2011-07-02)***. This report addressed concerns about permanent license plates registered to entities not identified as eligible by statute and the many different types of non-state entities eligible for silver license plates.

State agencies and institutions use vehicles to meet their missions. Some state functions rely on the use of vehicles to provide efficient and effective services to North Carolinians. Examples of state government functions that rely on vehicles to meet their missions are law enforcement, road construction and maintenance, and inspections. State universities use

¹ 2011 N.C. Sess. Laws, 2011-145, Section 6.13. (d)–(e).

² This estimate is based on the mid-level salary and benefits for the following five positions: Administrative Officer II, Administrative
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vehicles to support various institutional activities such as athletics, campus safety, food services, and facility maintenance.

State agencies and institutions reported owning 28,669 vehicles during Fiscal Year 2010–11. Two agencies own 55% of state-owned vehicles—the Department of Administration with 7,993 vehicles and the Department of Transportation with 7,879 vehicles. Among education institutions, North Carolina State University owns the most vehicles (974). Fourteen agencies owning 200 or more vehicles had over 95% or 27,163 of state-owned vehicles. The remaining agencies owned a total of 1,258 vehicles. Exhibit 1 lists the number of state-owned vehicles by agency and institution.

Motor vehicles are expensive state assets to own. The Program Evaluation Division estimates state agencies and institutions spent \$182.7 million from all sources in Fiscal Year 2010–11 to own, operate, and maintain motor vehicles. Vehicle costs ranged from \$1,153 in the Department of Labor to \$70.6 million in the Department of Transportation. Collectively, state agencies and institutions spent an estimated \$71.5 million on fuel and \$54.2 million on maintenance in Fiscal Year 2010-11.

The findings and recommendations from these reports fall into two major issue areas:

- state fleet management, and
- permanent license plates.

The remainder of this report summarizes the findings, recommendations, and initial legislative response to each of these issue areas.

Findings for State Fleet Management

The three reports on the status of state-owned vehicles in North Carolina took a closer look at the fleet management practices of state agencies and institutions with more than 200 state-owned vehicles in Fiscal Year 2010–11 because the General Services Administration’s Guide to Federal Fleet Management states, “fleets of about 200 or more owned units require full-time fleet supervision.” The Program Evaluation Division also evaluated the Department of Administration’s management and oversight of state-owned passenger vehicles and statewide oversight of vehicle use by all state agencies and institutions that own vehicles. A summary of the major findings and issues related to state fleet management revealed in these reports follows.

Finding 1. North Carolina does not have the information necessary to determine the appropriate number of vehicles to meet state government needs.

North Carolina lacks a central source of information for the number and cost of state-owned motor vehicles. The Program Evaluation Division wanted to determine whether North Carolina had the appropriate number of vehicles to meet state government needs, and to achieve this end attempted to collect the necessary information. Having basic information on

Exhibit 1

State Agencies and
Institutions Owned 28,669
Vehicles in Fiscal Year
2010–11

Agency/Institution	Vehicles Owned
Department of Administration	7,993
Department of Transportation	7,879
Department of Crime Control and Public Safety	2,815
Department of Environment and Natural Resources	2,001
Department of Correction	1,699
North Carolina State University	974
University of North Carolina at Chapel Hill	719
Department of Health and Human Services	698
Department of Agriculture and Consumer Services	604
Department of Justice	454
East Carolina University	433
Wildlife Resources Commission	408
Appalachian State University	287
University of North Carolina at Greensboro	203
Department of Public Instruction	199
University of North Carolina at Wilmington	173
Western Carolina University	157
North Carolina A&T State University	143
University of North Carolina at Charlotte	125
Administrative Office of the Courts	98
Department of Juvenile Justice and Delinquency Prevention	90
University of North Carolina School of the Arts	66
Winston-Salem State University	65
Department of Cultural Resources	50
University of North Carolina at Pembroke	48
University of North Carolina Hospitals	45
North Carolina Central University	44
UNC General Administration	44
Fayetteville State University	43
University of North Carolina at Asheville	40
Elizabeth City State University	35
North Carolina School of Science and Mathematics	20
Employment Security Commission	7
Department of Insurance	3
Department of Revenue	3
Department of Labor	2
Department of Commerce	1
North Carolina Community College System Office	1
Total State-Owned Vehicles	28,669

