

January 21, 2003

The Honorable James Doyle
Governor
State of Wisconsin
P.O. Box 7863
Madison, WI 53707

Subject: **Issues Related to the Ratified Tentative Agreement Between the State Engineering Association and the State of Wisconsin**

Dear Governor Doyle:

The State Engineering Association is one of the fifteen bargaining units that has a ratified tentative agreement with the State. Those ratified agreements have not yet been implemented.

Representatives of several bargaining units and several members of the legislature have been debating in the media whether or not those ratified tentative agreements should be implemented. Some of the statements in the debate were misleading or incorrect. The State Engineering Association has not participated in that media debate. We feel that some of the issues need clarity and we would like to cite a few facts that have received minimal media attention, as follows:

Myth: Taxes are too high because there are too many state employees.

Fact: The State of Wisconsin has one third fewer state employees than the national average for general government operations.

The Wisconsin Taxpayers Alliance conducted an analysis of the number of state employees in Wisconsin. That analysis shows that in 2000, Wisconsin had 11.85 state employees per 1,000 residents while the national average was 14.47 state employees per 1,000 residents⁽¹⁾. Thus, Wisconsin had 18.1 percent fewer state employees than the national average. When employees associated with higher education and corrections are excluded, you obtain the number of employees that perform general state government operations. For general operations, the national average was 7.82 per 1,000 residents and Wisconsin had 4.97 employees per 1,000 residents, thus Wisconsin had 36.4 percent fewer state employees than the national average in 2000 for general government operations.

Myth: Nobody has gotten any raises in the private sector, why should state employees?

Fact: On average, wages and salaries have increased by 6.9 percent in the private sector over the past two years.

The U.S. Bureau of Labor Statistics conducts quarterly surveys of employers to determine statistically valid compensation cost trends. From that data, the Bureau publishes the Employment

Cost Index (ECI). The ECI Index for Wages and Salaries for the category of All Workers in the Private Sector rose from 146.8 in the Third Quarter of 2000 to 157.0 in the Third Quarter of 2002 ⁽²⁾. Thus, wage and salary levels have risen by 6.9 percent over the past two years in the private sector, on average.

Myth: Private sector employees are not going to get raises this year, so state employees should not get any raises either.

Fact: Most private sector employers will give raises in 2003. Estimates range from 3.4 percent to 3.7 percent for across-the-board increases, on average.

During October 2002, Mercer Human Resources Consulting surveyed 1,600 private sector employers about salary increases they expect to pay in 2003. From that survey, Mercer concluded that the average pay increase in 2003 will range from 3.4 to 3.7 percent, depending on occupation ⁽³⁾. For technical/professional employees, such as employees in engineering occupations, the anticipated increase in 2003 is 3.6 percent. These numbers are averages, some will receive less and some will receive more.

Myth: State employee salaries are too high, they should not get any raises.

Fact: The State frequently cannot attract qualified professional applicants for white-collar professional positions due to inadequate compensation.

The State Engineering Association cannot comment on non-engineering state employees, but the data clearly shows that state employees in engineering related occupations are severely underpaid compared to their private sector counterparts. For example, according to documentation submitted by the Department of Transportation (DOT) to the Department of Employment Relations (DER), DOT has been unable to attract qualified applicants for engineering positions at contractual starting salary levels since before 2000 ⁽⁴⁾. The reason engineering salaries are so low is that across-the-board salary increases have been less than wage and salary inflation, as measured by the ECI, for every single year during the past ten years ^(2, 5, 6, 7 and 8). That is why the State has difficulty when recruiting employees to perform important public health and safety tasks.

Myth: Cutting the number of state employees and privatizing professional services will reduce the deficit.

Fact: Consultant costs to the State are higher than comparable costs would be for state employees. Yet the State has aggressively increased outsourcing of professional services to over a half billion dollars each year. Conservative estimates of the waste range from several tens of millions to over one hundred million dollars per year.

