



International Federation of Professional  
& Technical Engineers, Local 17, AFL-CIO

## Value (-) Subtracted: The High Cost of Contracting Out WSDOT Engineering



Some photos courtesy of the Washington State Department of Transportation

# Introduction/Overview

– *Joseph L. McGee, Executive Director*  
IFPTE Local 17 AFL-CIO

For too long, the distorted, exaggerated and unfair story of government waste and inefficiency has been used to bash elected leaders and public employees. In fact, public sector workers perform equal to or better than their private sector counterparts. They do the taxpayers' work without the private sector "penalty" – the profit margin – that makes a critical difference in how far limited tax dollars go.

This detailed report, the culmination of many months investigation and review of public records by Local 17's Research Director Elliot Levin, with assistance from staff members Bill Kalibak, Vince Oliveri, and Natalie Kaminski, Legislative Director Don Briscoe, and many concerned WSDOT members of Local 17, focuses on the Washington State Department of Transportation but we believe that its results could apply to any other public sector entities.

This report zeros in on how WSDOT management's contracting out choices produce inefficient and uneconomical uses of vital but limited transportation infrastructure dollars at a critical juncture in Washington State's transportation future. Will we do more with the steady stream of transportation funding that has recently been provided by legislative and voter action, or will we choose to do less? Will we build public sector workforce expertise that gives us inherent strategic and economic advantages, or will we cede our potential advantages to entities with profit motives and thereby diminish the opportunity to maximize resources in the public interest? Will we demand cost effectiveness and accountability from private contractors, or will we mortgage our transportation future to them? In short, will WSDOT make transportation choices that add to public value or that subtract from it?

The facts revealed by our research show that WSDOT's current approach would shortchange the State of Washington and the taxpayers who expect and deserve maximum return on their transportation investment. The department's direction will also sell its highly skilled workforce short and create multiple incentives for its employees to leave public service and thereby allow the private sector to attain an unfair advantage in controlling the state's transportation future.

It's not too late to move in a more sensible direction, one that better serves the State of Washington, its present and future transportation needs, the taxpaying public's interests, and the professional development of WSDOT's workforce.

This union does not automatically oppose contracting out. Where it is necessary to supplement the skills the employer needs from the public sector workforce, or where there is an understandable cost advantage, it makes good sense. However, where work can be done in-house for much less and where the net result of contracting out means completion of fewer promised projects, then, based on common sense, public value, and economic efficiency, we oppose it. Contracting out in this case also means forfeiting the huge dividends that can be realized by building internal expertise and institutional memory.

We believe that after reviewing this report you will understand the nature and magnitude of the long-term costs WSDOT's management decisions will impose due to poor short-term contracting out choices.

Thank you for your interest. We invite you to be a part of a more intense dialogue about better, more cost effective choices for our transportation future.



## Value (-) Subtracted:

### The High Cost of Contracting Out WSDOT Engineering

#### *A Study of the Cost of WSDOT Design Outsourcing*

*Prepared by the International Federation of Professional and Technical Engineers,  
Local 17; Elliot Levin, Research Director.*

### Introduction

#### **Future of funding**

The Washington State Department of Transportation, which has endured years of budget setbacks due to tax-cutting measures, has entered an era of stable funding for transportation projects. The Nickel Funding Package, passed by the 2003 Legislature, is currently funding a wide variety of projects across the state and has a total value of approximately \$4 billion. Moreover, the Transportation Partnership Funding Package, passed by the legislature in 2005 and approved by the citizens by the defeat of Initiative 912 later that year, added \$7 billion to the WSDOT budget during 16 years and will finance over 270 projects. Between the 2003-05 and 2005-07 budget, the WSDOT highway delivery program doubled in size, and over the 16 years of these packages the State plans to spend over \$16 billion on projects across the state.<sup>1</sup> This will result in a long-term period of growth in the amount of design and engineering work done at the department.

In recent years the WSDOT has, in part due to legislative changes, dramatically increased the amount of engineering work contracted out to private companies. Through the late nineties, the percentage of such contracting hovered around five percent. By the end of 2005, almost ten percent of all

engineering work was going to private sector companies, with almost 40 percent of design and environmental expenditures for highway improvement programs contracted out.<sup>2</sup>

The Department historically claims that it contracts out work that it does not have the capacity to complete in-house due to peak loads. However, as the Nickel and Transportation Partnership Funding Package projects begin, the

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<sup>1</sup> WSDOT Report on Highway Project Delivery, May 2, 2006 GMAP Forum.

