



# State-Owned Vehicles

Research Report No. 470

Legislative Oversight And Investigations Committee

# Kentucky Legislative Research Commission

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# State-Owned Vehicles

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### Research Report No. 470

**Legislative Research Commission**  
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June 10, 2021



## **Abstract**

The report reviews processes and policies for state-owned vehicles in the central fleet and independent fleets. “Vehicles” were considered to be self-propelled automobiles primarily used for conveying individuals. The Finance and Administration Cabinet is responsible for overseeing the central fleet that accounts for the largest group of vehicles. Agencies may manage their own fleet after approval by the cabinet. The Finance and Administration Cabinet provides vehicle procurement, liability coverage, and vehicle disposal for the central fleet and for independent fleets. Three agencies with independent fleets were reviewed. Statutory language may allow agencies to register investigatory vehicles without Finance and Administration Cabinet approval. In the past the Finance and Administration Cabinet has not provided required reports on alternative-fuel vehicles. Justification for independent fleets has not been maintained. Required reports for independent fleets have not been requested. The Public Protection Cabinet has management agreements that are not typically allowed for independent fleets and may be inefficient. The central fleet may contain underutilized vehicles, with 1,036 vehicles driven less than 5,000 miles in FY 2019. The Finance and Administration Cabinet’s policies for vehicles have multiple areas that may be improved. The report has 10 recommendations.



## Foreword

Legislative Oversight and Investigations Committee staff appreciate all those who provided assistance with this report. The Finance and Administration Cabinet facilitated acquisition of information and data from the Office of the Controller, Commonwealth Office of Technology, and Office of Procurement Services, as well as the Division of State Risk and Insurance Services within the Office of the Controller and the Division of Surplus Properties within the Department for Facilities and Support Services. The cabinet's Office of the Secretary also provided feedback and follow-up related to draft finding sheets, which staff used to finalize the report.

Officials and staff from the Transportation Cabinet, Public Protection Cabinet, Kentucky State Police, and Department of Agriculture provided information and data related to independent fleets.

Jay D. Hartz  
Director

Legislative Research Commission  
Frankfort, Kentucky  
June 10, 2021





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## Summary

House Bill 6 from the 2021 regular session of the Kentucky General Assembly amended KRS 6.900 to change the name of the Program Review and Investigations Committee to the Legislative Oversight and Investigations Committee. The bill became law on March 12, 2021. The name change also became effective March 12, 2021 because the bill included an emergency clause.

This report analyzes processes and policies for state-owned vehicles in the central fleet and independent fleets. *Vehicle* was defined as a self-propelled automobile primarily used for conveying individuals.

The Finance and Administration Cabinet (FAC) is responsible for overseeing the central fleet that accounts for the largest group of vehicles. Agencies may manage their own fleet after approval by FAC. FAC provides vehicle procurement, liability coverage, and vehicle disposal for the central fleet and for independent fleets.

According to insurance records, agencies owned 8,033 vehicles in FY 2019. FAC owned 57.7 percent of vehicles. Light trucks and SUVs were the most common type of vehicles, at 49.1 percent of insured vehicles in FY 2019. Some vehicles are assigned for the use of individual staff. There were 1,052 of these permanently assigned vehicles in FY 2019.

State-owned vehicles are self-insured through FAC. Insurance changed from a private market plan in FY 2012, resulting in lower prices for basic liability coverage and comparable prices for physical damage coverage. Since FY 2012, liability coverage for pursuit vehicles has significantly increased.

Vehicle use is tracked through GPS services provided by AT&T. The systems track mileage, speed, and idle times. The commonwealth paid \$75 for each unit but receives a refund for the same amount. The commonwealth pays a monthly charge of \$21 for each unit.

Six executive branch agencies manage their own fleets. In FY 2019, these independent fleets owned 1,892 vehicles. To better understand how independent fleets operated, three agencies with independent fleets were reviewed: the Public Protection Cabinet, the Kentucky Department of Agriculture, and Kentucky State Police. Kentucky State Police is exempt from independent fleet requirements. These fleets still used FAC services for procurement, insurance, and vehicle disposal despite being independent.

KRS 45A.625 requires FAC to develop a strategy to replace at least 50 percent of passenger vehicles and light-duty trucks managed by Fleet Management as of January 1, 2014, with vehicles that have better fuel efficiency. It must also increase its use of alternative fuels to reduce dependence on petroleum-based fuels. By December 1 of each year, FAC must report to the Legislative Research Commission its strategy for achieving both goals. Aside from the November 20, 2020, memo to the Commission from the Office of Administrative Services, Fleet Management has not submitted annual reports detailing its transition to alternative-fuel vehicles.

If annual reports are not delivered, legislators cannot know whether FAC is replacing vehicles or increasing the use of alternative fuels.

### **Recommendation 3.1**

**The Finance and Administration Cabinet should submit annual reports to the Legislative Research Commission on or before December 1, as required by KRS 45A.625(2).**

KRS 44.045(4) requires agencies to receive approval from FAC before registering vehicles for investigatory purposes. KRS 186.065(2) does not require such approval. Both statutes include the Department of Revenue, the Justice and Public Safety Cabinet, and the Department of Law in their requirements. FAC is unaware of instances where agencies register and license state-owned vehicles under KRS 44.045(4). Staff from the Department of Revenue, the Justice and Public Safety Cabinet, and the Department of Law indicated that KRS 186.065(2) was used to register vehicles.

Due to the conflicting statutory language, confusion may arise over which statute to follow. In addition, it is not clear whether the approval envisioned under KRS 44.045(4) is designed to track the number of state-owned vehicles registered and licensed for investigatory purposes. If so, such a requirement could be duplicative of the registration and licensure requirements under KRS 186.020.

### **Recommendation 3.2**

**The Finance and Administration Cabinet should review the conflicting language in both KRS 44.045(4) and 186.065(2), as well as 200 KAR 40:020, sec. 6, to offer possible changes to reconcile conflicting language.**

### **Recommendation 3.3**

**The legislature may wish to consider reviewing KRS 44.045(4) and 186.065(2) to determine whether the approval of the Finance and Administration Cabinet is needed for agencies to register and license state-owned vehicles for investigatory purposes.**

In 200 KAR 40:020, sec. 2(3)(a), the FAC secretary is granted the discretion to authorize the establishment of an agency-specific motor pool upon written justification from an agency head. In 200 KAR 40:020, sec. 1(1), *agency-specific motor pool* is defined as a fleet of passenger carrying motor vehicles “owned, operated, and maintained by a state agency other than the Finance and Administration Cabinet.” According to FAC, written justifications must include data reflecting that an agency could provide a similar service level at a cost no greater than the cost to Fleet Management for a comparable service. However, FAC does not have copies of written justifications for five agencies with independent automobile fleets.

### **Recommendation 3.4**

**The Finance and Administration Cabinet should request and review written justifications from the five agencies with separate fleets to determine whether agencies are providing similar service levels at a cost less than or equal to the cost at which Fleet Management could provide comparable services.**

In 200 KAR 40:020, sec. 2(3)(c), agencies with independent fleets are required to submit cost-effectiveness and inventory reports annually or as requested by the cabinet, to demonstrate that the independent fleets meet requirements. FAC has not requested cost-effectiveness reports from five agencies that operate independent automobile fleets. As a result, it may be difficult for FAC to accurately assess whether independent automobile fleets are providing the best services for the least cost to the commonwealth.

### **Recommendation 3.5**

**The Finance and Administration Cabinet should request that agencies with independent automobile fleets submit annual cost-effectiveness reports.**

With the exception of the Public Protection Cabinet (PPC), FAC does not offer separate maintenance agreements to agencies with independent automobile fleets. The definition of *agency-specific motor pool* in 200 KAR 40:020, sec. 1(1), requires agencies to maintain their own fleets. PPC officials said maintenance agreements with FAC have resulted in vehicle costs higher than those for leasing a vehicle or maintaining its own vehicles.

### **Recommendation 3.6**

**The Finance and Administration Cabinet should work with the Public Protection Cabinet to determine whether the current maintenance agreement is beneficial to the commonwealth.**

Under 200 KAR 40:020, sec. 2(2), FAC is required to establish a statewide motor pool that provides “safe, reasonably priced, necessary, and essential vehicular transportation for a cabinet, agency, or entity of state government.” However, FAC has not tracked fleet expenditures broken down by categories prior to FY 2018. As a result, it may not have been able to determine how cost-effective its past operations were, nor would it have been able to properly evaluate written justifications and annual cost-effectiveness and inventory reports from agencies with independent fleets. Under 200 KAR 40:020, agencies with independent fleets are to show that they can provide similar service levels at no more than the cost FAC would incur. Without cost data from FAC’s own operations, such comparisons would be difficult.

### **Recommendation 3.7**

**The Finance and Administration Cabinet should continue to track expenditures broken down by certain categories related to agency rates in order to properly evaluate future**

**written justifications and cost-effectiveness and inventory reports submitted by agencies with separate fleets.**

In addition to the requirements in 200 KAR 40:020, sec. 2(2), that FAC establish a motor pool for “safe, reasonably priced, necessary, and essential vehicular transportation,” section 4(2)(b) requires that agencies wishing to purchase vehicles must submit a request to FAC, which should include the intended use of the vehicle as well as estimated annual vehicle mileage.

During the September 13, 2019, Program Review and Investigations Committee meeting, FAC provided testimony that, in 2016, it had identified underutilized vehicles as a major issue. At that time, GPS units were in approximately 3,800 vehicles, of which 15 percent had been driven less than 5,000 miles per year.

For FY 2019, 13 agencies drove 926 leased vehicles (24.4 percent) less than 5,000 miles. During the same period, seven agencies drove 110 purchased vehicles (24.0 percent) less than 5,000 miles. These percentages may indicate that agencies are not fully utilizing their vehicles and that the commonwealth may be buying more vehicles than necessary.

**Recommendation 3.8**

**The Finance and Administration Cabinet should continue to track the mileage of leased vehicles to identify potentially underutilized vehicles. It should also develop a process to work with agencies to determine whether the assignment of identified vehicles should be continued, modified, or rescinded.**

FAC did not have formal processes or policies for the previous recommendations. In addition, policies have not been updated to reflect current assignments of permanently assigned vehicles (PAVs). Budget bills since 2003 have restricted PAVs to constitutional officers, the Court of Justice, executive cabinet secretaries, law enforcement, or other public safety purposes. FAC distributed a memorandum in 2016 to note the changes, but the “Agency Guide For The Commonwealth’s Vehicles” has not been updated with the changes. As a result, agencies may not be fully aware of certain reporting and other requirements. If carried out, these requirements will help FAC determine the effectiveness of vehicle services provided statewide.

