BOARD OF REGENTS **AGENDA ITEM 3d**
STATE OF IOWA **APRIL 27-28, 2011**

Contact: Patrice Sayre

REVISION OF THE BOARD OF REGENTS POLICY MANUAL – CHAPTER 7.03F

Action Requested: Approve, as a first and final reading, an adjustment to the Mileage Reimbursement Rate in the Board of Regents Policy Manual §7.03F(4), effective May 1, 2011.

Executive Summary: Regents mileage reimbursement rates have been pegged to the U.S. General Services Administration (GSA) rates since June 2005. Effective January 1, 2011, the GSA increased its reimbursement rate for Personally Owned Vehicles (POV) from 50¢ per mile to 51¢ per mile. At the same time, GSA reduced the Government Fleet Vehicle (GFV) reimbursement rate when driving a personal vehicle from 28.5¢ per mile to 19¢ per mile, when a fleet vehicle is available. Under existing Regents policy, the reimbursement rate for employees using personal vehicles for university business is tied to the 19¢ rate, should a fleet vehicle be available, or should the trip exceed either 100 miles or 4 hours combined travel and business.

The 19¢ rate reflects only the operating expense of driving a vehicle and does not include the costs of ownership such as depreciation, financing, etc.

Background:

CURRENT CHAPTER §7.03F(4)

4. Travel expense vouchers should be submitted promptly on return from the trip. Employees will be reimbursed for transportation, lodging, and meals on the following basis:
   a. The use of Regent-owned vehicles is encouraged. However, transportation reimbursement for official travel by private automobile when the use of a personal car is authorized by the appropriate institutional official, per this policy, reimbursement shall be paid at no more than:
      1) At the privately owned vehicle (POV) rates established by the U.S. General Services Administration in the Federal Travel Regulations, for travel when a motor pool vehicle is not available and the employee must use his/her personal vehicle or an employee is traveling less than 100 miles or the total trip time (travel and business) is four hours or less.
      2) At the Government Fleet Vehicle (GFV) rate as established by the U.S. General Services Administration in the Federal Travel Regulations, for travel if a motor pool vehicle is available, but the employee chooses to use his/her own vehicle.
      3) At a rate to be determined by the appropriate institutional official on a case-by-case basis when an individual must use a substantially modified or specially equipped privately owned vehicle.

PROPOSED CHAPTER §7.03F(4)

4. Travel expense vouchers should be submitted promptly on return from the trip. Employees will be reimbursed for transportation, lodging, and meals on the following basis:
   a. The use of Regent-owned vehicles is encouraged. However, transportation reimbursement for official travel by private automobile when the use of a personal car is authorized by the appropriate institutional official, per this policy, reimbursement shall be paid at no more than:
      1) At the standard mileage rate for business use as established by the U.S. Internal Revenue Service, for travel when a motor pool vehicle is not available and the employee must use his/her personal vehicle or an employee is traveling less than 100 miles round trip or when the travel is to/from local airports or when travel is to/from airports designated by each Regent institution and the lower airfare cost justifies use of a designated airport.

PROPOSED CHAPTER §7.03F(4) *continued*

2) At 50% of the rate in 1) above for travel if a motor pool vehicle is available, but the employee chooses to use his/her own vehicle. The 50% is formula-based to promote optimal use of Regent-owned vehicles.
3) At a rate to be determined by the appropriate institutional official on a case-by-case basis when an individual must use a substantially modified or specially equipped privately owned vehicle.

The January 1, 2011 reduction from 28.5¢ to 19¢ has been viewed as a hardship for many university employees, who for various reasons extensively use their own vehicles to conduct university business. After hearing concerns expressed by multiple employees and academic administrators, a Regents' fleet group, including members of the universities' Controller's Departments, Business Services, and financial accounting groups, was asked to review this situation and propose a more equitable way to calculate these rates.

In that review, it was learned that employees drove personal vehicles for more than 6.6 million miles in a recent one-year period while conducting university business; nearly 1.6 million of those miles involved trip lengths of more than 400 miles. In addition, another nearly 2 million miles were for trips of 201 to 400 miles. A few employees drove their vehicles more than 2,000 miles per month on university business. In addition, some ISU Extension employees drive their own vehicles daily and do not have ready access to fleet vehicles.

Based on trip length and frequency, 20 to 25 percent of these miles were driven by employees who were adding significant miles to their vehicles and partially depreciating these vehicles for university business purposes. In addition, the employees are incrementally increasing their insurance cost and assuming some added risks by driving personal vehicles.

In a recent study conducted by AAA Motor Club, depreciation on a personally owned mid-size vehicle driven 15,000 miles per year is calculated to be 23¢ per mile. The insurance cost in this study was $1,004 per year for 15,000 miles, or 6.7¢ per mile.

The review group concluded that given the high number of employees who drove their own vehicle extensively for university business, the university should cover approximately 22.5 percent of the combined depreciation and insurance cost, or an additional 6.7¢ per mile. When added to the 19¢ per mile rate used by the IRS and GSA for variable operating costs, this reflects a rate of 25.7¢ per mile, or 50.4% of the IRS standard business rate. For ease of calculation this was rounded to 50% in the recommended policy change. Use of this rate would also optimize the use of fleet vehicles.

The following conclusions were reached:

- The most equitable way to calculate these rates was based on the Internal Revenue Service's (IRS's) standard mileage rate for business miles driven. These rates are based on an objective annual study of the fixed and variable costs of operating an automobile. The rates are generally the same as GSA rates, but the IRS publicizes rate changes more quickly.
- Exclude the 4-hour combined travel and business trip time as a parameter as it is difficult to verify in practice.
- Add language to allow Regent institutions to designate certain airports for reimbursement at the IRS standard business rate when the reduced cost of airfare justifies the use of this rate. Use of a personal vehicle, a rental agency one-way airport rental, or a comparably priced airport shuttle is encouraged for employee travel to/from airports, so that fleet vehicles are not parked in airport parking lots for long periods of time.
- When personal vehicles are used for business travel, despite a fleet vehicle being available, reimburse at 50% of the IRS standard business rate. At present, this would be a reimbursement rate of 25.5¢ per mile, a reduction of 3¢ per mile from the rate in effect prior to calendar year 2011.