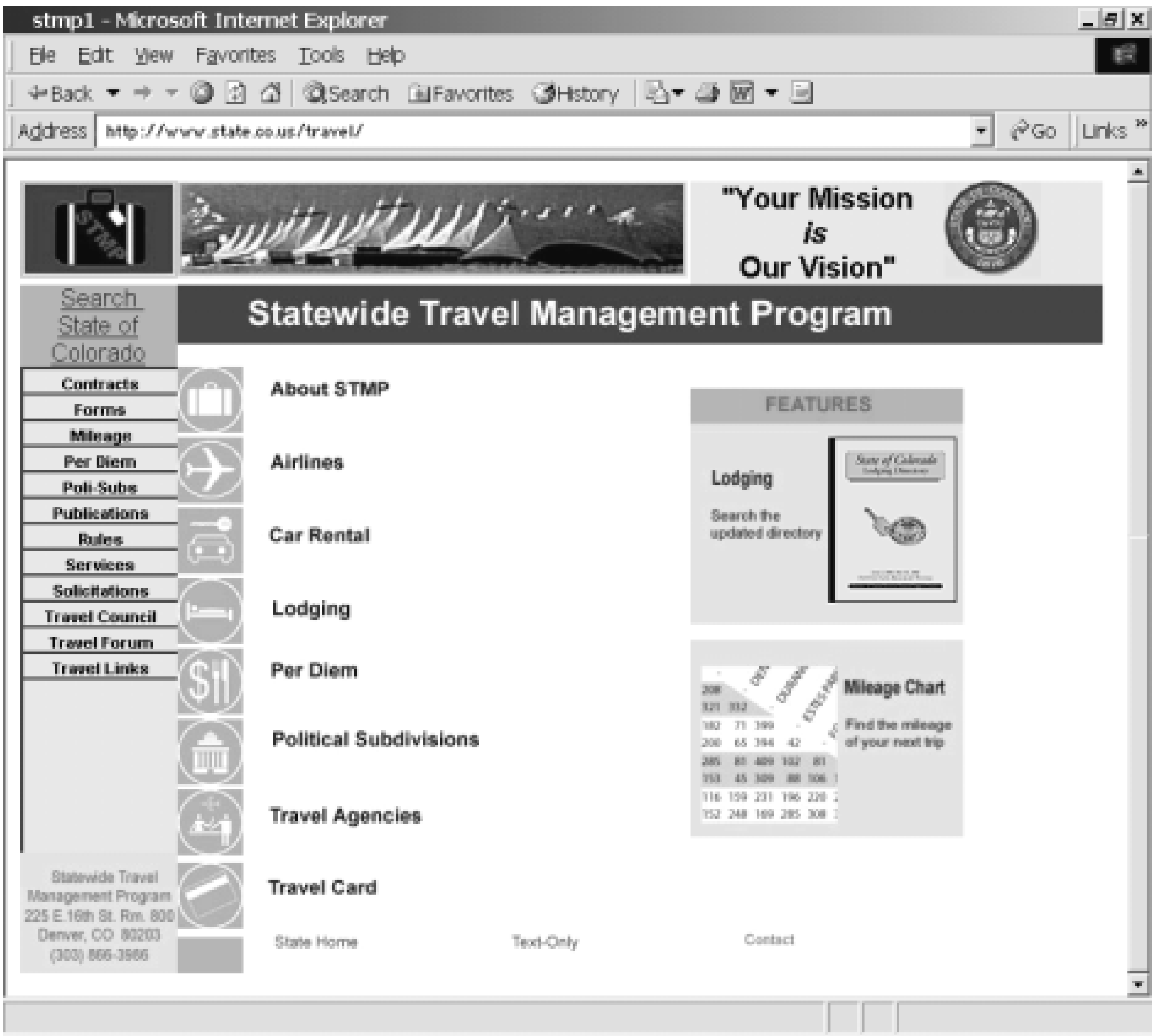
Statewide Travel Management Program

ANNUAL REPORT
Fiscal Year 2000–2001



Department of Personnel & General Support Services, Division of Central Services

History and Elements of Program

The Statewide Travel Management Program effectively privatizes travel for the state. The program radically decentralizes travel management by setting up the state's travel card as the source of travel management information for air, hotel, cash advance and car rental use. Further, the program allows for the use of multiple travel agencies, providing a range of choice for state agencies and travelers. Operating within the Division of Central Services, the Statewide Travel Management Program was created by Senate Bill 93-250, (CRS 24-30-1118 et seq.). This legislation required state employees traveling on official state business to participate in the program. It gave direct authority to the program to "coordinate and oversee" state travel for all departments, institutions of higher education, and agencies of state government. Central Services had previously developed many of the elements of the program, but the legislation gave clear authority to the division to monitor the state's travel practices and to identify opportunities for cost savings in official, government travel.

