October 8, 2002

To: Jim Whitty, Administrator
Road User Fee Task Force

From: Quintin Hess, Manager
Fuels Tax Group

Re: Cost of Auditing VMT Fee Collected at the Fuel Pump

I have gathered some information from the Measurement and Standards Division of the Department of Agriculture and have done some extrapolating to develop a ballpark estimate of what it would cost to audit the VMT scenario the task force is considering. After discussing the Agriculture operation I think that it is reasonable to use it as a basis for developing the estimate you have requested.

First, some base assumptions,

- There are approximately 1,800 service stations and 28,000 fuel dispensers in the state.
- The Department of Agriculture, Measurements and Standards Division, checks these dispensers every 12 to 18 months. Among other things, they check to make sure the dispensers are calculating gallons and price correctly. The Division has 30 FTE and operates under a biennial budget of $4.6 million. The division performs other duties in addition to checking the fuel dispensers.
- A typical compliance check takes about 15 minutes per dispenser plus one half hour to set up and a half hour to close out. Making allowances for travel time and breaks, a compliance specialist spends 6 hours a day doing compliance checks.
- The following calculation assumes each facility and dispenser will be audited once a year.

Under the scenario you have proposed, if the amount of time needed to audit the dispensers was the same as the Agriculture operation, the FTE calculation would be as follows:

- Number of stations (1,800) x time to set up and close (1 hour) = 1,800 hours

- Number of dispensers (28,000) x .25 hour (15 minutes) = 7,000 hours

- Total Hours = 8,800 hours
- Hours available in a year = 2,080 hours (52 weeks x 40 hours)
- Less leave and holiday time (- 240 hours (note: vacation, personal business = 120 hours + sick leave = 40 + holiday pay = 80)) = 1,840 hours
- Adjust for travel & break time ____.75 _
- Hours available for audit = 1,380 hours
- FTE calculation - 8,800 / 1380 = 6.38, say 6.5 FTE.

Since it is likely that the VMT audit would involve more complexity and take longer (auditors might be required to tie receipts to accounting records), I have increased the FTE requirement by 50% (3.25 FTE) for a total of 9.75, say 10 FTE. That number of staff would require a manager thereby increasing the total FTE to 11.

To arrive at an overall cost I divided the total Fuels Tax biennial budget ($2.2 million) by our current FTE count (15) and arrived at a "per FTE" budget of $146,667. That number times the projected staff of 11 FTE results in a biennial budget requirement of **$1,613,333.**

This definitely is a quick estimate so feel free to adjust it as you see fit.

The degree of automation will have a significant impact on the amount of time required and could significantly lower the FTE count. If the data from the computer chips in the vehicles and gas pumps was transmitted electronically to ODOT, it is conceivable that far less "on site" audits would be necessary, which could reduce the amount of resource necessary to administer an audit program.

I would be happy to discuss this estimate with you (or any of the cc's) if you think it's necessary. As I mentioned on the phone, if this concept should materialize, I think it would be wise to consider having the audits done by the Measurement and Standards Division of the Oregon Department of Agriculture staff since they are already required to visit these locations.