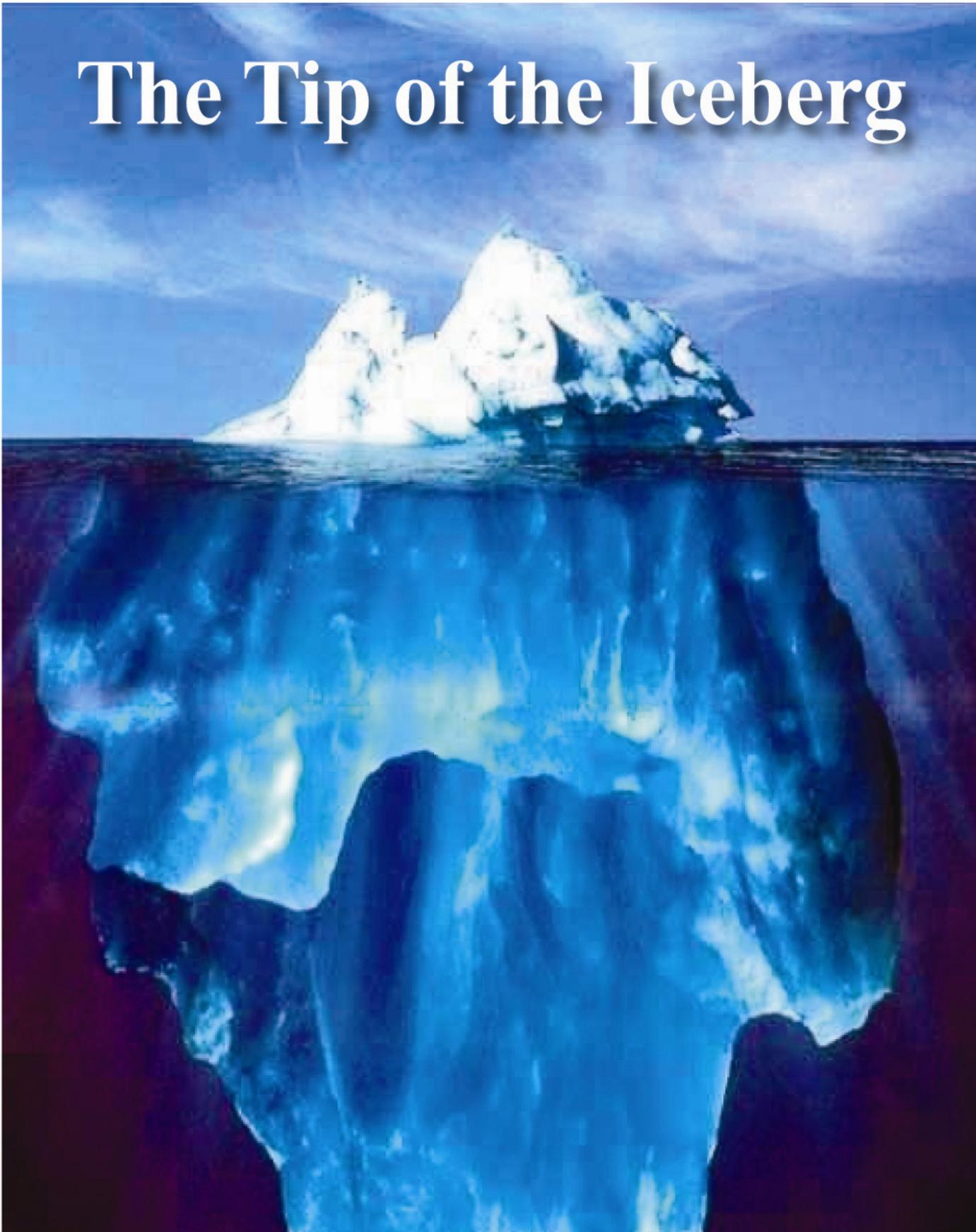


The Tip of the Iceberg

The image shows a large iceberg in a dark blue ocean. The top part of the iceberg is above the water, appearing as a jagged, white peak. The vast majority of the iceberg is submerged, extending deep into the dark water. The sky is a pale, overcast blue.

**A report by the
New York State Public Employees Federation, AFL-CIO
on how New York state can save millions of dollars
by using the state work force.**

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Executive Summary

Despite new laws enacted to shine a light on the high cost of private consultants, the state of New York is still spending a fortune for private contractors when public servants can often do the work better and for less.

In a time when the state is facing severe fiscal constraints, spending on all consultants, including support staff, in SFY 2008-09 rose to **\$2.9 billion; a \$100 million increase. That's the equivalent of 23,329 full time consultants working for the state, over 2,500 more consultants than the previous fiscal year.**

For more than a decade, the State Comptroller's Office, private auditing firms and public employees' unions have been pointing to the elephant in the room — the state's irresponsible and essentially uncontrolled spending on high cost private consultants, but so far only the tip of the iceberg has been exposed.

Based on reports filed with the Office of State Comptroller, which only cover 20% of total consultant expenditures, New York State continues to pay thousands of consultants performing professional services an **average of \$160,719 annually; 62% more than public employees doing similar work cost including the cost of their benefits.**

Some state agencies incurred astronomical consultant costs; for example, the State Election Commission **paid the equivalent of 12 full time consultants working on three separate contracts \$5.7 million a year, equating to an annual cost of \$456,000 per consultant. The State Insurance Fund paid the equivalent of 3 full-time consultants working on three separate contracts an average of \$450,000 a year.**

Several furlongs ahead is **the \$543.94 average hourly cost for legal consultants at the New York State Racing Commission Oversight Board**, including paralegal services at a cost of \$552 an hour.

Governor Paterson has initiated procedures that have resulted in a reduction in the rate of growth in consultant spending and the Governor's Task Force on Personal Service Contracting Issues has recently issued recommendations that should further reduce the state's wasteful spending on consultants. The Task Force's recommendations, however, don't go far enough.

Conservatively estimated, the state could save between \$280 million to \$480 million by replacing about half of the State's expensive private consultants with state employees.

The following steps must be taken to achieve this savings.

- 1. The State should enact a Consultant Reduction Plan with a goal of saving \$375 million annually (about the mid-point between our low and high estimated savings) by 2012-13. Phased in over the three years, this plan could save the State over \$656 million.**

The plan should:

- A. Require the Division of Budget to set savings targets for each state agency for consultant spending, focusing on information technology and engineering services as these categories will achieve the greatest savings.
- B. Institute a freeze on new and renewed state agency consultant contracts over \$100,000 until a cost benefit analysis is completed by an agency and reviewed, and a waiver is approved by the Division of Budget.

The Tip of the Iceberg

- C. Require the Department of Transportation, as part of their Consultant Reduction plan, to conduct at least 90% of their bridge inspections with state employees within three years.
- 2. **The state should enact a law that requires state agencies to perform a Cost/Benefit analysis before entering into any consultant contract more than \$100,000.**
- 3. **The state should enact a law that requires penalties for failure to file reports under consultant disclosure law.** DOB and the Office of the State Comptroller (OSC) should also take the necessary steps to improve the consultant reporting as recommended by the Governor’s Task Force on Personal Services Contracting.