**Recommendation 3.9**

**The Finance and Administration Cabinet should develop a formal strategy for replacing state-owned passenger vehicles and light-duty trucks with more energy-efficient alternatives. It should also report benchmarks and revisions to the strategy as part of its annual reporting to the Legislative Research Commission under KRS 45A.625(2).**

### **Recommendation 3.10**

**The Finance and Administration Cabinet (FAC) should review its “Agency Guide For The Commonwealth’s Vehicles” and 200 KAR 40:020 to ensure that guidance is detailed enough for agencies to understand. At a minimum, the following should be reviewed:**

- **Although 200 KAR 40:020 requires requests to license a state-owned motor vehicle with a nonofficial license plate pursuant to KRS 44.045(4) and 186.020, the guide does not provide additional detail. Neither criterion addresses KRS 186.065(2), which according to FAC is the statute that agencies use when licensing a state-owned motor vehicle with a nonofficial license plate without FAC approval.**
- **In addition to the guide’s requirements for agencies wishing to establish an independent fleet (in the guide’s “Justification” section on page 8), additional detail related to annual cost-effectiveness and inventory reports should be included as envisioned by 200 KAR 4:020, sec. 2(3)(c).**
- **Although 200 KAR 4:020 does not discuss underutilized vehicles, the guide requires agencies to furnish FAC with justification of continued retention of a vehicle, if the vehicle does not meet established requirements for agency assignment. The established requirements should be clearly identified for agencies in order to make an assessment, before providing justification for continued retention to FAC.**
- **The guide has not been updated to reflect legislative changes in 2016 (HB 303) to “restrict permanently assigned vehicles to only Constitutional Officers, the Court of Justice, Executive Cabinet Secretaries, law enforcement, or for other public safety purposes.” Although FAC sent a June 2016 memo to cabinet secretaries, agency heads, and constitutional officers discussing the changes, the guide has not been properly updated.**





## Chapter 1

### State-Owned Vehicles

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**At its March 15, 2017, meeting, the Legislative Oversight and Investigations Committee voted to initiate a study of state-owned vehicles.**

At its March 15, 2017, meeting, the Legislative Oversight and Investigations Committee voted to initiate a study of state-owned vehicles. The committee directed staff to investigate state-owned vehicles, policies, liability insurance coverage, and other related matters. In 2017, the Finance and Administration Cabinet (FAC) began implementing a new vehicle tracking system. Study activity paused until the new system was in place, and it resumed in January 2020.

#### Major Objectives

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**This study had two major objectives.**

The major objectives for this study were to

- determine the number and types of state-owned vehicles; and
- determine whether Kentucky’s statutes, regulations, and policies for the effective, efficient use of vehicles were followed.

#### Methodology

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**Vehicle was defined as a self-propelled device whose primary purpose is transporting individuals.**

For this study, *vehicle* is defined as a self-propelled device whose primary purpose is transporting individuals—in contrast to mobile equipment, or self-propelled devices whose primary purpose is some type of work, such as bulldozers or backhoes.

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**This report focused on automobiles due to the lack of centralized information for watercraft and aircraft.**

This report focused on automobiles due to the lack of centralized information for watercraft and aircraft. Automobile information is available through vehicle registrations and the commonwealth’s self-insured automobile liability coverage. However, vehicle registration records are inaccurate, as there is no requirement to remove vehicles after disposal and there is little control over the information entered. Watercraft information is available only through vehicle registrations and has the same issues. Aircraft records are available through the Federal Aviation Administration, but there is no centralized authority for aircraft as there is for automobiles.

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**The central fleet is the collection of vehicles owned and managed by the Finance and Administration Cabinet (FAC). Independent fleets are those managed by any other agency.**

This report examines the central fleet and independent fleets. The central fleet is the collection of vehicles owned and managed by FAC. Agencies may temporarily borrow vehicles from the fleet or lease vehicles from the fleet on a long-term basis. Independent fleets are fleets of passenger vehicles owned, operated, and maintained by a state agency other than FAC.

The report focused on FAC management of vehicles because it manages the central fleet and has oversight responsibility for the efficiency of independent fleets. Agencies require the approval of FAC to manage their own fleets. FAC is also responsible for reviewing cost-effectiveness and inventory reports for independent fleets. Kentucky State Police (KSP) has an independent fleet but was not required to provide a justification and is exempt from reporting requirements.

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**Three agencies with independent fleets were examined: the Public Protection Cabinet (PPC), the Kentucky Department of Agriculture (KDA), and Kentucky State Police (KSP).**

Three agencies with independent fleets were studied to examine the process of managing an independent fleet. The Public Protection Cabinet (PPC) was selected because it was identified as a large user of vehicles at the September 13, 2019, meeting of the Legislative Oversight and Investigations Committee (then known as the Program Review and Investigations Committee). The Kentucky Department of Agriculture (KDA) was selected because FAC staff identified it as having a large independent fleet and because its agriculture focus may have led to vehicle needs different from those of PPC. KSP was chosen because it had the largest number of vehicles among independent fleets, it is inherently independent by regulation, and it is exempt from independent fleet reporting requirements.

To determine vehicle counts and adherence to requirements, staff conducted the following research, interviews, and data analyses:

- Reviewed KRS Chapters 42, 44, 45A, 174, 186, and 304 for statutory regulations for vehicles.
- Reviewed Title 200 regulations to determine regulatory requirements for vehicles.
- Reviewed the “Guide For Drivers Of The Commonwealth’s Vehicles” and the “Agency Guide For The Commonwealth’s Vehicles.”
- Interviewed officials from FAC’s Division of Fleet Management, the Public Protection Cabinet, the Kentucky Department of Agriculture, and Kentucky State Police to understand how fleets were managed.
- Interviewed staff from FAC’s Division of State Risk and Insurance Services to document liability coverage.

- Interviewed staff from FAC’s Division of Surplus Property to understand vehicle disposal processes.
- Sent data requests to FAC’s Office of Procurement Services to understand how vehicle and GPS contracts were established.
- Interviewed staff from the Kentucky Transportation Cabinet to understand reliability of vehicle registrations.
- Interviewed Legislative Research Commission staff to determine whether vehicle reports from FAC had been delivered.
- Contacted staff from the Office of the Attorney General, Kentucky State Police, and FAC to determine how investigatory vehicles are registered.
- Extracted contract information from the statewide accounting system to review master agreements for vehicles and GPS.
- Extracted data from the statewide accounting system for FAC’s Division of Fleet Management to calculate vehicle purchases, costs of operating the central fleet, and availability of cost information.
- Requested and reviewed central fleet vehicle usage to determine number of vehicles underused.
- Requested and reviewed vehicles assigned to individual staff.
- Requested and reviewed insurance policy prices for commonwealth vehicles.
- Requested and reviewed sales of surplus vehicles by FAC’s Division of Surplus Vehicles.
- Reviewed vehicle registration data from the Department of Transportation for potential use as vehicle counts.
- Reviewed vehicle insurance data to use for vehicle counts.

### Major Conclusions

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**This report has eight major conclusions.**

This report has eight major conclusions:

- FAC is statutorily required to submit reports detailing its progress toward replacing passenger vehicles and light-duty trucks with fuel-efficient vehicles. However, FAC only began submitting a report in November 2020, and the report lacked some required information.
- Two statutes allow the Department of Revenue, the Justice and Public Safety Cabinet, and the Department of Law to register vehicles for investigatory purposes. One of them requires approval from FAC; the other one does not mention approvals. This difference may be a statutory conflict.
- FAC regulation outlines the procedures for an agency to create its own independent fleet. The regulation requires agencies to

submit justifications for the fleet. These justifications have not been maintained.

- FAC regulation requires most agencies with independent fleets to submit cost-effectiveness reports annually or at the request of FAC. These reports have not been submitted or requested.
- The definition of *independent fleet* requires the agency to maintain its fleet. The Public Protection Cabinet has maintenance agreements with FAC to provide maintenance for PPC vehicles. No other agency has this arrangement. Public Protection staff have said the arrangement may not be efficient.
- In the past, FAC staff have not tracked costs for the central fleet. FAC staff have begun to track costs, and historic costs appear to be available through the statewide accounting system.
- In FY 2019, approximately 24 percent of vehicles leased from the central fleet were driven less than 5,000 miles. Underutilization has been an issue since at least calendar year 2016, when FAC said that approximately 15 percent of vehicles were driven less than 5,000 miles.
- FAC does not appear to have formal processes or policies for alternative-fuel vehicles, approving vehicle registrations for investigatory purposes, reviewing justifications for independent fleets, reviewing cost-effectiveness and inventory reports for independent fleets, and identifying underutilized vehicles. In addition, FAC's guides for vehicles suggest that vehicles may be permanently assigned to an individual for reasons no longer allowed under budget bills since 2016.

### **Structure Of This Report**

Chapter 2 of this report details the policies and procedures associated with state-owned vehicles. The chapter outlines the number of vehicles owned by state agencies and the procurement, liability coverage, and disposal of vehicles.

Chapter 3 presents major findings developed during the writing of this report, as well as 10 recommendations related to those findings.

## Chapter 2

### State-Owned Vehicles Background

**The Division of Fleet Management provides administrative and technical services for state-owned vehicles.**

KRS 42.0145(2) establishes the Division of Fleet Management (DFM) within the Office of Administrative Services of the Finance and Administration Cabinet. DFM provides technical and administrative services, including state motor pool management, oversight of permanently assigned vehicles (PAVs), and vehicle maintenance and repair services. Table 2.1 provides receipts and expenditures for DFM. After excluding carryovers from the previous year, receipts did not cover expenditures in 2 years.

**Table 2.1  
 Division Of Fleet Management Expenditures And Receipts (In Millions Of Dollars)  
 FY 2016 To FY 2020**

Transaction Type	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Total
Total restricted receipts*	\$30.3	\$28.0	\$27.9	\$22.7	\$21.6	\$130.5
Total expenditures	\$22.5	\$23.6	\$22.1	\$25.0	\$25.7	\$118.9
Surplus/(deficit)	\$7.8	\$4.4	\$5.8	(\$2.3)	(\$4.0)	(\$0.5)

Note: Total expenditures does not equal the sum of personnel, operating, and capital expenditures in FY 2019 because of rounding. Surplus/(deficit) does not equal the difference between total restricted receipts and total expenditures for FY 2020 because of rounding.

\*Includes six revenue sources from general and agency fees, motor pool rental income, and other.

Source: Kentucky. Finance and Administration Cabinet. Fleet Expenditures, FY 2018 to FY 2020.