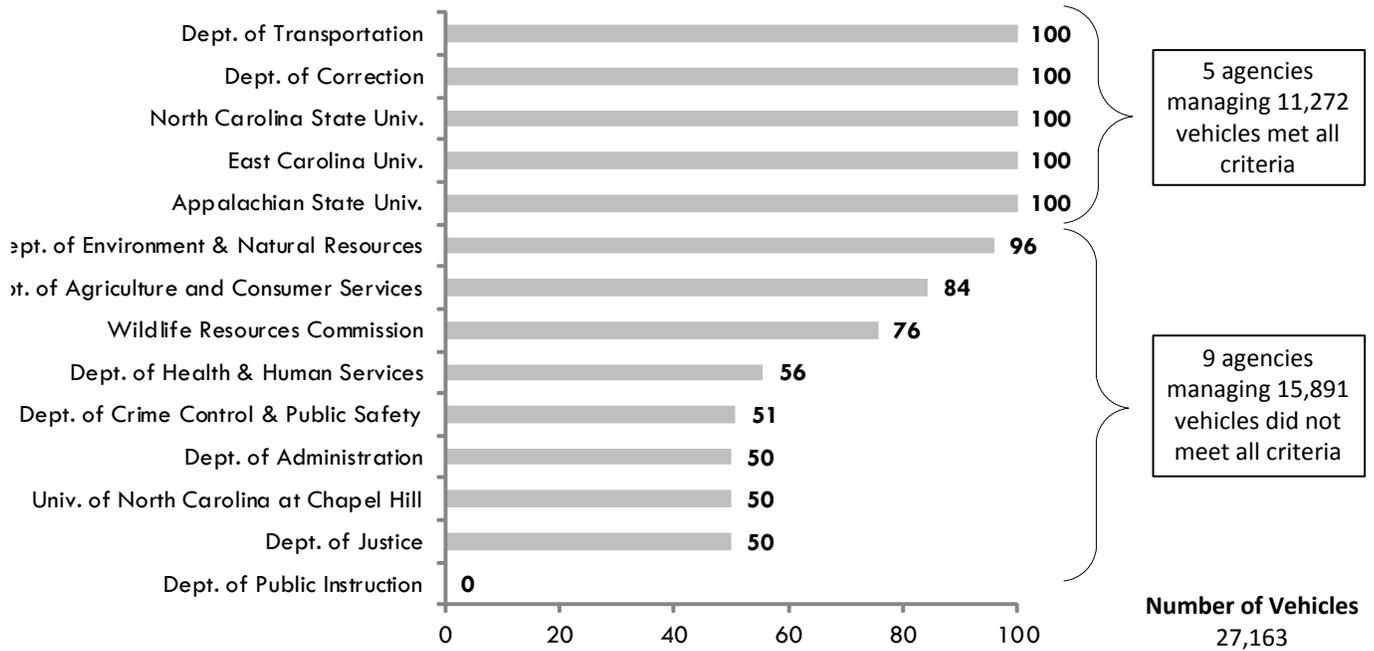
Source: Program Evaluation Division based on vehicle inventories from state agencies and institutions.

state-owned vehicles is the first step to assessing and improving the efficiency and effectiveness of the state fleet. Because there is no agency responsible for all state-owned vehicles, the Program Evaluation Division had to use state agency and institution records to estimate that North Carolina owns 28,669 vehicles. Without verification from an independent source, the number of vehicles reported by state agencies and institutions can only be considered an estimate of the total number of motor vehicles owned by the State.

There is also no central source of information on the cost of state-owned motor vehicles. Each agency is responsible for tracking the cost of their fleet, but there is no standard for accounting for these costs. As a result, the quality and accuracy of the information varies. The Program Evaluation Division had to estimate the total cost of all state-owned vehicles using several different methods. Without knowing the number and cost of state-owned motor vehicles, North Carolina cannot determine whether state agencies and institutions are managing these assets appropriately.

Knowing the number and use of existing vehicles is necessary to determine the appropriate size and mix of a fleet. Vehicle utilization is an indicator of the business need for a vehicle and is tracked through vehicle mileage and frequency of use. Vehicles that are used most frequently are most justifiable. The Program Evaluation Division evaluated state agencies and institutions owning 200 or more vehicles to determine whether they had complete utilization information for all vehicles. Exhibit 2 shows that nine agencies and institutions did not meet all the criteria for managing vehicle utilization data.

Exhibit 2: Nine Agencies and Institutions Did Not Have Adequate Vehicle Usage Data on All Vehicles



Source: Program Evaluation Division based on survey responses from agencies with 200 or more vehicles.

Without consistent information on vehicle utilization from all state agencies and institutions, North Carolina cannot determine the appropriate fleet size to meet state government needs. State law does not require agencies and institutions to collect the appropriate data to assess vehicle utilization. Each agency or institution is left to decide what vehicle information to collect and how to manage it. The lack of statewide guidelines has resulted in inconsistent information management practices, and prevented the Program Evaluation Division from conducting a statewide vehicle utilization assessment for this evaluation.

Finding 2. Weak and diffuse oversight causes lapses in accountability and inefficient use of state-owned vehicles, but statewide oversight of all state-owned vehicles improves accountability and operational efficiency.