Introduction

In the early 1990's three audits by the Office of the State Comptroller found that the state could save millions of dollars annually by replacing private sector consultant engineers with state employee engineers at the Department of Transportation (DOT). DOT subsequently hired KPMG to conduct their own study on this issue using an "activity based" cost analysis process favored by those who support privatization. Using this method KPMG found that in 85% of the cases DOT consultant engineers cost between 50% and 75% more than state employee engineers doing comparable work.

Building on this work the Fiscal Policy institute issued a report in June 2005 that found that the State could save up to \$500 million a year by replacing about half the state's consultants with state employees with most of the savings achieved by replacing information technology and engineering consultants.

In response to these studies and a strong campaign by PEF, in 2006 the State enacted the Contract Disclosure law (Chapter 10 of the laws of 2006) in an effort to shine sunlight on the State agency use of consultants that provide personal services. That law was intended to require all agencies that hired consultants to publicly disclose how many they hired, what titles they employed them in and how much they paid them. Unfortunately, since the law's enactment agencies have only reported a small fraction of their expenditures for consultants, which allows the state to only roughly estimate how many consultants they hire, what they are hired to do and how much they are paid.

In 2008 Governor Paterson, in an effort to better control state spending on consultants, issued Executive Order 6. This established a cost benefit analysis process to be used by the Governor's Task Force on Personal Service

Contracting Issues to analyze and control state spending on consultants. Last year the Assembly held roundtables and hearings on the use of information technology consultants and advocated during 2009 budget negotiations that the State set a goal of reducing its use of information technology consultants by 50% over a three year time period. These efforts led to the passage of Chapter 500 of the laws of 2009. This legislation set up a process to allow State agencies to replace information technology consultants with state employees when it is cost effective

In addition the Governor's Task Force on Personal Service Contracting Issues issued a report at the end of 2009 calling for:

- The development by the Division of the Budget (DOB) of a process by which agencies may demonstrate that hiring an employee to perform necessary services would create a cost savings by reducing contracting expenses.
- The development of best practices for State agencies to use in contracting, including terms that should be added to IT contracts regarding knowledge transfer.
- The issuance of a revised budget bulletin providing for the collection of additional information from State agencies on their personal services contracts, and the development of one consolidated contract database and reporting system to improve data collection and analysis.

Implementation of these recommendations will begin to reduce wasteful state agency spending on consultants. However, based on this report's analysis of consultant spending by state agencies in SFY 2008-09 more aggressive steps must be taken to maximize the savings the state can achieve by replacing expensive consultants with state employees.

If We're Broke, Why Spend Almost \$3 Billion on over 23,000 Consultants?

Consultant Costs Rise by \$100 Million in a Year, According to Comptroller Reports

According to expenditure data from the New York State Comptroller's Office, the state spent \$2.9 billion on more than 23,000 private consultants in SFY 2008-09, a \$100 million increase from consultant expenditures in the prior year.

The top 5 agencies in consultant spending were SUNY which spent \$857 million; DOT \$376.5 million; DOH \$248 million; DOCS 181 million and OCFS \$155 million, for a total of roughly \$1.8 billion, or 63 percent of total state spending on consultants. The top 13 agencies account for approximately 85% or over \$2.45 billion of total consultant expenditures for the state.

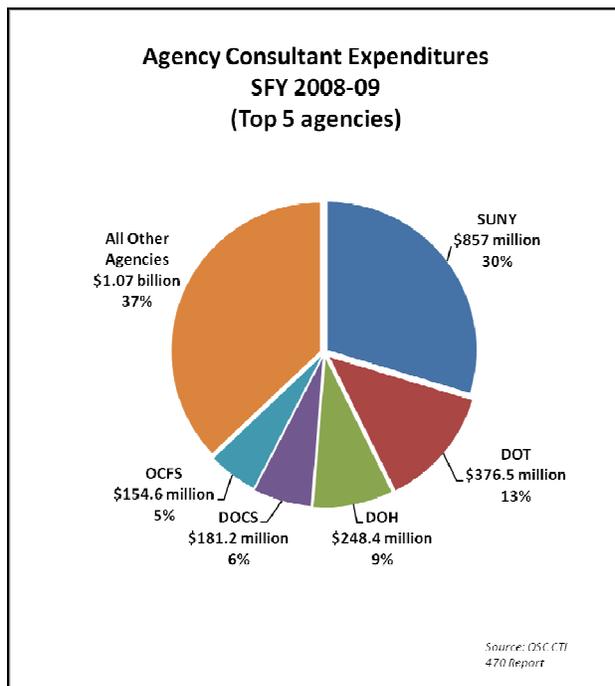


Chart 1

NY State Employed Over 23,000 Consultants, Over 2,500 More Than Last Year

The number of full-time equivalent (FTE) consultants can be estimated from the CTL 470 reported expenditures for consultants.¹

In SFY 2008-09 state agencies employed an estimated equivalent of 23,329 consultants; 2,585 more than the previous year

¹ See Appendix 1 for the methodology used and a table of all agency consultant expenditures and estimated FTE consultants.

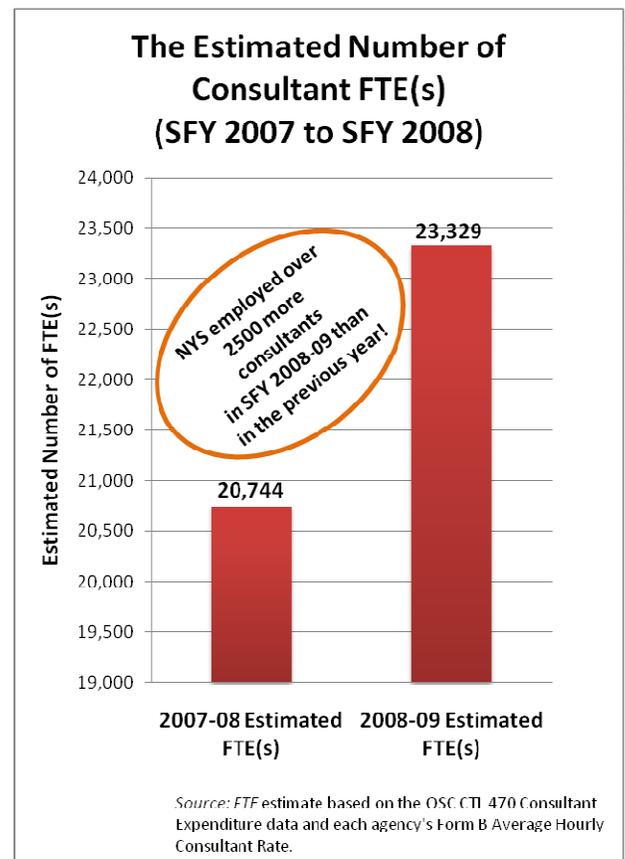


Chart 2

Five state agencies, SUNY, DOCS, DOT, DOH, and OCFS account for 83% of all the state's estimated full time consultants. Every one of these agencies hired even more private contractors in 2008-2009.