**The Office of Procurement Services handles procurement activities for state vehicles. Vehicles are procured using master agreements.**

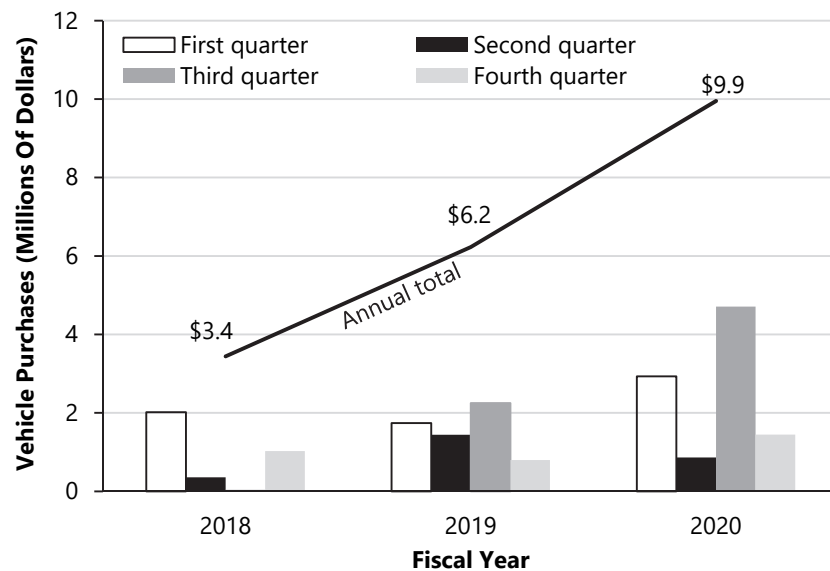
The Office of Procurement Services handles procurement activities related to state-owned vehicles. State-owned vehicles fall into three categories: vehicles with official identifying markings, vehicles approved by the FAC secretary for investigatory purposes by specific agencies, and vehicles that are to be used by Kentucky judges and justices and may not bear official markings (KRS 44.045).

Vehicles are typically procured using master agreements from which agencies can select vehicles suiting their needs. For example, officials at the Public Protection Cabinet said there were no known instances where appropriate vehicles could not be procured through an FAC master agreement.<sup>1</sup> Master agreements are contracts that allow the state to procure goods and services without having to renegotiate the terms of the contract for each individual procurement. Multiple agencies are able to procure from the same master agreement, depending on need and funding.

**Vehicle purchases nearly tripled from \$3.4 million in FY 2018 to \$9.9 million in FY 2020.**

The cost of vehicle purchases nearly tripled between FY 2018, when the state spent \$3.4 million, and FY 2020, when it spent \$9.9 million. Figure 2.A shows vehicle purchase totals by fiscal year quarter. Amounts for third-quarter purchases have increased significantly, from \$40,000 in 2018 to \$4.7 million in 2020.

**Figure 2.A**  
**Central Fleet Vehicle Purchases By Quarter**  
**FY 2018 To FY 2020**



Source: Staff analysis of Division of Fleet Management, Finance and Administration Cabinet data from Financial Analysis System 3, eMARS.

## Vehicle Policies And Processes

### Statutory And Other Requirements

**Statutory and regulatory guidelines describe vehicle purchasing and management at the Finance and Administration Cabinet. KRS 44.045 and 186.065 and KAR 200 40:020 provide guidelines for state-owned vehicles.**

There are myriad statutory and other guidelines related to the Finance and Administration Cabinet's purchasing, leasing, and management of state vehicles. For example, KRS 186.065 and 44.045 require state-owned vehicles to display official license plates and identifying markings. The statutes also provide exceptions for unmarked state-owned vehicles. Table 2.2 lists additional requirements related to the purchase and lease of vehicles, which are discussed in more detail within the report.

**Table 2.2**  
**Requirements For State-Owned Vehicles**

<b>Criterion</b>	<b>Requirements And Guidelines</b>
KRS 44.045(2)	Authorizes FAC to purchase state vehicles considered necessary by either FAC or the Kentucky Transportation Cabinet. Authorizes FAC to assign passenger motor vehicles to specific individuals, based on a written request and approval by the FAC secretary.
KRS 44.045(4)	Allows the Department of Revenue, the Justice and Public Safety Cabinet, and the Department of Law, upon written approval by the FAC secretary, to register a vehicle or vehicles under KRS 186.020 and be issued regular license plates for investigatory purposes.
KRS 44.045(6)	Authorizes the FAC secretary to adopt administrative regulations pursuant to KRS Chapter 13A necessary to govern the use of state-owned vehicles.
KRS 45A.625	Requires FAC to develop a strategy to replace at least 50 percent of passenger vehicles and light-duty trucks managed by Fleet Management as of January 1, 2014, with vehicles that are more fuel-efficient. It must also increase its use of alternative fuels to reduce dependence on petroleum-based fuels. Requires that on or before every December 1, FAC must report to the Legislative Research Commission its strategy for achieving both goals. The report is required to include a life-cycle cost comparison for vehicles and a targeted amount of alternative fuels.
KRS 186.065(2)	Allows the Department of Revenue, the Transportation Cabinet, the Justice and Public Safety Cabinet, the Public Protection Cabinet, and the attorney general to register state-owned vehicles under KRS 186.020 and be issued regular license plates for investigatory purposes.
200 KAR 40:020, sec. 1(1)	Defines an agency-specific motor pool as a fleet of passenger-carrying motor vehicles "owned, operated, and maintained by a state agency other than the Finance and Administration Cabinet." Requires agencies with an agency-specific motor pool to maintain their own fleets.
200 KAR 40:020, sec. 2(2)	Requires FAC to establish a statewide motor pool that provides "safe, reasonably priced, necessary, and essential vehicular transportation for a cabinet, agency, or entity of state government."
200 KAR 40:020, sec. 2(3)(a)	Grants discretion to the FAC secretary to authorize the establishment of an agency-specific motor pool upon written justification from an agency head.
200 KAR 40:020, sec. 2(3)(c)	Requires agencies with independent automobile fleets to submit cost-effectiveness and inventory reports to FAC annually or as requested by the cabinet.

Source: Staff analysis of statutes and regulations.

**FAC publishes two guides related to vehicle use in the state, including employee use of vehicles, fleet management, and maintenance.**

**Agency Vehicle User Guides.** In addition to statutory and regulatory requirements, FAC publishes two guides that detail vehicle use in the state: the "Agency Guide For The Commonwealth's Vehicles" and the "Guide For Drivers Of The Commonwealth's Vehicles." The "Agency Guide For The Commonwealth's Vehicles," incorporated by reference in 200 KAR 40:010, describes four categories of vehicle assignments that are also implied in the drivers guide:

- Agency-assigned vehicles

- Agency-owned vehicles
- Fleet-owned vehicles
- Exempt vehicles<sup>a</sup>

The agency guide contains information about all vehicle categories, fleet management, inventory, and maintenance. The drivers guide reiterates information from the agency guide and provides additional guidance for employee use of state vehicles.

### Information On State-Owned Vehicles

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**There is no centralized record of all vehicles owned by the state. The Transportation Cabinet and FAC's Division of State Risk and Insurance manage the most nearly complete records of vehicles in the state.**

FAC is responsible for overseeing vehicles within the state's fleet. However, there is no centralized record of all vehicles owned by the state. The most nearly complete records of road vehicles are vehicle registration records collected by the Transportation Cabinet and insurance records collected by the Division of State Risk and Insurance Services; both sources have issues that prevent them from being accurate.

Transportation staff indicated that registration records may not be accurate because there is no consistent way to enter vehicle registration and there is no requirement to remove a registration once a vehicle is no longer being used. For example, a vehicle registered to the Commonwealth could have a registration of "COK," "Commonwealth of Kentucky," or any other variation. Also, if an agency no longer owns a vehicle, it must actively remove the vehicle from its registration or it will continue to remain in records.<sup>2</sup>

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**State Risk uses a self-reporting automobile insurance program to track vehicles in the state. Audits of randomly selected vehicles are conducted each day to ensure correct information is being reported.**

State Risk's vehicle records come from its self-administered automobile insurance program. Agencies self-report vehicles to State Risk. State Risk employees randomly select a number of vehicles to audit each day and compare the vehicle identification numbers with a vehicle database. Agencies have an incentive to provide correct information, because incorrect information can lead to a higher insurance rate.<sup>3</sup> The daily audits make these data more accurate but exclude any vehicles that are not insured. For example, Kentucky State Police has training motorcycles that appear in the Transportation data but not the State Risk data.

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<sup>a</sup> Agency-assigned vehicles are fleet-owned but remain at specific agency locations for daily use. Agency-owned vehicles are owned, operated, and maintained by an agency other than FAC. Fleet-owned vehicles are owned, operated, and maintained by FAC. Exempt vehicles include Kentucky State Police vehicles, state-supported university vehicles, and non-passenger-carrying vehicles with weight ratings over three-quarters of a ton.



**FAC's central fleet accounted for more than half of state vehicles from FY 2015 to FY 2019.**

Table 2.3 provides the number of state-owned vehicles by agency. FAC's central fleet accounted for more than half of vehicles in each year.

**Table 2.3  
State-Owned Vehicles By Agency  
FY 2015 To FY 2019**

<b>Agency</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
Finance and Administration Cabinet	4,853	4,727	4,844	4,517	4,639
Justice and Public Safety Cabinet	1,900	1,889	1,936	1,926	2,056
Energy and Environment Cabinet	760	743	756	767	763
General Government Cabinet	184	187	180	193	204
Public Protection Cabinet	134	144	155	174	174
Kentucky Lottery Corporation	58	59	58	58	63
Administrative Office of the Courts	54	50	54	54	48
Transportation Cabinet	63	56	82	42	35
Tourism, Arts, and Heritage Cabinet	40	41	33	29	30
Education and Workforce Development Cabinet	12	8	8	8	8
Legislative Research Commission	8	8	8	8	7
Labor Cabinet	6	8	7	6	4
Cabinet for Health and Family Services	3	2	2	2	2
<b>Total</b>	<b>8,075</b>	<b>7,922</b>	<b>8,123</b>	<b>7,784</b>	<b>8,033</b>

Source: Kentucky. Finance and Administration Cabinet. Division of State Risk and Insurance Services. Mid-Year Vehicle Listing Report Audit, 2015 to 2019.

**Light trucks, including SUVs, were the most common type of vehicle from FY 2015 to FY 2019.**

Table 2.4 provides the number of state-owned vehicles by insurance category. Light trucks, which include SUVs, were the most common type of vehicles in each year.

**Table 2.4  
State-Owned Vehicles By Insurance Category  
FY 2015 To FY 2019**

<b>Vehicle Category</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
Light truck, weight rating of 5 tons or less*	4,173	4,111	4,093	3,892	3,959
Passenger car	1,621	1,586	1,583	1,383	1,420
State Police pursuit	724	685	828	1,167	1,359
State Police nonpursuit	942	972	960	604	533
Van or bus, carries 9 to 20 people	446	405	412	398	409
Enforcement nonpursuit	132	123	0	156	175
Enforcement pursuit	6	12	218	157	163
Bus, carries 21 to 60 people	20	17	19	18	13
Bus, carries more than 60 people	11	11	10	9	2
<b>Total</b>	<b>8,075</b>	<b>7,922</b>	<b>8,123</b>	<b>7,784</b>	<b>8,033</b>

\* *Light truck* includes SUVs.

Source: Kentucky. Finance and Administration Cabinet. Division of State Risk and Insurance Services. Mid-Year Vehicle Listing Report Audit, 2015 to 2019.