Weak and diffuse management undermines the ability of the State to fully implement fleet management best practices. Best practices are techniques, methods, and processes that have been demonstrated as essential and effective means for managing assets. Adherence to best practices ensures the appropriate use of state-owned vehicles and holds agencies and institutions accountable. Best practices promote efficiency by modifying behaviors and promoting economies of scale. Fleet management best practices should be a priority because it promotes efficiency and holds vehicle users accountable.

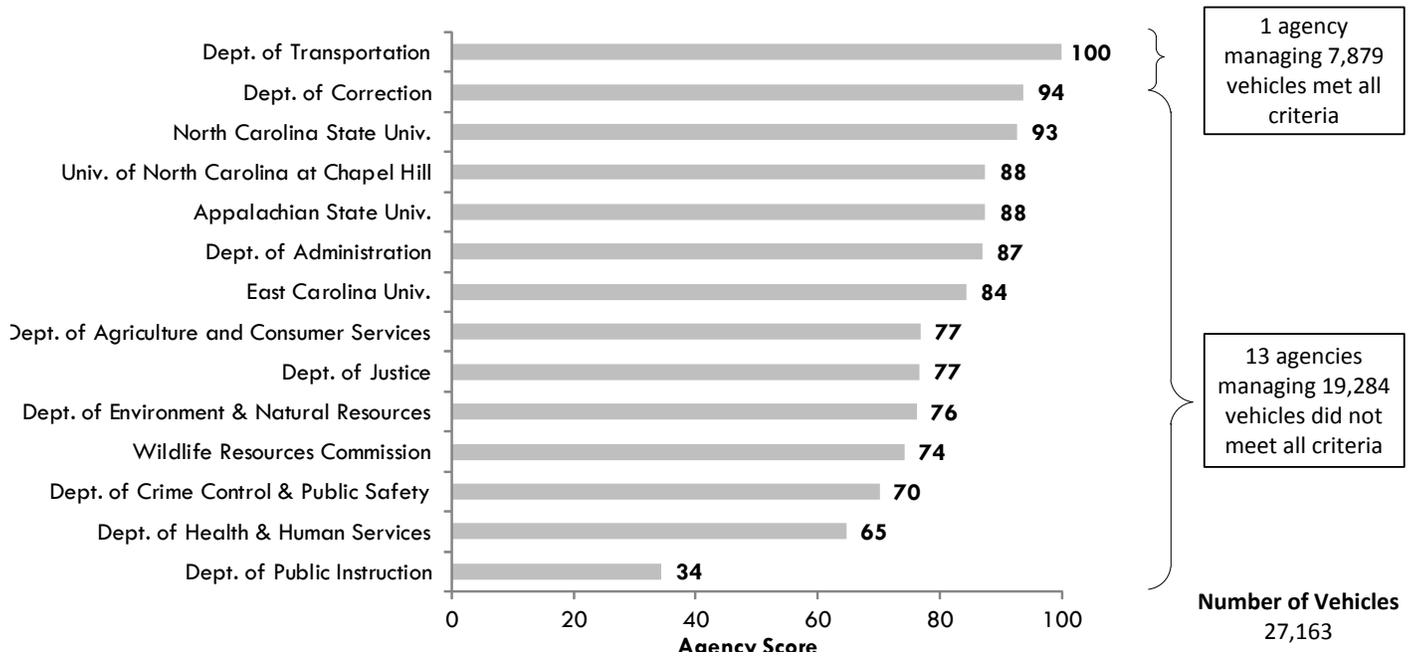
The Program Evaluation Division reviewed guidelines established by the federal General Services Administration and other sources to identify four general categories of fleet management best practices:

- policies and procedures;
- management of vehicle utilization data;
- financial management; and
- vehicle replacement and acquisition.

Because the General Services Administration's Guide to Federal Fleet Management states, "fleets of about 200 or more owned units require full-time fleet supervision," the Program Evaluation Division expected state agencies with 200 or more vehicles to be in compliance with these fleet management best practices.

Exhibit 3 shows the overall adherence score for each agency and institution. The Department of Transportation was the only agency that had fully implemented fleet management best practice criteria across their entire fleet. Without statewide implementation of best management practices, agencies and institutions cannot hold vehicle users accountable and ensure all vehicles are managed well.

Exhibit 3: Only One Agency Met All Best Practice Criteria



Source: Program Evaluation Division based on survey responses from agencies with 200 or more vehicles.

Limited and decentralized oversight results in inefficient use of state-owned vehicles and hampers the state’s ability to hold agencies accountable. There is no one entity responsible for ensuring the efficient use of all state-owned vehicles. Under state law, the Department of Administration’s Motor Fleet Management Division (MFM) oversees state-owned passenger motor vehicles, but not other types of vehicles. However, state law also authorizes the MFM to delegate enforcement of MFM rules regulating the use of state-owned passenger vehicles to state agencies. MFM has delegated much of the day-to-day oversight and management of its vehicles to state agencies because it does not have the staff or resources to directly oversee the thousands of vehicles deployed throughout North Carolina. State agencies are expected to coordinate vehicle usage, investigate misuse claims, and obtain preventive maintenance.

