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Contracting Costs \$27 Million More at ODOT

Preliminary findings of a new report finds the contracting cost significantly more over a 10 year period.

Keizer, OR March 10, 2009 — The Association of Engineering Employees of Oregon (AEE) has released preliminary findings of a report today which shows that ODOT could have saved \$27 million on bridge projects built from 1997-2008. ODOT overspent these taxpayer dollars by using expensive outside contractors rather than its own in-house staff.

The study, conducted by Professor Gordon Lafer, Ph.D. with the University of Oregon, states that “The decision to contract-out design work was based on the assumption that this would save the State money, compared with maintaining a staff of ODOT engineers sufficient to handle all the work in-house. However, there has never been a thorough comparison of the costs associated with the choice to contract-out Preliminary Engineering work. This study makes that comparison for the first time, with the hope that the results will be instructive for ODOT management, other leaders in the state government, and legislators.”

The report also notes that the total amount of misspent funds is likely much higher than the \$27 million documented in the study, if all bridge and highway projects were included. This study only accounts for 72% of bridge projects built in the 1997-2008 period. Dr. Lafer’s study fits with the findings of a 2006 Secretary of State report, showing that the State of Oregon could have saved 20% of its costs by using in-house engineers during the design process. That report further notes that ODOT was not provided funding by the Legislature for additional in-house capacity, and faced a drain of engineering expertise out of the department due to contracting practices and budget cuts.

“At a time when Oregon’s elected officials are working so hard to identify sources of savings in state spending, and when citizens across the state are facing the prospect of difficult cuts in public services, it is critical that decisions about contracting-out state services be made based on rigorous analysis of the costs and benefits entailed,” states the University of Oregon report.

Two promising measures have been introduced in the 2009 Oregon Legislative Session that AEE supports to help solve these ongoing contracting problems:

HB 2037: Create Transparency through an Online Database and Comprehensive Reports:

Many states are further ahead than Oregon in providing public information

regarding contracts- Oregon ranks 42nd in the nation. By requiring a comprehensive report, Oregon can learn more about who is doing contracting, how much it is costing, and who is receiving contracts and who is not. This information is invaluable in evaluating the cost-effectiveness, the quality, and the impact on our community. In addition to information for the Legislature and agencies to be able to evaluate, it is important that taxpayers have information on how money is being spent and which contractors are providing the services. Indiana and the Federal Government both have databases that allow the public, the media, and public officials information about contracting. The National Taxpayers Union and Good Jobs First praise these websites in recent reports.

HB 2867: Require Cost/Benefit Analysis and Responsible Bidders:

Learning from California and recommendations on responsible contracting, Oregon can ensure that it uses contractors appropriately and for cost-savings. Requiring a cost/benefit analysis before an agency or local district contracts ensures that all costs have been considered, that the contract is necessary, and that the agency is prepared to adequately oversee the contract. Cost/benefit analysis are recommended by National Association of Auditors and are used in many states, including California.

Ensuring that contractors are responsible bidders is critical to maintain proper bidding rules and strong standards for wages and benefits. While contracting can often times save money, cost-savings should not come only because of lower wages and benefits. In addition, contractors should comply with all state and federal regulations, should not be in dispute on one contract while bidding on another, and should be public record.

The Association of Engineering Employees of Oregon supports passage of these bills to reduce costly highway contracts, while ensuring quality work is performed by contractors. This is achieved in HB 2867 by requiring stronger oversight of public contracts, including inspectors who are independent of the contractor.

Company History: The Association of Engineering Employees of Oregon (AEE) is an independent union of nearly 1100 members employed as engineers and professional staff at the Oregon State departments of Transportation, Forestry and Parks, organized since 1948.

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