Elements of Program

The Statewide Travel Management Program gathers information and controls of official state government travel. The program has seven main elements:

Travel Card System—Diners Club

Travel Agency Network—88 vendors throughout state

Airlines Contracts—Frontier, United

Hotels—In-state and national price agreements

Rental Cars—Alamo, Avis, Enterprise

Advisory Board—State Travel Council

Program Rules—Required by CRS 24-30-1118(3)(h)

All of these seven elements were fully implemented prior to or during FY 1995–96.

Accomplishments for Fiscal Years 2000–2001

For Fiscal Year 2000–2001 the Department of Personnel & General Support Services (DOP/GSS) shows savings of $5,168,079 through the Statewide Travel Management Program in the Division of Central Services. Savings in FY 1999 2000 were $ 5,918,734. Statutorily created in 1993, the program made significant progress during its seventh year of operation. Areas of particular progress include:

1. **Travel Card Services:** The program made good progress in expanding the use of the state travel card, Diners Club, increasing the card base from 12,997 to 13,914. The program has also vastly extended its use of the Diners Club Group Event System cards. These cards allow for a state agency to charge meetings, conferences, sleeping room charges, or even rental cars on a centrally billed charge card. Because the card has state liability, the charges are exempt from taxes. Moreover, the convenience for both state agencies and vendors stems from avoiding use of warrants or purchase orders to make these charges. If an event exceeds $3,000, COFRS Alert 135 provides for procedures to protect the interests of the state and for a commitment voucher to be processed. There were 51 GES cards in service at the close of FY 2000–01.

2. **Program Refines Internet Site:** The program has encouraged the use of new technologies from its inception. The internet is no exception. Travel agencies have been encouraged to mount automated booking systems and all vendors that have internet home pages have had their URL addresses broadly published by the program. During FY 2000–01, the program undertook a concerted effort to mount all travel agreements on the state home page and developed interactive forms. A particularly popular form was the state's travel expense report form that included an automated spreadsheet enabling calculation of totals. The result provided for added searchable compilations of our travel agreements. Further refinements included establishing more links to state awarded travel vendors from the travel home page.
3. **Restructure of Travel Agency Agreements:** In For FY 2000–01, the program continued to rationalize its service fee structure. October of 1999, airlines reduced their commissions to travel agencies to 5 percent. The travel program was poised with a pre-established formula to meet this change seamlessly and smoothly. Nonetheless, the program had a complicated set of $3.00 fees for a variety of services. These fees caused billing problems for state agencies so, in consultation with the State Travel Council, the fee structure was simplified. For FY 2000–01, travel agencies were allowed to charge $8.00 per reconciled ticket. Basically, the state continued to peg the cost it will pay for airline tickets at $18 per ticket were no commissions paid, roughly the equivalent of a 6 percent commission. The number of travel agencies accepting this new arrangement was 88.
4. **Airline Price Agreements:** The program issued an Invitation for Bid for airline service that resulted in savings of $2,572,876 for FY 2000–01. In addition, state travelers used the contract airfares for 42 percent of their tickets, a continuation of a rate that was 19 percent increase from the previous rate of 34 percent. The FY 2000–01 was not a solicitation but was a renewal at an increase of 5 percent. The composite discount offered for all ticket types by United Airlines was 49 percent and that of Frontier Airlines was 37 percent. The average contract fare was 16 percent lower than the average non-contract fare and was 22 percent lower than the average fare out of Denver International Airport.
5. **Enhanced Hotel Agreements:** The program has further enhanced its highly regarded Lodging Directory by adding a State Budget Rate." The new "State Budget Rate" was any lodging rate below the federal lodging per diem. All rates listed are either at or below the federal lodging per diem. The lodging solicitation issued in the spring of 2000 resulted in 220 in-state hotel authorizations. The program solicited most hotels in the state and included bed and breakfasts. The coverage within the state includes properties in every significant destination. The program has also continued its national agreements with Bass Hotels and Resorts/Holiday Inn Worldwide—now operating under the name of Six Continents—for 1700 hotels. Also included were La Quinta Inns for more than 200 hotels and Red Roof Inns for another 300 properties. Also included for spring of 2001 were Best Western International for 4,037 properties and Prime Hospitality for 155. Finally, the program has issued again these agreements in a bound volume, the "State of Colorado Lodging Directory." This publication also includes tax information on charge card use provided by the Department of Revenue.
6. **Rental Cars:** A Request for Proposals was issued n the spring of 2000 that took effect in FY 2000–01. Despite the significant increases in costs that the rental car industry has gone through in the last few years, the state obtained aggressive price agreements with Avis and Alamo. In addition, the program continued its agreement with Enterprise to serve in-state locations with another provider where neither of only one of the primary agencies offered service. The travel

