

DO THE RIGHT THING

OUTSOURCING COSTS UP ... BUDGET CREDIBILITY DOWN

A message from Mark Klipstein
President of the State Engineering Association
April 22, 2009

Dear Legislator:

The State Engineering Association (SEA) recently received the results of a study it commissioned to examine efficiency in state government. A University of Wisconsin – Milwaukee emeritus professor of civil engineering looked at how state agencies have implemented Act 89, the 2006 state law requiring a cost-benefit analysis whenever the state wishes to contract out projects expected to cost more than \$25,000.



SEA anticipated – based on past research – that the study would document a lax agency approach toward evaluating the costs and benefits of outsourcing state work. We already knew that outsourcing does cost more, thanks to numerous previous studies, including one by the state Department of Transportation (DOT). Sure enough, our new study further validated this. The study also indicated that agency management may not always be fairly measuring the costs of using consultants instead of state staff.

But wait, there's more. After the study data was collected, SEA gathered even more evidence that the state is on the wrong track in outsourcing. Even while the study's author was busy examining hundreds of state cost-benefit analysis forms from last year, SEA was receiving new cost-benefit forms as the state's outsourcing continued.

And guess what? **The latest forms filed by state agencies clearly showed that outsourcing is still often more expensive than in-house efforts.** You can see examples elsewhere in the packet accompanying this message.

Knowing this, how do administrators still justify contracting out? They say: We just don't have the staff! And: We just don't have the expertise! Trouble is, those are problems the state's own policies created.

Consider, for instance, the argument that staff shortages force outsourcing. A state administrator recently told the Wisconsin Radio Network it's difficult to "deliver the program" when the agency simply has not hired any new employees. "We've had, I believe, over 500 positions, because of budgetary constraints and you know whatever, that we haven't filled," the official was quoted as saying. "And in order for us to embark on this building program that we've had the past number of years, we've had to consult out.

"You know the governor's had to make some really tough decisions. Not just this budget but the last budget. And I don't know ... I don't know where, you know, where we go from here to be perfectly honest with you."

Well, the members of the State Engineering Association have a suggestion where the state should go: Back to **good government**, which is to say, **one that spends tax dollars wisely**. State government must do the right thing for a change, instead of using budget accounting tricks for the sake of political expediency.

As an increasing chorus of public voices have noted, contracting out, especially in the case of highway projects –



often ends up costing way more than simply filling state vacant positions. Of course, fixing this would mean renouncing the principle that the path to a more efficient government lies in laying off 10,000 or more highly experienced public employees, then getting the private sector to do their work for more money.

When private consultants on state contract replace state workers and burn more money while using state office space, communications equipment and other public resources – and occasionally even getting state employee awards – it's simply a charade to claim that state government is as a result leaner. In fact, this all adds up to spending more money for less output and calling the extra cost a savings.

But what about the argument that the state doesn't always have the expertise to handle a project in-house? Well, again, that's to a great extent the result of the state's own decision to send away that expertise. **It's quite ironic when the DOT and other agencies claim the state lacks expertise even while they maintain huge state staff vacancies and overload remaining employees.**

Also -- and SEA members know all about this after working nearly two years without a new contract -- **underpaying public employees who stay behind is a huge incentive for those employees to move on to greener pastures in the private sector. The state itself acknowledges that retaining talent and recruiting young prospects is already a serious problem, given its stingy approach to compensation.**

It's problematic when talented staffers leave the state to do private contract work for twice as much money. It's even more problematic when some of those ex-staffers end up working under state contract – sometimes even in the very state office building they may have been assigned as public employees!

Now how is all of that a “savings”? Well, it isn't, either in dollars or in the quality of output. In today's difficult economic climate, public officials have every incentive to avoid fiscal sleight-of-hand games, lest angry taxpayers decide they can save themselves real money by outsourcing certain public servants next election.

SEA is the bargaining unit for nearly 1,200 engineers and other technical professionals. Yes, our association has an agenda, one that includes fair wages and working conditions. But we are not just state employees, we are also citizens and taxpayers, and we care about good government; we care about spending tax dollars wisely.

Our members collectively have worked very hard to deliver top-quality service to Wisconsin citizens – as, for instance, when massive flooding threatened economies and public safety across much of the state last June.

But if you go through the state office buildings where SEA members are based, or follow them into the field as they tackle environmental, engineering and scientific challenges across this state, you will find employees who, while dedicated and hard working, are also **dismayed** at the wasted opportunities and wasted dollars they confront in the public's workplace. It's positively demoralizing.

The packet accompanying this message provides you and your staff with significant information and data documenting SEA's concerns. We hope you will take a few minutes to scan this material and make use of it as you help develop state spending plans and work on behalf of your constituents. Our goals are simple:

- Good government that is transparent and efficient;
- Fair bargaining that allows for real give and take between the administration and represented employees.

Sincerely,



Mark Klipstein

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