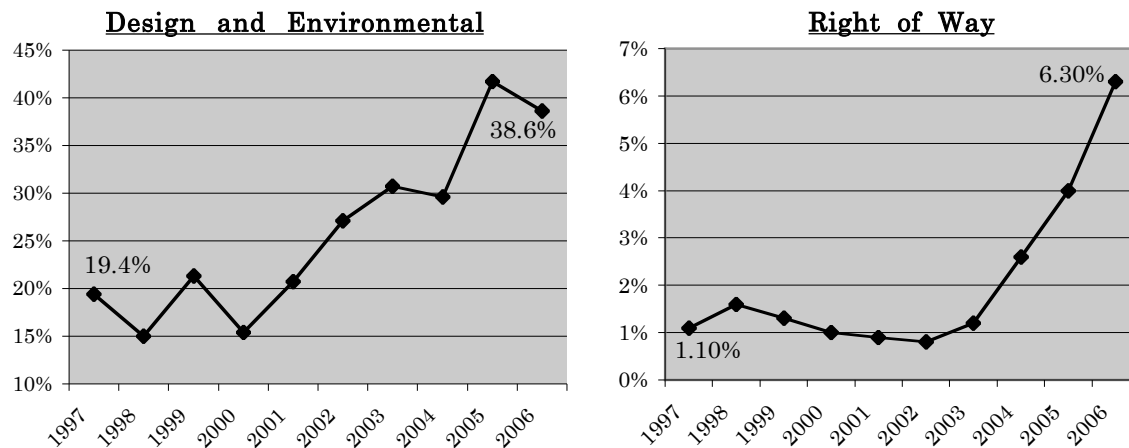
<sup>2</sup> A Strategic Delivery Plan for the Washington State Department of Transportation's Capital Construction Program, Statewide Program Management Group, 2006.

department will have an increased workload for almost two decades. It is clear from current trends that the department plans to contract a significant amount of this work to the private sector rather than focus on strengthening the State workforce. However, this approach should come under serious scrutiny before millions of dollars in State money are handed to for-profit companies. Now that funding has been secured for the long term, the Department should increase its own workforce to meet its continuing goals, rather than opting for the costlier short-term solution of contracting out engineering services.

## **Background**

### **Current Trends**

In 2002, state collective bargaining reform dramatically loosened restrictions on contracting out work traditionally done by public employees. In the years since, an increasing number of engineering tasks have been sent out of the State workforce and into private firms for completion. In the 2003-2005 biennium, almost 30 percent of all highway-engineering expenditures were sent to private consulting companies, a marked increase from years prior to the authorization of such contracting in which less than 10 percent of expenditures were spent on consultants.<sup>3</sup> This trend can also be seen in specific bodies of work, such as design and environmental engineering and right of way services, in which such expenditures have spiked in the past three years. Further, contracting out of preliminary engineering has reached 43 percent of expenditures in the 2005-2007 biennium, up from 37 percent in 2003-2005<sup>4</sup>. Though data is not readily available, it is our experience that a similar rapid increase has occurred in survey and inspection engineering.



Percentages of expenditures sent to private consultants since 1997. Source: *A Strategic Delivery Plan for the Washington State Department of Transportation's Capital Construction Program*, Statewide Program Management Group, 2006.

Simultaneously, the average number of contractors bidding on each construction project has decreased as the number of projects increases and the number of contractors decreases because of consolidations and buyouts.<sup>5</sup> As the amount of

<sup>3</sup> *Report to the Legislative Committees: Alternative Delivery Procedures for Construction Services*. WSDOT, December 2004.