program continued its liability insurance in the amount of $600,000 built into the rate. These agreements also provided a 4 percent revenue share as an enhancement.

7. **Travel Industry Contributions:** Norm Wilson, the State Travel Manager, made a presentation to the Society of Government Travel Professional in September on a new approach to travel cards—a virtual card. He continues to track the Airlines Reporting Corporation to make changes in their airfare processing to allow travel authorization numbers to pass back through on travel card statements. In this fiscal year, ARC reported they had completed their programming for this innovation. The State Travel Manager serves as program chair of the Rocky Mountain Business Travel Association.

8. **Travel Forums:** The program has heightened its educational efforts. Monthly training forums were held throughout the year. These forums provided an overview of the travel program and offered a chance for both travelers and travel arrangers to meet with rental car companies and hoteliers. The effectiveness of this training was much enhanced by the efforts of Lenora Lancaster who improved communication with all state agencies and departments, participated in the training sessions, and supported all the arrangements and participants.

9. **Communication with Higher Education and State Agencies:** In this year, Footnote 67 from the General Assembly provided for a review of the travel program and participation by higher education. The Division of Central Services took this opportunity to bring together higher education users and assess the issues that gave concern. Bill Taylor, head of marketing in Central Services, led participants through a strategic planning process that is to be complete by December 31, 2001. Visits were also made to several institutions of higher education during the year.

10. **State Travel Council and Service Fee Changes:** The State Travel Council met regularly during the year. This advisory body has become not only a useful forum for exchange of information but also a problem-solving group. In particular, the complexity of travel agency service fees came up for discussion. The group devised a simpler service fee approach that allowed for eliminating $3.00 fees for three a variety of services and standardized a $5.00 fee all these separate services.

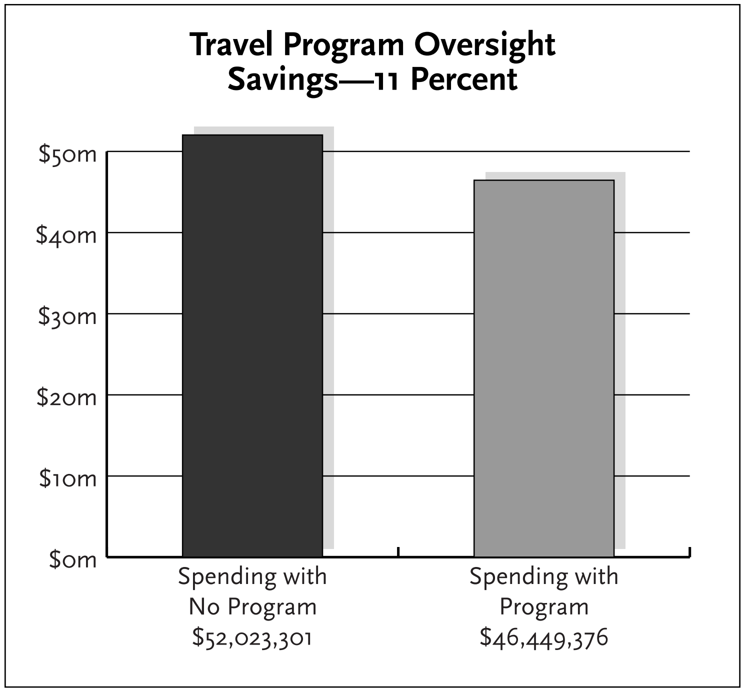
11. **Local Governments Enter Program:** Responding to contacts initiated by local governments wanting to enter the program, the program manager has continued to bring in local governments. Local governments can enjoy all of the benefits of the program provided that they agree to use all the state's travel agreements. This restriction results from the program making all travel agreements interdependent.to maximize vendor benefits.

