

# Cut the Waste! Not the Workers!

## **A plan to save the state \$656 million over the next three years: Use state workers instead of overpriced consultants.**

*To save money, hire fewer consultants.* The state could save between \$280 million to \$480 million annually by replacing about half of the state's expensive private consultants with state employees. 4500 jobs in the state workforce have been eliminated since 2008.

*\$2.9 Billion in Contracts.* In a time when the state is facing severe fiscal constraints, spending on all consultants, including support staff, in SFY 2008-09 rose to \$2.9 billion; a \$100 million increase. That's the equivalent of 23,329 full time consultants working for the state, over 2,500 more consultants than the previous fiscal year.

*Consultants Cost More.* Based on reports filed with the Comptroller, the state pays consultants performing professional services an average of \$160,719 annually; 62 percent more than public employees doing similar work, including the cost of their benefits.

*To get a copy of PEF's consultant reduction plan, go to [www.pef.org](http://www.pef.org) and click "Consultant Reduction Report."*

### *The state should take the following steps:*

- 1. Enact a Consultant Reduction Plan with a goal of saving \$375 million annually (about the mid-point between our low and high estimated savings) by 2012-13. Phased in over the three years, this plan could save the state over \$656 million. The plan should:*
  - Require the Division of Budget to set savings targets for each state agency for consultant spending, focusing on information technology and engineering services as these categories will achieve the greatest savings.*
  - Institute a freeze on new and renewed state agency consultant contracts over \$100,000 until a cost benefit analysis is completed by an agency and reviewed, and a waiver is approved by the Division of Budget.*
  - Require the Department of Transportation, as part of their Consultant Reduction plan, to conduct at least 90 percent of their bridge inspections with state employees within three years.*
- 2. Require state agencies to perform a Cost/Benefit analysis before entering into any consultant contract more than \$100,000.*
- 3. Require penalties for failure to file reports under consultant disclosure law. DOB and the Comptroller should also take the necessary steps to improve the consultant reporting as recommended by the Governor's Task Force on Personal Services Contracting.*

## THE DEPARTMENT OF TRANSPORTATION CAN SAVE \$84.2 MILLION ANNUALLY BY REPLACING CONSULTANT ENGINEERS WITH STATE EMPLOYEES.

- Fact:** • Since 2008 DOT has cut 1464 full-time equivalent positions in their Design and Construction program.
- Fact:** • Since 2008 DOT has increased its spending on consultant engineers by over \$24 million.
- Fact:** • Since 2004 DOT has increased its spending on consultant engineers by over \$52 million, from \$205.6 million to \$258 million.
- Fact:** • In 2008-09 DOT spent an average of \$82.09 an hour for a consultant engineer; 64 percent more than its cost for a comparable state employee engineer including the cost of their benefits.
- Fact:** • Audits by the two state Comptrollers and a KPMG study commissioned by DOT found that consultant engineers cost between 50 percent and 75 percent more than comparable state employee engineers.
- Fact:** • Despite these facts DOT admits that currently 60 percent of its engineering work is done by consultants.
- Fact:** • The state should require that DOT reduce its use of consultant engineers by at least 50 percent over the next three years.

## PREVENT EXPENSIVE CONTRACTING OUT AT THE OFFICE OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES

The Executive Budget proposes moving 10 state auditors from OMRDD to the Office of Medicaid Inspector General. As a result, in order to continue to perform audits, OMR has decided to put out bids for a contract that they were not going to extend. One of the current contracts pays \$129,697 per consultant on an annual basis. Each auditor replaced by a consultant employee would cost the state on average between \$27,416 and \$49,858 more per auditor, depending on whether they were SG 18 or SG 23 positions. If all 10 state auditors are replaced by contractors it will cost the state between \$274,000 to \$500,000 more annually.



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