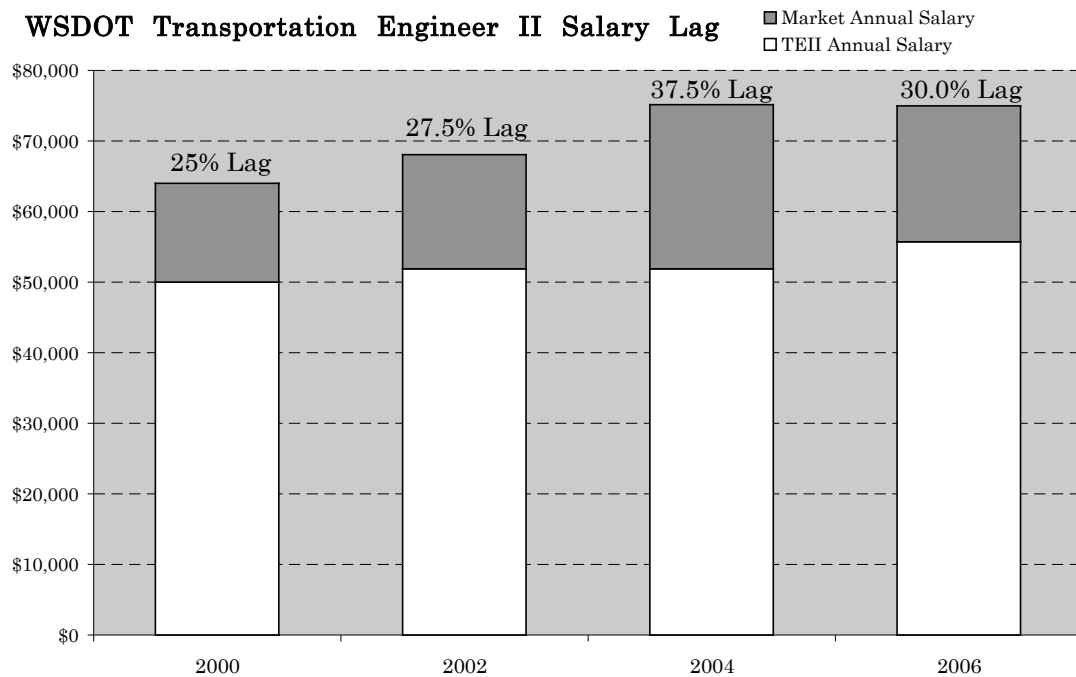
<sup>4</sup> *WSDOT Alternative Delivery Procedures for Construction Services*. WSDOT, February 8, 2007.

<sup>5</sup> *WSDOT Report on Highway Project Delivery*, May 2, 2006 GMAP Forum.

competition for each contract decreases, market pressures will put the department in a weakened bargaining position, thus leading to higher contractor labor costs. These trends will be seen in the future if increases in outsourcing engineering work continue through coming years, and this will have implications for project costs.

### Recruitment and Retention

As the department adapts to a long-term increase in funding and number of projects, it is facing a dwindling pool of in-house expertise. As noted in the May 2006 GMAP Forum Report on Highway Project Delivery, WSDOT turnover among lower level engineers is almost three times that of the industry average. The loss of entry-level positions to the private sector is a harbinger of a diminishing pool of expertise, as more experienced employees reach retirement age. The same report cites increasing salary discrepancies between the public and private sector, reaching as much as 37.5 percent in 2004, as a primary reason for the retention problem, and asserts that, “dealing with compensation discrepancies for relevant classifications is key to successful, effective and cost efficient program delivery.”<sup>6</sup> While Local 17 has been successful in decreasing this gap in recent contract negotiations, the promise of a 30 percent wage increase for leaving the State workforce is a large incentive, particularly for young engineers.



	2000	2002	2004	2006
TEII Annual Salary	50,008	51,866	51,866	55,716
Market Salary	64,014	68,053	75,117	74,952
Difference	14,006	16,187	23,251	19,236

Data taken from Washington State Department of Personnel Salary Surveys. Salary data for State positions represents the top step of the applicable salary range.

<sup>6</sup> WSDOT Report on Highway Project Delivery, May 2, 2006 GMAP Forum.

While statutory guidelines limit outsourcing to areas in which the in-house workforce needs to be augmented, increasing the amount of contracted work will itself decrease the number of state engineers. An increase in the number of contractors brought in to perform work, often alongside public employees in co-location situations at a higher rate of pay, will exacerbate retention issues. As the state loses more qualified and experienced engineers to the private sector it will need to contract more work to high-rate consultants, thus compounding the problem that led to outsourcing in the first place.

