

# ALASKA STATE LEGISLATURE

## Session

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Resources Committee

State Affairs Committee

Joint Armed Services Committee

Judiciary Committee

Senator.Bill.Wielechowski@akleg.gov

## SENATOR BILL WIELECHOWSKI

28 December 2016

Marc Luiken – Commissioner  
Department of Transportation & Public Facilities  
PO Box 112500  
MS-2500  
Juneau, AK 99811-2500

Dear Commissioner,

The Governor's proposed budget contains multiple items reflecting his plan to privatize DOT&PF engineering efforts by eliminating many state design professionals and support staff beginning in FY2018. The budget lists 76 positions currently scheduled for elimination, but further announcements by your office make clear that number may run up to as high as 300.

Neither the Governor's narrative nor your December 15 internal memo to DOT&PF employees apprising them of the plan suggests any significant monetary savings to the State. The Director of the Governor's Office of Management & Budget recently explained to the *Juneau Empire* that the State will complete a feasibility study assessing costs, but that "it would not have to be done beforehand," before the eliminations are effected.

The legislature supports sensible means of reducing state costs; every reasonable cost saving measure should be explored during this difficult economic time. I recognize that privatization of certain government functions is often an effective mechanism for achieving monetary savings, and I encourage exploring privatization to gain efficiencies for our state and to balance the budget.

But in this case, I hesitate to presume this particular proposal will lead to such savings. Despite the lack of any evidence from your announcement, it seems the funding necessary to maintain certain DOT&PF personal to oversee consultant contracts and ensure the public is delivered properly-designed infrastructure, along with the likely expenses relating to contracting with private design firms—the costs of personnel pay and benefits, including management, and additional business-related costs—could ultimately result in *more* expense to the State during this critical time.

With this in mind, I'm asking you to deliver an evaluation of whether the Governor's proposal would actually provide cost savings, and I request the following information:

1. The budget detail indicates that DOT&PF currently contracts 55% of its design work. On what parameters is this percentage based? For instance, does it simply represent overall costs paid for consultant contracts compared to in-house project design costs, and if so, to what portion of the total design output does this correlate compared to internal efforts? I'm concerned the 55% reflects consultant costs in return for a less significant portion of the design output.
2. Over the past-five fiscal years, for each of these categories: small-scale design projects (engineer's estimates at < \$1,500,000), medium-scale design projects (engineer's estimates at \$1,500,000 to \$4,999,999), large-scale design projects (engineer's estimates at \$5,000,000 to \$9,999,999), and extra large-scale design projects (engineer's estimates at ≥ \$10,000,000), please provide the mean and average (or a range, if more meaningful) for the following items, but not including state-supplied support services such as environmental studies and permitting, surveying, right-of-way, or similar, or comparable privately-supplied services:
  - a. Total as-bid contract costs for consultant-prepared design projects;
  - b. Total final-paid contract costs for consultant-prepared design projects;
  - c. Total costs for DOT&PF internally-prepared design projects;
  - d. Per person-hour costs for consultant services over the as-bid contract for consultant-prepared design projects;
  - e. Per person-hour costs for consultant services over the final-paid contract for consultant-prepared design projects;
  - f. Per person-hour costs for DOT&PF internally-prepared design projects;
  - g. Total person-hours expended by contracted personnel upon final payment of the consultant design contracts;
  - h. Total person-hours expended by DOT&PF personnel upon completion of construction of internally-prepared design projects; and
  - i. The costs for DOT&PF personnel to provide administrative oversight for consultant contracts over the life of the contract.
3. Over the past-five fiscal years, what proportion of consultant design contracts have been awarded to in-state engineering firms, and what is your expectation for the magnitude of this proportion if the Governor's plan were effectuated? In other words, under the Governor's privatization proposal, is there an expectation or concern that Outside engineering firms would greatly benefit from the increased state funds made available strictly to the private sector?
4. We believe a study may have been initiated or completed during a prior gubernatorial administration—possibly under Tony Knowles—that examined the issue of privatization of DOT&PF design work, specifically to assess the feasibility of maintaining the state's design forces versus contracting the work. Please provide the results of this study and any raw data or reports generated therefrom.

As each item becomes available, please provide my requested information so the legislature can more accurately and responsibly assess the feasibility of the Governor's privatization proposal.

We must be conscious that if the Governor's proposal to eliminate the state design positions is approved, then highly qualified, specially-trained Alaskans will lose their jobs. Many of these dedicated, hardworking people were born and raised in Alaska, chose their careers in engineering, sought their education through Alaska's public universities, and—believing they and their families would prosper here—made Alaska their home.

Alaska's system of highways and airports present unique, often complex design challenges involving extreme climate conditions, remote settings, and sensitive cultural considerations. Accounting for these challenges, DOT&PF professionals possess the valuable skills and experience to needed to design and improve Alaska's infrastructure—while their capabilities do not readily translate to other careers. I would expect to see many of these former DOT&PF employees leave the state.

In addition, major Outside engineering firms would gain ready access to the funds presently staying in state and enriching our local communities, firms that do not possess a comparable working understanding of the Alaska's unique transportation engineering issues—which could result in higher state costs in the longrun.

This is not the sort of budgetary decision into which we should enter lightly. I would have expected your office to go through the exercise of analyzing the economic impact of these issues and examining hard data before you put 76 positions on the chopping block. I applaud your exploration of novel, bold monetary savings measures during these trying economic times. But I have concerns about imprudent budgetary decisions that result in further risks to Alaska's economic health.

Best,

A handwritten signature in cursive script that reads "Bill Wielechowski".

Senator Bill Wielechowski

cc: Governor Bill Walker

Representative Neal Foster