The Golden Fleece, however, goes to DOCS, which had an estimated 3,396 consultants

under contract in 2008-2009, up from 996 in 2007-2008. This is more than triple the number of consultants used in the previous year (Chart 3).

DOH came in second among agencies that hired more consultants by jumping from an estimated 1,752 consultants in 2007-2008 to 2,306, or an increase of 554.

SUNY increased its number of estimated consultants from 7,209 to 7,430, and DOT's estimated consultant use went up from 2,241 consultants to 2,490. The number of estimated consultants at OCFS grew from 1,073 to 1,147.

The award winners this year include the Office of Temporary and Disability Assistance, down 287 FTE private consultants from 2007-2008; the Department of Environmental Conservation, down 210; the State Education Department, down 155; and the State Emergency Management Office, down 114.

The state Division of Budget and the Governor's Task Force on Personal Service Contracting Issues should examine how these agencies trimmed their consultant costs and see if these practices can be applied to the agencies that have the largest number of estimated consultants.

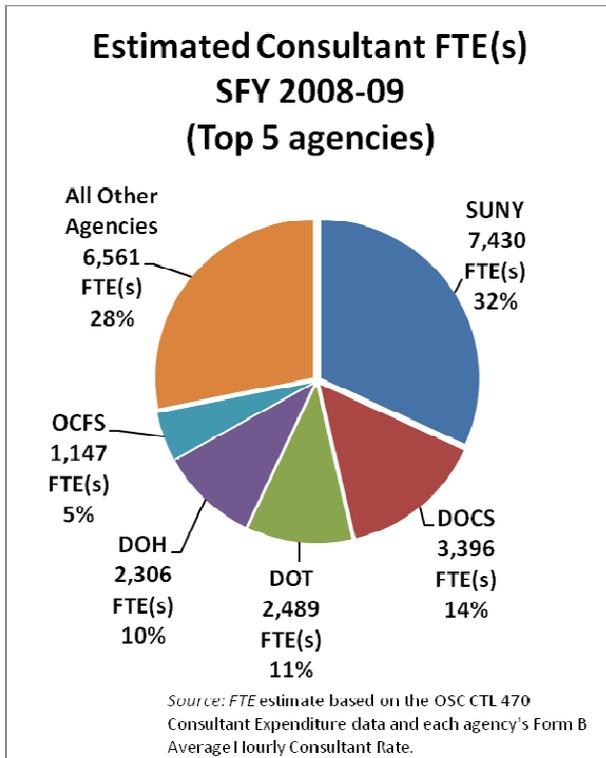


Chart 3

These 5 agencies also spent \$341 million more in SFY 2008-2009 than the previous year, from \$1.477 billion to \$1.818 billion, or a 23 percent increase in their consultant expenditures.

While many agencies have ignored the mandate to reduce consulting costs, several have been successful in paring their expenditures for high cost private consultants.

Average Reported Full Time Consultant Costs Continues to Rise - Now \$160,719; Cost 62% More Than State Employees

State agencies are required to have consultants they hire file "Form B's" which document how many hours consultants work, how much they are paid and in what occupations and titles they work. Form B's are assembled by agency in the annual *Procurement Services Act Report* released by the Comptroller. However, data on the Form B's is not submitted in an electronic format and cannot be compiled or analyzed without manually entering the data into a database. Because of this the usefulness of Form B data in enabling the State control agencies to identify and track the trends in use of consultants is limited. PEF has entered all the Form B data into a database in order to provide such an analysis.

Table 1 lists the **reported** average hourly rate paid to all consultants including support staff for each state agency based on the Form B's State agencies filed with the Comptroller. On average in SFY 2008-09 the state paid all consultants \$72.90 an hour or \$142,155 a year.

The Tip of the Iceberg

Table 1 Reported Average Hourly Consultant Rates By Agency		
Agency	2007-08 Hourly Rate	2008-09 Hourly Rate
A &M	\$31.68	\$295.03
ABC	\$170.79	\$175.20
APA	\$20.19	\$33.03
Bank	\$1,614.72	\$446.69
Canal Corp		\$71.99
CVB	\$72.50	\$72.50
DCJS	\$108.00	\$91.44
DCS	\$127.48	\$98.93
DED	\$67.00	\$55.90
DHCR	\$146.67	\$99.05
DMNA	\$102.84	
DMV	\$86.41	\$81.17
DOB	\$90.07	\$77.65
DOCS	\$90.00	\$27.37
DOH	\$56.21	\$55.22
DOL	\$105.34	\$125.12
DOS	\$217.54	\$126.06
DOT	\$75.12	\$77.57
Educ	\$41.95	\$42.93
Elect	\$168.49	\$234.07
EnCon	\$64.06	\$59.72
Hesc	\$142.34	\$157.06
Insur	\$159.64	
Law	\$94.08	\$97.36
LK George PK CM		\$15.46
Lottery	\$48.97	\$52.51
NHT		\$17.91
OASAS	\$49.33	\$61.46
OCA	\$132.32	\$100.00
OCFS	\$63.53	\$69.11
OER	\$145.07	\$87.39
OFT	\$103.93	\$97.85
OGS	\$74.20	\$71.81
OHS	\$78.54	\$124.12

Table 1 - continued Reported Average Hourly Consultant Rates By Agency		
Agency	2007-08 Hourly Rate	2008-09 Hourly Rate
OMH	\$72.80	\$79.00
OMIG	\$61.14	\$54.27
OMRDD	\$54.87	\$53.00
OPDV	\$27.00	\$27.00
OPRHP	\$78.10	\$72.61
ORPS	\$170.93	
OSC	\$130.03	\$139.43
OTDA	\$69.24	\$103.94
Police	\$111.61	\$92.60
PSC	\$153.87	\$153.87
Public Integrity	\$221.95	
Racing		\$542.94
Reg Reform	\$165.86	\$189.23
SIF	\$170.93	\$230.73
SUNY	\$59.82	\$59.15
T&F	\$117.95	\$113.31
WCB	\$99.93	\$101.52
Overall Average	\$72.12	\$72.90
Adjusted Average*	N/A	\$82.42

SOURCE: Office of the State Comptroller Procurement Services Act Report (September 2008 and 2009)

* See Appendix 1 for detailed explanation

When consultant support staff costs and other reporting anomalies are removed **the average consultant cost rises to \$82.42 an hour or \$160,719 a year. That’s 62% more than the average \$50.80 average hourly cost for equivalent state employees.**