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Interviews with State engineers make it clear that contracting out in the WSDOT has reached a point where it is having a major impact on morale. While a recent WSDOT report states that “cross-fertilization of consultant and WSDOT staff has led to a strong and collaborative transportation design culture,”<sup>7</sup> this does not seem to be supported in reality. Employees watch their co-workers leave State employment for the private sector, only to be placed back in their previous offices with dramatically higher salaries as contractors. This leaves public employees unsure of both the security of their job and the extent to which the WSDOT values their services. As noted by the US Department of Labor, contracting-out has a particularly harmful effect on morale when the employer is unwilling to work with labor representatives in determining the methods and scope of use of outsourcing.<sup>8</sup>

There is also a hidden cost that the state will incur by losing its current expertise to the private sector. The present generation of state employees has an invaluable knowledge of transportation engineering that is one of the department’s greatest assets in project delivery. However, this group of employees is quickly leaving the workforce, with the percentage of State workers eligible for retirement set to triple in the next eight years.<sup>9</sup> Should the department’s experience be lost to the private sector through retention issues and inability to hire new skilled engineers, the State could be held hostage by private contractors who would then hold a monopoly on engineering expertise.

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<sup>7</sup> WSDOT *Alternative Delivery Procedures for Construction Services*. WSDOT, February 8, 2007.

<sup>8</sup> *Working Together for Public Service: Report of the US Secretary of Labor’s Task Force on Excellence in State and Local Government Through Labor-Management Cooperation*. Co-chairs: Governor James J Florio and Mayor Jerry Abramson, Executive Director: Jonathan Brock. 1996.

<sup>9</sup> WSDOT *Report on Highway Project Delivery*, May 2, 2006 GMAP Forum.

This in turn will have great cost implications as the state will be in a weakened bargaining position when negotiating contracts with these companies.

### Accountability

Accountability and communications are a central difficulty in contracting work, be it in the public or private sector. In the wake of several high profile construction projects, such as Boston’s Big Dig and the Los Angeles Red Line, contracted engineering and construction management have come under scrutiny. In an era when the Federal government is contracting out work in record amounts, privatization of government functions has been acknowledged at a national level to be a major source of waste and corruption. Private companies inherently require extra oversight since they have a profit motive that exists outside the goals of public interests. Civil servants, as noted by David Walker, Comptroller General and head of the Government Accountability Office, have “a loyalty to the greater good – the duty of loyalty to the best interest of all rather than the interest of a few. Companies have duties of loyalty to their shareholders, not the country.”<sup>10</sup>

Any purported cost savings from contracted work must take into account the expense of monitoring companies to assure that State money is being well spent. Further, the task of communicating with off site engineers adds to the workload of State employees as plans and work product must be transferred back and forth between teams. As more projects in the department are moved out of WSDOT offices, contractor oversight and quality assurance will become an increasingly difficult and costly task, while errors will become more likely. The department has recognized this and has proposed, among other things, an incentive based method of keeping engineering contractors on spending targets.<sup>11</sup> However, such hands-off accountability methods will not replace labor and time intensive oversight by WSDOT management.

In particular, the process of overseeing contractors’ requests for extensions on work assignments has been criticized. Though the WSDOT publishes instructions for judging such requests, it is the belief of some that extensions are often granted with little or no scrutiny. Many internal and external contingencies exist in delivering

engineering work, making it difficult to judge the legitimacy of delays.

Additionally, blame for cost and time overruns is open to interpretation, and may be shifted between consultants and state scoping teams in order to justify supplemental work extensions. These and other factors lead to a potentially

*“I have never yet found a contractor who, if not watched, would not leave the Government holding the bag.”*

– *Harry Truman*

<sup>10</sup> As quoted in: *In Washington, Contractors Take On Biggest Role Ever*, by Scott Shane and Ron Nixon. New York Times, February 4, 2007.

<sup>11</sup> *A Strategic Delivery Plan for the Washington State Department of Transportation’s Capital Construction Program*, Statewide Program Management Group, 2006.



costly liability for the state to take on when attempting to oversee contractor work. For consultants billing at an hourly rate, such extensions carry a large price tag for the State.

Examples of contractor mishandling of projects are numerous within the WSDOT. One such project, the widening of SR 20 from Fredonia to I-5, provides an example of the hazards of contracting out design work outside the regular oversight of the department. After a first contractor proved unable to complete design work that would have traditionally been done by WSDOT engineers, a second company was given the assignment. This next contractor, over the course of several years, attempted to perform work fulfilling the standards of WSDOT oversight. Finally, more than six years after the design phase was begun, it was determined that the company involved was unable to complete the design of the project. During this time, the consultant was paid nearly \$900,000. In the end, the work was transferred back to department engineers, who re-designed the entire project in less than two years. Had this project been given to State engineers in the first place, nearly \$1 million would have been available for other projects. Furthermore, this caused a large delay in the delivery of the project, which hurts public confidence in the WSDOT and has long-term costs for the department in securing funding in the future.

