SEIU Local 2001
CSEA
Stronger Together

Stephen Anderson
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Executive Director

February 19, 2016

Appropriations Committee

House Bill 5044: An Act Making Adjustments To State Expenditures For The Fiscal Year Ending June 30, 2017

Senator Bye, Representative Walker and members of the Appropriations Committee,

My name is Travis Woodward, I am an engineer with the Department of Transportation and the president of the CSEA P-4 bargaining unit. I am testifying today to raise your awareness of the amount of money the State of Connecticut spends every year for work that should be done in-house.

In the fall of 2014 the Department of Transportation performed a number of cost-effectiveness evaluations for outsourcing project inspection, project design and claims services. Those evaluations showed that project inspections completed by in-house state employees could be completed in many instances at half the cost of outside consultants. Lobbyists for the engineering services industry will tell you that doesn't take into account state employees' pensions and other benefits. This is false. The department's reports did an apples to apples comparison including benefits, fringes and overhead. Outsourced consultants bare a large additional cost from profits that are built into each contract. This built in profit is not capped.

According to the documents, "Since the Department [of Transportation] routinely enters into many Consultant Construction Engineering and Inspection contracts impacting a significant amount of funding, it was decided to complete three Cost Evaluations for this type of service." The State performed those evaluations using recent historical data from inspection contracts in the small, medium, and large ranges. If state employees were used on more projects large and small, this cost-effectiveness evaluation showed massive savings from 46% to 63% could be achieved. For large projects, utilizing in-house state employees would save an estimated $4.7 million dollars per contract according to the evaluation.

CSEA has been saying for years that privatization is a gigantic waste of resources, and the Department's own evaluations prove our point. Connecticut could save millions by performing more work in-house if only the Department of Transportation wasn't so short staffed. CSEA estimates that if all construction projects had been performed by in-house state employees, Connecticut would have saved an average of 75 million dollars annually, and because of additional work being done through the Governor's transportation initiative, this number is quickly approaching 100 million annually.

However, the State's evaluations highlight understaffing as a serious obstacle to obtaining these savings, "The length of time required to establish and fill in-house positions related to this work would be lengthy and would likely jeopardize the federal funding used to fund this work which must be obligated within a specified period of time."

CSEA would like your commitment to work together to bring the staffing at the Department of Transportation to the appropriate levels. We should never be forced to waste tax dollars on outside inspection consultants due to short staffing.

Sincerely,

Travis Woodward, P.E.
President, P-4 Council
CSEA SEIU Local 2001

Potential Department of Transportation Savings Report

The State of Connecticut Department of Transportation could have saved between $160,013,735.00 and $180,429,030.34 in Fiscal Years 2013 and 2014 had it performed Construction Inspection and Engineering Services with State Employees in lieu of Outside Consultants.

In October, 2014 a new statute went into effect that requires the State to perform Costs Effectiveness Evaluations for work that is continually contracted out. Through a Freedom of Information Request to the Department of Transportation, the initial cost evaluations in the areas of Construction Inspection and Engineering Services were obtained.

Construction Inspection and Engineering Services were evaluated by Small, Medium and Large sized projects. Six reports were prepared for these sections in total. The reports detail how much was spent on individual contracted out projects and what the cost would have been if a state employee were substituted for each consultant employee.

The data from the three cost evaluations shows savings of 46 to 52% for Construction Inspection work had in-house personnel performed the work. Similarly, three cost evaluations showed savings of 59 to 63% had in-house personnel performed Engineering Services (Design).

A second Freedom of Information Request was submitted to the Department of Transportation obtain actual costs paid for contracting out these services for Fiscal Years 2013 and 2014. The amount paid by the Department of Transportation for Construction Inspection for Fiscal Years 2013 and 2014 was $109,674,991.39. The amount paid for by DOT for Engineering Services for the same time period was $123,398,034.82.

From the data obtained, potential savings was calculated by multiplying the total amount spent in each section by the minimum and maximum savings rates. The data indicates that for Construction Inspection work, the Department could have realized savings of $50,450,496.04 to $57,030,995.52 had the work been performed by in-house State Employees in Fiscal Years 2013 and 2014. Savings of $115,563,238.96 to $123,398,034.82 could have been realized for Engineering Services had the work been performed in-house over the same time period.

The data from the attached report indicates the Department of Transportation could have realized savings between $166,013,735.00 and $180,429,030.34 had key state services been performed in-house instead of contracted out. An investment in the state workforce now would allow for more work to be performed in-house and the Department of Transportation to realize future savings.

