

Taxpayers Benefit By Outsourcing

The urgency of the current economic situation means state agencies must re-examine the way they do business, particularly with respect to in-house versus outsourced design work. Conventional wisdom has long favored the cost-effectiveness of private-sector design of public projects. Private-sector design professionals are more efficient.

A recent report by Polytechnic Institute of New York University pegs the cost differential between public and private designers at about 14% and substantiates the claim that New York State can achieve significant cost savings by using private-sector engineers.

Performed at the request of the American Council of Engineering Cos. of New York, the study found that a typical New York State Dept. of Transportation employee costs the agency more than \$5.5 million over a 30-year career because of the state's lush benefits package, policy of considerable paid leave and shorter work week. State employees work 42 weeks per year compared with 47 weeks for consulting engineers and receive pensions that can run for more than 30 years after age-55 retirement. The impact of the downturn on pension funds

place an enormous burden on taxpayers.

The report draws cost conclusions based on overhead, direct salaries adjusted for hours of work per week, fringe benefits and medical insurance, pension plans, survivor's benefits, workers' compensation insurance and unemployment and Social Security costs.

Statistical information for in-house costs is based on DOT data from April 2007. Comparable private engineering firm statistics were derived from a random sampling of engineering firms throughout New York state.

The study was not able to capture state revenue losses associated with using in-house engineers, such as the cost of services that agencies provide to other agencies, settlements of lawsuits borne by the state and lost revenue from sales taxes,

and real-estate and business-income taxes that the state, unlike private firms, is exempt from paying. Furthermore, state pensions also are exempt from state income taxes.

Private design firms offer a host of cost benefits, including paying engineers only for the time they work on a project. Private engineers can produce designs and drawings quickly in response to stimulus needs. And contracting with a private design firm offers an immediate means of controlling spending.

State employees also are exempt from continuing professional competency requirements but private engineers must log 36 hours of continuing education for every renewal of their license. So private engineers have the opportunity to learn about the latest design information, codes and procedures.

All state agencies would do well to take advantage of the lower costs and enhanced benefits that the private sector provides. ■

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