State agencies and institutions with non-passenger vehicles can manage their own vehicles and are not subject to oversight by MFM. Although the legislation directing this evaluation included an examination of the effectiveness and efficiency of non-passenger vehicles, the definition of non-passenger vehicles does not exist in statute or administrative rules. Because there is no standard definition, state agencies and institutions each determine which are non-passenger vehicles. Each state agency and institution decides how to manage vehicles and several delegate this responsibility to divisions or programs. As a result, multiple individuals within one agency may be responsible for state-owned vehicles. For example, the Department of Health and Human Services identified 19 people at the division level or below responsible for vehicles. Delegating responsibility of vehicle management to the division level can lead to inconsistent use of vehicles within an agency. Within the 14 agencies and institutions owning 200 or vehicles, there were at least 65 fleet managers

overseeing vehicles. The Program Evaluation Division found that this decentralization affects the management of state-owned vehicles across state government in the following ways.

- Inconsistent policies and procedures limit accountability for the use of state owned vehicles because each agency and institution determines who can use state-owned vehicles as well as how and when these vehicles are used.
- No statewide standard addresses employee misuse of state-owned vehicles which means it is difficult to determine when misuse occurs, and there are no common sanctions for vehicle misuse.
- Relying on agencies to take appropriate disciplinary action on reports of misuse does not provide sufficient accountability for state-owned vehicles.
- Current law for vehicle identification for state-owned vehicles does not require agencies to uniquely mark their vehicles as belonging to a specific agency to make them easily identifiable by members of the general public.
- State agencies and institutions determine who commutes and how to detect commuting abuses, but agencies are not required to continuously monitor employee use of take-home vehicles.
- State agencies and institutions are not required to use the most cost-efficient methods to obtain fuel or maintain vehicles.
- State agencies and institutions reported owning passenger vehicles even though state law requires them to transfer all passenger vehicles to MFM.

Statewide oversight of all state-owned vehicles improves accountability and operational efficiency. The Program Evaluation Division identified fleet management offices in other states that direct management of all state-owned vehicles and ensure statewide accountability and operational efficiency. Statewide fleet management and oversight has resulted in increased efficiency and other benefits in these states because the centralized fleet management offices

- establish and maintain state fleet rules and policies;
- set statewide standards and best practices for managing and operating vehicles;
- operate the fleet information management information system;
- maintain the state fleet vehicle inventory;
- manage fleet-related contracts; and
- review and approve vehicle acquisition.

The state fleet management offices in other states are funded through fees paid by state agencies and do not require state appropriations.

Centralized supervision of state-owned vehicles could offer solutions to the problems identified by the Program Evaluation Division. The Division of Motor Fleet Management (MFM) in the Department of Administration is already responsible for the management and oversight of state-owned passenger vehicles and is well-positioned to supervise vehicles owned and operated by state agencies and institutions. Statewide supervision does not mean agencies and institutions would no longer own their non-passenger

vehicles. Instead, MFM's mission could be expanded to include statewide supervision of all vehicles without requiring state agencies and institutions to transfer ownership.

Finding 3. Technology offers opportunities to improve accountability and management.

The Program Evaluation Division found that technology offers solutions to the information deficiencies identified during this evaluation.

Implementing a fleet management information system (FMIS) is the most effective means to evaluate the size and efficiency of a fleet. An FMIS electronically tracks information on a per-vehicle basis and often includes basic vehicle information such as vehicle identification number, make, model, and year. Because an FMIS should also be capable of tracking vehicle-related costs, miles driven, and frequency of use, a robust system provides efficient collection, analysis, and distribution of fleet utilization data. Having this type of information allows fleet managers to:

- monitor changes in fleet size and composition over time;
- assess fleet utilization; and
- track and analyze direct vehicle costs.

Because North Carolina does not have a statewide FMIS for all state-owned vehicles, each agency and institution determines how and what vehicle information to track. Some states have invested in statewide fleet management information systems because comprehensive statewide data is a powerful tool even if day-to-day vehicle management and operations are delegated to state agencies and institutions.

Technological advances in fleet management tools that enhance vehicle tracking and user accountability would assist in holding state agencies more accountable. One specific technology is telematics, which offers fleet managers a cost-effective solution that can help boost productivity, address driver safety, misuse and abuse, and ensure fleet operations run as efficiently as possible. Telematics integrates wireless communications, vehicle monitoring systems, and location devices. Exhibit 4 shows how telematics could enhance management and oversight of state-owned passenger vehicles by providing independent information that does not require reliance on state agencies. Installing telematics on state-owned vehicles could improve accountability by allowing agencies to consistently and continuously monitor vehicle use and document instances of misuse.