**A permanently assigned vehicle is used exclusively by a specific employee for official purposes, and it may be parked at a private residence.**

**Permanently Assigned Vehicles.** KRS 44.045(2) authorizes FAC to approve written requests from agencies to designate permanently assigned vehicles for official purposes. The “Agency Guide For The Commonwealth’s Vehicles” provides further guidance and defines *permanently assigned vehicle*:

A permanently assigned vehicle is allocated for the exclusive use of a specific employee who uses it in the performance of his or her official duties. These vehicles may be parked at a private residence and are sometimes referred to as “take home” vehicles.<sup>4</sup>

**The number of permanently assigned vehicles has decreased since FY 2015.**

Table 2.5 provides additional information on PAVs by cabinet. The overall number of PAVs has decreased since FY 2015. The Energy and Environment Cabinet and the Transportation Cabinet had the largest number of PAVs each year. The Public Protection Cabinet decreased its number of PAVs by 81.2 percent in FY 2017. The Tourism, Arts, and Heritage Cabinet decreased its PAVs by 58.2 percent in FY 2020.

**Table 2.5**  
**Permanently Assigned Vehicles**  
**FY 2015 To FY 2019**

<b>Cabinet</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Energy and Environment	310	310	326	319	311	298
Transportation	284	284	292	296	287	298
General Government	162	162	152	155	149	141
Justice and Public Safety	57	57	73	73	95	89
Tourism, Arts, and Heritage	170	170	167	150	141	59
Public Protection	229	229	43	38	38	49
Finance and Administration	35	35	18	18	18	26
Education	13	13	10	10	10	10
Health and Family Services	5	5	5	2	3	3
<b>Total</b>	<b>1,265</b>	<b>1,265</b>	<b>1,086</b>	<b>1,061</b>	<b>1,052</b>	<b>973</b>

Source: Troy Robinson, executive director, Office of Administrative Services, Finance and Administration Cabinet. “LRC Vehicle Study Questions (2-05-20).” Email to William Spears, June 21, 2020; Teresa Lajara, executive director, Legislative and Intergovernmental Affairs, Finance and Administration Cabinet. “12.30.20 Response to State Owned Vehicle Study Request from 11.10.20.” Email to William Spears, Dec. 30, 2020.

**KRS 45A.625 requires FAC to work toward greater use of alternative-fuel vehicles.**

**Alternative-Fuel Vehicles.** KRS 45A.625 requires FAC to work toward greater use of alternative-fuel motor vehicles. It is required to develop a strategy to replace at least 50 percent of state-owned passenger vehicles and light-duty trucks managed by the Division of Fleet Management as of January 2014. Replacement vehicles include hybrid motor vehicles, advanced lean-burn technology motor vehicles, fuel cell motor vehicles, and alternative-fuel motor vehicles. The strategy must also increase the use of ethanol, cellulosic ethanol, biodiesel, and other alternative transportation

fuels to reduce dependence on petroleum-based fuels where possible.

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**By December 1 of each year, FAC must report to the Legislative Research Commission its strategy to transition to alternative fuels, including a life-cycle cost comparison and a timetable to replace vehicles.**

By December 1 of each year, FAC must report to the Legislative Research Commission its strategy to transition motor vehicles to alternative fuels, including a life-cycle cost comparison and a timetable to replace vehicles in the state motor pool. It must also report the strategy for increased use of ethanol, cellulosic ethanol, biodiesel, and alternative transportation fuels, including the targeted amount and anticipated dates of use (KRS 45A.625).

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**FAC staff reviewed compressed natural gas as a possible strategy for alternative fuel but found it too costly.**

In September 2020, FAC staff stated that they had looked at various alternative-fuel strategies, with compressed natural gas reviewed most recently. They found that the gas refilling stations were limited and conversion kits were expensive. Converted vehicles would require 9 years of use, on average, to justify the cost. They did not pursue the strategy.<sup>5</sup>

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**On November 20, 2020, FAC submitted a memorandum to the Legislative Research Commission referring to KRS 45A.625, stating that 50.5 percent of the fleet met the statute's alternative-fuel requirement.**

On November 20, 2020, FAC submitted a memorandum to the Legislative Research Commission referring to KRS 45A.625. It stated that 50.5 percent of the fleet met the requirement: 2,142 vehicles used E85 flex fuel, and 10 vehicles were hybrids. FAC indicated that it will continue to explore opportunities to buy alternative-fuel vehicles but, with lower fuel prices, would strive to balance vehicle purchase price and long-term costs against alternative fuel options.<sup>6</sup>

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**The Division of State Risk and Insurance Services provides insurance to all state vehicles through the Kentucky Self-Insured Auto Program (KSAP).**

**State Risk And Insurance Policies.** The Division of State Risk and Insurance Services is statutorily required to provide insurance for all state-owned vehicles (KRS 42.0651(1)(f)). State Risk manages the Kentucky Self-Insured Auto Program (KSAP), a state-owned insurance program established in 2011.<sup>7</sup>

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**Approximately 13,000 vehicles were insured through KSAP as of FY 2020, which also includes vehicles from quasi-governmental agencies, the Kentucky Community and Technical College System, and Murray State University.**

KSAP provides insurance for state-owned vehicles as well as vehicles owned by some quasi-government agencies (such as the Kentucky Lottery Corporation and the Kentucky Higher Education Assistance Authority), the Kentucky Community and Technical College System, and Murray State University.<sup>8</sup> There were approximately 13,000 vehicles insured through KSAP as of FY 2020. The program insures both passenger vehicles and mobile equipment such as construction vehicles, all-terrain vehicles, and golf carts.<sup>9</sup>

All vehicles insured through KSAP are covered, at minimum, by basic liability insurance.<sup>10</sup> In addition, agencies have the option to

purchase physical damage insurance through KSAP.<sup>11</sup> Physical damage coverage insures against damage to the insured's own vehicle incurred through events such as collision, fire, natural disasters, theft, or vandalism.<sup>12</sup>

**KSAP Rates.** Prior to the establishment of KSAP in 2011, the state purchased vehicle insurance on the private market through a request for proposal.<sup>13</sup> State vehicles were insured by Travelers Indemnity Company prior to the switch to a state-owned vehicle insurance program.<sup>14</sup> The initial KSAP premium rates were based on the rates charged by Travelers Insurance and discounted by 20 percent.<sup>15</sup> The move to a state-owned vehicle insurance program was projected to generate taxpayer savings of \$750,000 per year.<sup>16</sup>

**Premiums charged for liability coverage decreased significantly in FY 2012 when KSAP was established, but the cost of that coverage for enforcement pursuit vehicles and KSP pursuit vehicles has increased.**

As shown in Table 2.6, the premiums charged for liability coverage decreased significantly in FY 2012 when KSAP was established. The premiums for physical damage increased by small amounts when FAC started KSAP. Since FY 2012, rates have increased. Liability premiums increased by more than 200 percent for enforcement pursuit vehicles and by more than 170 percent for KSP pursuit vehicles.

**Table 2.6**  
**Annual Vehicle Insurance Premium**  
**FY 2011, FY 2012, And FY 2020**

Vehicle Type	FY 2011 Market Price		FY 2012 Self-Insured		FY 2020 Self-Insured	
	Liability	Physical Damage	Liability	Physical Damage	Liability	Physical Damage
Passenger car	\$216.08	\$483.09	\$174.92	\$491.79	\$268.00	\$749.00
Vans/buses, 9 to 20 people	412.51	293.89	332.34	299.18	506.00	456.00
Buses, 21 to 60 people	712.53	292.38	572.04	297.64	872.00	455.00
Buses, more than 60 people	962.49	293.89	771.80	299.18	1,176.00	456.00
Light trucks*	378.60	453.48	282.12	461.64	431.00	704.00
Enforcement nonpursuit	245.37	472.97	197.45	481.48	602.00	734.00
Enforcement pursuit	637.66	483.09	503.23	491.79	1,535.00	749.00
State police nonpursuit	252.87	106.50	257.42	108.42	901.00	166.00
State police pursuit	860.35	106.50	875.84	108.42	2,436.00	207.00

\*Light trucks are trucks or SUVs with a weight rating of 5 tons or less.

Source: Staff compilation of insurance rates received from the Division of State Risk and Insurance Services.

**AT&T Mobility provides GPS units for state-owned vehicles through a competitively bid master agreement.**

**Vehicle GPS.** AT&T Mobility provides GPS units for state-owned vehicles through a competitively bid master agreement. The contract was awarded on November 16, 2007, and was renewed for 3 subsequent years, ending on November 15, 2012.

The contract was started through an agreement with the Western States Contracting Alliance (WSCA) on October 12, 2012, for cooperative purchasing among several states. WSCA was a national contracting cooperative associated with the National Association of Procurement Officers, now NASPO Value Point (NVP). Through the agreement with WSCA/NVP, a contract was awarded to AT&T Mobility for wireless services. The duration of the contract was 4 years with two 2-year optional renewals. The contract was set to expire on December 31, 2020.<sup>17</sup>

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**FAC staff indicated that GPS units were used to track monthly mileage and speeding at each agency, including any overages.**

According to both FAC vehicle user guides, vehicles may be tracked to monitor utilization, including mileage, speed, and idle times.<sup>18</sup> FAC staff indicated that GPS units were used to track monthly mileage and speeding at each agency, including any overages. Although speeding is monitored through GPS units, speed limits are not taken into account, and it may be difficult to determine whether speeding occurred in an area with a low speed limit.<sup>19</sup>

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**On December 9, 2019, FAC installed 3,412 GPS units on state vehicles.**

On December 9, 2019, FAC installed 3,412 GPS units on state vehicles. According to FAC staff, the state paid \$75 for each unit but then received a refund for the same amount. The state pays a monthly service charge of approximately \$21 for each GPS unit.<sup>20</sup>

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**Disposition of vehicles requires the approval of the FAC secretary, unless FAC delegates the authority for an agency to dispose of vehicles without FAC approval. The agency making the disposal retains proceeds from the sale of surplus vehicles.**

**Division Of Surplus Properties.** Disposition of vehicles requires the approval of the FAC secretary, unless FAC delegates the authority for an agency to dispose of vehicles without FAC approval. Agencies send a disposal request and certificate of title to Surplus Properties for each vehicle. Vehicles that are inoperable and cannot be restored are noted by the agency in the disposal request so that an appropriate disposal method can be arranged. The agency making the disposal retains proceeds from the sale of surplus vehicles.<sup>21</sup>

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**Fiscal years 2018 and 2019 had the highest revenue from the sale of surplus vehicles even though two agencies conducted no sales during FY 2019.**

Table 2.7 shows revenue from the sale of vehicles by agency for 5 fiscal years. On average, vehicles sold for at least \$2,500 in each year. Fiscal years 2018 and 2019 had the highest revenue from the sale of surplus vehicles, and FY 2019 had a higher average revenue even though KSP and the Division of Fleet Management conducted no sales during FY 2019.

