



AMERICAN COUNCIL OF ENGINEERING COMPANIES
of Connecticut

TESTIMONY BEFORE THE
GOVERNMENT ADMINISTRATION AND ELECTIONS COMMITTEE
REGARDING RAISED SENATE BILL 439
March 18, 2016

I am Paul W. Brady, Executive Director of the American Council of Engineering Companies of Connecticut (ACEC/CT), representing over 90 engineering firms providing independent engineering services to the public and private sectors with more than 1,300 employees.

On behalf of ACEC/CT, I would like offer our members' opposition to Raised Senate Bill 439, AN ACT CONCERNING THE STATE CONTRACTING STANDARDS BOARD AND REQUIREMENTS FOR PRIVATIZATION CONTRACTS.

In 2013, the State Contracting Standards Board adopted a mission statement: "Our mission is to ensure that state contracting and procurement processes reflect the highest standards of integrity, are transparent, cost effective, and consistent with the statutes and are conducted in the most efficient manner possible and all procurement should create economic opportunity for Connecticut residents and businesses to the greatest extent possible and consistent with applicable laws."

In these difficult economic times when the state is faced with trimming programs and laying off state workers, the need to efficiently manage the state's limited resources becomes even more critical. Unfortunately, this bill would have the opposite effect. It would create even more layers of bureaucracy and delay the contracting process for many critical functions of the state government.

The original intent of the privatization language in this statute was to require a thoughtful analysis before state employees were laid off and their functions turned over to contractors. This bill would redefine privatization to include almost every procurement contract entered into by the state, causing more delays and increased costs.

The General Assembly and Governor have difficult decisions about the size and functions of the state government over the next few years. The State Contracting Standards Board should be sharing information among state agencies about how to

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improve efficiency, help municipalities regionalize services and increase competition for state contracts.

Governor Malloy has proposed a sweeping modernization of the state's transportation system. That thirty-year program will require the hard work and expertise of state employees, consultants and contractors. I've attached a brief paper outlining the benefits of using consulting engineering firms. The state DOT will have to adapt to new ways of managing projects and getting the work done more efficiently. We look forward to working with state agencies to make the future happen. Thank you for your consideration.

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Attachment

PRIVATE DESIGN FIRMS FOR TRANSPORTATION: *GOOD PUBLIC POLICY*

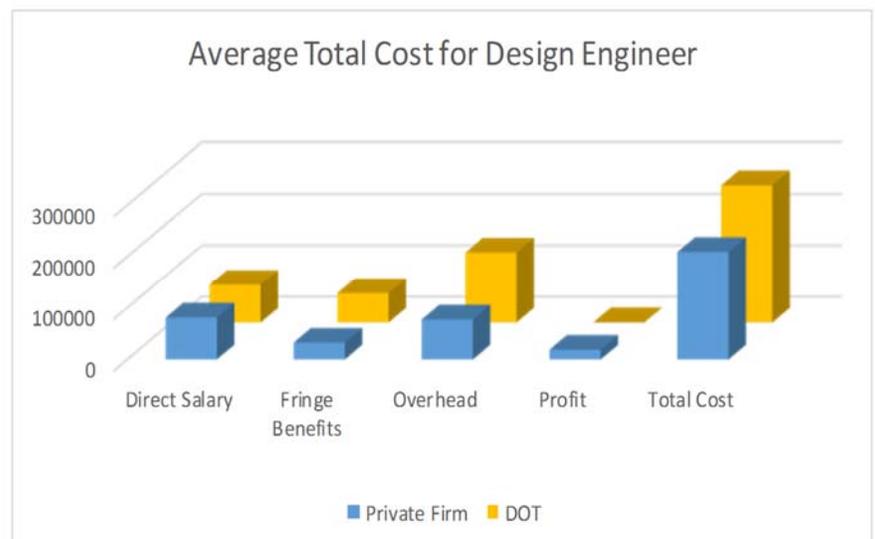
Governor Malloy's ambitious 30 year, \$100 billion transportation initiative will require a new way of planning and managing transportation projects. Using private design firms allows the state and local government agencies to get the work done cost effectively and on-time.

Thousands of owners, both public and private, have chosen private sector engineering firms for design services associated with their capital spending programs, Connecticut should continue this best management practice.

Study Shows Savings by Utilizing Private Design Firms

A 2015 report by Polytechnic Institute of New York University reaffirmed a 2008 report that pegged **the cost savings for utilizing private firms at about 21%** and substantiates the claim that Connecticut can achieve significant cost savings by using private-sector engineering firms. The report draws cost conclusions based on overhead, direct salaries adjusted for hours of work per week, fringe benefits, workers' compensation insurance, unemployment and social security costs. Moreover, private design firms offer a host of cost benefits, including paying engineers only for the time they work on a project, expertise in specific design areas and cost control. (See reverse page.)

Furthermore, the Federal Highway Administration (FHWA) concluded that public agencies that outsource the vast majority of their work are the most efficient in getting projects designed and constructed.



Promoting Cooperation, not Competition

Outsourcing design work to private sector engineering firms allows government agencies to focus their resources on the total program, and not tie up resources with the high fixed -costs associated with larger staffs.

Saving Tax Dollars. Utilizing private design firms works to the advantage of taxpayers. Private-sector engineers have consistently demonstrated the ability to deliver high-quality, cost-effective services on public projects.

Costs are capped. When the state contracts with a private-sector engineering firm, the maximum amount the state will pay is established by contract. These costs are subject to audit, both before the contract is signed and after the services are delivered. Private firms are required to have professional liability insurance to insure the state against errors and omissions. Projects designed by public employees have no such constraints.

Flexibility. Private-sector contracts mean that public agencies can be more flexible and avoid constant higher fixed costs. With outsourcing, public agencies can get the job done without paying for design staff that are not needed on a full-time basis. Public employees continue to get paid and receive benefits, even if there is no work to be performed. Additionally, all indirect expenses such as benefits, utilities and support staff, continue to be incurred. Private firms are only paid for their working time. The government's financial responsibility ends with that project.

Savings on staff administration, liability and equipment costs. Private-sector firms purchase their own computers, plotters, CAD and GIS software, etc.—costs that are billed to a project based solely on their proportional use. The public agency benefits from new technologies but only pays for a fraction of the cost.

Savings on worker benefits. The lifetime benefits of outsourced employees are the responsibility of the private-sector firms. Public employees receive pensions, health coverage and other benefits for decades after they leave their positions, all at taxpayer expense.

Generating Tax Revenues. The use of private-consultant engineering firms improves the revenue base for state and local governments. Private-sector firms pay sales taxes on supply and computer purchases, property taxes, and business income taxes.

Providing Access to the Latest Technology and Design Techniques. For complex jobs, the competitive nature of the private sector fosters a level of expertise and technical competence that is higher than can be harnessed by the state. Private-sector engineering firms make significant investments in technology and staff development every year—investments that the state can take advantage of without having to pay for them directly.

Engineering a Better Solution

By allowing DOT and local governments to better manage design resources, Connecticut will be able to address its infrastructure needs quickly, efficiently and with more resources going into direct investment. Connecticut can budget and plan more efficiently and be much more responsive to changing conditions by utilizing outside design professionals for the vast majority of its work. In these challenging times, we must not lose sight of the fact that Connecticut's infrastructure is a critical component of our ability to return to economic prosperity. To that end, ACEC Connecticut is committed to working with our public counterparts to maximize the benefit of every taxpayer dollar spent on the state's construction programs.



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