It is clear that there are serious accountability and reliability problems with contracting out engineering work. If current trends are not reduced, these issues will be amplified in coming years. Further, the private sector has not been proven to be able to reliably handle the ever-increasing workload that the department is on track to assign to it. It is possible that there could be a point where, because of recruitment and retention failures, the State finds itself reliant on a group of companies that do not have the capacity to perform the amount of work needed. This situation would prove extremely costly for the State, and significantly impact the department's ability to deliver projects to the public.

### **National Research**

Senate Substitute Bill 5248, which permits the department to contract construction engineering and right-of-way services, requires the state to provide accounting and oversight of such contracts in order to ensure cost effectiveness. A biennial report is to be compiled by the department in order to assess whether this contracting is in

fact saving the state money. The first of these reports, published in December of 2004, uses a pilot project to assess relative costs and concludes that in-house engineering work provides similar work product for significantly less money than that done by private contractors. Reasons cited for this include high overhead rates in the private sector, large profit margins (usually 30 percent of

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labor fees), and the cost of overseeing contractor work, which adds an average of 15 percent to a project's total price.<sup>12</sup> The update to this report published in December 2006 does not dispute these findings and acknowledges the added cost associated with contracting out.<sup>13</sup>

Moreover, there have been many studies done across the country to try to assess the relative costs of contracting out design work, and these reports have almost unanimously concluded that performing such work in-house is less expensive. The same 2004 study produced by the WSDOT discussed above cites a paper published in 1999 in *Transportation Research Record* reviewing the findings of 17 studies conducted between 1980 and 1999 on the relative costs of contracting out design work. The analysis shows that of these 17 studies, 14 found that in-house work was more cost efficient than consultants, while only one study showed that contractors cost less.<sup>14</sup> These studies used a variety of methodologies and were done across the country by both independent investigatory groups and state departments.

More recent reports from both Connecticut and Oregon show similar findings. The Oregon Secretary of State's Auditor's Office found that across twelve design contracts selected for study, in-house design services would have saved the department on average twenty percent of the engineering cost of the projects. The audit revealed that higher overhead rates and direct labor costs, as well as contract monitoring costs, and consultant profit margins were elements in making private companies up to 30 percent more expensive than in-house engineering.<sup>15</sup>

Given the large amount of evidence indicating that state departments of transportation overspend by contracting out engineering jobs, we decided to perform research on the cost incurred locally by contracting out such work. This report presents data dealing with the Washington State Department of Transportation, and aims specifically at the outsourcing of Local 17 bodies of work. We present this data in the context of the current long-term budgetary perspective, taking into account a growing project delivery program and years of guaranteed funding.

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<sup>12</sup> *Report to the Legislative Committees: Alternative Delivery Procedures for Construction Services*. WSDOT, December 2004.

<sup>13</sup> *WSDOT Alternative Delivery Procedures for Construction Services*. WSDOT, February 8, 2007.

<sup>14</sup> Wilmot, C.G., D.R. Deis, H. Schneider, C.H. Coates, Jr. *In House Versus Consultant Design Costs in State Departments of Transportation*. Transportation Research Record Paper No. 99-1403. Washington DC, 1999.

<sup>15</sup> *Department of Transportation: Engineering Services Cost Analysis*, Oregon Secretary of State Audits Division, April 5, 2006.

## Methodology

In order to create a comparison between the costs of contractor work and in-house work, we have employed a modified version of the methodology used by the Oregon Secretary of State's Auditor's Office. This methodology was used to fulfill the statutory obligation of WSDOT to account for the relative costs of contracting out design work, with the most recent report published in May of 2006.<sup>16</sup>

Initially, a request was made for a list of all projects in the fields of design, survey, inspection, and real estate services that had been contracted to private companies in the last three years. Upon receiving this list, five projects were chosen. These projects were chosen based on their size (a mix of large and small projects was sought), the company involved (a range of companies, including both small and large firms was desired), and the clarity of their invoicing records.