Cost Savings/Avoidance of Program—Summary for Fiscal Year 2000–01

$2,572,876	Savings—Airline Price Agreements
129,209	Travel Agency
37,058	Rental Car/Diners Club Revenue
603,625	Savings on Hotel Price Agreements
336,243	Savings on Rental Car Price Agreements
430,908	No-Cost Diners Club Collision Damage Waiver at $10/day
452,890	No-Cost Liability Insurance on Rental Cars at $10/day
201,188	Float on Diners Club Centrally Billed Air at 8% for 59 days
144,720	Float on Diners Charges & Cash Advances at 8% for 59 days
217,864	Diners Common Carrier Insurance for $350,000 at $5.25/trip
41,498	$1,250/$2,000 Diners Club Baggage Insurance at $1/trip
$5,168,079	**Cost Savings/Avoidance Resulting from Program**

Travel Spending and Program Oversight

Each year the State Controller's Office issues an Annual Travel Report that provides a total for state employee travel in the previous fiscal year. The total includes personal vehicle reimbursement. The total for FY 2000–01 estimated by the State Controller was $64,310,005. This was a preliminary report—final figures will be available in January 2002 after agency adjustments are made. With non-employee travel $12,660,629 being deducted, $51,649,376 is left as the total for employee travel. Deducting the typical privately owned vehicle reimbursement of $5,200,000 from employee travel, again an estimate made in October 2001 by the travel program, the total spending that might have gone through the travel program is $46,449,376. The total for FY 1999–2000 reported by the State Controller was $48,580,597. Deducting the privately owned vehicle reimbursement of $5,214,563, the total spending that might have gone through the travel program is $43,366,034 for FY 1999–2000. The difference represents a 7 percent increase for employee travel spending from FY 1999–2000 to FY 2000–01. The previous year showed an 8.5 percent increase. Looking at the program impact on FY 2000–01 travel spending, the cost savings/cost avoidance totals 11 percent.



The travel program can separate travel spending into its various components. The State Controller does not provide a breakdown of the categories of travel spending—airfares, hotels, rental cars and so on. The Statewide Travel Management Program can provide this sort of breakdown through vendor information provided by Diners Club. For FY 2000–01, the program tracked through the Diners Club system $28,825,746, a 5 percent increase over the FY 98–99 total of $27,371,613. The previous year was 3 percent. This slightly higher rate of Diners Club adoption over previous years reflects continuing decreases resulting from limiting the card use to official travel only. The figures in this spending total includes not only state employee spending but also spending in political subdivisions that participate in the program as well—roughly $480,000 or about than 1 percent. This very small category of spending has increased by 50% in the last year as more political subdivisions are coming into the program.

Spending through Diners Club Fiscal Year 2000–01

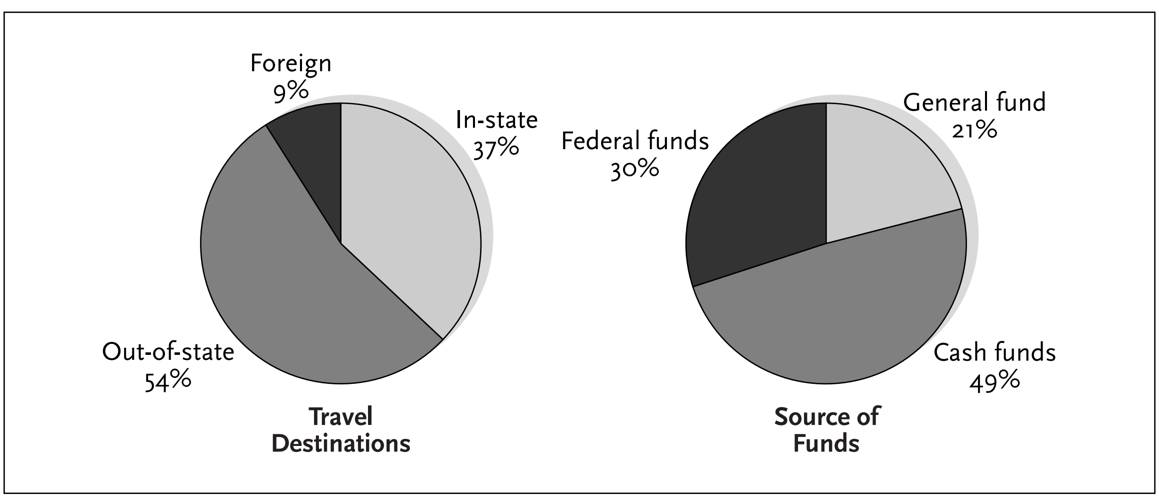
Air-Central Bill+Cards	$16,765,678
Rail	31, 474
Car Rental	1,511,626
Gas/Oil	170,624
Hotels	7,582,811
Restaurants	588,751
Cash Advance	2,144, 442
Taxi/Shuttle	17,926
Telephone Services	12,414
Total	**$28,825,746**