**Table 2.7**  
**Surplus Vehicle Sale Revenue**  
**FY 2015 To FY 2019**

<b>Fiscal Year</b>	<b>Vehicles Sold</b>	<b>Revenue</b>	<b>Average Revenue Per Vehicle</b>
2015	765	\$2,050,191	\$2,680
2016	695	1,954,901	2,813
2017	716	1,904,078	2,659
2018	1,053	2,713,824	2,577
2019	644	2,693,841	4,183

Note: The Division of Surplus Properties retained 10 percent of revenue from 2015 to 2017 and 15 percent of revenue from 2018 and 2019.

Source: Kentucky. Finance and Administration Cabinet. Division of Surplus Properties.

### Independent Fleets

**The FAC secretary can authorize the establishment of agency-specific fleet. The number of vehicles in independent fleets has remained relatively stable since FY 2015.**

In 200 KAR 40:020, sec. 2(3)(a), the FAC secretary is granted discretion to authorize the establishment of an agency-specific motor pool upon written justification from an agency head. Kentucky State Police was not required to provide a justification for its independent fleet. Table 2.8 provides the number of vehicles in independent fleets. The number of vehicles remained relatively similar, increasing 5.8 percent from FY 2015 to FY 2019. Kentucky State Police had more than 60 percent of vehicles in each fiscal year.

**Table 2.8**  
**Vehicles In Independent Fleets**  
**FY 2015 To FY 2019**

<b>Independent Fleet</b>	<b>Fiscal Year</b>				
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Kentucky State Police	1,767	1,752	1,788	1,771	1,892
Energy and Environment Cabinet	760	743	756	767	763
Public Protection Cabinet	134	144	155	174	174
Department of Agriculture	165	168	159	166	152
Facilities and Support Services	36	36	36	30	29
Office of Attorney General	0	0	2	5	18
Total	2,862	2,843	2,896	2,913	3,028

Source: Kentucky. Finance and Administration Cabinet, Division of State Risk and Insurance Services. Mid-Year Vehicle Listing Report Audit, FY 2015 to FY 2019.

To more fully understand the nature of independent fleets, staff selected the Public Protection Cabinet, Department of Agriculture, and Kentucky State Police for further review. The Public Protection Cabinet was selected because it was identified as a large user of vehicles in the September 13, 2019, meeting of the

Legislative Oversight and Investigations Committee. The Kentucky Department of Agriculture was selected because FAC staff identified it as a large independent fleet and because its agriculture focus may have led to vehicle needs different from those of the Public Protection Cabinet. Kentucky State Police was chosen because it had the largest number of vehicles among independent fleets and it was inherently independent by regulation.

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**The Public Protection Cabinet operates an independent fleet of vehicles. Although PPC staff could discuss policies, they were unable to provide written policies upon request.**

**Public Protection Cabinet.** The Public Protection Cabinet does not have a written policy for assignment of vehicles.<sup>22</sup> PPC staff were able to discuss policies for vehicle usage but were unable to provide written policies upon request.

PPC has three categories of vehicles in its fleet:

- Vehicles owned and maintained by PPC
- Vehicles owned by PPC and maintained by FAC through a maintenance agreement
- Vehicles owned and maintained by FAC

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**PPC owned 209 vehicles during FY 2020. The Department of Housing, Buildings, and Construction owned the majority, with 139 vehicles.**

The cabinet owned 209 vehicles in its fleet during FY 2020. The Department of Housing, Buildings, and Construction owned the majority, with 139 vehicles.<sup>23</sup> During the same period, the cabinet leased 53 vehicles from FAC.<sup>24</sup>

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**The cabinet purchases types of vehicles based on intended use and the requirements of the agency.**

The cabinet's annual budget, including agency vehicle costs, is assembled in April. Vehicle costs in master agreements are used to calculate the fleet segment of the budget. The cabinet purchases types of vehicles based on intended use and the requirements of the agency. For example, the Department of Housing, Buildings, and Construction requires 4×4 pickup trucks to carry equipment to and from work sites where conditions often require four-wheel-drive capability.<sup>25</sup>

PAVs are used exclusively by PPC law enforcement personnel. All other PPC staff are assigned a vehicle as a primary driver, but they are not permitted to drive the vehicles home.<sup>26</sup> In FY 2020, the cabinet had 57 permanently assigned vehicles.<sup>27</sup>

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**The Kentucky Department of Agriculture has operated and maintained an independent vehicle fleet since January 1, 2007. The fleet consists mostly of sedans, SUVs, and trucks with a gross vehicle weight of less than 1 ton.**

**Department Of Agriculture.** The Kentucky Department of Agriculture has operated and maintained an independent vehicle fleet since January 1, 2007.<sup>28</sup> Excluding vehicles to be disposed, KDA's fleet typically comprises 165 to 170 vehicles located throughout Kentucky. The fleet consists mostly of sedans, SUVs, and trucks with a gross vehicle weight of less than 1 ton.<sup>29</sup> In an effort to maximize efficiencies and cut costs, KDA has decreased

the size of its fleet over the past decade by centralizing vehicle data with a fleet management software system.<sup>30</sup>

**KDA inventories show that, on average from FY 2015 to FY 2019, 130 of the department's vehicles were assigned to individual employees.**

KDA vehicle inventories show that, on average from FY 2015 to FY 2019, 130 of the department's vehicles were assigned to individual employees. KDA assigns vehicle in accordance with FAC policy and submits an annual report detailing and justifying all permanently assigned vehicles.<sup>31</sup> Vehicle assignments are based on the department's operations and on individual job duties.<sup>32</sup>

**For nearly all KDA requests for permanently assigned vehicles prior to FY 2017, the employee's official workstation was his or her home, and mileage and commuting criteria were met.**

For nearly all KDA requests for permanently assigned vehicles prior to FY 2017, the employee's official workstation was his or her home, and mileage and commuting criteria were met. A review of KDA justifications for 2016 and 2017 shows that 234 of the 236 justifications were identical, stating that the employee had a home workstation, did not use the vehicle to commute, and exceeded 10,000 miles per year.<sup>33</sup>

**The Kentucky State Police fleet operates separately from FAC. According to regulation, KSP is exempt from FAC approvals for vehicle purchases and assignment to staff.**

**Kentucky State Police.** The KSP fleet operates separately from FAC. KSP is exempt from FAC approvals for vehicle purchases and assignment to staff (200 KAR 40:020, sec. 4(2)(a)). The KSP passenger fleet consisted of 1,892 vehicles in FY 2019, with pursuit vehicles representing 71.8 percent of the fleet.<sup>34</sup> KSP procures vehicles through budget requests or through general funds when budget requests are not awarded. Although KSP manages its own fleet, it purchases vehicles through statewide master agreements with approved dealers.<sup>35</sup> KSP also works with FAC staff to purchase insurance for vehicles.<sup>36</sup>

**KSP monitors its own fleet of vehicles and makes determinations for procurement as the budget allows and as needs are identified at the branch level.**

KSP monitors its own fleet of vehicles and makes determinations for procurement as the budget allows and as needs are identified at the branch level. KSP staff noted that specialty vehicles are evaluated on a case-by-case basis. Vehicles determined to be surplus are sold at auction in cooperation with the Division of Surplus Properties. Vehicles are sold based on the model year, mileage, condition, mechanical parts, and cost of maintenance. Vehicles are evaluated individually, and benchmarks are not used. Vehicle auctions are conducted either on site or through an online auction site.<sup>37</sup>



## Chapter 3

### Findings And Recommendations

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**This review produced six major finding areas and 10 recommendations.**

The review of state-owned vehicles produced six major finding areas and 10 recommendations, including one matter the General Assembly may wish to consider.

#### Alternative-Fuel Vehicles Annual Reports

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**Aside from a November 2020 memo, Fleet Management has not submitted required reports regarding alternative-fuel vehicles.**

Aside from a November 20, 2020, memorandum to the Legislative Research Commission from the Office of Administrative Services, Fleet Management has not submitted annual reports detailing its transition to alternative-fuel vehicles.

KRS 45A.625 requires the Finance and Administration Cabinet to develop a strategy to replace at least 50 percent of passenger vehicles and light-duty trucks managed by Fleet Management as of January 1, 2014, with vehicles that are more efficient. It must also increase its use of alternative fuels to reduce dependence on petroleum-based fuels.

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**Annual reports are required to address a strategy for replacing at least 50 percent of passenger vehicles and light-duty trucks with vehicles that are more fuel-efficient and to address FAC's goals for using alternative fuels. The reports must have a life-cycle cost comparison and a targeted amount of alternative fuels.**

The statute also requires that on or before every December 1, FAC must report to the Legislative Research Commission its strategy for achieving both goals. The report is required to include a life-cycle cost comparison for vehicles and a targeted amount of alternative fuels. If annual reports are not delivered, legislators cannot know

- whether Fleet Management is meeting legislative intent to replace state-owned passenger vehicles and light-duty trucks with vehicles that are more energy-efficient or
- whether the state is increasing the use of ethanol, biodiesel, and other transportation fuels to reduce state dependence on petroleum-based fuels.

The November 20, 2020 memorandum indicates that Fleet Management is in compliance with statutory requirements to develop a strategy to replace at least 50 percent of the state-owned passenger vehicles with “hybrid motor vehicles, advanced lean burn technology vehicles, qualified fuel cell motor vehicles or qualified alternative fuel motor vehicles.” However, the memo does not include a life-cycle cost comparison for alternative-fuel vehicles or a targeted amount of alternative fuels.

A September 8, 2020, response to legislative staff from Fleet Management stated that various fuel strategies were reviewed. For example, the most recent analysis of natural gas fuel found that filling stations were limited and conversion kits were expensive. As a result, the cabinet did not pursue the alternative-fuel strategy.<sup>38</sup>

### Recommendation 3.1

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#### Recommendation 3.1

**The Finance and Administration Cabinet should submit annual reports to the Legislative Research Commission on or before December 1, as required by KRS 45A.625(2).**

### Conflict In Vehicle Registration Statutes

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**The Finance and Administration Cabinet is unaware of agencies registering investigatory vehicles under KRS 44.045(4), which requires approval from FAC. Agencies instead use KRS 186.065(2) to register investigatory vehicles without approval.**

The Finance and Administration Cabinet is unaware of instances where agencies register and license state-owned vehicles for investigatory purposes under KRS 44.045(4), which requires the Department of Revenue, the Justice and Public Safety Cabinet, and the Department of Law to receive prior approval from FAC.<sup>39</sup> More specifically, approval is not required if agencies choose to register and license state-owned vehicles under KRS 186.065(2) and to be issued regular license plates for investigatory purposes.

Agencies such as the Transportation Cabinet, according to FAC, “consistently recognize KRS 186.065(2), to register and license state-owned vehicles for investigatory purposes, without the approval of FAC.”<sup>40</sup> Staff also found that the Kentucky State Police use KRS 186.065(2) when licensing state-owned vehicles for investigatory work.<sup>41</sup> It should be noted that KRS 186.065(2) includes the Transportation Cabinet and Public Protection Cabinet as additional agencies. Both statutes envision the issuance of regular license plates.