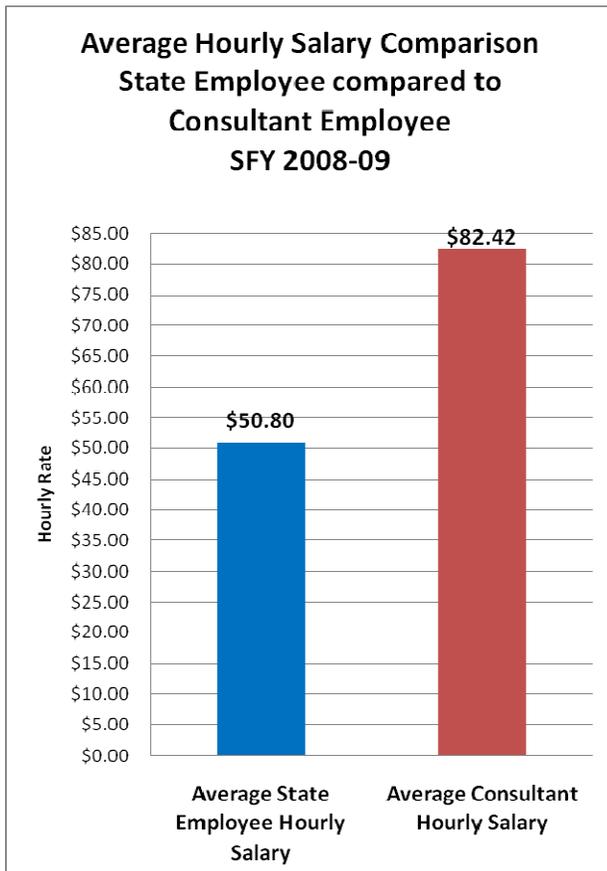


Chart 4

Some State Agencies Pay Consultants As Much As \$543 An Hour

Several state agencies, including the Non-Profit Racing Association Oversight Board, the Banking Department, the State Board of Elections, the State Insurance Fund and the Division of Alcoholic Beverage Control paid consultants astronomical salaries.

Agency	2008-09 Hourly Rate	Estimated Annual Cost
Racing	\$542.94	\$1,058,727
Banking	\$446.69	\$871,046
A&M	\$295.03	\$575,309
Elections	\$234.07	\$456,430
SIF	\$230.73	\$449,918
Reg Reform	\$189.23	\$369,002
ABC	\$175.20	\$341,638
HESC	\$157.06	\$306,263
PSC	\$153.87	\$300,055
OSC	\$139.43	\$271,892

SOURCE: Office of the State Comptroller Procurement Services Act Report (September 2008 and 2009)

The Non-Profit Racing Association Oversight Board

The Racing Association Oversight Board, for example, paid the law firm of Paul, Weiss, Rifkind, Wharton & Garrison LLP of New York City \$689,901 for 1,275.40 hours of legal services. That breaks out to **\$541 an hour, or more than a million dollars a year** for an FTE attorney. But the Oversight Board actually paid paralegals more on an hourly basis, than it paid lawyers. Paul, Weiss, Rifkind billed the state \$51,535 for 93.20 hours of work by paralegals. That comes to \$553 an hour, or almost \$1.1 million annually for “legal services” by paralegals.

By contrast, paralegals who work for the state make \$41.46 per hour including the cost of their benefits. That means the Racing Association is paying paralegals up to **13 times** more than comparable state employees.

Banking Department

The Banking Department paid Professional Bank Services Inc. of Louisville Kentucky \$233,730 for 523.25 hours of training in the Community Reinvestment Act. The six consultants who provided training for the Banking Department billed an average of **\$446.69 an hour**, the equivalent of \$871,000 for an FTE. While that is excessive, that is actually LESS than what the same company charged for training last year. Last year, Professional Bank Services billed the State Banking Department \$1,614.72 an hour, or the equivalent of more than \$3 million annually for a full time employee.

State Board of Elections

Another prize winner for paying consultants obscene salaries was the State Board of Elections, which paid IT consultants from the "not-for-profit" New York State Technology Enterprise Corporation (NYSTEC) based in Rome, NY, and Saber Software, Inc., of Portland, Ore., an average of **\$234 an hour**. The "not-for-profit" NYSTEC provided a bargain for the state, as it billed the Board of Elections "just" \$171.20 an hour over the duration of one contract, and \$182.12 an hour under a second contract.

State Insurance Fund

The State Insurance Fund paid the auditing firm of Amper, Poliziner & Mattia LLP of Edison, N.J., an average of **\$234 an hour** for auditing services and Gifford Fong Associates of Lafayette, Calif., \$650,000 for 1,263 hours worked, or **\$514.6 an hour**, to serve as an investment money manager

Alcoholic Beverage Control Board

The Alcohol Beverage Control Board paid IBM Corp. of Albany an average of **\$175 an hour** to develop an online licensing system and MicroKnowledge Inc. of Latham an average of **\$212 an hour** for computer training.

While these salaries are not typical consultant salaries they point out the need for a more rigorous cost benefit analysis process when state agencies decide to contract out for personal services.

Disturbing Trends; Consultant Bridge Inspection Costs Skyrocket 42%

Table 3 breaks out consultant expenditures by category for all state agencies for SFY 2007-08 to SFY 2008-09 and points out some disturbing trends. While the overall cost of IT consulting services fell from \$477 million in 2007-2008 to \$468 million in 2008-2009, a decline of \$9 million, the cost of consulting in the categories of "IT Consultant – Design/Development" grew by more than \$13 million from \$206.4 million to \$219.5 million over the same period.

The Tip of the Iceberg

Table 3

2007-08 to 2008-09 Consultant Expenditures			
Category Description	FY 2007-08	FY 2008-09	Difference
IT Consultant - Design/Develop	\$206,399,850.52	\$219,515,018.63	\$13,115,168.11
IT Software Installation/Integration	\$13,873,129.22	\$15,454,694.40	\$1,581,565.18
IT Software Maintenance	\$83,310,146.36	\$76,928,553.63	(\$6,381,592.73)
IT Hardware Maintenance	\$63,330,267.33	\$52,359,760.20	(\$10,970,507.13)
IT Services - Other	\$109,745,292.81	\$103,507,080.39	(\$6,238,212.42)
Accounting & Auditing Services	\$11,007,091.35	\$11,260,068.07	\$252,976.72
Legal Services	\$13,788,256.72	\$16,100,831.47	\$2,312,574.75
Medical/Clinical Services	\$217,447,696.00	\$216,494,099.04	(\$953,596.96)
Client Services	\$103,896,891.34	\$119,409,394.12	\$15,512,502.78
Conferences/Training Services	\$90,235,796.50	\$81,963,175.42	(\$8,272,621.08)
Other Services	\$1,549,624,065.00	\$1,657,590,119.68	\$107,966,054.68
Cap Proj - Cnslt Svcs - Architects - State Projects	\$614,706.78	\$781,233.63	\$166,526.85
Cap Proj - Cnslt Svcs - Engineers - State Projects	\$133,077,138.11	\$136,484,333.11	\$3,407,195.00
Cap Proj - Cnslt Svcs - Bridge Inspection	\$24,185,703.42	\$34,381,739.87	\$10,196,036.45
Cap Proj - Cnslt Svcs - Engineering Supervision	\$111,122,200.57	\$87,050,154.75	(\$24,072,045.82)
Cap Proj - Cnslt Svcs - Material Testing	\$6,858,940.14	\$5,992,774.02	(\$866,166.12)
Cap Proj - Cnslt Svcs - Other	\$40,992,185.71	\$51,692,081.56	\$10,699,895.85
Cap Proj - Cnslt Svcs - Other Loc & Pub Auth Prj	\$1,955,211.47	\$1,365,086.79	(\$590,124.68)
	\$2,781,464,569.35	\$2,888,330,198.78	\$106,865,629.43

Category Description	FY 2007-08	FY 2008-09	Difference
All IT Consulting Services	\$476,658,686.24	\$467,765,107.25	(\$8,893,578.99)
All Engineering Consulting Services	\$318,806,086.20	\$317,747,403.73	(\$1,058,682.47)
Totals	\$795,464,772.44	\$785,512,510.98	(\$9,952,261.46)

Other areas in which consulting costs saw significant increases were in legal services, from \$13.8 million to \$16.1 million; client services, from \$103.9 million to \$119.4 million and bridge inspections, from \$24.2 million to \$34.4 million.

