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Cindy Archer
Deputy Secretary
Wisconsin Department of Administration
101 E. Wilson St.
Madison, Wisconsin 53703

RE: GOVERNOR'S COMMISSION ON WASTE, FRAUD AND ABUSE

Dear Deputy Secretary Archer,

The State Engineering Association (SEA) has made it a priority to identify waste and mismanagement in state government, working on a nonpartisan basis to point out inefficiencies especially with respect to the outsourcing of public works. The Association is thus gratified by Gov. Walker's creation of the Commission on Waste, Fraud and Abuse.

SEA represents 1,100 engineers and technical specialists working in state government. For years we have worked to identify wasteful, inefficient practices in the procurement and delivery of state services. For example, SEA was instrumental in the creation of 2005 Wisconsin Act 89, a law intended to make more transparent the fiscal impact of decisions to contract out state work.

SEA has continued to analyze wasteful practices in outsourcing to private consultants, findings that have been backed by independent analysis, including a study by the Legislative Audit Bureau.

With respect to the governor's mandate to identify waste, fraud and abuse in state government programs and state appropriations, SEA urges the Commission to examine current practices in outsourcing with an eye toward reforms that we believe could save tens of millions of dollars per year.

There is nothing in principle wrong with employing private consultants to do the state's work, but when consulting contracts are demonstrably more expensive and in other ways less efficient than doing the work in-house, taxpayers deserve change.

In the past eight years, Wisconsin state government has moved further in the wasteful direction of outsourcing more public work to private consultants. The Legislative Fiscal Bureau's study last year indicated that consulting contracts for transportation engineering alone soared from \$116.3 million in 2004 to \$252 million in 2009.

While the consulting budget has exploded; less work per tax dollar has been getting done. An analysis by the state Department of Transportation early in the Doyle administration showed that state engineers were at least 18 percent more cost-effective in delivering such services compared to private consultants. That conclusion has been confirmed in several succeeding studies, yet the trend toward increased private consulting has continued.

Moreover, despite 2005 Act 89, agencies have persisted in making questionable decisions with respect to outsourcing. SEA's analysis of monthly Act 89 reports -- required from agencies in the case of some

private contracting -- strongly suggests these decisions are too often reverse-engineered to reach a predetermined outcome. Even where an agency takes its statutory duties seriously, it remains under no compulsion to choose the least expensive option when deciding whether to outsource work.

Meanwhile, apples-to-oranges comparisons of public- and private-sector costs fail to take into account the full, real-world bill for outsourcing. For example, some private consultants enjoy free parking in state lots and free office space in state buildings. They also use state computers and phones without charge, and are even recognized at "state employee appreciation" luncheons.

Indeed, to all outward appearances, these consultants look, act and are treated (with the exception of civil service rules) like state employees, some maintaining residence in state office buildings for years as they work on one contract after another. Outsourcing thus creates a shadow work force that is invisible to tracking. Also it creates greater bureaucracy with hidden administrative costs. Many state work hours are spent completing consultant projects, hours never captured in the overall cost of the consultant's work.

Beyond that is another, potentially more disturbing development: The state has already moved so heavily into private consulting that in some cases, one private consultant is hired to monitor the work of another private consultant, and vice versa, leading to potential conflicts of interest on projects that affect public health and safety. Recently, for instance, the DOT hired a private consultant to count cracks on new highways to ensure the paving contractor repaves them under contract warranties.

What oversight duties remain to state employees are meanwhile compromised. The loss of staff expertise and manpower due to cutbacks and resignations means the state also loses the ability to maintain a base workforce less able among other duties to monitor consultant contracts, not to mention setting and maintaining quality standards.

Finally, SEA members are among state employees who increasingly have migrated to work for private consultants because they are being offered positions at 25% to 30% more in wages. Consultants can afford to pay these kind of salaries because of the high hourly rates they charge the state.

The State Engineering Association would be pleased to work with the Commission in its efforts to save wasted tax dollars, sharing our expertise and accumulated data wherever that would be of value. SEA took note that in announcing the Commission, Gov. Walker said it would engage ideas and information from all sectors, private and public. No one understands this particular issue better than the line state employees who have watched outsourcing negatively impact state costs and services. SEA therefore urges the Commission to include the professional expertise of state employees who arguably are more familiar with this subject than any other private or public source.

Please feel free to contact SEA should you have questions about any issue that may benefit from the insights and professional experience of our membership.

Sincerely,



Mark Klipstein
President

cc: Sen. Frank Lasee
Sen. Chris Larson
Rep. Samantha Kerkman
Rep. Mark Pocan