

The High Cost of Outsourcing on Transportation Projects

The Government Accountability Office (GAO) has concluded that outsourcing is “more expensive than performing work in-house, particularly for engineering services.”¹

Several states have analyzed outsourcing by their DOTs. The results are alarming and **underscore the need for implementing a cost comparison analysis prior to outsourcing.**

- A performance audit by the **Ohio** State Auditor found that the Ohio Department of Transportation (ODOT) could save upwards of \$21 million per year if they utilized in-house staff for construction inspection services. The performance audit found that the cost of an outsourced, consultant inspector is almost three times the cost of using a state-employed professional to perform the same functions.²
- An analysis by a University of **Michigan** researcher found that the state spent \$90 million more to hire private contractors to do engineering and design work than it would have if it had maintained that work in-house over just a three-year period.³
- **California** spends \$258,000 per outsourced engineer per year compared to \$110,756 for a state-employed engineer, according to the 2019-20 state budget.⁴
- The **Tennessee** Department of Transportation (TDOT) reported during its annual budget hearings in early November that they have saved \$54 million since FY 2012 by reducing the use of engineering consultants in favor of hiring more DOT staff.⁵
- A **Wisconsin** Legislative Audit looked at the cost analyses that the state’s DOT is required to perform when considering whether to use state staff or contractors. The cost analyses show that state staff is cheaper than consultants on 90% of the jobs.
- A **Utah** Legislative Audit found that consultants cost up to three times more than comparable in-house staff positions.⁶

¹ GAO, Increased Reliance on Contractors Can Pose Oversight Challenges for Federal and State Officials, 2008

² Ohio Auditor of State, Performance Audit of the Ohio Department of Transportation, December 2019

³ University of Michigan, Roland Zullo, PhD, “A Cost Comparison of MDOT v Private Consultant Engineers, December 2018

⁴ 2019-20 California State Budget, Capital Outlay Support

⁵ Testimony by Tennessee Department of Transportation Commissioner John Schroer, Tennessee Budget Hearings – November 8, 2017

⁶ Office of the Legislative Auditor General, State of Utah “An In-Depth Budget Review of the Utah Department of Transportation,” Report to the Utah Legislature, August 2016

- **Louisiana** spends \$197,942 per outsourced engineer per year compared to \$82,364 for a state-employed engineer.⁷
- **Colorado** saved 29% per position by performing work with in-house engineers rather than consultants.⁸
- **Mississippi** found that a private sector engineer cost on average 29% more than a public engineer at the entry level and 77% more at the senior engineer level.⁹
- The **Connecticut** Department of Transportation realized a 29% savings by using in-house engineering staff and an 18% savings for using in-house inspectors.¹⁰
- An **Oregon**'s Secretary of State Audit of the Department of Transportation found that in-house engineers cost about 20% less than private consultants for design engineering services.¹¹
- A Legislative Audit in **South Carolina** concluded that outsourcing engineering projects contributed to \$50 million in wasted transportation spending.¹²
- The **New Jersey** Department of Transportation found that performing design and inspection projects with in-house engineers would save the state \$26 million per year.¹³

⁷ State of Louisiana, Alvarez & Marsal "Louisiana Government Efficiencies Management – Final Report," May 29, 2014

⁸ State of Louisiana, Alvarez & Marsal "Louisiana Government Efficiencies Management – Final Report," May 29, 2014

⁹ Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER) "Mississippi Department of Transportation: A Review of Departmental Accountability and Transparency," January 6, 2014

¹⁰ Connecticut Department of Transportation "Analysis of In-House Vs. Consultant Preliminary Engineering and Construction Inspection Costs," 1994

¹¹ Audits Division, Oregon Secretary of State, "Department of Transportation: Engineering Services Cost Analysis," 2006

¹² South Carolina General Assembly Legislative Audit Council, "A Management Review of the South Carolina Department of Transportation," 2006

¹³ Policy Research Seminar, Eagleton Institute of Politics, Rutgers University, "An Evaluation of Contracting-out Activities in the New Jersey Department of Transportation," 1992