The last category, bridge inspection, should be of serious concern to all New York State residents as studies from the Office of State Comptroller and KPMG have consistently shown that it cost 75% more to use private consultants to do bridge inspection than state

employees. DOT engineers have also noted that private contractors who inspect bridges may be tempted to put profit above public safety. Bridge inspections occur on a regular basis and there is no reason for the state to continue to contract out bridge inspections.

The category with the largest increase is “Other Services” which increased by almost \$108 million. This category is supposed to be reserved for “services not otherwise classified such as teachers, exam administration, and religious services”.

The Fiscal Policy Institute and PEF have found that many agencies incorrectly categorize consultant expenditures as “Other Services” when they should be categorized in one of the more specific categories. Since the “Other Services” category now accounts for most of the State’s increase in consultant expenditures, the Division of Budget, the Office of the State Comptroller, and the Governor’s Task Force on Personal Service Contracting Issues should address the issue of agency miscoding of consultant expenditures as they implement the new Central Accounting and Financial Management systems and implement the Task Force’s recent recommendations to change how agencies contract out for personal services

Over \$2.3 billion in Agency Consultant Expenditures Go Unreported

As previously stated, State agencies are required to have consultants they hire file “Form B’s” which document how many hours consultants work, how much they are paid and in what occupations and titles they work. This information is compiled in the annual *Procurement Services Act Report*. In addition state agencies are required to code any expenditures for consultants and submit them to the Office of State Comptroller. This

information is compiled in the monthly *CTL 470 Report*.

Table 4 shows the consultant expenditures for each state agency as reported on the Form Bs and as reported in the Comptroller’s CTL 470 report. **Over \$2.3 billion in consultant expenditures are unreported by state agencies.** A compliance rate was derived for each agency by dividing the CTL 470 expenditures by the Form B expenditures. Clearly, most agencies are still woefully under-reporting consultant use as the law requires under the Contract Disclosure law of 2006.

Agency	Form B 2008-09 PSA Reported Expenditures	2008-09 CTL-470 Expenditures	% Reported
Arts		\$446,942	0.0%
COC		\$29,077	0.0%
CPB		\$113,105	0.0%
DHR		\$712,866	0.0%
DPCA		\$146,757	0.0%
Insur		\$70,327,388	0.0%
ORPS		\$1,383,876	0.0%
Parole		\$6,859,770	0.0%
SEMO		\$2,898,826	0.0%
SOFA		\$985,106	0.0%
VA		\$50,224	0.0%
A&M	\$78,773	\$22,817,130	0.4%
DOCS	\$1,639,263	\$181,239,638	0.9%
CQCMD	\$54,135	\$4,624,094	1.2%
APA	\$4,526	\$349,008	1.3%
Lottery	\$327,876	\$14,528,955	2.3%
OER	\$465,397	\$17,352,963	2.7%
OASAS	\$603,775	\$9,499,526	6.4%
DHCR	\$220,478	\$3,058,027	7.2%
Bank	\$233,730	\$3,233,364	7.2%
DOS	\$522,345	\$6,667,028	7.8%

The Tip of the Iceberg

Table 4 - Continued			
Agency	Form B 2008-09 PSA Reported Expenditures	2008-09 CTL-470 Expenditures	% Reported
DED	\$1,001,141	\$12,095,679	8.3%
ABC	\$67,209	\$724,399	9.3%
PSC	\$282,090	\$2,966,486	9.5%
SUNY	\$95,103,203	\$856,985,342	11.1%
OPDV	\$7,911	\$69,815	11.3%
T&F	\$9,245,133	\$79,604,157	11.6%
DMV	\$2,225,020	\$19,026,097	11.7%
Racing	\$741,435	\$6,078,659	12.2%
OTDA	\$15,751,684	\$126,224,691	12.5%
OMRDD	\$9,789,509	\$76,830,650	12.7%
DOL	\$7,999,647	\$52,666,693	15.2%
Educ	\$9,792,854	\$63,090,748	15.5%
OCFS	\$24,945,323	\$154,577,010	16.1%
Hesc	\$4,950,583	\$29,631,069	16.7%
WCB	\$5,598,868	\$32,190,697	17.4%
EnCon	\$17,844,372	\$97,047,474	18.4%
CVB	\$75,400	\$383,469	19.7%
OHS	\$2,644,582	\$11,157,849	23.7%
DOH	\$60,150,925	\$248,353,497	24.2%
Law	\$5,815,969	\$19,938,326	29.2%
OFT	\$19,299,652	\$65,334,964	29.5%
OPRHP	\$6,675,005	\$21,949,200	30.4%
Police	\$3,695,385	\$11,086,996	33.3%
DOT	\$126,315,866	\$376,542,082	33.6%
OSC	\$9,832,895	\$26,542,465	37.1%
OMH	\$24,491,002	\$65,384,182	37.5%
DCS	\$1,641,286	\$3,005,139	54.6%
DOB	\$5,959,607	\$9,049,643	65.9%
DCJS	\$20,902,482	\$30,967,859	67.5%
Elect	\$5,666,521	\$7,638,392	74.2%
OGS	\$48,516,657	\$24,937,110	194.6%
OMIG	\$22,149,304	\$8,291,558	267.1%
Reg Ref.	\$314,749	\$97,132	324.0%
FTSI	\$4,600,797	\$537,000	856.8%
Canal Corp	\$22,516		

Table 4 - Continued			
Agency	Form B 2008-09 PSA Reported Expenditures	2008-09 CTL-470 Expenditures	% Reported
Lk Geo. Pk Cm	\$17,995		
NHT	4120,273		
OCA	\$53,502		
SIF	\$1,306,895		
Total	\$579,765,543	\$2,888,330,199	20.1%

SOURCE: Office of the State Comptroller (OSC) Procurement Services Act (PSA) Report (September 2009) and OSC CTL-470 Report.

Table 4 shows that a multitude of agencies don't comply at all with the Contract Disclosure law. Those agencies that filed no consultant reports (Form B's) but reported expenditures for consultants in their CTL 470 reports include the Council on the Arts, Commission on Corrections, Consumer Protection Board, Division of Human Rights, Division of Probation and Correctional Alternatives, Insurance Department, Division of Parole, State Emergency management office, and the State Office for the Aging.