Exhibit 4

Telematics Provides Information that Enhances Fleet Management and Oversight

Telematics Package	Benefits of Telematics
<p style="text-align: center;">Basic Package</p> <ul style="list-style-type: none"> • Complete vehicle visibility • Costs \$25 per month per vehicle 	<ul style="list-style-type: none"> • Provides complete vehicle utilization information including mileage, frequency of use, and vehicle location • Promotes more efficient vehicle utilization • Eliminates mileage data entry by agencies • Identifies and confirms vehicle misuse related to vehicle location and when a vehicle was driven
<p style="text-align: center;">Comprehensive Package</p> <ul style="list-style-type: none"> • Complete vehicle visibility • Safety alerts • Remote diagnostic reporting • Costs \$40 per month per vehicle 	<ul style="list-style-type: none"> • Provides all basic package benefits • Monitors driving behavior • Identifies and confirms misuse complaints related to driving behavior • Provides automatic preventive maintenance reminders • Monitors vehicle operating condition

Source: Program Evaluation Division based on information from a telematics service provider and MFM.

Recommendations for State Fleet Management

The Program Evaluation Division offered ten recommendations to improve state fleet management in three reports on the status of state-owned vehicles in North Carolina. This section groups the recommendations into four categories and summarizes the recommendations for improving state fleet management.

Recommendation 1. The General Assembly should require all state agencies and institutions to collect and report complete vehicle information to a statewide fleet management information system to ensure that North Carolina has the necessary information to determine the appropriate number of vehicles to meet state government needs.

This evaluation identified discrepancies between the number of permanent license plates registered to state agencies and institutions by the Department of Transportation’s Division of Motor Vehicles (DMV) and the number of state-owned vehicles reported to the Program Evaluation Division by state agencies and institutions. The General Assembly should direct state agencies and institutions to update vehicle registration records for all state-owned vehicles, and direct the State Auditor to provide an independent review of the reconciliation process by October 1, 2012.

To ensure that North Carolina has an accurate inventory of vehicles owned by state government and has the information necessary to assess whether the fleet size is appropriate to meet state government needs, the General Assembly should require all state agencies and institutions owning vehicles to collect and maintain vehicle utilization and direct cost data for each vehicle in a fleet management information system (FMIS). The General Assembly should direct the Office of State Controller to determine the most appropriate FMIS for North Carolina and recommend a system by February 1, 2013. The Office of Information Technology Services should

be directed to assist and advise the State Controller in the identification of the system.

During this evaluation, the Program Evaluation Division found that state law used only a mileage threshold to determine whether a state-owned passenger vehicle was appropriately utilized even though fleet management best practices recommend that frequency of use and vehicle purpose also be included in the determination. The Program Evaluation Division recommends that the General Assembly eliminate the specific mileage threshold and exemption process in N.C. Gen. Stat. § 143-341(8).i.7a and replace it with direction to the Department of Administration to adopt rules establishing a passenger vehicle usage threshold that includes mileage, frequency of use, and vehicle purpose.

Recommendation 2. The General Assembly should direct the Department of Administration to phase in implementation of basic telematics services to strengthen accountability for state-owned passenger vehicles and consider the cost and benefits of installing basic telematics services on all state-owned vehicles.

The Program Evaluation Division found telematics would offer the Department of Administration a solution for their information deficiencies related to the use of state-owned passenger vehicles. The Program Evaluation Division recommends that the General Assembly direct the Department of Administration, Division of Motor Fleet Management (MFM) to perform a test of the effectiveness and efficiency of telematics during Fiscal Year 2012–13. As part of this test, MFM should include both basic telematics packages and comprehensive telematics packages so MFM may assess the costs of both against the potential savings through new policies that might be implemented with improved data collection. MFM should also convene an advisory group of state fleet managers from state agencies and institutions to consider the costs and benefits of installing telematics services on all state-owned vehicles.

The Department of Administration should report on the status of telematics implementation to the Senate Appropriations Committee on General Government and Information Technology and the House Appropriations Subcommittee on General Government on or before September 15, 2013.

Recommendation 3. The General Assembly should authorize the Department of Administration to supervise the management and operation of all vehicles owned by state agencies and institutions.

Statewide supervision of all state-owned vehicles offers solutions to the problems identified in the Program Evaluation Division's series of reports on the status of state-owned vehicles. The General Assembly should expand the Division of Motor Fleet Management's mission to include statewide supervision of vehicles owned by state agencies and institutions, and change its name to the Division of State Fleet Management to recognize this increased authority. The new Division of State Fleet Management would continue to be part of the Department of Administration.

