

Fiscal Estimate - 2009 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 09-3274/3	Introduction Number SB-447
Description State contractual services and false claims submitted to state and local governments, requiring the exercise of rule-making authority, and providing penalties	
Fiscal Effect	
State:	
<input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate	
<input checked="" type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations	<input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Decrease Costs
Local:	
<input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate	
1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
Fund Sources Affected	
<input type="checkbox"/> GPR <input checked="" type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS 362; 363; 361,382,	
Affected Ch. 20 Appropriations	
Agency/Prepared By	Authorized Signature
DOT/ Karl Kuecker (608) 266-1876	Julie Johnson (608) 267-3703
Date	
3/25/2010	

Fiscal Estimate Narratives

DOT 3/25/2010

LRB Number	09-3274/3	Introduction Number	SB-447	Estimate Type	Original
Description State contractual services and false claims submitted to state and local governments, requiring the exercise of rule-making authority, and providing penalties					

Assumptions Used in Arriving at Fiscal Estimate

This bill affects the manner in which the department procures contractual services and contains specific reporting requirements on contracted positions. In addition, it requires the department to perform contractual service cost-benefit analysis audits and concrete thickness testing on highway improvement projects. Finally, it requires the department to submit a report containing recommendations on how to improve the local road construction program.

Overall Fiscal Estimate:

This estimate includes the cost to incorporate all new reporting requirements, new cost-benefit analysis procedures, and concrete thickness testing the department must now perform. Annual and one-time costs would be \$2,456,000 and \$310,000 respectively.

The bill would require 487 additional Full Time Equivalent (FTE) positions in 2012 and 1,016 FTE's in 2014 to maintain delivery of highway improvement program. The positions are required because the bill mandates that DOT only outsource 50% of the work in 2012 and 30% in 2014.

Lastly, there are potential program impacts that are difficult to quantify. For example, the department would now need an additional 2,774 FTE's for highway improvement delivery if the conditional requirements in sections 3 and 4(a) and (b) can't be met. This fiscal impact would then supersede the previous requirement to outsource only 50% and 30%.

Highway Improvement Program Delivery Impact:

Under section 26w of the bill, the department shall make all reasonable efforts to ensure that contracting for engineering services is not more than 50% of the highway improvement delivery by 2012 and 30% by 2014. DTSD uses numerous consulting contracts in order to deliver the Highway Improvement Program. Consultants are used for project planning, design, and management activities and include job functions such as Civil Engineers, Surveyors, Utility Coordinators, etc.

The department uses a Program Research Metric model to predict program resource needs such as outsourcing. Assuming that the department outsources for 50% and 30% and taking into account the current 65% design shelf requirements, under s. 84.01(33) of the Statutes, the model indicates that 487 more FTE positions would be needed in 2012 and 1016 in 2014. If the department couldn't increase staffing, total program levels would drop from \$1,069,000,000 to \$844,314,900 in 2012 and \$603,000,000.

Administrative Impacts:

To implement and perform the new reporting and cost-benefit analysis requirements of the bill, a total of 23.25 FTE positions, across the department, would be required at a total annual cost of \$1,513,100. The following list below shows the breakdown of the number and type of positions and total cost required:

- 1) 8 Program/Policy Analysts x \$22.40/hr. x 1.4599 (fringe) x 2080 hrs./yr. = \$544,200
- 2) 1.25 IS Specialists x \$34.14/hr x 1.4599 (fringe) x 2080 hrs./yr. = \$129,600
- 3) 11 Contract Specialists x \$17.79/hr. x 1.4599 (fringe) x 2080 hrs./yr. = \$594,200
- 4) 3 Civil Engineers-Entry x \$26.91/hr. x 1.4599 (fringe) x 2080 hrs./yr. = \$245,100

Concrete Thickness Testing:

Under section 30, the bill requires the department to perform all tests of concrete thickness. To accomplish this task an additional 15 full time equivalent entry level Civil Engineers would be required at an annual cost of \$942,900. In addition, new equipment would need to be purchased at a cost of \$10,000.

