

State Equipment Fleet Replacement

FY2025 Request: \$38,000,000

Reference No: 30628

AP/AL: Appropriation

Project Type: Equipment / Commodities

Category: Transportation

Location: Statewide

House District: Statewide (HD 1 - 40)

Impact House District: Statewide (HD 1 - 40)

Contact: Dom Pannone

Estimated Project Dates: 07/01/2024 - 06/30/2029

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Brief Summary and Statement of Need:

This project is for replacement and/or refurbishment of equipment and vehicles which have reached the end of their useful life cycles, and continued conversion of vehicles to alternative fuel and related alternative fuel program expenses. Replacing assets with high operational costs or safety concerns with new assets maintains the overall health of the fleet and keeps operating rates charged to executive branch agencies low.

Funding:	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	Total
1026 Hwy Capitol	\$38,000,000	\$39,000,000	\$41,000,000				\$118,000,000
Total:	\$38,000,000	\$39,000,000	\$41,000,000	\$0	\$0	\$0	\$118,000,000

<input type="checkbox"/> State Match Required	<input type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased - new	<input type="checkbox"/> Phased - underway	<input checked="" type="checkbox"/> Ongoing
0% = Minimum State Match % Required		<input type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

Operating & Maintenance Costs:

	<u>Amount</u>	<u>Staff</u>
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	0
Totals:	0	0

Prior Funding History / Additional Information:

- Sec14 Ch1 SLA2023 P93 L20 HB39 \$35,000,000
- Sec11 Ch1 SLA2022 P93 L12 HB281 \$30,000,000
- Sec8 Ch1 SLA2021 P79 L22 HB69 \$25,000,000
- Sec5 Ch8 SLA2020 P67 L33 HB205 \$15,000,000
- Sec1 Ch3 SLA2019 P7 L20 SB19 \$12,500,000
- Sec1 Ch19 SLA2018 P10 L16 SB142 \$15,000,000
- Sec1 Ch1 SLA2017 P8 L14 SB23 \$12,500,000
- Sec1 Ch2 SLA2016 P7 L29 SB138 \$20,000,000
- Sec1 Ch38 SLA2015 P7 L10 SB26 \$15,000,000
- Sec1 Ch18 SLA2014 P64 L3 SB119 \$15,000,000
- Sec1 Ch16 SLA2013 P79 L15 SB18 \$15,000,000
- Sec1 Ch17 SLA2012 P136 L28 SB160 \$15,000,000

Project Description/Justification:

The State Equipment Fleet (SEF) is a shared service with a mission to supply State agencies with a safe and effective fleet of vehicles and equipment in a manner that is economically defensible. In general, older equipment is more expensive to maintain than newer equipment. As parts and components wear out or are damaged through normal use, the annual maintenance cost of certain

equipment can exceed replacement costs. The SEF tracks and monitors equipment costs closely and identifies high-cost equipment for replacement when it makes economic sense.

The useful life of equipment is monitored to obtain the lowest life cycle cost possible. Indefinite delay in the established replacement program can result in higher operating costs including increased risk of equipment failure and expensive repairs that impact service delivery. The replacement program also contributes to the safety of the operators in providing the latest technological advances in the industry.

Acquisition costs for new vehicles and equipment continue to rise. The SEF has experienced increases of 10-20 percent in the cost of new equipment. The light duty vehicle manufacturers also continue to see high demand and low supply which inflates the cost of new vehicles.

State Equipment Fleet Replacement allows us to:

Replace assets that have exceeded their original amortization period and have one or more of the following justifications:

- High Miles/Hours- replacement will allow the department to avoid common repair costs of high mile/hour equipment. Example: repairs to brakes, suspension parts, bushings, springs, etc., as equipment ages.
- Decreasing parts/service availability due to age. Examples: Steam boiler parts, some small tractor parts, mower parts no longer stocked and difficult to find.
- Replacement to avoid major component repair costs. Examples: A grader transmission rebuild can cost \$40k, a rebuild can be avoided if the grader is replaced and surplused prior to transmission failure.
- Replacement with updated technology/configurations Examples: Safer steam boilers with electronic ignition and plow truck/slide-in sanders that require less seasonal labor to changeover and allow trucks to be used for brine distribution or combination brine/sand units.

State Equipment Fleet Capital Replacement Program:

- Helps maintain the age and cost of the current fleet.
- Is for replacement of current fleet assets, not for additions or expansion of the fleet.
- Keeps equipment up-time at highest levels which allows all State agencies to accomplish their mission.
- Keeps operating cost increases from compounding.
 - Assets not replaced will incur increased operating costs. Savings noted reflect an offset to actual increases in maintenance cost if equipment is not replaced.
 - Savings/offset compounds each year replacement is delayed. If equipment is not replaced, the costs of maintaining old equipment continue to go up and will still need replacement.
- Removes older, more expensive equipment from service.
- Removes less efficient, high emission engines from the fleet and replaces them with cleaner, more efficient, low emission engines.
- Authorizes use of Highway Equipment Working Capital funds to reduce operating costs.

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Maintaining a healthy fleet, and replacing equipment when prudent, will drive down costs in the long run by preventing increasing maintenance costs. These savings are reflected in the rates that each agency pays to the fleet.