It appears that 200 KAR 40:020, sec. 6, envisions that agencies request approval prior to registering and licensing a state-owned vehicle for investigatory purposes under KRS 44.045(4). More specifically, it states: “A request to license a state-owned motor vehicle with a nonofficial license plate, pursuant to KRS 44.045(4) and 186.020, shall set forth the investigatory purposes for which the vehicle shall be used.” The regulation also assigns responsibility to the requesting agency to ensure that the use of the vehicle “is not abused.”

Staff also reviewed the application used by the Office of the Attorney General for registering and licensing vehicles.<sup>42</sup> It appears that agencies under either KRS 44.045(4) or 186.065(2) register and license such vehicles under KRS 186.020.

As a result of conflicting language in both statutes, confusion may arise at the agency level in terms of which statute to follow. In addition, it is not clear whether the approval envisioned under KRS 44.045(4) is designed to track the number of state-owned vehicles registered and licensed for investigatory purposes under that statute. If so, such a requirement could be duplicative of the registration and licensure requirements under KRS 186.020.

### Recommendation 3.2

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**Recommendation 3.2**

**The Finance and Administration Cabinet should review the conflicting language in both KRS 44.045(4) and 186.065(2), as well as 200 KAR 40:020, sec. 6, to offer possible changes to reconcile conflicting language.**

### Recommendation 3.3

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**Recommendation 3.3**

**The legislature may wish to consider reviewing KRS 44.045(4) and 186.065(2) to determine whether the approval of the Finance and Administration Cabinet is needed for agencies to register and license state-owned vehicles for investigatory purposes.**

## Independent Fleet Policies Not Followed

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**FAC has not requested cost-effectiveness reports from five agencies that operate independent fleets. It does not have the original justifications for fleets. Without justifications or cost reports, it may be difficult to determine whether independent fleets are providing the best services for the least cost.**

The Finance and Administration Cabinet has not requested cost-effectiveness reports from five agencies that operate independent automobile fleets. In addition, it does not have written justifications from these agencies showing that they can provide similar service levels at a cost less than or equal to what Fleet Management would spend.<sup>43</sup> As a result, it may be difficult for FAC to accurately assess whether independent automobile fleets are providing the best services for the least cost to the commonwealth.

In 200 KAR 40:020, sec. 2(3)(a), the FAC secretary is granted discretion to authorize the establishment of an agency-specific motor pool upon written justification from an agency head. In 200 KAR 40:020, sec. 1(1), *agency-specific motor pool* is defined as a fleet of passenger-carrying motor vehicles “owned, operated,

and maintained by a state agency other than the Finance and Administration Cabinet.”

Kentucky State Police is the largest of the agencies that maintain separate fleets. In 200 KAR 40:020, sec. 2(4), KSP is exempted from providing fleet justification, cost-effectiveness reports, and inventory reports. As was shown in Table 2.8, the number of vehicles in the KSP fleet ranged from 1,752 to 1,892 during fiscal years 2015 to 2019.

According to FAC, written justifications “shall include data that reflects the requesting agency could provide a similar service level at a cost less than or equal to the cost that Fleet Management could provide a comparable service.”<sup>44</sup> It also expressed doubts whether independent fleets could be more efficient, since agencies use FAC for procurement, insurance, and disposal.<sup>45</sup>

FAC does not have copies of written justifications for five agencies with independent automobile fleets.<sup>46</sup> According to FAC, written justifications may have been submitted prior to 2006, which is when Fleet Management was transferred to FAC from the Kentucky Transportation Cabinet. For fiscal years 2015 to 2019, FAC has not received written justifications to create agency-specific motor pools.

### Recommendation 3.4

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**Recommendation 3.4**

**The Finance and Administration Cabinet should request and review written justifications from the five agencies with separate fleets to determine whether agencies are providing similar service levels at a cost less than or equal to the cost at which Fleet Management could provide comparable services.**

In 200 KAR 40:020, sec. 2(3)(c), agencies with independent automobile fleets are required to submit cost-effectiveness and inventory reports to FAC on an annual basis or as requested by the cabinet. However, cost-effectiveness reports are not submitted annually, nor are they requested by FAC. As a result, FAC may not be able to determine whether agencies can provide a similar level of service at equal or lower costs than Fleet Management. FAC has indicated that it intends to request cost-effectiveness reports in the future.<sup>47</sup>

When Legislative Oversight staff discussed vehicle mileage with the Department of Agriculture, numerous errors were found in departmental inventory reports: 17 in FY 2015, 21 in FY 2016, 14 in FY 2017, 43 in FY 2018, and 2 in FY 2019. Agriculture staff

corrected the errors afterward. One notable example was a change from 1.8 million miles in 2015 and 2016 to 183,139 miles in 2015 and 211,221 miles in 2016 for vehicle OKR2806. By requiring annual cost-effectiveness reports, FAC may be able to prevent future miscalculations.

### **Recommendation 3.5**

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**Recommendation 3.5**

**The Finance and Administration Cabinet should request that agencies with independent automobile fleets submit annual cost-effectiveness reports.**

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**FAC does not typically offer maintenance agreements to independent fleets. The Public Protection Cabinet has maintenance agreements for some vehicles and has stated that the agreements may not be efficient.**

With the exception of the Public Protection Cabinet, FAC does not offer separate maintenance agreements to agencies with independent automobile fleets.<sup>48</sup> For FY 2019, PPC’s fleet consisted of 174 vehicles, 57 of which fall under FAC’s maintenance agreement. The wording of 200 KAR 40:020, sec. 1(1), requires agency-specific motor pools to maintain their own fleets. It should be noted that PPC officials stated that initial cost analyses found that maintenance agreements with FAC have resulted in vehicle costs higher than the cost of leasing a vehicle or maintaining its own vehicles.<sup>49</sup>

### **Recommendation 3.6**

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**Recommendation 3.6**

**The Finance and Administration Cabinet should work with the Public Protection Cabinet to determine whether the current maintenance agreement is beneficial to the commonwealth.**

## **Tracking Fleet Costs**

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**FAC does not appear to have tracked fleet expenditures prior to FY 2018. It may not have been able to determine whether its operations were cost-effective and would not have been able to evaluate justifications and cost reports without knowing its own costs.**

The Finance and Administration Cabinet has not consistently used eMARS to track fleet expenditures broken down by certain categories related to agency rates prior to FY 2018.<sup>50</sup> As a result, it may not have been able to determine how cost-effective its past operations were, nor would it have been able to properly evaluate written justifications and annual cost-effectiveness and inventory reports from agencies with independent fleets.

According to 200 KAR 40:020, sec. 2(2), FAC is required to establish a statewide motor pool that provides “safe, reasonably priced, necessary, and essential vehicular transportation for a cabinet, agency, or entity of state government.” Without consistently tracking and analyzing various expenditure categories

however, it may not be able to determine how cost-effective its operations are.

Also, in order for FAC to properly evaluate written justifications and annual cost-effectiveness and inventory reports, as well as documentation of service maintenance from agencies with separate fleets, it needs to fully understand the cost-effectiveness of its own operations. More specifically, 200 KAR 40:020, sec. 2(3)(a), sec. 2(3)(c), and sec. 8(3) all envision that agencies with independent fleets would document certain cost information to show that similar service levels can be provided at a cost less than or equal to what FAC would spend. Without cost data from its own operations, however, such comparisons would be difficult.

A review of statewide accounting system data found detailed costs for the central fleet. As an example of how FAC could track fleet costs, these costs were extracted. Table 3.1 shows that fringe benefits have increased over time, becoming the largest source of personnel expenditures in FY 2019 and FY 2020 even though salaries and wages were lower than in FY 2016.

**Table 3.1**  
**Central Fleet Personnel Expenditures**  
**FY 2016 To FY 2020**

<b>Expenditure Class</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Fringe benefits	\$639,121	\$657,293	\$604,797	\$874,000	\$924,145
Salaries and wages	973,586	800,448	781,405	800,885	836,195
Nonprofessional contract	172,204	10,047	172,877	161,668	177,870
Other	11,723	7,515	7,567	3,419	20,358
<b>Total</b>	<b>\$1,796,633</b>	<b>\$1,475,303</b>	<b>\$1,566,646</b>	<b>\$1,839,971</b>	<b>\$1,958,569</b>

Note: Because of rounding, some columns do not sum to total shown.

Source: Staff analysis of Division of Fleet Management, Finance and Administration Cabinet data from Financial Analysis System 3, eMARS.

Table 3.2 provides operating expenditures for the central fleet. Commodities were the largest source of expenditures, accounting for 47.8 percent in FY 2020. The commodities class included fuels and lubricants, which cost \$6.1 million in FY 2020. Commodities were significantly higher in FY 2019 and correlated with \$8.0 million spent on fuels and lubricants.

**Table 3.2**  
**Central Fleet Operating Expenditures**  
**FY 2016 To FY 2020**

<b>Expenditure Class</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Commodities	\$6,169,332	\$6,745,739	\$6,386,735	\$8,087,081	\$6,404,059
Supplies	2,374,443	2,357,917	2,322,375	2,477,749	2,250,742
Miscellaneous services	1,727,564	1,666,314	2,281,566	2,075,157	2,066,735
Maintenance and repairs	1,163,573	1,162,988	1,156,569	1,196,399	1,284,649
Miscellaneous*	0	801	1,527	1,542	914,119
Telecommunications	18,791	23,676	22,841	26,281	155,463
Rentals	121,384	117,705	119,840	119,929	117,070
Utilities and heating	101,597	101,738	101,824	101,937	102,042
Internal computer services	64,494	49,672	110,943	120,329	98,563
Travel and allowances	0	0	6,383	255	3,899
Miscellaneous commodities	5,574	5,001	4,825	3,858	1,999
Postage	1,681	373	221	125	201
<b>Total</b>	<b>\$11,748,431</b>	<b>\$12,231,923</b>	<b>\$12,515,648</b>	<b>\$14,210,645</b>	<b>\$13,399,541</b>

Note: Because of rounding, some columns do not sum to total shown.

\**Miscellaneous* includes tolls (object code E261), COVID-19 supplies (object code E302), subscriptions (object code E353), and GPS device charges (object code E817).

Source: Staff analysis of Division of Fleet Management, Finance and Administration Cabinet data from Financial Analysis System 3, eMARS.

Table 3.3 provides capital expenditures for the central fleet. Vehicle purchases have significantly changed, increasing from less than \$1 million in FY 2016 to almost \$10 million in FY 2020. Lease purchases have significantly decreased from FY 2016 to FY 2020.