Next, contract agreements and invoices for each of these projects were requested and received. From the former group of documents, negotiated overhead and profit rates were noted for each primary and subcontractor. From the invoices, spreadsheets were constructed containing employee names and classifications, the number of hours worked on each phase of the project by each employee, and salary rates. Using this data, a total hourly rate per employee for contracted work was constructed which includes profit, overhead, and salary, in the following form:

$$\text{Total Rate} = \text{Salary} + (\text{Salary} \times \text{Overhead Rate}) + (\text{Salary} \times \text{Profit Rate})$$

To calculate the total rate that state employees cost the department, the maximum salaries of each classification were used as a base salary amount. This rate was then multiplied by the most recent overhead rate estimated by the state.<sup>17</sup> This rate includes both benefit and administrative costs associated with state engineers. In-house work does not contain a built-in profit margin, so the final equation for in house work is calculated by the following formula:

$$\text{Total Rate} = \text{Salary} + (\text{Salary} \times \text{Overhead Rate})$$

Next, a translation was performed in order to be able to assess what salary costs would have been had the job been completed in house. The list of job titles and classifications used by contractors to perform tasks was analyzed, and using

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<sup>16</sup> *Department of Transportation: Engineering Services Cost Analysis*, Oregon Secretary of State Audits Division, April 5, 2006.

<sup>17</sup> Information on WSDOT overhead was provided by the group responsible for preparing the legislative report on contractor costs in SSB 5248. Overhead rate computation: (Overhead Costs + Employer Paid Benefits + Compensated Absences) / Direct Salaries = Overhead rate. Two rates were provided, and the higher rate was used in this report. This rate was 144.8%.

professional expertise of current incumbents in WSDOT positions as well as the scoping documents for each project, a categorization system was created to map contractor positions with department jobs.

Work analyzed was limited to the positions currently represented by Local 17 below:

Transportation Technician 1, 2, 3
Transportation Engineer 1, 2, 3
Transportation Planning Technician 1, 2, 3
Transportation Planning Specialist 1,2,3

The high salaries afforded to private sector management, such as Project Principals (which sometimes reach \$60 per hour in the contracts investigated) are not figured into this analysis.<sup>18</sup> Further, administrative and clerical positions were excluded.

With this information and the overhead calculations above, it was possible to perform a direct comparison between costs of in-house and contracted work. The results of this comparison are provided in this report.

**Data**

The five projects chosen represent a variety of tasks, and range from large multi-year projects to smaller designs lasting only a few months. All such projects were, if not complete, in stages beyond preliminary engineering, thus allowing the majority of invoices to be submitted and processed prior to this analysis.

The overhead rates of the companies fulfilling these contracts ranged from 113 percent to 188 percent.<sup>19</sup> Moreover, with the exception of some subcontractors, each company had negotiated a 30 percent profit fee based on direct labor costs. Thus, the total cost per hour for some companies approached 300 percent of the base salary of their employees.

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<sup>18</sup> Future research may include such management positions. In preliminary investigations, it appears that the contractor invoicing included more management level work than would be expected on an in-house job. Therefore, it is possible that including management in this analysis would significantly increase the relative cost of private companies to the state workforce.

<sup>19</sup> Contractor overhead rates are subject to annual audit. Components of this rate include, but are not limited to, employee insurance, paid leave, payroll taxes, administrative and management salaries, and office rental and supplies. These components are equivalent to those included in the WSDOT overhead rate estimate.

Across the five projects, 253 people worked in classifications including administrative assistants, CADD technicians, surveyors, project managers, and engineers. Of these, 176 were identified as positions that could have been filled by the classifications shown above had this work been done by WSDOT staff. It is based on these classifications that the comparison between contracted work and in-house work was conducted.

## Findings

Through the methodology detailed above, it was determined that by contracting out engineering on these projects, the state overspent by between 20 and 30 percent on this component of work. The savings that could have been realized by doing this work in house quickly add up when dealing with projects of large sizes.