Over the past decade, the State has increased outsourcing of white-collar professional work that historically was performed by lower cost state employees. According to the Legislative Audit Bureau (LAB), approximately 531 million dollars was spent on contracted professional services during fiscal year 2000 ⁽⁹⁾. When intergovernmental agency contracts are excluded, the cost falls to approximately 458 million. The LAB analysis however did not include costs for engineering consultants hired by DOT. In fiscal year 2001, DOT spent approximately 101 million dollars on outsourced engineering ⁽¹⁰⁾. Therefore, the total annual amount of contracted professional services to the private sector is approximately 559 million dollars, of which approximately 18 percent is for transportation engineering.

DOT has documented that costs for completed projects by consulting engineers are higher than costs for similar projects performed by state employees in almost every project category ⁽¹¹⁾. In fiscal year 1990, less than one third of the funding for engineering was outsourced, however by fiscal year 2001, DOT spent more on outsourced engineering than in-house engineering ⁽¹⁰⁾. Therefore, although outsourced engineering costs more than performing the work in-house, DOT has significantly expanded outsourcing over the past decade. Another example is information technology work. LAB concluded that 29 of the 32 information technology contractors evaluated in their audit completed projects at a higher cost than similar projects completed in-house by state employees ⁽¹²⁾.

Conservative estimates of the amount of money wasted each year by outsourcing professional work range from several tens of millions to over one hundred million dollars each year.

Employees represented by the State Engineering Association have been working without a contract for a year and a half. Our last contractual pay increase was two years ago. The rate of wage and salary inflation over the past two years was 6.9 percent, as measured by the ECI. That exceeds the across-the-board increases of 1, 2 and 2.5 percent over the two years of the ratified tentative agreements. Therefore, the salary increases in the ratified tentative agreements are not exorbitant.

Some have proposed that there are insufficient funds to pay for the ratified tentative agreements and cite that as a reason to refuse to implement those agreements. We encourage you to give close scrutiny to contracted professional services when you are looking for areas to reduce funding. Based on data from LAB and DOT, substantial cost savings can be achieved with positive long-term results.

We ask that you use your influence to help break the logjam in the legislature and work towards implementing the ratified tentative agreements. Assuming that the legislature eventually approves the agreements, the State Engineering Association also requests that you sign the agreements as soon as possible.

If you have any questions about this letter, please do not hesitate to contact me.

Sincerely,

George Mickelson
SEA Compensation Committee Chair

enclosure:

List of references.

cc with enclosure:

Marc Marotta, DOA Secretary
David Riemer, Budget Director
Karen Timberlake, DER Secretary
Frank Busalacchi, DOT Secretary
Members of the State Legislature

List of references:

1. *The Wisconsin Taxpayer*, Vol. 70, No. 2, first of two tables on Page 9.
2. Employment Cost Index Data, U.S. Bureau of Labor Statistics, U.S. Department of Labor, Series ID: ECU20002I.
3. Mercer Human Resources Consulting, press release dated November 20, 2002.
4. Form Number DER-DCC-43 submitted by Department of Transportation to Department of Employment Relations, dated by Department of Transportation on October 22, 2002, approved by Department of Employment Relations on October 25, 2002.
5. Agreement Between the State of Wisconsin and the State Engineering Association, 1993.
6. Agreement Between the State of Wisconsin and the State Engineering Association, 1995.
7. Agreement Between the State of Wisconsin and the State Engineering Association, 1997.
8. Agreement Between the State of Wisconsin and the State Engineering Association, 2000.
9. Letter from Janice Mueller, Legislative Audit Bureau, to Sen. Erpenbach, dated April 5, 2002.
10. E-mail from Randy Sarver, Department of Transportation, to Timothy Hanley, President, State Engineering Association, dated November 2, 2001.
11. Memo from Lynn Judd, Department of Transportation, to Sen. Huelsman dated November 2001.
12. Legislative Audit Bureau Report Number 01-6.