There are approximately 30 large scale concrete projects per year requiring concrete thickness testing. Each engineer will be able to cover two projects per year during the construction season assuming an average project testing length of three months resulting in 15 positions. The average starting salary is estimated to be \$20.7 per hour with a fringe rate of 45.99%. In addition, the number of hours per year for each position is 2080 (full 52 weeks) even though testing is not done throughout the entire year. The total cost calculation is as follows:

$$\$20.7/\text{hr} \times 1.4599 \times 2080 \text{ (hours per engineer)} \times 15 \text{ Engineers} = \$942,900$$

Report on Local Roads:

Under section 44, the department must submit a report to the Joint Committee on Finance recommending actions that can be taken, including legislation, to improve the efficiency, cost-effectiveness, and timeliness of local road construction projects. To submit the report seven months after enactment of the bill, the department estimates that a total of \$300,000 would be needed to obtain the necessary contractor resources.

Potential Impacts:

Sections 3, 4, 5, 6, and 28 of the bill, relate to new criteria the department must follow when contracting for services that affect many different areas of the department. It's difficult to fully quantify the impact of these provisions.

Currently, every division within the department uses contractors to deliver projects or provide services that help the department achieve its program goals and objectives. If projects or services get delayed because of the new requirements, program operations may be impacted.

For example, the Division of Business Management (DBM) uses Information Technology (IT) contractors to support all divisions within the department. Virtually every business area utilizes IT services for efficiency gains and to develop new automation techniques. Services can range from basic 24/7 support for maintaining servers and desk top computers to specific application developments such as the Highway Performance Management System (HPMS) used to report information to FHWA. Any delays or impacts to existing or future IT contracting services may affect how DBM supports most of the business systems throughout the department.

The Division of Motor Vehicles (DMV) is legislatively mandated under s. 110.20 to have a motor vehicle emissions inspection and maintenance program. The department currently contracts for these required functions. Having to frequently renew contracts or find alternative providers would require time and resources.

The largest potential impact is that the Division of Transportation System Development (DTSD) might be constrained in using any consultants to help deliver the highway improvement program. If realized, the impact would preclude the effect of only being able to contract for 50% or 30% under section 26W.

For 2010, the total highway improvement program level, including construction lets, is \$1.3 billion. Given the present DTSD staffing level of 899 FTE positions, 64% of the program delivery is outsourced to consultants at \$180,629,300. In order to maintain this volume of work by outsourcing, section 3 and section 4 parts (a) and (b) of the bill require that at least two out of three conditions related to economics, efficiency, and timeliness must apply. However, this constraint would not apply if the contract period is not more than a year.

In general, service contracts are let to perform a scope of work, rather than hiring a number of employees, so it is difficult to estimate the number of employees used or required to perform any given scope of work. The department has concluded that many of the current contracts for service under the highway improvement program may not meet two of the three requirements. Assuming that none of these contracts could be used, a total of 2735 additional FTE positions would be required to maintain the current program spending level and meet the legislatively required 65% design shelf by 2014. These positions would need to be filled quickly or risk program delays. The number of positions was determined using the department's Program Research Metric model. The new positions would cover all the consultant work that would now have to be done using FTE employees.

Long-Range Fiscal Implications

The long range fiscal impact to the department is that most of these impact costs are on an annual basis and would continue into the future. In addition, costs would increase even more as the federal highway improvement and passenger rail program funding levels continue to increase.

Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

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Description State contractual services and false claims submitted to state and local governments, requiring the exercise of rule-making authority, and providing penalties		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): One-time costs would include \$10,000 to purchase concrete thickness testing equipment and \$300,000 to conduct a study and prepare a report on recommendations to improve the local road construction program.		
II. Annualized Costs:	Annualized Fiscal Impact on funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$2,456,000	\$
(FTE Position Changes)	(1,039.2 FTE)	
State Operations - Other Costs	10,000	
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$2,466,000	\$
B. State Costs by Source of Funds		
GPR		
FED		
PRO/PRS		
SEG/SEG-S (Transportation Fund)	2,466,000	
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	State	Local
NET CHANGE IN COSTS	\$2,466,000	\$
NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By		
Authorized Signature		Date
DOT/ Karl Kuecker (608) 266-1876		Julie Johnson (608) 267-3703
		3/25/2010