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MEDIA ADVISORY:

New State Report Sheds Light on Caltrans "Support Spending"

Sacramento, May 11, 2011 – The release last month of the [State Auditor's report on the California Department of Transportation](#) (Caltrans) did not receive much media attention. Perhaps that's because some in the media and the Capitol are wondering whether the state will even have a budget this year. Or it may be that everyone is just too desensitized to government spending gone awry?

The reality is that there are some real revelations in this 72-page report about where Caltrans' money goes — specifically on Caltrans' "support" spending, i.e. spending on its own employees.

Support spending is a big deal. To the extent "support" spending is too high, that takes money away from actually constructing new projects and creating new jobs.

Here are some findings:

- Caltrans exceeded their own budgets for project support on 62 percent of their projects. Why does Caltrans so consistently overspend on overhead?
- The legislature's arbitrary imposition of an annual 10% cap on the use of outside consultants actually ends up reducing Caltrans' flexibility. That may be why Caltrans has hired an excessive number of full-time, long-term employees — and thereby taken on the huge liability of their long-term pension

costs. [Special Note #1: The 49 other state departments of transportation know well how inflexible and expensive the Caltrans model is, and so they regularly use consultants for 50 to 60 percent of their workload.]

- Caltrans' time-reporting system lacks strong internal controls — and consequently no one really knows to what extent Caltrans employees are correctly charging their time to projects.
- Caltrans also failed — in each of the last three fiscal years — to meet its own goal that the ratio of support costs to total project costs not exceed 32 per cent. That is a strong sign that Caltrans is overstaffed. [Special Note #2: Last year the Legislative Analyst's Office (LAO) found that Caltrans was overstaffed by at least 1500 personnel years (PYs), the equivalent of approximately \$300 million/year.]
- Another problem with support costs is that Caltrans may be comparing apples to oranges. The State Auditor found that from year-to-year Caltrans fails to use a consistent method to calculate the ratio of support to total costs.

The State Auditor made a series of recommendations to address these findings, including that Caltrans should not hire permanent staff beyond its long-term need for such staff.

The report further states that the Legislature should give Caltrans the leeway to hire consultants to meet its temporary workload increases — a recommendation with which Caltrans to its credit agrees. So now it is up to the California Legislature on it.

The report also recommends that the state commission an independent study of the costs and benefits of using consultants. Although Caltrans was not thrilled with that idea, Caltrans does note that “consultants pay for and bring their own tools, equipment and office space to the job” — all of which are cost items for the taxpayer to support staff positions. Outside consultants also take care of their own healthcare costs and pension obligations; both “big ticket” items and something the report reminds us are also not included in Caltrans' staff cost estimates.

We encourage you to read the report or its summary and draw your own conclusions. If you would like perspective from an ACEC

California spokesperson, we will be happy to put you in touch with one.

The summary is available here:

<http://www.bsa.ca.gov/reports/summary/2010-122> (The full report can be downloaded by clicking the link at the end of the summary).

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