The following table shows the amount of money that could have been saved on each project had the work involved been done by in-house engineers:

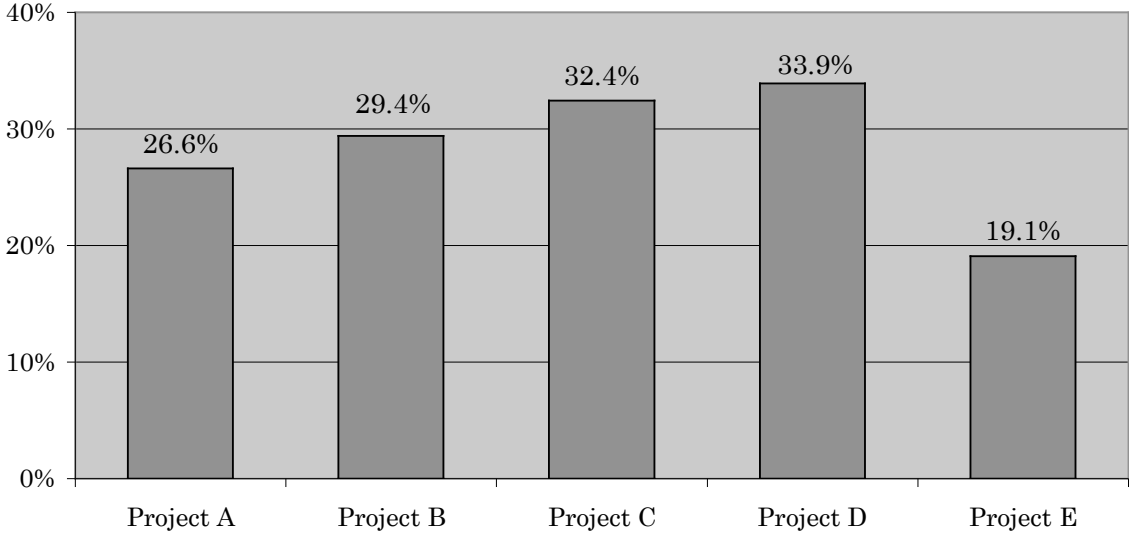
<i>Project Code</i>	<i>Cost of Contracted Work*</i>	<i>Cost of equivalent in-house work</i>	<i>Dollar Difference</i>	<i>Percent Difference</i>
Project A	\$2,273,426	\$1,668,699	\$604,727	26.60%
Project B	\$522,189	\$368,627	\$153,562	29.41%
Project C	\$112,205	\$75,802	\$36,403	32.44%
Project D	\$62,241	\$41,134	\$21,107	33.91%
Project E	\$181,689	\$147,013	\$34,675	19.08%
<b>Total</b>	<b>\$3,151,705</b>	<b>\$2,301,275</b>	<b>\$850,475</b>	<b>26.98%</b>

\* Includes only work done by positions that have equivalencies in the list of classifications provided in the above table.

The findings here are in line with those of both national studies and the department's own investigations of the costs of contracting out engineering work. It is clear that the department is wasting a significant amount of money by sending out work that it has the capacity to do in-house. The fact that these numbers do not include the high costs of consultant management is particularly striking as the difference between in-house costs and contractor costs would surely be increased by this addition.

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Percentage of Preliminary Design Costs Wasted  
Through Contracting Out



The Transportation Partnership and Nickel Gas Tax Funding Packages provide relatively stable funding for hundreds of projects over the next decade and a half. As noted previously, these packages combine to provide \$11 billion. WSDOT estimates that preliminary engineering accounts for 20 percent of capital program expenditures.<sup>20</sup> By this figure, the state will spend approximately \$2.2 billion on engineering for these projects.

When considering the lifetime of these funding packages, it becomes clear that WSDOT choosing to spend between 20 and 30 percent extra for preliminary engineering will have a significant impact on the amount of money available for projects. At the current rate at which 43 percent of preliminary engineering work is contracted out, the state would be wasting between \$187 million and \$281 million of Transportation Partnership and Nickel funds.

Of the nearly 400 projects slated to be delivered by the two funding packages described above, the median value of a project is \$5 million. If the department were to perform the percent of engineering work that it currently contracts out with state engineers, it would have funds available to complete between approximately 37 and 56 more projects with the money saved.

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<sup>20</sup> WSDOT *Alternative Delivery Procedures for Construction Services*. WSDOT, February 8, 2007.

### Long Term Projections

Amount wasted over life of funding packages at current rate of design outsourcing	\$187 - 281 Million
Median Transportation Partnership and Nickel Gas Tax project cost	\$5 Million
Number of projects that could be completed with these funds	37 - 56 projects

It should be noted that while this report shows a large amount of money wasted through contracting out of engineering work, it only examines one part of the department's outsourcing of engineering. In particular, construction inspection, which has historically been done in-house, has begun to be outsourced in recent years. This represents a substantial field of work going to high cost contractors, and the evidence reported here should be taken into account when considering the costs of this new contracting push.

