



AMERICAN COUNCIL OF ENGINEERING COMPANIES
California

Just the Facts:

Caltrans' union and its role in the state budget crisis.

Is the Caltrans policy of keeping engineering assignments in-house and away from the reach of private sector competition in the best interests of California taxpayers?

Here are just 16 key facts from several independent sources which suggest the policy doesn't work for taxpayers.

You decide.

Fact: In the early 1970s, Caltrans was one of the most revered and respected transportation agencies in the world. Today, California's state highway system is among the poorest in the nation and Caltrans is viewed among the least efficient DOTs in the United States.

Source: Reason Foundation – 17th Annual Report on the Performance of State Highway Systems (1984-2006)

Fact: Caltrans' staff has more than doubled in size in the last eight years. The agency now has almost 22,000 employees and its capital support staff, engineers and technicians, grew from approximately 5,000 in 2000 to 10,500 today. Sources:

Rebuilding California: Caltrans 2007-2008 Fiscal Year Highlights
<http://www.dot.ca.gov/docs/2008FiscalYearHighlights.pdf>; *Legislative Analysts Office, Analysis of the 2007-2008 Budget Bill, Department of Transportation (2660)*
http://www.lao.ca.gov/analysis_2007/transportation/tran_07_2660_anl07.aspx;
Sacramento Bee, The State Worker, Jon Ortiz, Oct.16, 2008.

Fact: Caltrans engineers perform more than 90% of the State's transportation work, leaving the private sector to perform less than 10%. Source: Senate Committee on Budget and Fiscal Review, Summary of Major Actions to the 2008-2009 Budget Bill, p. 4-2, June 11, 2008.

Fact: California's in house design and construction costs are among the highest in the country. *Source: The Cost Effectiveness of Contracting Out Engineering Services, Bill Fanning (September 1991).*

Fact: California's total costs for transportation infrastructure (disbursements) increased by 33 percent from 2005 to 2006, -- yet its system performance remains among the least efficient of all 50 state programs. *Source: Reason Foundation – 17th Annual Report on the Performance of State Highway Systems (1984-2006)*

Fact: Meanwhile, the national average for percentage of work performed in-house by state DOTs is under 50%, making California the most aggressive user of in-house engineering services in the nation. *Source: A National Assessment of Transportation Strategies & Practices: Lessons for California, February 2008, Tom Warne & Associates LLC*

Fact: Caltrans' workload is going to increase dramatically in the next few years as Prop. 1B transportation bonds -- funded by a \$19.9 billion bond issue approved by California voters in November 2006 – create the largest infrastructure building program in the state since the 1950s. The union representing Caltrans' engineers wants to hire 4,800 new employees to swell their ranks, adding to the 20,000 current dues-paying employees of the state DOT. *Sources: UC Berkeley, Institute of Governmental Studies, <http://igs.berkeley.edu/library/election2006/Prop1B.html>; LAO, Analysis of the 2007-2008 Budget Bill, Department of Transportation (2660) http://www.lao.ca.gov/analysis_2007/transportation/tran_07_2660_anl07.aspx;*

Fact: However, most of these Prop 1B jobs will be temporary, meaning that they will be unnecessary once the Prop 1B projects are completed, making it more cost effective to the state and the taxpayer to contract out since this won't require payment of state pension benefits, healthcare and other long term costs. *Source: "Union Rips Caltrans Budget," Peter Hecht, Sacramento Bee, September 20, 2007.*

Fact: The typical cost to taxpayers of providing guaranteed pension benefits to a state worker is \$40,000 to \$50,000 per year and the average state employee becomes a "millionaire" through pension benefits alone after just 22 years of service. *Source: "Land a State Job and Become an Instant Millionaire," Ken Mandler, The Capitol Weekly, 2004. (Also referenced at <http://pensiontsunami.com/blog/?p=68>)*

Fact: State of California employees are among the richest retirees in the country and receive about 15 percent higher benefits than employees of the next most generous state (Texas). *Source: "State's retirees prosper," Kathleen Pender, San Francisco Chronicle, Jan. 7, 2005 (www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2005/01/07/BUG94AMDUJ1.DTL)*

Fact: The non-partisan Legislative Analysts Office has already recommended that the CA legislature authorize Caltrans to contract out more of its workload, specifically in order to deliver Proposition 1B projects on time and cost effectively.

Source: Legislative Analysts Office, Analysis of the 2007-2008 Budget Bill, Department of Transportation (2660)http://www.lao.ca.gov/analysis_2007/transportation/tran_07_2660_anl07.aspx;

Fact: Despite voter-approved legislation such as Prop 35 (2000), the Caltrans engineers' union has consistently fought any attempt by the state to contract out more than 10% of Caltrans' work to private contractors, using its political connections to push through legislation such as SB 1026 (2006) to limit the state's options. SB 1026 was subsequently struck down by the state court of appeal in October 2008. *Source: http://www.acec-ca.org/userdocuments/File/SB_1026_P35_ApplsCt_ruling.pdf*

Fact: The Caltrans union argues that private engineers cost more to the state than public engineers. However, studies show the total annual cost to the state of using in house engineering personnel is conservatively calculated between \$173,434 and \$209,212 versus an average of \$193,000 in the private sector. *Source: "Cost to the Taxpayers of Obtaining Architectural and Engineering Services: State Employees vs. Private Consulting Firms", William Hamm and Mark Rondini, LECG, Inc. April 9, 2007.*

Fact: A 2008 report states that the State of New York Department of Transportation could reduce costs by at least 14 percent by engaging private firms to design and build public projects rather than have state engineers do the same work. *Source: NYSDOT Engineering Design Costs: In-House versus Outsourced Design by F. H. (Bud) Griffis, Professor, Department of Civil Engineering, Polytechnic Institute of New York University, October 30, 2008.*

Fact: The Caltrans union is also attempting to kill institutional support for infrastructure development in California by restricting CalPERS, the largest public pension fund in the country and a major bellwether for other institutional investors, from investing in public-private partnerships. *Source: State Worker Blog, Sacramento Bee, http://www.sacbee.com/static/weblogs/the_state_worker/calpers-calstrs/2008/08/*

Fact: Every \$1 billion spent on actual infrastructure construction adds \$9 or \$10 billion worth of economic activity. So if there is \$40 billion worth of private investment willing to come to California -- and we can't get it here because of PECCG union interference -- then we are actually losing \$360 billion in GDP potential.

Source: ACEC Report Card

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