

**State Engineering Association of Wisconsin
Summary of independent consultant's report on
2006 Wisconsin Act 89 implementation
April 2009**

The State Engineering Association (SEA), a bargaining unit for about 1,200 State of Wisconsin engineering and technical employees, commissioned an analysis of Act 89. The act requires that, under certain conditions, the state consider costs versus benefits before consultant services are used in place of state staff. The study was designed to examine the effectiveness of the act and compliance by state agencies.

The study was conducted by an independent consultant, Dr. Edward Beimborn, professor emeritus of civil engineering at the University of Wisconsin – Milwaukee. The results and conclusions are solely those of Dr. Beimborn. The study provides a review of state agency benefit-cost reports to see if they are being done consistent with the stated intent of Act 89. It also includes a description of similar work done outside Wisconsin and analysis of reports by Wisconsin state agencies submitted to comply with the act.

For this report, more than 350 benefit-cost spreadsheets prepared by the Wisconsin Department of Transportation were analyzed. Less than ten reports from other agencies were available for analysis. These reports compare estimated costs before a project starts. No comparisons are made of actual costs once a project is completed. In general, the reports comply with the requirements of Act 89. According to the study, an analysis of the state-submitted reports indicates:

- The use of consultants does not save money for the state. Consultant use led to an increase of approximately \$5 million for 362 WisDOT projects that were examined.
- For design projects, use of consultants increases estimated costs in all cases according to the WisDOT procedure.
- For construction projects, use of consultants increases WisDOT costs overall, primarily because of project oversight. Nonetheless, use of consultants can save money in certain categories – for example with construction inspection, where private costs can be less than at the state.
- Project oversight appears to be poorly understood and poorly estimated by state staff in the Act 89 spreadsheets supplied by WisDOT.
- In many cases, state managers opted to use consultants citing lack of state staff.
- Other agency benefit-cost analyses follow different procedures, but show similar results.
- Excessive use of consultants can result in the loss of state control over its projects, can have long term effects on the future engineering workforce in the state and can lead to poor preparation of state staff to manage projects.

Based on this analysis, the study recommended that the Legislative Audit Bureau conduct a state audit of the costs and performance of specific projects. This audit should look at actual costs of projects after project completion and estimate what the costs would have been if the project were done in-house. The audit should look at all state agencies subject to Act 89 and determine if proper procedures are applied in each situation and whether the intent of the law is being followed. In addition, the audit should examine major differences in oversight time estimates between projects and the accounting process and the practice of using consultant staff located on site in state facilities.

The study also recommended the state also examine how its staff is trained to select and manage consultants; address the question of how internal projects can be used to build up in-house expertise to oversee projects in the future; and how outsourcing affects student summer jobs and internships.