**Table 3.3**  
**Central Fleet Capital Expenditures**  
**FY 2016 To FY 2020**

<b>Expenditure Class</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Motor vehicles	\$442,928	\$3,893,127	\$3,447,778	\$6,227,771	\$9,949,783
Lease purchase of furniture, fixtures, and equipment	8,490,424	5,976,171	4,593,048	2,667,384	331,467
Instruments and apparatus over \$5,000	0	0	0	11,621	11,221
Agency labor	9,520	0	0	0	0
<b>Total</b>	<b>\$8,942,873</b>	<b>\$9,869,298</b>	<b>\$8,040,825</b>	<b>\$8,906,776</b>	<b>\$10,292,471</b>

Note: Because of rounding, some columns do not sum to total shown.

Source: Staff analysis of Division of Fleet Management, Finance and Administration Cabinet data from Financial Analysis System 3, eMARS.

According to FAC, the current administration began tracking costs, broken down by more specific categories, and has costs from FY 2018 to present.<sup>51</sup> Table 3.4 provides additional information related to FAC's recent tracking of certain expenditures. After

excluding carryover funds, expenditures exceeded receipts in 2 of the 3 years.

**Table 3.4**  
**Fleet Receipts And Expenditures (In Millions Of Dollars)**  
**FY 2018 To FY 2020**

<b>Transaction Type</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>Total</b>
Total restricted receipts*	\$27.9	\$22.7	\$21.6	\$72.2
Expenditures				
Personnel expenditures**	1.6	1.8	2.0	5.4
Operating expenditures***	12.5	14.2	13.4	40.1
Capital expenditures†	8.0	8.9	10.3	27.2
Total expenditures	\$22.1	\$25.0	\$25.7	\$72.8
Surplus/(deficit)	\$5.8	(\$2.3)	(\$4.0)	(\$0.5)

Note: Because of rounding, total expenditures does not equal the sum of personnel, operating, and capital expenditures in FY 2019, and surplus/(deficit) does not equal the difference between total restricted receipts and total expenditures for FY 2020.

\*Includes six revenue sources from general and agency fees, motor pool rental income, and other.

\*\*Includes salaries and wages, fringe benefits, other personnel costs, and contracts.

\*\*\*Includes utilities and heating fuels, rentals, maintenance and repairs, postage and related supplies, miscellaneous services, telecommunications, internal computer services, supplies, commodities, travel, and other.

†Includes motor vehicles and leases of furniture, fixtures, and equipment.

Source: Kentucky. Finance and Administration Cabinet. Fleet Expenditures, FY 2018 to FY 2020.

### Recommendation 3.7

#### Recommendation 3.7

**The Finance and Administration Cabinet should continue to track expenditures broken down by certain categories related to agency rates in order to properly evaluate future written justifications and cost-effectiveness and inventory reports submitted by agencies with separate fleets.**

### Underutilized Vehicles

**In FY 2019, 926 leased vehicles and 110 purchased vehicles were driven less than 5,000 miles each. These vehicles may be underutilized, and the commonwealth may be buying more vehicles than necessary.**

In FY 2019, 13 agencies drove 926 leased vehicles less than 5,000 miles each. During the same period, seven agencies drove 110 purchased vehicles less than 5,000 miles each. As a result, agencies are not utilizing the full extent of vehicles purchased by FAC or by individual agencies, which means the commonwealth may be buying more vehicles than are necessary.

Table 3.5 provides additional information for prior years. The central fleet was estimated to have 3,793 vehicles in FY 2019, so 24.4 percent of vehicles in that year had relatively low use.



**Table 3.5**  
**Leased Vehicles Driven Less Than 5,000 Miles Annually**  
**FY 2015 To FY 2019**

<b>Cabinet</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
Finance and Administration	470	184	238	492	275
Transportation	164	178	262	212	239
Justice and Public Safety	70	76	92	115	105
Tourism, Arts, and Heritage	71	77	71	75	87
Health and Family Services	59	41	53	76	79
General Government	38	44	49	46	48
Energy and Environment	16	16	33	141	47
Education and Workforce Development	30	35	28	20	23
Public Protection	16	13	19	30	21
Economic Development	3	1	2	1	2
Labor	1	1	0	0	0
Personnel	1	1	1	0	0
<b>Total</b>	<b>939</b>	<b>667</b>	<b>848</b>	<b>1,208</b>	<b>926</b>

Source: Finance and Administration Cabinet, Fleet Mileage, FY 2015 to FY 2019.

Table 3.6 provides more information on purchased vehicles that were driven less than 5,000 miles annually. Cabinets had an estimated 459 purchased vehicles in FY 2019, so 24.0 percent of purchased vehicles had low use in that year.

**Table 3.6**  
**Agency-Purchased Vehicles Driven Less Than 5,000 Miles Annually**  
**FY 2015 To FY 2019**

<b>Cabinet</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
Tourism, Arts, and Heritage	100	96	122	108	95
Public Protection	0	0	0	0	9
Education and Workforce Development	2	8	2	5	3
Finance and Administration	2	0	3	1	1
General Government	1	1	1	1	1
Health and Family Services	1	0	0	1	1
Economic Development	0	0	2	0	0
<b>Total</b>	<b>106</b>	<b>105</b>	<b>130</b>	<b>116</b>	<b>110</b>

Source: Finance and Administration Cabinet, Fleet Mileage, FY 2015 to FY 2019.

According to 200 KAR 40:020, sec. 2(2), the Finance and Administration Cabinet is required to establish a statewide motor pool of vehicles for the purpose of providing “safe, reasonably priced, necessary, and essential vehicular transportation.” Also, Section 4(2)(b) requires that agencies wishing to purchase vehicles are required to submit a request to FAC, which should include the intended use of the vehicle as well as estimated annual vehicle mileage.

The “Agency Guide For The Commonwealth’s Vehicles” discusses “underutilized vehicles.” Agencies must provide FAC with a justification for continued use of a vehicle that does not meet established requirements for agency assignment. Although the definition does not discuss annual mileage as a criterion, FAC may upon review continue, modify, or rescind a vehicle assignment.<sup>52</sup> FAC could use annual mileage to compare estimated mileage in an agency’s original request against annual mileage.

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**FAC testimony from 2016 identified underutilized vehicles as a major issue. The percentage of underutilized vehicles appears to have increased since 2016.**

During the September 13, 2019, Legislative Oversight and Investigations Committee meeting, FAC provided testimony that in 2016, it identified underutilized vehicles as a major issue to address. Of the approximately 3,800 vehicles at the time with GPS units, 574 or 15 percent had been driven less than 5,000 miles per year.

According to FAC, the number of underutilized vehicles was “somewhat reduced.” However, as illustrated in Table 3.6, numerous vehicles appear to have been underutilized from FY 2015 through FY 2019. Using FY 2019 numbers, 25 percent of leased vehicles appear to be underutilized, a 67 percent increase from FY 2016.

### **Recommendation 3.8**

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**Recommendation 3.8**

**The Finance and Administration Cabinet should continue to track the mileage of leased vehicles to identify potentially underutilized vehicles. It should also develop a process to work with agencies to determine whether the assignment of identified vehicles should be continued, modified, or rescinded.**

### **Absent Policies And Procedures**

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**FAC does not appear to have formal processes or policies related to five areas: developing a strategy to use vehicles that are more energy-efficient, approving some requests for investigatory vehicles, reviewing justifications and reports for independent fleets, reviewing potentially underutilized vehicles, and classification of permanently assigned vehicles.**

The Finance and Administration Cabinet does not have formal processes or policies related to five statutory and regulatory required areas. As a result, agencies may not be fully aware of certain reporting and other requirements, which if carried out, will help FAC to determine how effective services are being provided statewide.

The following required areas are based on statutory and regulatory authority:

- Developing a strategy to replace state-owned passenger vehicles and light-duty trucks with more energy-efficient alternatives (KRS 45A.625)

- Reviewing and approving requests from the Department of Revenue, the Justice and Public Safety Cabinet, and the Department of Law to register and license state-owned vehicles for investigatory purposes (KRS 44.045(4))
- Reviewing and analyzing written justifications and cost-effectiveness reports from agencies with independent fleets (KRS 44.045(6) and 200 KAR 40:020, sec. 2(3)(c))
- Reviewing potentially underutilized vehicles in order to make determinations to continue, modify, or rescind questionable vehicle assignment (“Agency Guide For The Commonwealth’s Vehicles,” incorporated by reference under 200 KAR 40:010, sec. 3(b))
- Classification of permanently assigned vehicles (“Agency Guide For The Commonwealth’s Vehicles,” incorporated by reference under 200 KAR 40:010, sec. 3(b))

### Recommendation 3.9

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**Recommendation 3.9**

**The Finance and Administration Cabinet should develop a formal strategy for replacing state-owned passenger vehicles and light-duty trucks with more energy-efficient alternatives. It should also report benchmarks and revisions to the strategy as part of its annual reporting to the Legislative Research Commission under KRS 45A.625(2).**

### Recommendation 3.10

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**Recommendation 3.10**

**The Finance and Administration Cabinet (FAC) should review its “Agency Guide For The Commonwealth’s Vehicles” and 200 KAR 40:020 to ensure that guidance is detailed enough for agencies to understand. At a minimum, the following should be reviewed:**

- **Although 200 KAR 40:020 requires requests to license a state-owned motor vehicle with a nonofficial license plate pursuant to KRS 44.045(4) and 186.020, the guide does not provide additional detail. Neither criterion addresses KRS 186.065(2), which according to FAC is the statute that agencies use when licensing a state-owned motor vehicle with a nonofficial license plate without FAC approval.**
- **In addition to the guide’s requirements for agencies wishing to establish an independent fleet (in the guide’s “Justification” section on page 8), additional detail related to annual cost-effectiveness and inventory reports should be included as envisioned by 200 KAR 40:020, sec. 2(3)(c).**
- **Although 200 KAR 40:020 does not discuss “underutilized vehicles,” the guide requires agencies to furnish FAC with**

**justification of continued retention of a vehicle, if the vehicle does not meet established requirements for agency assignment. The established requirements should be clearly identified for agencies in order to make an assessment, before providing justification for continued retention to FAC.**

- **The guide has not been updated to reflect legislative changes in 2016 (HB 303) to “restrict permanently assigned vehicles to only Constitutional Officers, the Court of Justice, Executive Cabinet Secretaries, law enforcement, or for other public safety purposes.” Although FAC sent a June 2016 memo to cabinet secretaries, agency heads, and constitutional officers discussing the changes, the guide has not been properly updated.**

### Conclusion

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**FAC has an important role in managing the central fleet and overseeing independent fleets.**

FAC has an important role in all fleets despite regulations allowing some vehicles to be separate from FAC management. For agencies using the central fleet, FAC influences all aspects of vehicle processes. For most agencies with an independent fleet, FAC controls the ability to have fleets, reviews the efficiency of those fleets, and provides services for procurement, liability coverage, and disposal. This role requires FAC to have strong policies for effective control over vehicle usage.

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**FAC policies could be improved to better oversee independent fleets.**

However, FAC policies had areas that could be improved to better meet the requirements of fleet oversight. The lack of fleet justifications combined with the absence of cost-effectiveness reports means there can be no determination of whether independent fleets are efficient. Without tracking central fleet costs, FAC does not have a standard for whether an independent fleet is efficient.