## Conclusions and Recommendations

Through the investigation presented in this report, our conclusions are:

- While planning for long-term growth, the WSDOT faces a recruitment and retention problem within its engineering workforce.
- The department overspends by between 20 and 30 percent on design costs when such engineering work is sent to private companies.
- This will amount to up to \$281 million wasted in the current funding packages, sacrificing up to 56 projects.
- Current trends show the WSDOT is increasing the level of contracting out of engineering work, which will result in increased waste of transportation money.

Prior research into the costs of contracting out engineering work has shown that this practice is more expensive than performing this work with a public workforce. If there existed any doubt that this was true within the Washington State Department of Transportation, the research presented in this report should remove all uncertainty. It is our finding that the department spends between 20 and 30 percent extra for engineering work done by private contractors. These numbers fall in the range of studies performed elsewhere in the country.

The results of this report become critical in the context of the department's current project delivery program. For the first time in recent history, the WSDOT is able to think in terms of long term, stable funding for hundreds of projects. Rather than creating a peak load of engineering work, this will create

an extended period of increased workload. Because it comes at a premium rate over in-house work, use of private contractors will lead to systematic overspending over the life of the current funding packages. Quite simply, contracting out work represents a short-term solution, while the department faces a long-term situation deserving of long-term planning and staffing.

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In WSDOT's recently released update to its assessment of the contracting out of engineering, the department opted not to

compare the relative costs of outsourced and in-house work, instead arguing that staffing requirements left no choice but to contract large quantities of engineering duties. While the department provides little evidence to support this claim, if it is the case that the State must now overspend on engineering work by over a quarter of a billion dollars to complete the projects associated with the current funding packages, it stands to reason that there have been significant mistakes made in the management and sizing of the DOT workforce. It is our belief that the department should find a way to manage its staffing and workload that does not result in this level of waste.

The department itself acknowledges that working for the state is seen as a poor option for many new engineers, but is simultaneously providing contractors with the ability to pay more competitive salaries for work on the same state projects. This indicates a major disconnect in how the WSDOT defines and attempts to solve its problems. If current trends continue, the state will have lost an invaluable resource in the form of in-house engineering expertise, as its engineers are pushed to the more lucrative private sector. This fact is noted by the WSDOT in its own reports as one of the most pressing issues facing its long-term health.

The solution to providing low-cost and high-quality project delivery, while not easy, is clear. It requires a willingness to acknowledge the facts plainly arrayed in reports inside the state, as well as those performed elsewhere. Moreover, it requires willingness to re-examine decisions made based on outdated assumptions and cost analysis, to reverse current trends, and to overcome institutional inertia that would prevent the WSDOT from displaying the agility needed in a changing environment.

The department should focus its resources on developing and maintaining its own workforce, rather than continue to pay the high rates charged by contracted engineers. In-house work provides project delivery at a substantially lower cost and does not require the complex oversight apparatuses required when private companies are allowed to complete public projects. This will provide more



money for projects needed across the state and expected by a public that demands efficient return from tax funds.

Developing the state workforce requires that working for the WSDOT becomes an attractive choice for highly skilled engineers. Because of years of neglect by policy makers, this cannot be achieved through small incentives as currently proposed. The wage gap between the public and private sector is too great to allow the state to hold on to its current workforce, much less recruit new talent. Recent attempts to narrow this gap on the part of the state have been, quite frankly, too little too late. Moreover, the practice of hiring high-cost contractors for long-term projects sends the wrong message to employees who have been told that the state does not have the funding to give them the wages of their private sector peers. Simply put, the state must spend less money on contractors and invest in its current engineers, who still provide the best value for the state and its taxpayers. It is imperative that the department take a hard look at this situation and prepare itself for dramatic changes in policy if it is serious about solving its current problems. Through strong leadership and initiative, it is possible for the department to strengthen its workforce while dramatically enhancing the efficiency and cost effectiveness of its project delivery.



International Federation of Professional and Technical Engineers  
Local 17, AFL-CIO  
2900 Eastlake Avenue East, Suite 300  
Seattle, WA 98102  
[www.ifpte17.org](http://www.ifpte17.org)

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Seattle: (206) 328-7321 • Toll-free: (800) 783-0017 • Fax: (206) 328-7402