Potential Savings if State Employees Performed Inspection and Engineering Work Instead of Contracting Out
Using information received via Freedom of Information Requests to the Department of Transportation

Construction Inspection	Contracting Out Cost	In-House Cost	In-House Savings
Small Projects	$ 1,167,728.00	$ 592,814.04	49%
Medium Projects	$ 7,909,815.00	$ 4,244,089.42	46%
Large Projects	$ 9,024,740.00	$ 4,293,513.66	52%
	Fiscal Year 2013	Fiscal Year 2014	Total
Consulting Out Costs	$ 51,983,099.35	$ 57,691,892.04	$ 109,674,991.39
Total Savings in FY 2013/2014 if State Employees Performed the Work			
Savings Range	**46%**	**to**	**52%**
(over 2013/2014 biennium)	**$ 50,450,496.04**	**to**	**$ 57,030,995.52**

Engineering Services	Contracting Out Cost	In-House Cost	In-House Savings
Small Projects	$ 369,408.00	$ 147,120.34	60%
Medium Projects	$ 469,106.36	$ 173,590.14	63%
Large Projects	$ 544,372.50	$ 222,380.69	59%
	Fiscal Year 2013	Fiscal Year 2014	Total
Consulting Out Costs	$ 81,081,901.99	$ 114,787,994.55	$ 195,869,896.54
Total Savings in FY 2013/2014 if State Employees Performed the Work			
Savings Range	**59%**	**to**	**63%**
(over 2013/2014 biennium)	**$ 115,563,238.96**	**to**	**$ 123,398,034.82**

Total Department of Transportation Dollars that could have been saved in FY 2013 and 2014 if Construction Inspection and Engineering Services were performed by State Employees instead of Contracted Out			
	$ 166,013,735.00	**to**	**$ 180,429,030.34**

Cost-Effectiveness Evaluation or New or Renewal Privatization Contracts

State Contracting Agency: Dept. of Transportation

Contract Title/Description: 7) Consultant Construction Engineering and Inspection **(smaller size)**

Need for New Contract/Renewal: The Department is continuing the practice of hiring outside Consultants to provide Construction Engineering & Inspection Services to augment state forces where the Department does not have available staff to perform the work, or where the skills required to perform the work are not present within the Department.

New Contract and Historical Contracts Information: The Department is in the process of contracting with a number of firms for Consultant Construction Engineering & Inspection Services. These contracts are established with a term that is sufficient to cover the estimated time required to construct the project. Contract Maximum's generally vary from the hundreds of thousands to the millions of dollars. The method of procurement for these types of contracts is through the selection and negotiation process established by CGS 13b-20. This process has been ongoing for a number of years and is anticipated to be an ongoing initiative.

Cost Evaluation Summary: This Cost Evaluation is one of three that will be performed for the Department's Construction Engineering & Inspection procurements. The Department chose to perform three individual evaluations using historical negotiated amounts from inspection contracts in the small, medium and large ranges. This cost evaluation utilized a small historical contract. The Cost Analysis Summary is presented below with the results showing a savings if the work were to be performed in-house.

Form C-100 Summary and Comparison of Costs of Contracting Out and In-House Service Delivery			
Category	Projected Year 1	Projected Year 2	Projected Year 3
Total Costs Related to Contracting Out with Indirect Costs	$ 1,237,197.92	$ -	$ -
Total Costs Related to Contracting Out without Indirect Costs	$ 1,167,728.00	$ -	$ -
Total Costs In-House with Indirect Costs	$ 737,812.14	$ -	$ -
Total Costs In-House without Indirect Costs	$ 592,814.04	$ -	$ -
(Costs)/Savings with Contracting Out with Indirect Costs	$ (499,385.78)	$ -	$ -
(Costs)/Savings with Contracting Out without Indirect Costs	$ (574,913.96)	$ -	$ -

Comments related to Evaluation Results: The results of this Cost Evaluation showed a savings if this service were to be performed in-house. The length of time required to establish and fill in-house positions related to this work would be lengthy, and would likely jeopardize the federal funding used to fund this work which must be obligated within a specified period of time. In addition, issues associated with hiring in-house personnel at other than entry level positions could also affect the ability to obtain in-house staff in a timely manner.