Under this recommendation, the new Division of State Fleet Management would continue to manage and supervise the operation of state-owned passenger vehicles. The following responsibilities for statewide supervision of vehicles owned by agencies and institutions and for provision of technical assistance would be added to the division's duties:

- maintain an inventory of all state-owned vehicles;
- collect and analyze information for all state-owned vehicles;
- operate the statewide fleet management information system selected by the Office of the State Controller;
- adopt and enforce statewide policies and rules for all aspects of fleet management, fleet operation, and vehicle use;
- convene a state fleet management advisory committee with state agency representation to advise the division on statewide fleet management policies, rules, and issues;
- provide technical assistance with implementing fleet management best practices;
- compile and report vehicle misuse complaints and commuting information tracked by state agencies and institutions;
- review and approve vehicle acquisition and replacement requests by state agencies and institutions;
- compile a statewide vehicle replacement plan based on information from state agencies and institutions;
- collect fees from state entities to support statewide supervision of all state-owned vehicles and operate the statewide fleet management information system; and
- report annually to the General Assembly on the status of state-owned vehicles and make any recommendations for improvements and changes necessary for more efficient management of state-owned vehicles.

The General Assembly should also direct the new Division of State Fleet Management to improve the management of state-owned passenger vehicles by

- performing a daily demand analysis on motor pool usage to determine which vehicles can be eliminated;
- reinstating routine vehicle replacement;
- enhancing training and resources for vehicle coordinators;
- conducting periodic customer satisfaction surveys of passenger vehicle users; and
- monitoring and reporting on the effects of the new rate structure for passenger vehicles.

Under the authority of the new Division of State Fleet Management, agencies and institutions would retain ownership and be responsible for the day-to-day management of non-passenger vehicles. However, the General Assembly should direct agencies and institutions to cooperate with the new Division of State Fleet Management. State agencies and institutions that own non-passenger vehicles should be required to

- comply with all statewide policies and rules for fleet management and operation;

- maintain and report up-to-date information about each employee authorized to commute in a state-owned vehicle;
- track and report all vehicle misuse complaints;
- require marking of all state-owned vehicles on the rear bumper with a sticker that indicates agency or institution ownership or assignment;
- collect and report vehicle identification, utilization, and direct cost data to the statewide fleet management information system;
- submit vehicle acquisition and replacement requests for approval;
- develop and submit annual vehicle replacement plans;
- pay fees to cover the cost of the fleet management information system and statewide supervision; and
- provide other fleet management or vehicle information as requested by the Division of State Fleet Management.

The General Assembly should also direct state agencies and institutions that reported owning passenger vehicles to transfer these vehicles to the Department of Administration as required by state law.

The Program Evaluation Division estimates the Division of Motor Fleet Management (MFM) will need five new positions to perform the additional responsibilities proposed in this recommendation. The annual estimated cost for these positions and associated operating costs is \$400,000 and would be paid from fees charged to state agencies and institutions.²

The effective date for expanding the responsibilities of MFM and changing it to the new Division of State Fleet Management should be January 1, 2013 to give adequate time for the transition. In addition, the division will need the authority to use funds from the MFM internal service fund during the transition to cover the initial cost of statewide supervision.

Recommendation 4. The General Assembly should recodify and clarify state law for state-owned motor vehicles.

Throughout this evaluation of North Carolina's state-owned vehicles, the Program Evaluation Division has observed that state law for state-owned vehicles lacks clarity. For example, N.C. Gen. Stat. § 143-341 includes a detailed description of how the Division of Motor Fleet Management should manage passenger vehicles including direction on commuting and misuse, but it is unclear whether these statutes apply to non-passenger vehicles owned by state agencies and institutions. State laws that apply to all state-owned vehicles only address liability insurance coverage, license plates, vehicle safety, and petroleum reduction requirements. State law also does not clearly define passenger and non-passenger vehicles. To strengthen accountability for state-owned vehicles, the General Assembly should recodify the statutes that affect state-owned vehicles, define passenger and non-passenger vehicle, and establish a single statute that encompasses all aspects of management and operation of vehicles and establishes the new Division of State Fleet Management as the entity to supervise the management and operation of state-owned vehicles.

² This estimate is based on the mid-level salary and benefits for the following five positions: Administrative Officer II, Administrative Officer I, Business and Technology Application Analyst, Statistician II, and Accounting Technician.

Findings for Permanent License Plates

In the first report on state-owned motor vehicles, the Program Evaluation Division attempted to use vehicle registration data to identify all state-owned motor vehicles. The Department of Transportation's Division of Motor Vehicles (DMV) maintains a list of permanent license plates, but their database does not distinguish between vehicles registered to state and non-state entities. In addition, the Joint Legislative Program Evaluation Oversight Committee raised questions about the types of non-state entities authorized to receive permanent license plates, and subsequently, directed staff to draft legislation to correct the identified problems.

