

## 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.”<sup>1</sup>

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.**

- **California** spends \$258,000 per outsourced engineer per year compared to \$122,189 for a state-employed engineer, according to the 2017-18 state budget.<sup>2</sup>
- 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.<sup>3</sup>
- A **Utah** Legislative Audit found that consultants cost up to three times more than comparable in-house FTEs.<sup>4</sup>
- **Louisiana** spends \$197,942 per outsourced engineer per year compared to \$82,364 for a state-employed engineer.<sup>5</sup>
- **Colorado** saved 29% per position by performing work with in-house engineers rather than consultants.<sup>6</sup>
- **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.<sup>7</sup>
- The **Connecticut** Department of Transportation realized a 29% savings by using in-house engineering staff and an 18% savings for using in-house inspectors.<sup>8</sup>

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

<sup>2</sup> 2017-18 California State Budget, Capital Outlay Support

<sup>3</sup> Testimony by Tennessee Department of Transportation Commissioner John Schroer, Tennessee Budget Hearings – November 8, 2017

<sup>4</sup> 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

<sup>5</sup> State of Louisiana, Alvarez & Marsal “Louisiana Government Efficiencies Management – Final Report,” May 29, 2014

<sup>6</sup> State of Louisiana, Alvarez & Marsal “Louisiana Government Efficiencies Management – Final Report,” May 29, 2014

<sup>7</sup> Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER) “Mississippi Department of Transportation: A Review of Departmental Accountability and Transparency,” January 6, 2014

<sup>8</sup> Connecticut Department of Transportation “Analysis of In-House Vs. Consultant Preliminary Engineering and Construction Inspection Costs,” 1994

- 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.<sup>9</sup>
- A Legislative Audit in **South Carolina** concluded that outsourcing engineering projects contributed to \$50 million in wasted transportation spending.<sup>10</sup>
- A Legislative Fiscal Report in **Wisconsin** found that WDOT would save \$5.5 million a year by hiring 180 additional engineers and completing more work using its own professional staff.<sup>11</sup>
- 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.<sup>12</sup>

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<sup>9</sup> Audits Division, Oregon Secretary of State, "Department of Transportation: Engineering Services Cost Analysis," 2006

<sup>10</sup> South Carolina General Assembly Legislative Audit Council, "A Management Review of the South Carolina Department of Transportation," 2006

<sup>11</sup> State of Louisiana, Alvarez & Marsal "Louisiana Government Efficiencies Management – Final Report," May 29, 2014

<sup>12</sup> Policy Research Seminar, Eagleton Institute of Politics, Rutgers University, "An Evaluation of Contracting-out Activities in the New Jersey Department of Transportation," 1992