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State agency spending on outside service contracts continues to rise

By: **BILL LUEDERS**

Each year, as a [state law](http://docs.legis.wisconsin.gov/statutes/statutes/16/1V/705/8?view=section) requires, the Wisconsin Department of Administration produces a “Contractual Services Purchasing Report.” It tracks spending by state agencies and the University of Wisconsin to outsource tasks ranging from information technology to janitorial work. State workers have long argued that they could be doing many of these jobs for less.

The latest [report](#)

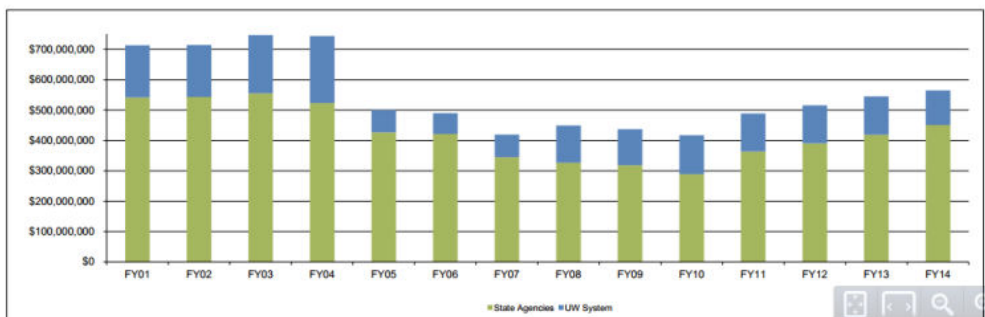
(<http://www.doa.state.wi.us/Documents/DEO/Procurement/ContractualServices/FY14%20Contractual%20Services%20RPT%20Final.pdf>), for fiscal 2014, shows state agency spending on outside services is up for the fourth straight year. This has happened despite the Act 10 benefit changes under Gov. Scott Walker that arguably make state workers more cost-effective, compared to the private sector.

“During a time of alleged austerity, the administration continues to spend taxpayers’ money like an inebriated sailor,” said Bill Franks, a retired state employee and union steward who follows this issue. “You would have thought, if anything, those numbers would be going down.”

The new report was quietly released Dec. 22, more than two months past its statutory due date. Late filings are [not uncommon](http://wisconsinwatch.org/2012/06/state-agency-thumbs-nose-at-law/), under both Republican Walker and his Democratic predecessor, Jim Doyle. One report from the Walker team was [more than eight months](http://wisconsinwatch.org/2012/07/contracting-report-shines-light-casts-shadows/) late.

State agencies, the report shows, spent \$451 million on outside services in fiscal 2014, which ended June 30. That’s up 56 percent from [fiscal 2010](http://www.doa.state.wi.us/Documents/DEO/Procurement/ContractualServices/FY10%20Contractual%20Services.pdf), before Walker became governor. During this same four-year period, the UW’s spending on outside services declined nearly 11 percent, to \$114 million.

Fiscal Year 2000-2014 Contractual Services
State of Wisconsin
By State Agency and UW System



(<http://u6efc47qb7f1g5vo6kfkfdcn.wpengine.netdna-cdn.com/wp-content/uploads/2015/01/Screenshot-2015-01-13-at-12.52.56-PM.png>)

Wisconsin Department of Administration

This chart from the 2014 report tracks spending on outside services over time.

State agency spending on outside services has been higher in the past. In 2003, it totaled \$556 million. But this sum fell each year (<https://www.documentcloud.org/documents/1392206-screenshot-2015-01-08-at-10-51-33-am.html>) after that, to just \$290 million in fiscal 2010.

DOA spokeswoman Stephanie Marquis, to whom the governor's office referred questions, noted that Walker was governor for just half of fiscal 2011, which saw the largest increase (<http://wisconsinwatch.org/2012/07/state-hiring-of-contractors-jumps-26-but-uw-goes-opposite-way/>). The rise in state agency spending is just 24 percent if this entire year is not counted.

“We prefer to use our own employees in providing services and programs to the taxpayers,” Marquis said in an email. But contractors are used when required by federal or state law, when necessary to maintain a license or warranty, when the state lacks infrastructure or expertise, or when contracting is “more efficient or cost-effective.”

The top state agency spender, by far, is the Department of Health Services, at \$178 million in 2014. That's slightly higher than in 2011, when a Legislative Audit Bureau report (<http://legis.wisconsin.gov/lab/reports/11-15full.pdf>) questioned DHS's use of outside providers and urged it to “identify whether cost savings could be achieved by using state employees.”

DHS spokeswoman Stephanie Smiley said the agency has had to continue using external contracted services to comply with Medicaid changes and the Affordable Care Act. But it “continues to review the efficacy of using contractors and will seek approval to convert contracted services to state positions to achieve cost savings when appropriate, as it has since the 2011 audit.”

The report summarizes the cost-benefit analyses required (<http://docs.legis.wisconsin.gov/statutes/statutes/16/IV/705?view=section>) for each proposed state agency service procurement over \$50,000. (The UW System is exempt from this rule.) It does not tally the numbers or say whether a given analysis led to a job being contracted out.

But a review by the Wisconsin Center for Investigative Journalism shows the estimated cost of contracting was higher than the estimated cost of using state workers in 152 of the 250 analyses, as well as for the total sums.

According to the report, 75 percent of these cost-benefit analyses were for information technology services. It recommends agencies “continue to examine the availability of state employees” before contracting out for IT jobs. And it cites ongoing efforts “to reduce the state's use of contracted employees.”

This same language has appeared in past reports. Franks considers it “disingenuous,” not backed by political will. Actual progress in this direction, he said, “would mean doing something no administration wants to take credit for: increasing the size of state government.”

Bill Lueders is the Money and Politics Project director at the Wisconsin Center for Investigative Journalism (www.wisconsinwatch.org). The Center produces the project in partnership with MapLight. The Center collaborates with Wisconsin Public Radio, Wisconsin Public Television, other news media and the UW-Madison School of Journalism and Mass Communication. All works created, published, posted or disseminated by the Center do not necessarily reflect the views or opinions of UW-Madison or any of its affiliates.