Cost-Effectiveness Evaluation or New or Renewal Privatization Contracts

State Contracting Agency: Dept. of Transportation

Contract Title/Description: 7) Consultant Construction Engineering and Inspection **(medium size)**

Need for New Contract/Renewal: The Department is continuing the practice of hiring outside Consultants to provide Construction Engineering & Inspection Services to augment state forces where the Department does not have available staff to perform the work, or where the skills required to perform the work are not present within the Department.

New Contract and Historical Contracts Information: The Department is in the process of contracting with a number of firms for Consultant Construction Engineering & Inspection Services. These contracts are established with a term that is sufficient to cover the estimated time required to construct the project. Contract Maximum's generally vary from the hundreds of thousands to the millions of dollars. The method of procurement for these types of contracts is through the selection and negotiation process established by CGS 13b-20. This process has been ongoing for a number of years and is anticipated to be an ongoing initiative.

Cost Evaluation Summary: This Cost Evaluation is one of three that will be performed for the Department's Construction Engineering & Inspection procurements. The Department chose to perform three individual evaluations using historical negotiated amounts from inspection contracts in the small, medium and large ranges. This cost evaluation utilized a medium historical contract. The Cost Analysis Summary is presented below with the results showing a savings if the work were to be performed in-house.

Form C-100: Summary and Comparison of Costs of Contracting Out and In-House Service Delivery			
Category	Projected Year 1	Projected Year 2	Projected Year 3
Total Costs Related to Contracting Out with Indirect Costs	$ 8,312,183.85	$ -	$ -
Total Costs Related to Contracting Out without Indirect Costs	$ 7,909,815.00	$ -	$ -
Total Costs In-House with Indirect Costs	$ 5,286,520.42	$ -	$ -
Total Costs In-House without Indirect Costs	$ 4,244,089.42	$ -	$ -
(Costs)/Savings with Contracting Out with Indirect Costs	$ (3,025,663.43)	$ -	$ -
(Costs)/Savings with Contracting Out without Indirect Costs	$ (3,665,725.58)	$ -	$ -

Comments related to Evaluation Results: The results of this Cost Evaluation showed a savings if this service were to be performed in-house. The length of time required to establish and fill in-house positions related to this work would be lengthy, and would likely jeopardize the federal funding used to fund this work which must be obligated within a specified period of time. In addition, issues associated with hiring in-house personnel at other than entry level positions could also affect the ability to obtain in-house staff in a timely manner.

Cost-Effectiveness Evaluation or New or Renewal Privatization Contracts

State Contracting Agency: Dept. of Transportation

Contract Title/Description: 7) Consultant Construction Engineering and Inspection **(large size)**

Need for New Contract/Renewal: The Department is continuing the practice of hiring outside Consultants to provide Construction Engineering & Inspection Services to augment state forces where the Department does not have available staff to perform the work, or where the skills required to perform the work are not present within the Department.

New Contract and Historical Contracts Information: The Department is in the process of contracting with a number of firms for Consultant Construction Engineering & Inspection Services. These contracts are established with a term that is sufficient to cover the estimated time required to construct the project. Contract Maximum's generally vary from the hundreds of thousands to the millions of dollars. The method of procurement for these types of contracts is through the selection and negotiation process established by CGS 13b-20. This process has been ongoing for a number of years and is anticipated to be an ongoing initiative.

Cost Evaluation Summary: This Cost Evaluation is one of three that will be performed for the Department's Construction Engineering & Inspection procurements. The Department chose to perform three individual evaluations using historical negotiated amounts from inspection contracts in the small, medium and large ranges. This cost evaluation utilized a large historical contract. The Cost Analysis Summary is presented below with the results showing a savings if the work were to be performed in-house.

Form C-100: Summary and Comparison of Costs of Contacting Out and In-House Service Delivery			
Category	Projected Year 1	Projected Year 2	Projected Year 3
Total Costs Related to Contracting Out with Indirect Costs	$ 9,483,824.60	$ -	$ -
Total Costs Related to Contracting Out without Indirect Costs	$ 9,024,740.00	$ -	$ -
Total Costs In-House with Indirect Costs	$ 5,343,276.66	$ -	$ -
Total Costs In-House without Indirect Costs	$ 4,293,513.66	$ -	$ -
(Costs)/Savings with Contracting Out with Indirect Costs	$(4,140,547.94)	$ -	$ -
(Costs)/Savings with Contracting Out without Indirect Costs	$(4,731,226.34)	$ -	$ -

Comments related to Evaluation Results: The results of this Cost Evaluation showed a savings if this service were to be performed in-house. The length of time required to establish and fill in-house positions related to this work would be lengthy, and would likely jeopardize the federal funding used to fund this work which must be obligated within a specified period of time. In addition, issues associated with hiring in-house personnel at other than entry level positions could also affect the ability to obtain in-house staff in a timely manner.