Finding 1. State law allows certain non-state entities to receive permanent license plates.

North Carolina has two types of permanent license plates. State-owned vehicles receive a yellow license plate with black lettering with the word "State-Owned" on the bottom. Eligible non-state entities receive a silver license plate with black lettering with the word "Permanent" on the bottom. Unlike the standard North Carolina license plate or a specialized license plate, permanent yellow and silver license plates do not expire.

N.C. Gen. Stat. § 20-84(b)(2)–(16) authorizes DMV to issue permanent registrations to non-state entities including

- local government entities, such as counties, cities, towns, and local boards of education;
- public safety and emergency management entities, such as civil air patrols, emergency rescue squads, Radio Emergency Association of Citizens Teams (REACT Teams), rural fire departments, and local chapters of the American Red Cross; and
- churches that own buses used exclusively to transport individuals to Sunday school, church services, and other church-related activities.

Exhibit 5 lists the 15 non-state entities eligible for permanent license plates.

Exhibit 5: Non-State Entities Eligible for Permanent License Plates

Registering Entity	Subsection of N.C. Gen. Stat § 20-84(b)
County, city or town	(2)
Board of education	(3)
Orphanage	(4)
Civil air patrol	(5)
Incorporated emergency rescue squad	(6)
Incorporated Radio Emergency Association of Citizen Team (REACT)	(7)
Person who uses a vehicle exclusively in support of a disaster relief effort	(8)
Church bus used exclusively for transporting individuals to Sunday school, church services, and to other church-related activities	(9)
Rural fire department, agency, or association	(10)
Mobile X-ray unit used for the purpose of diagnosis, treatment, and discovery of tuberculosis	(11)
Local chapter of American National Red Cross used for emergency or disaster work	(12)
Sheltered workshop recognized or approved by the Division of Vocational Rehabilitation Services	(13)
Nonprofit agency or organization that approved in accordance with the standards adopted by the Commission for Mental Health and Human Services	(14)
Bus or trackless trolley owned by a city	(15)
Nationally chartered charitable organization who uses a trailer exclusively for parade floats and for transporting vehicles and structures used only in parades	(16)

Source: Program Evaluation Division based on N.C. Gen. Stat. § 20-84(b)(2)-(16).

The Program Evaluation Division identified 120,461 permanent license plates registered to non-state entities at the end of Fiscal Year 2010–11. Over 94,000 permanent license plates were registered to counties, municipalities, or local boards of education. However, 4,218 silver license plates were registered to entities not specifically listed in statute. Examples of these entities included

- private colleges and universities, such as Queens University of Charlotte and Wake Forest University;³
- private utility companies and cooperatives, such as Atlantic Telephone Membership Corporation and Duke Power; and
- other private businesses, such as First Transit (a bus transportation provider) and US Bank Corporate Trust Services.

These results suggested that DMV needed to review license plates issued to entities not listed in statute and the process for issuing silver license plates. The Joint Legislative Program Evaluation Oversight Committee requested that DMV conduct follow-up analysis to determine whether permanent license plates were issued erroneously to these entities.

³ The North Carolina Independent Colleges and Universities requested that constituent members of their association return the permanent license plates registered to them.

Finding 2. Several obstacles limit the State's ability to ensure whether non-state entities qualify for permanent license plates.

The Division of Motor Vehicles (DMV) reviewed the permanent license plates in question and issued a memorandum of their findings and recommendations on April 13, 2012. Based on their review, DMV noted that telephone membership corporations were eligible to receive permanent license plates because N.C. Gen. Stat. § 117-33 declares these entities to be public agencies of the State. DMV requested statutory clarification to make these entities ineligible for permanent license plates.

In addition, DMV identified several obstacles that affected the Division's ability to ensure non-state entities applying for permanent license plates actually qualify to receive one.

- **DMV has no practical way to ensure non-state entities use a vehicle exclusively for the purpose specified in statute.** State law allows a permanent silver license plate to be issued to any person who claims that their motor vehicle is used exclusively in support of a disaster relief effort.⁴ Once the plate has been issued, it is difficult to ensure the vehicle is used specifically and solely for this purpose. Similarly, there is no practical way to verify that trailers owned by nationally chartered charitable organizations and vehicles owned by the chapters of the American Red Cross are only used for the law's intended purpose.
- **DMV has no practical way to verify whether non-state entities authorized to have permanent license plates still exist.** Sheltered workshops recognized or approved by the Division of Vocational Rehabilitation Services are eligible to receive permanent license plates. However, DMV found that some entities with these license plates had lost this recognition and other entities had gone out of business. The Program Evaluation Division found a similar issue with REACT teams.⁵ Seven REACT teams had active permanent license plates in the DMV vehicle registration database, but only one of these entities is currently incorporated.
- **Vehicles registered to the same entity lacked a consistent naming convention.** During the analysis of vehicle registration records, the Program Evaluation Division encountered multiple versions of names for state and non-state entities. The different names made it difficult to attribute a permanent license plate to the appropriate entity.
- **Vehicles registered in the name of an individual and not an eligible non-state entity.** The Program Evaluation Division identified permanent license plates registered to individuals. In its April 13, 2012 memo, DMV recommended that permanent license plates be registered in the name of the organization, not an individual.
- **A lack of statutory clarity about the eligibility of community colleges.** DMV believes community colleges should be eligible for