Travel Management Information

The Statewide Travel Management Program continues as a travel industry leader in relying on the travel payment system for travel management information. The Diners Club system has two primary elements—the individual travel cards and the centrally billed airfare accounts. Except for emergencies or en route changes, all state airfares are to be charged through the central airfare accounts. Lodging, meals, rental cars, gas and fuel are to be charged to the individual travel cards. Diners Club information allows travel spending tracking by category, vendor, and location. This allows the program to deduce current savings and future savings opportunities.

Travel Destinations and Source of Travel Funds

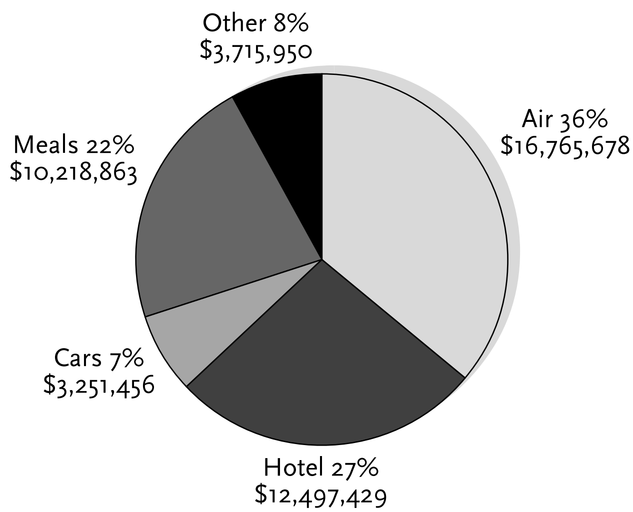
The State Controller's Office (DOP/GSS) requires state agencies to sort their travel spending by destination—in-state, out-of-state, and foreign—and by source of funds—general, cash, and federal. This sorting of spending provides a way of identifying historical shifts in these large categories. Including personal vehicle reimbursement in all categories, in-state travel accounted for 37 percent, out-of-state for 54 percent, and foreign travel for 9 percent in FY 99–00. Comparable figures are anticipated for FY 2000–01. With regard to the source of travel funds, 21 percent came from the general fund, 49 percent from cash funds, and 30 percent from federal funds in FY 1999–00. Similar percentages are anticipated for FY 2000–01.



Travel Spending by Expense Type

The difference between spending through the Diners Club system and total state spending requires that the program make some extrapolations. The program has consulted other industry sources—American Express, Diners Club, Runzheimer International—for guidance on how to extrapolate from our data, particularly regarding hotels. American Express has the most concise data. Total air and hotel spending consistently amounts to 63 to 64 percent of total travel spending in all sectors—private industry, government, and higher education. American Express shows that non-higher education government air travel as 23 percent, and higher education as 34 percent. The actual percentage for FY 2000–01 is 36 percent—largely reflecting the inclusion of higher education in state travel program and its 80 percent share of spending. If we assume the air and lodging is 63 percent, then the lodging spending for the state employee travel is 27 percent or $12,497,429 for FY 2000–01. The American Express shows that car rental spending equals 7 percent or $3,251,456. Meals would account for 22 percent. The remaining 8 percent can be distributed among incidentals, ground transportation, parking and other costs.

Travel Spending by Expense Type for FY 2000–2001



$603,626 in Hotel Savings

Both hotel and rental car savings have been calculated based on actual use of contract vendors. The program uses as benchmarks the federal lodging per diems in calculating lodging savings. The average discount received by the program from hotels has been 23 percent of the federal lodging per diem. Our contract hotels are used for only 21 percent of all spending on lodging of $12,497,429. As half of our travelers are attending conferences and typically stay at the conference hotels, our contract cooperation is actually 42 percent. As our contracts with hotels are permissive so as to allow for use of conference hotels, our compliance is fairly high. The average discount of 23 percent, when applied to total contract hotel spending, yields hotel savings of $603,626 for FY 2000–01.