Cost-Effectiveness Evaluation or New or Renewal Privatization Contracts

State Contracting Agency: Dept. of Transportation

Contract Title/Description: 11) Engineering **(small size)**

Need for New Contract/Renewal: The Department is continuing the practice of hiring outside Consultants to provide Engineering Services to augment state forces where the Department does not have available staff to perform the work, or where the skills required to perform the work are not present within the Department.

New Contract and Historical Contracts Information: The Department is in the process of contracting with a number of firms for Consultant Engineering Services. These contracts are established with a term that is sufficient to cover the estimated time required to construct the project. Contract Maximum's generally vary from the hundreds of thousands to the millions of dollars. The method of procurement for these types of contracts is through the selection and negotiation process established by CGS 13b-20. This process has been ongoing for a number of years and is anticipated to be an ongoing initiative.

Cost Evaluation Summary: This Cost Evaluation is one of three that will be performed for the Department's Engineering procurements. The Department chose to perform three individual evaluations using historical negotiated amounts from engineering contracts in the small, medium and large ranges. This cost evaluation utilized a small historical contract. The Cost Analysis Summary is presented below with the results showing a savings if the work were to be performed in-house.

Form C-100: Summary and Comparison of Costs of Contacting Out and In-House Service Delivery			
Category	Projected Year 1	Projected Year 2	Projected Year 3
Total Costs Related to Contracting Out with Indirect Costs	$ 416,133.12	$ -	$ -
Total Costs Related to Contracting Out without Indirect Costs	$ 369,408.00	$ -	$ -
Total Costs In-House with Indirect Costs	$ 183,905.14	$ -	$ -
Total Costs In-House without Indirect Costs	$ 147,120.34	$ -	$ -
(Costs)/Savings with Contracting Out with Indirect Costs	$ (232,227.98)	$ -	$ -
(Costs)/Savings with Contracting Out without Indirect Costs	$ (222,287.66)	$ -	$ -

Comments related to Evaluation Results: The results of this Cost Evaluation showed a savings if this service were to be performed in-house. The length of time required to establish and fill in-house positions related to this work would be lengthy, and would likely jeopardize the federal funding used to fund this work which must be obligated within a specified period of time. In addition, issues associated with hiring in-house personnel at other than entry level positions could also affect the ability to obtain in-house staff in a timely manner.

Cost-Effectiveness Evaluation or New or Renewal Privatization Contracts

State Contracting Agency: Dept. of Transportation

Contract Title/Description: 11) Engineering **(medium size)**

Need for New Contract/Renewal: The Department is continuing the practice of hiring outside Consultants to provide Engineering Services to augment state forces where the Department does not have available staff to perform the work, or where the skills required to perform the work are not present within the Department.

New Contract and Historical Contracts Information: The Department is in the process of contracting with a number of firms for Consultant Engineering Services. These contracts are established with a term that is sufficient to cover the estimated time required to construct the project. Contract Maximum's generally vary from the hundreds of thousands to the millions of dollars. The method of procurement for these types of contracts is through the selection and negotiation process established by CGS 13b-20. This process has been ongoing for a number of years and is anticipated to be an ongoing initiative.

Cost Evaluation Summary: This Cost Evaluation is one of three that will be performed for the Department's Engineering procurements. The Department chose to perform three individual evaluations using historical negotiated amounts from engineering contracts in the small, medium and large ranges. This cost evaluation utilized a medium historical contract. The Cost Analysis Summary is presented below with the results showing a savings if the work were to be performed in-house.

Form C-100: Summary and Comparison of Costs of Contacting Out and In-House Service Delivery			
Category	Projected Year 1	Projected Year 2	Projected Year 3
Total Costs Related to Contracting Out with Indirect Costs	$ 558,857.11	$ -	$ -
Total Costs Related to Contracting Out without Indirect Costs	$ 496,106.36	$ -	$ -
Total Costs In-House with Indirect Costs	$ 216,993.24	$ -	$ -
Total Costs In-House without Indirect Costs	$ 173,590.14	$ -	$ -
(Costs)/Savings with Contracting Out with Indirect Costs	$ (341,863.87)	$ -	$ -
(Costs)/Savings with Contracting Out without Indirect Costs	$ (322,516.22)	$ -	$ -

Comments related to Evaluation Results: The results of this Cost Evaluation showed a savings if this service were to be performed in-house. The length of time required to establish and fill in-house positions related to this work would be lengthy, and would likely jeopardize the federal funding used to fund this work which must be obligated within a specified period of time. In addition, issues associated with hiring in-house personnel at other than entry level positions could also affect the ability to obtain in-house staff in a timely manner.