What is worse is that the three of the five agencies with the highest consultant expenditures; SUNY, Office of Children and Family Services (OCFS), and the Department of Correctional Services (DOCS) reported 16% or less of their consultant expenditures on Form B's, with **DOCS reporting less than 1% of their consultant expenditures.** This gross underreporting by the agencies that use and spend the most on consultants undermines the Contract Disclosure Law, making it nearly impossible for the state to determine how much it spends on consultants and the purposes for which that money is spent.

For a state that is seemingly scrounging for ways to save every penny possible, it seems unconscionable that so much money can't be both accounted for, and made public, so

The Tip of the Iceberg

taxpayers know how their dollars are being spent.

Table 5 lists for each state agency the **reported** number of hours worked by consultants as reported on the Form B's and the corresponding estimated full-time equivalent employees that represents. In 2008-09 state

agencies only reported the equivalent of 3,416 full-time consultants, representing only 20% of the estimated number of consultants they hired based on the amount of money they expended for consultant work as reported in the CTL 470 reports.

Table 5 SFY 2007-08 and 2008-09 Consultant Form "B" Data					
Agency	2007-08 Hours Worked	2008-09 Hours Worked	2007-08 Est. FTE(s)	2008-09 Est. FTE(s)	Est. FTE Difference
A&M	27,428.80	267.00	14.07	0.14	(13.93)
ABC	1,050.60	314.60	0.54	0.16	(0.38)
APA	6,577.25	137.00	3.37	0.07	(3.30)
Bank	144.75	144.75	0.07	0.07	0.00
CANAL CORP		312.75	0.00	0.16	0.16
CVB	1,040.00	1,040.00	0.53	0.53	0.00
DCJS	86,772.35	227,880.50	44.50	116.86	72.36
DCS	10,802.05	16,590.70	5.54	8.51	2.97
DED	7,769.00	17,909.33	3.98	9.18	5.20
DHCR	75.00	2,226.00	0.04	1.14	1.10
DMNA	463.25		0.24		
DMV	46,631.60	27,412.00	23.91	14.06	(9.86)
DOB	46,573.91	70,334.15	23.88	36.07	12.18
DOCS	2,213.75	53,583.00	1.14	27.48	26.34
DOH	918,351.90	1,346,341.15	470.95	690.43	219.48
DOL	12,821.00	61,243.00	6.57	31.41	24.83
DOS	1,426.70	4,143.50	0.73	2.12	1.39
DOT	1,427,599.19	1,617,508.50	732.10	829.49	97.39
Educ	124,219.13	69,770.25	63.70	35.78	(27.92)
Elect	3,338.75	24,209.00	1.71	12.41	10.70
EnCon	257,940.24	298,749.88	132.28	153.21	20.93
Hesc	29,176.75	31,482.50	14.96	16.14	1.18
Insur	297.50		0.15	0.00	(0.15)
Law	36,454.83	59,269.50	18.69	30.39	11.70
LK George PK CM		1,164.00	0.00	0.60	0.60
Lottery	1,876.00	6,244.00	0.96	3.20	2.24
NHT		536.00	0.00	0.27	0.27
OASAS	10,485.75	9,823.34	5.38	5.04	(0.34)
OCA	2,003.45	39.50	1.03	0.02	(1.01)

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Table 5 - Continued SFY 2007-08 and 2008-09 Consultant Form "B" Data					
Agency	2007-08 Hours Worked	2008-09 Hours Worked	2007-08 Est. FTE(s)	2008-09 Est. FTE(s)	Est. FTE Difference
OCFS	291,065.80	290,947.29	149.26	149.20	(0.06)
OER	1,687.25	5,325.23	0.87	2.73	1.87
OFT	294,704.46	197,323.45	151.13	101.19	(49.94)
OGS	593,927.78	675,080.53	304.58	346.20	41.62
OHS	3,051.33	22,243.75	1.56	11.41	9.84
OMH	132,227.85	200,541.25	67.81	102.84	35.03
OMIG	425,875.85	116,001.00	218.40	59.49	(158.91)
OMRDD	143,696.50	167,952.56	73.69	86.13	12.44
OPDV	293.00	293.00	0.15	0.15	0.00
OPRHP	53,589.01	93,456.69	27.48	47.93	20.44
ORPS	105.25		0.05	0.00	(0.05)
OSC	88,357.87	71,056.73	45.31	36.44	(8.87)
OTDA	232,659.89	125,781.50	119.31	64.50	(54.81)
Police	9,801.50	39,907.07	5.03	20.47	15.44
PSC	1,833.25	1,833.25	0.94	0.94	0.00
Public Integrity	95.20		0.05	0.00	(0.05)
Racing		1,365.60	0.00	0.70	0.70
Reg Reform	2,609.50	1,663.30	1.34	0.85	(0.49)
SIF	98.75	5,664.25	0.05	2.90	2.85
SUNY	495,417.81	560,621.63	254.06	287.50	33.44
T&F	123,050.25	80,934.75	63.10	41.51	(21.60)
WCB	75,012.35	55,148.85	38.47	28.28	(10.19)
Total	6,032,693.95	6,661,550.57	3,093.69	3,416.18	322.49

SOURCE: Office of the State Comptroller Procurement Services Act Report (September 2008 and 2009)

The good news is that compliance to the law seems to be inching upward. In state fiscal year 2007-08, state agencies reported only 3,094 FTE consultants, which was about 15.6 percent of the actual number of consultants they hired based on their consultant expenditures. In effect, the State has a shadow workforce that no one – yet – can fully account for, despite a law requiring it.

Sloppy & Incomplete Recordkeeping

State agencies that report consultant expenditures too often do so in a sloppy and

incomplete fashion. For example, the New York State Research Foundation filed forms that showed \$3,823 billed for 543,006 hours worked by contract file clerks at Buffalo State College, *or less than a penny an hour*. These kinds of obvious transpositions of figures or typographical errors occurred multiple times in filings in the required contract disclosure documents called “Form B’s.”

In addition many state agencies reported a greater amount of consultant expenditures on their Form B’s than they reported as expenditures to the Comptroller in their CTL 470 reports. These agencies include the Office

of General Services (OGS) and the Office of Medicaid Inspector General (OMIG). We suspect that some of the smaller agencies that did not report any consultant expenditures may have had such expenditures reported on OGS's Form B's and that some of the Department of Health's CTL 470 expenditures are really expenditures for OMIG. These reporting errors undermine the state's ability to accurately track and control agency expenditures on consultants.

The Division of Budget (DOB) and the Office of the State Comptroller (OSC) need to require electronic reporting of form B data so it can be automatically entered into a database and to develop better guidelines to agencies in how to file their Form B data. This could be accomplished in the new Central Accounting and Financial Management System that OSC and DOB are currently jointly developing

In determining the adjusted average consultant salary, we excluded numbers that showed billings for contractors under the legal minimum wage. Many of these filings were from the SUNY Research Foundation. We also excluded all salary information filed by the SUNY Research Foundation for all state agencies. Based on our analysis of SUNY research contracts and Form B filings, for the most part, SUNY Research Foundation full-time consultant salaries are equivalent to state employee salaries and are not indicative of what private sector consultants charge the state. For all these reasons, it is impossible to come up with a hard total number of consultants working for New York State and their average salary, despite a law that requires consultant transparency. The best that can be done is to estimate the number of consultants and their pay based on the data contained in the *Procurement Services Act*

Report (the Form B's) and agency CTL 470 reports.