⁴ N.C. Gen. Stat. § 1-265 defines "person" as any person, State agency, partnership, joint stock company, unincorporated association, or society, or municipal corporation or other corporation of any character whatsoever.

⁵ REACT Teams are incorporated citizens' organizations that provide radio emergency communications.

permanent license plates but the statutes do not specify whether they should be treated as a state or local government entity. This clarification is needed to ensure community colleges receive the appropriate type of permanent license plate.

Recommendations for Permanent License Plates

The Program Evaluation Division offered several recommendations to strengthen state oversight of permanent license plates issued to eligible non-state entities.

Recommendation 1. The General Assembly should consider limiting eligibility for permanent license plates to governmental entities and reviewing the basis for issuing permanent license plates to non-governmental entities.

To address problems associated with issuing permanent license plates to non-governmental entities, the General Assembly should first consider limiting eligibility for permanent license plates to governmental entities: state government, counties, cities, towns, boards of education, and community colleges. Community colleges should be added to the list of eligible governmental entities to clarify that vehicles used for administrative purposes are eligible for permanent license plates.

Second, the General Assembly should consider reviewing the basis for issuing permanent license plates to the non-governmental entities listed in N.C. Gen. Stat. § 20-84 and membership telephone corporations in N.C. Gen. Stat. § 117-33. These entities were added to the statute over many years; and as shown in the right-hand column of Exhibit 2, these non-governmental entities are a mix that defies a common definition. Potential criteria for determining whether a non-governmental entity should continue to receive a permanent license plate could include the following:

- whether the entity serves a public purpose;
- whether the entity provides services typically provided by government such as life and property protection or emergency or disaster assistance; and
- whether the entity is defined in state law.

Recommendation 2. The General Assembly should direct the Division of Motor Vehicles to cancel all permanent plates registered to non-state entities and reissue permanent license plates to qualifying non-state entities by January 15, 2013.

The Division of Motor Vehicles (DMV) stated in its memorandum that it intends to cancel all permanent license plates issued to non-state entities and require vehicle owners to reapply for a permanent license plate. To ensure that cancellation and reissuance of permanent license plates to non-state entities occurs within a reasonable time frame, the General Assembly should direct DMV to complete this process by January 15, 2013.

Recommendation 3. The General Assembly should amend state law to require that all permanent license plates be registered in the name of an eligible entity and that entities receiving permanent license plates use a standard naming convention for their organization when registering vehicles.

To ensure entities receiving permanent license plates can be properly identified in DMV registration records and individuals do not receive permanent license plates, the General Assembly should amend N.C. Gen. Stat. § 20-84 or other appropriate statutes to require that all permanent license plates be registered in the name of an eligible entity and entities receiving permanent license plates use a standard naming convention for their organization when registering their vehicles.

Recommendation 4. The General Assembly should authorize the Division of Motor Vehicles to revoke permanent license plates registered to non-state entities that fail to obtain an annual vehicle inspection.

To ensure vehicles with permanent license plates registered to non-state entities receive inspections, the General Assembly should authorize the DMV to revoke permanent license plates issued to non-state entities when the annual vehicle inspection is 90 or more days past due.

Legislative Actions

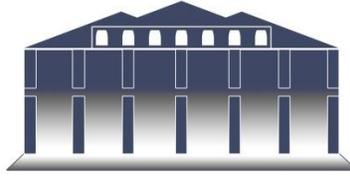
The Joint Legislative Program Evaluation Oversight Committee accepted and directed staff to draft legislation based on the recommendations from the three reports on the status of state-owned vehicles and the two follow-up reports on the status of permanent license plates for state and non-state entities. On May 16, 2012, draft legislation for reforming oversight of state-owned vehicles and permanent license plates was approved for introduction. The House and Senate Chairs of the Joint Legislative Program Evaluation Oversight Committee introduced the following legislation during the 2012 Session:

- SB 839 and HB 1014 – Reform Oversight of State-Owned Vehicles, and
- SB 840 and HB 989 – Permanent License Plates.

Program Evaluation Division Contact and Acknowledgments

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