Cost-Effectiveness Evaluation or New or Renewal Privatization Contracts

State Contracting Agency: Dept. of Transportation

Contract Title/Description: 11) Engineering **(large size)**

Need for New Contract/Renewal: The Department is continuing the practice of hiring outside Consultants to provide Engineering Services to augment state forces where the Department does not have available staff to perform the work, or where the skills required to perform the work are not present within the Department.

New Contract and Historical Contracts Information: The Department is in the process of contracting with a number of firms for Consultant Engineering Services. These contracts are established with a term that is sufficient to cover the estimated time required to construct the project. Contract Maximum's generally vary from the hundreds of thousands to the millions of dollars. The method of procurement for these types of contracts is through the selection and negotiation process established by CGS 13b-20. This process has been ongoing for a number of years and is anticipated to be an ongoing initiative.

Cost Evaluation Summary: This Cost Evaluation is one of three that will be performed for the Department's Engineering procurements. The Department chose to perform three individual evaluations using historical negotiated amounts from engineering contracts in the small, medium and large ranges. This cost evaluation utilized a large historical contract. The Cost Analysis Summary is presented below with the results showing a savings if the work were to be performed in-house.

Form C-100: Summary and Comparison of Costs of Contacting Out and In-House Service Delivery			
Category	Projected Year 1	Projected Year 2	Projected Year 3
Total Costs Related to Contracting Out with Indirect Costs	$ 586,833.56	$ -	$ -
Total Costs Related to Contracting Out without Indirect Costs	$ 544,372.50	$ -	$ -
Total Costs In-House with Indirect Costs	$ 277,982.99	$ -	$ -
Total Costs In-House without Indirect Costs	$ 222,380.69	$ -	$ -
(Costs)/Savings with Contracting Out with Indirect Costs	$ (308,850.57)	$ -	$ -
(Costs)/Savings with Contracting Out without Indirect Costs	$ (321,991.81)	$ -	$ -

Comments related to Evaluation Results: The results of this Cost Evaluation showed a savings if this service were to be performed in-house. The length of time required to establish and fill in-house positions related to this work would be lengthy, and would likely jeopardize the federal funding used to fund this work which must be obligated within a specified period of time. In addition, issues associated with hiring in-house personnel at other than entry level positions could also affect the ability to obtain in-house staff in a timely manner.

Expenditures to Account 51210 - Engineering/Architectural Services				
Category	**Source Type**	**Description**	**FY 2013**	**FY 2014**
Claims	IN115	DEFENSE OF CLAIMS	247,715.64	389,443.53
Claims Total			**$ 247,715.64**	**$ 389,443.53**
Engineering	R8414	ARCHITECTURE & ENGINEERING FEE		14,254,067.09
Engineering	RR111	CNSTRCTN ENGNR & INSPCTN-OUTSD	243,329.09	297,197.48
Engineering	PE155	CONSULTANT/MUNICIPAL SERVICES	63,425,247.86	73,778,647.36
Engineering	PE153	DESIGN & ESTIMATES	278,405.43	375,677.91
Engineering	PE154	ENVIRONMENTAL SERVICES	1,751,797.51	1,741,198.43
Engineering	SP155	FEASIBILITY STUDY	990,629.35	3,885,260.47
Engineering	RR408	FTA & FRA GRANTS-CONSTR MGMT	5,101.58	509.80
Engineering	PE403	FTA & FRA GRANTS-DSGN CONSLTNT	968,725.64	2,882,126.18
Engineering	IN111	CNSTRCTN ENGNR & INSPCTN-OUTSD	12,571,084.61	15,885,651.99
Engineering	IN126	SURVY/ARCHAELOGICAL/COMM&OTHER	847,580.92	1,687,657.84
Engineering Total			**$ 81,081,901.99**	**$ 114,787,994.55**
Inspection	IN111	CNSTRCTN ENGNR & INSPCTN-OUTSD	51,962,657.23	56,969,460.27
Inspection	IN103	CONSTRUCTION INSPECTION	20,442.12	722,431.77
Inspection Total			**$ 51,983,099.35**	**$ 57,691,892.04**