NY Can Save As Much As \$480 Million Annually By Replacing Just Half of the State's High Priced Consultants With State Employees

Based on our analysis of agency contracts we believe that the average reported cost of \$72.90 an hour for consultants is lower than the real average as is the adjusted average reported cost of \$82.42 an hour. It is important to remember that 80% of consultant expenditures are **not reported** on the Form B's from which we have derived the average and adjusted average consultant cost data. It is reasonable to assume that most of the unreported consultant expenditures represent higher consultant costs than the costs that are reported. Unfortunately we can only estimate what these higher costs are by looking at the highest twenty-five percent of consultant costs reported on the Form B's.

Table 6 uses the adjusted average consultant costs derived from the Form B data and the comparable state employee costs to provide the lowest potential estimated savings. Since Form B's contain consultant titles we simply matched those titles to comparable state employee titles and compared their costs, including adding 46% to state employee salaries to account for the cost of their benefits. Table 7 does the same comparison, but for the consultant cost we used the average of the highest 25% reported consultant hourly rates, providing the highest potential estimated savings. See Appendix 2 for a more detailed explanation of our methodology.

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Table 6

The State Can Save Over \$280 Million Annually by Replacing Its Consultants

CTL470 Consultant Service Object Code Description	Consultant Cost 2008-09 FY	Reported Consultant Hourly Rate	Consultant Hrs worked based on Hourly Rate 2008-09 FY	State Emp. Cost doing Specified % of Work	Estimated Savings
IT Consultant - Design/Develop (100%)	\$219,515,019	\$91.11	2,409,272	\$133,064,109	\$86,450,910
IT Software Installation/Integration (50%)	\$15,454,694	\$91.11	169,622	\$4,684,110	\$3,043,237
IT Software Maintenance (50%)	\$76,928,554	\$91.11	844,324	\$23,316,012	\$15,148,265
IT Services - Other (30%)	\$103,507,080	\$91.11	1,136,035	\$18,822,964	\$12,229,160
Accounting & Auditing Services (50%)	\$11,260,068	\$100.49	112,056	\$2,805,560	\$2,824,474
Legal Services (50%)	\$16,100,831	\$233.64	68,912	\$2,236,288	\$5,814,127
Medical/Clinical Services (50%)	\$216,494,099	\$64.01	3,382,192	\$85,876,943	\$22,370,107
Conferences/Training Services (25%)	\$81,963,175	\$50.42	1,625,655	\$19,997,580	\$493,214
Cnslt Svcs - Architects - State Projects (90%)	\$781,234	\$81.24	9,616	\$449,851	\$253,259
Cnslt Svcs - Engineers - State Projects (90%)	\$136,484,333	\$81.24	1,679,964	\$78,590,624	\$44,245,276
Cnslt Svcs - Bridge Inspection (90%)	\$34,381,740	\$81.24	423,199	\$19,797,748	\$11,145,818
Cnslt Svcs - Engineering Supervision (90%)	\$87,050,155	\$81.24	1,071,487	\$50,125,357	\$28,219,782
Cnslt Svcs - Material Testing (90%)	\$5,992,774	\$81.24	73,764	\$3,450,769	\$1,942,728
Cnslt Svcs - Other (50%)	\$51,692,082	\$81.24	636,270	\$16,536,342	\$9,309,699
Subtotal	\$1,057,605,838		4,559,253	\$459,754,256	\$243,490,057
Other Services	\$1,657,590,120				\$37,027,779
Projected Annual Savings	\$2,715,195,958				\$280,517,836

Table 7

The State Can Save Over \$480 Million Annually by Replacing Its Consultants

CTL470 Consultant Service Object Code Description	Consultant Cost 2008-09 FY	Adjusted Consultant Hourly Rate*	Consultant Hrs worked based on Hourly Rate	State Emp. Cost doing Specified % of Work	Estimated Savings
IT Consultant - Design/Develop (100%)	\$219,515,019	\$145.65	1,507,141	\$83,239,372	\$136,275,647
IT Software Installation/Integration (50%)	\$15,454,694	\$145.65	106,108	\$2,930,185	\$4,797,163
IT Software Maintenance (50%)	\$76,928,554	\$145.65	528,174	\$14,585,527	\$23,878,750
IT Services - Other (30%)	\$103,507,080	\$145.65	710,656	\$11,774,863	\$19,277,261
Accounting & Auditing Services (50%)	\$11,260,068	\$174.13	64,665	\$1,619,024	\$4,011,010
Legal Services (50%)	\$16,100,831	\$467.28	34,456	\$1,118,153	\$6,932,263
Medical/Clinical Services (50%)	\$216,494,099	\$112.80	1,919,274	\$48,732,120	\$59,514,930
Conferences/Training Services (25%)	\$81,963,175	\$78.58	1,043,054	\$12,830,860	\$7,659,933
Cnslt Svcs - Architects - State Projects (90%)	\$781,234	\$121.73	6,418	\$300,230	\$402,880
Cnslt Svcs - Engineers - State Projects (90%)	\$136,484,333	\$121.73	1,121,205	\$52,451,255	\$70,384,645
Cnslt Svcs - Bridge Inspection (90%)	\$34,381,740	\$121.73	282,443	\$13,212,985	\$17,730,581
Cnslt Svcs - Engineering Supervision (90%)	\$87,050,155	\$121.73	715,108	\$33,453,582	\$44,891,557
Cnslt Svcs - Material Testing (90%)	\$5,992,774	\$121.73	49,230	\$2,303,037	\$3,090,459
Cnslt Svcs - Other (50%)	\$51,692,082	\$121.73	424,645	\$11,036,328	\$14,809,713
Subtotal	\$1,057,605,838		2,852,079	\$289,587,520	\$413,656,792
Other Services	\$1,657,590,120				\$67,418,250
Projected Annual Savings	\$2,715,195,958				\$481,075,042

* Adjusted based on unreported consultant expenditures, see appendix 2 for detailed explanation.

We estimate that **the state can save up to \$480 million annually by replacing some consultants with state employees** in those selected state agencies for which independent studies have already documented that state employees can do most of the work currently done by consultants.

The annual savings ranges by service category are as follows:

- Information Technology services, between \$116.9 million and \$184.2 million ;
- Engineering, Architectural, and other Capital Project services, between \$95.1 million and \$151.3 million;

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- Accounting and Auditing services, between \$2.9 and \$4 million;
- Legal services, between \$5.8 and \$6.9 million;
- Medical and clinical services between \$22.3 million and \$59.5 million;
- Conference/training services between \$.5 million and \$7.7 million; and
- Other consultant services between \$37.1 million and \$67.4 million.