$1,257,099 in Rental Car Savings

The program has relied on Runzheimer International's annually adjusted average rental car cost, $42.50 for FY 2000–01 in calculating rental car savings. This benchmark is the same as for FY 1999–2000. Savings on the state's contract rates for Alamo, Avis, and Enterprise amounted to $336,243. The program also achieved savings by incorporating a $600,000 single occurrence liability policy in the state rate. This inclusion of liability insurance provided savings of $452,890 at $10.00 per day of rental. By using the Diners Club card, the state saves an additional $430,908 by making use of the Diners Club primary card collision damage waiver coverage when renting cars rather than paying at least $10.00 per day at retail rates. Risk Management has required the purchase of CDW and liability insurance if no contract covers these insurance risks. Add approximately revenue share payments and total savings/revenue/costs avoidance totals $1,257,099 on total estimated car rental spending of $3,251,456.

$2,572,876 in Airfare Savings

Spending for airfares increased by 2 percent in FY 2000–01. Spending in the prior year the decreased in FY 1999–2000 by 2 percent. In FY 98–99 the increase was 6.6 percent. While Runzheimer shows a continuing escalation in domestic business air travel during FY 2000–01 of 8 percent, the state's average ticket cost has increased only slightly, from $383 to $404. The average ticket price had increased for FY 1999–2000 to $383 from $379. The average ticket for FY 1997–98 was $365, and in FY 96–97 it was $360. The program elected to extend the price agreement and granted a 5 percent fare increase—in line with the CPI. Savings for FY 2000–01 amounted to $2,572,876 based on a new measure of the state's average ticket price of $404 for all travel versus the average ticket price of $466 for domestic travel only from Denver International Airport as published by the United States Department of Transportation. Our average contract fare was $363, but our average non-contract fare was $434. Contract fares are, then, less than non-contract fares by 16 percent. Our contract fares are less than the DIA average fare by 22 percent. These figures do not reflect that 10 percent of our travel is foreign, and these savings are skewed by including these higher foreign fares in the state ATP versus the DIA average of domestic fares only.

Individual Travel Card Use Increases

The state travel card, currently Diners Club, provides an essential data-gathering tool for achieving savings in lodging, rental cars, and cash advances in addition to the various services and insurance provided. By rule, state employees are to obtain and use a travel card if they travel out of state once per year or in state twice per year. Program data show a 7 percent increase in FY 2000–01 versus a 3.2 percent increase in cardholders the previous year with the number of cards increasing

from 12,997 to 13,914. Spending through the individually held travel cards decreased by 5 percent overall. This increase result from a continuing aggressive program approach to pushing card use as a cost savings measure for state agencies and a greater convenience for state travelers and renewed compliance measures adopted by state agencies. The difference between total state travel spending and spending through Diners Club results from state travelers using forms of payment other than the state travel card. The difference is $17,623,630 in spending or 38 percent. While not every traveler uses a Diners Club card, the number of cardholders increased.

Total State Travel Card Holders by Year

FY 1996–97	11,534
FY 1997–98	12,038
FY 1998–99	12,507
FY 1999–00	12,997
FY 2000–01	13,914

As a reference point, the program has determined that more than 17,000 employees travel in any one year. Some agencies still issue travel advances out of state funds, about $1,400,000 at last reckoning. Further, some agencies continue to pay for hotel costs with purchase orders or state warrants, especially for in-state hotels to avoid tax. The program has met this inefficient practice of arranging purchase orders and issuing warrants by heightening is deployment of Group Event System cards. The program has continued to grant time to state agencies to implement the travel card thereby providing the program with opportunities for more information concerning the travel card's benefits and advantages. As the state moves toward greater use of the internet, the travel program will face an increased need to require use of the state's travel card.

State Travel Spending Benchmark

Rolfe Shellenberger of Runzheimer International, a widely respected travel analyst, observes that travel spending of large organizations may range from .5 percent to 5 percent of total revenue. At .4 percent, the state travel spending is well below the low end of this range.

DIVISION OF CENTRAL SERVICES

Department of Personnel & General Support Services