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**Improving independent fleet oversight would also allow FAC to find potential improvements for the central fleet.**

Improving these policies will also help FAC’s fleet management staff. Independent fleets must provide a level of service similar to that of the central fleet, at an equal or lower cost. This requires independent fleets to be at least as efficient as the central fleet. As FAC begins to track central fleet costs, those costs can be compared against independent fleet justifications and cost-effectiveness reports. This comparison may reveal how independent fleets can be more efficient than the central fleet and may provide opportunities to be more efficient.

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**Tracking underutilized vehicles can improve cost management of the central fleet.**

Tracking underutilized vehicles can also improve cost management of the central fleet. If the commonwealth is purchasing more vehicles than needed, then fleet costs will increase from multiple sources. Additional vehicles require additional insurance coverage and additional maintenance.

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**Alternative-fuel reports and suggesting statutory changes allow FAC to satisfy the intent of the legislature.**

Submitting alternative-fuel reports and suggesting changes to statutory language may not lead to efficiencies, but they ensure fleets are meeting legislative intent. The fuel reports ensure FAC is procuring the type of vehicles intended by the legislature. Removing confusion from statutory language ensures the correct investigatory vehicles are overseen by FAC. A function's efficiency can be irrelevant if the function does not follow its intended process.



## **Appendix**

### **Response To This Report By The Finance And Administration Cabinet**

#### **Finance And Administration Cabinet Response To Legislative Oversight And Investigations Committee's State-Owned Vehicles Report**

The Finance and Administration Cabinet (FAC) appreciates the opportunity to review and respond to the report of the Legislative Oversight and Investigations Committee (LOIC) Report on State-Owned Vehicles.

Prior to the pandemic in 2020, FAC Secretary Holly M. Johnson learned that the report to LRC as required by KRS 45A.625 had not been submitted at all in the previous administration. As a result, Secretary Johnson immediately directed Fleet Management to meet its statutory reporting requirement for 2020, as acknowledged in the LOIC report. Additionally, Secretary Johnson directed the FAC Office of Policy and Audit (OPA) to perform an internal audit of Fleet Management operations. This report is expected to be finalized this summer. FAC will use the results of LOIC's and OPA's reports to identify changes in process necessary to improve Fleet Management's operations, including compliance and monitoring of statutory requirements.

FAC generally agrees with the findings and recommendations in the LOIC report. The majority of the findings relate to historical practices that have carried forward into present-day operations. Declining staff over time has placed burdens on the division, as is the case in many areas of state government. However, FAC has a strong commitment to address concerns and implement operational improvements during this administration.

Additional comments are included to provide the LOIC a specific response for each finding.

### **Findings**

#### **Alternative Fuel Vehicles Annual Report**

FAC acknowledges this finding. As noted earlier, Secretary Johnson directed this reporting requirement be met in 2020. Additional steps will be taken in 2021 to address each of the required reporting elements, including updated statistics on the number of alternative fuel vehicles and strategic considerations for reducing state government's dependence on petroleum-based transportation fuels. FAC will also provide an update on its progress in developing a life-cycle cost comparison methodology for the alternative fuel vehicles.

#### **Conflict In Vehicle Registration Statutes**

FAC believes the discrepancies in KRS 44.045(4) and KRS 186.065(2) require legislative action. The Cabinet is ready to assist in discussion and clarification of FAC's authority.

Additionally, FAC recommends input from the various investigatory agencies utilizing these vehicles be considered, as well as consideration of open records requirements to assess whether disclosure of

requests, approvals, or tracking of these vehicles could jeopardize the confidentiality of investigations or safety of employees utilizing them.

### **Independent Fleet Policies Not Followed**

FAC acknowledges that annual cost-effectiveness reports are required by agencies with approved agency-specific fleets. Although FAC may request cost-effectiveness data, 200 KAR 40:020 Section 2(3)(c) puts the responsibility on the agencies to submit cost effectiveness and inventory reports. Regulatory language is not clear what the ramifications are for an agency's failure to report, or when a report identifies the agency-specific fleet is not operating as effectively as Fleet Management. FAC will request the reports from the agencies with agency specific fleets as recommended. Additionally, FAC will assess whether 200 KAR 40:020 should be amended to establish reporting timeframes and to clarify FAC's authority to take action when an agency fails to report or reports indicate the agency's fleet operations are not at least as cost effective as Fleet Management.

Additionally, the LOIC report identifies that PPC stated its maintenance costs with FAC have resulted in higher costs. FAC has not confirmed that Fleet Management's costs are actually higher. The 57 PPC vehicles mentioned in the LOIC report as maintained by Fleet Management are not part of PPC's approved agency-specific fleet, and therefore, 200 KAR 40:020 Sec 1(1) does not apply. Instead, these vehicles were acquired through Fleet Management's Agency Purchased model. Vehicles purchased under this model are purchased by the agency through a FAC Master Agreement. These vehicles are charged a cents-per-mile assessment, which covers maintenance, fuel, insurance, and factors in the vehicle's replacement cost. An additional 53 vehicles assigned to PPC are leased from Fleet Management at the standard lease rates for the vehicle type. If PPC only compared the cost of its maintenance, fuel, and insurance to the Fleet Management assessment without factoring in the cost of vehicle replacement, the evaluation would be skewed. FAC will request PPC provide cost effectiveness data using equivalent factors as the Fleet Management assessments to evaluate the maintenance agreement.

### **Tracking Fleet Costs**

FAC currently utilizes expenditure history as part of its efforts to analyze and project future budget needs for Fleet Management. This process will continue, and will assist the agency in assessing both its vehicle assessment/rate structure and cost-effectiveness.

### **Underutilized Vehicles**

Historical practices related to Fleet Management have taken agency needs and even preferences into consideration. However, in order to maintain a cost-effective operation, FAC recognizes the need to manage state-owned vehicles in a way that also maximizes their utilization. FAC will consider methodologies to regularly evaluate the balance between expected benefits and cost effectiveness of agency leased vehicles.

### **Absent Policies And Procedures**

FAC will undertake a review of the state-owned vehicle regulations in 200 KAR 40:010 and 200 KAR 40:020, including the Agency and Driver Guides incorporated by reference.

As mentioned above, FAC is committed to improving operations. We anticipate actions taken over the coming weeks and months will significantly clarify and improve Fleet Management operations. To illustrate this commitment, FAC extends an offer to present a status update to LOIC in 2022 regarding changes made in Fleet Management.



## Endnotes

- <sup>1</sup> Kentucky. Public Protection Cabinet. “LRC Vehicle Study- 02-05-20 Request – PPC.” Feb. 26, 2020.
- <sup>2</sup> Kenny Bishop, legislative liaison, and Rick Durham, assistant director, Division of Equipment, Kentucky Department of Transportation; Brian Ingle, director, Motor Vehicle Licensing, Kentucky Department of Transportation; Godwin Onodu, assistant director, Justin Carmack, resource management analyst, and Loretta Fowler, administrative branch manager, Vehicle Regulation, Kentucky Department of Transportation; and Darrell Perry, contractor, Keith Woodside, contractor, and Melanie Tschanz, systems consultant, Commonwealth Office of Technology. Sept. 23, 2020. Interview.
- <sup>3</sup> Sheri Whisman, director, and Buryl Thompson, assistant division director, Division of State Risk and Insurance Services, Finance and Administration Cabinet. March 3, 2020. Interview.
- <sup>4</sup> Kentucky. Finance and Administration Cabinet. “Agency Guide For The Commonwealth’s Vehicles.” 2011. P. 10.
- <sup>5</sup> Troy Robinson, executive director, Office of Administrative Services, Finance and Administration Cabinet. Email to William Spears, Sept. 8, 2020.
- <sup>6</sup> Troy Robinson, executive director, Office of Administrative Services, Finance and Administration Cabinet. Memorandum to Jay Hartz, director, Legislative Research Commission, Nov. 20, 2020.
- <sup>7</sup> Kentucky. Finance and Administration Cabinet. “State Risk & Insurance Services.” Web.
- <sup>8</sup> Sheri Whisman, director, and Buryl Thompson, assistant division director, Division of State Risk and Insurance Services, Finance and Administration Cabinet; Ed Ross, executive director, Office of the Controller, Finance and Administration Cabinet; Troy Robinson, executive director, Office of Administrative Services, Finance and Administration Cabinet; and Geri Grigsby, chief of staff, and Winston Miller, deputy secretary, Office of the Secretary, Finance and Administration Cabinet. March 3, 2020. Interview; “State Of Kentucky To Save \$750,000 Annually By Self-Insuring Vehicles.” Government Fleet, Oct. 10, 2011. Web.
- <sup>9</sup> Sheri Whisman, director, and Buryl Thompson, assistant division director, Division of State Risk and Insurance Services, Finance and Administration Cabinet; Ed Ross, executive director, Office of the Controller, Finance and Administration Cabinet; Troy Robinson, executive director, Office of Administrative Services, Finance and Administration Cabinet; and Geri Grigsby, chief of staff, and Winston Miller, deputy secretary, Office of the Secretary, Finance and Administration Cabinet. March 3, 2020. Interview; Buryl Thompson, assistant director, Division of State Risk and Insurance Services, Finance and Administration Cabinet. “KSAP FY 2020 Rate Sheet.” Email to Legislative Oversight staff. March 3, 2020.
- <sup>10</sup> Buryl Thompson, assistant director, Division of State Risk and Insurance Services. “KSAP FY 2020 Rate Sheet.” Email to Legislative Oversight staff. March 3, 2020.
- <sup>11</sup> Sheri Whisman, director, Buryl Thompson, assistant division director, Division of State Risk and Insurance Services, Finance and Administration Cabinet; Ed Ross, executive director, Office of the Controller, Finance and Administration Cabinet; Troy Robinson, executive director, Office of Administrative Services, Finance and Administration Cabinet; and Geri Grigsby, chief of staff, and Winston Miller, deputy secretary, Office of the Secretary, Finance and Administration Cabinet. March 3, 2020. Interview.
- <sup>12</sup> Sheri Whisman, director, Division of State Risk and Insurance Services, Finance and Administration Cabinet. “LRC KSAP Answers July 2020 final.” Email to William Spears. July 22, 2020.
- <sup>13</sup> Sheri Whisman, director, Buryl Thompson, assistant division director, Division of State Risk and Insurance Services, Finance and Administration Cabinet; Ed Ross, executive director, Office of the Controller, Finance and Administration Cabinet; Troy Robinson, executive director, Office of Administrative Services, Finance and Administration Cabinet; and Geri Grigsby, chief of staff, and Winston Miller, deputy secretary, Office of the Secretary, Finance and Administration Cabinet. March 3, 2020. Interview.
- <sup>14</sup> Sheri Whisman, director, Division of State Risk and Insurance Services, Finance and Administration Cabinet. “LRC KSAP Answers July 2020 final.” Email to William Spears. July 22, 2020.
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