It is important to note that accounting and auditing savings estimates do not include “direct pay contracts”. The Insurance Department enters into direct pay contracts with various auditing and accounting firms to conduct insurance examinations that could be completed by state employees at the department but are not because of short staffing issues. The Insurance Department

executes the contracts for such examinations but since none of the department’s own funds are expended for such examinations they are not accounted for in the OSC *Procurement Stewardship Act Report* or the CTL 470 report.

PEF’s analysis of these direct pay contracts from January 1, 2001 to October 7, 2007, found the department expended \$42.8 million for such contracts. The estimated cost of the work, if it had been done by State employees, was \$11.1 million or \$31.7 million less than the department paid consultant auditors. We estimate the State can save at least \$2 million a year by having state employees perform half of the “direct pay” audits currently performed by consultant accounting and auditing firms

The state can achieve the mid-point of these annual savings estimates or \$375 million in savings a year by pursuing an aggressive consultant reduction plan over the next three years which will **yield a total three year savings of \$656 million.**

CONCLUSION & RECOMMENDATIONS

New York State can save as much as \$480 million annually by replacing just half of the state's high priced consultants with state employees.

The state is facing budget gaps of at least \$40 billion through 2012-13. It can no longer afford to waste as much as \$480 million annually on costly consultants to do work that can be done by state employees just as well and at a significantly lower cost. While it may be easier to institute a hiring freeze on the state workforce it is clear that such strategies only lead to expensive contracting out. Each year the state ends up spending hundreds of millions of dollars more than they would by hiring the state employees needed to provide essential public services.

Implementation of the recommendations of the Governor's Task Force on Personal Service Contracting Issues will begin to reduce wasteful state agency spending on consultants. However, based on the analysis of consultant spending by state agencies in SFY 2008-09, more aggressive steps must be taken to maximize the savings the state can achieve by replacing expensive consultants with state employees.

The state needs a concrete plan to reduce its reliance on costly consultants with specific annual goals for state agencies that would reduce their unnecessary expenditures on consultants and replace those consultants, when necessary, with state employees.

The following steps must be taken to achieve this savings:

- 1. The State should enact a Consultant Reduction Plan with a goal of saving \$375 million annually by 2012-13. Phased in over the three years, this plan could save the State over \$656 million.** This is a very conservative plan that could be easily implemented by the state. (see Table 8)

Table 8	
CONSULTANT REDUCTION PLAN SAVINGS SFY 2010-11 to SFY 2012-13	
SFY 2010-11 Savings	\$93.25 million
SFY 2011-12 Savings	\$187.5 million
SFY 2012-13 Savings	\$375 million
Total 3-Year Savings	\$656 million

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The plan should:

- a. Require the Division of Budget to set savings targets for each state agency for consultant spending, focusing on information technology and engineering services as these categories will achieve the greatest savings.
 - b. Institute a freeze on new and renewed state agency consultant contracts over \$100,000 until a cost benefit analysis is completed by an agency and reviewed and a waiver is approved by the Division of Budget.
 - c. Require the Department of Transportation, as part of their Consultant Reduction plan, to conduct at least 90% of their bridge inspections with state employees within three years.
- 2. The state should enact a law that requires state agencies to perform a Cost/Benefit analysis before entering into any consultant contract more than \$100,000.**
 - 3. The state should enact a law that requires penalties for failure to file reports under consultant disclosure law.** DOB and the Office of State Comptroller (OSC) should also take the necessary steps to improve consultant reporting as recommended by the Governor’s Task Force on Personal Services Contracting.

In light of the fact that over \$2 billion of consultant expenditures were not reported in the Procurement Stewardship Act Report required by Chapter 10 of the Laws of 2006, DOB and the Office of the State Comptroller (OSC) should take the necessary steps to improve consultant reporting. In addition, both Form A and Form B should be submitted to the state electronically in such a way that would allow the state to release the information in a spreadsheet format, rather than the current pdf format. Requiring the information to be reported electronically, the state will be able to better ensure that the forms are filled out completely and properly. The spreadsheet format will allow both the state and other interested parties to easily analyze the data reported and simplify cost benefit analysis. This should be done as part of DOB’s and OSC’s new Central Accounting and Financial Management systems that are currently in the final stages of development and implementation.

Since the “Other Services” category now accounts for most of the State’s increase in consultant expenditures, the Division of Budget, the Office of the State Comptroller, and the Governor’s Task Force on Personal Service Contracting Issues should address the issue of agency miscoding of consultant expenditures as they implement the new Central Accounting and Financial Management systems and implement the Task Force’s recent recommendations to institute changes in how agencies contract out for personal services.

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Appendix 1 – Table 1 explanation:

PEF estimates the FTEs in Table 1 by taking the average agency hourly rate reported by the consultants on the Form B for the fiscal year, then multiply it by 1,950 (the number of hours in a fiscal year for individuals who work 37 ½ hours per week). A 37.5 hour work week is used as most of the work done by consultants is in an administrative setting compared to the institutional setting (40 hours work week). Once the consultant average annuals salary is annualized, it is divided into the overall expenditure by the agency as reported in the Office of the State Comptroller CTL470 report for the fiscal year.

There are two scenarios where PEF has to estimate the agency average hourly rate for consultants.

The first scenario is where no Form Bs were filed in by an agency (gray shaded FTE cell) in either the 2007-08 and 2008-09 fiscal years. In this case PEF used the overall average hourly consultant rate for the fiscal year as the hourly rate for the unknown agency hourly rate. For 2007-08 the Form B average hourly consultant rate was \$72.12 and for 2008-09 it was \$72.90. Accordingly, for the 2007-08 fiscal year the FTEs were calculated by dividing the CTL470 expenditure by \$72.12 (consultant hourly rate) multiplied by 1,950 (annual work hours) or \$140,634. For the 2008-09 fiscal year the FTEs were calculated by dividing the CTL470 expenditure by \$72.90 (consultant hourly rate) multiplied by 1,950 (annual work hours) or \$142,155.

The other scenario is where the agency failed to file Form Bs for only one year (olive shaded FTE cell). In this case PEF used whatever Form B average hourly consultant rate that agency had for current or prior fiscal year.

Appendix 1					
2007-08 and 2008-09 State Agency Consultant Expenditures					
Agency	2007-08 Expenditures	2008-09 Expenditures	2007-08 Estimated FTE(s)	2008-09 Estimated FTE(s)	FTE Change
A&M	\$21,605,775.93	\$22,817,130.02	349.69	39.66	(310.03)
ABC	\$633,485.53	\$724,398.93	1.90	2.12	0.22
APA	\$371,640.77	\$349,007.82	9.44	5.42	(4.02)
Arts	\$528,104.44	\$446,941.98	3.76	3.14	(0.61)
Bank	\$3,259,528.26	\$3,233,364.48	1.04	1.03	(0.01)
COC	\$18,497.40	\$29,077.42	0.13	0.20	0.07
CPB	\$196,557.71	\$113,105.05	1.40	0.80	(0.60)
CQCMD	\$4,179,648.33	\$4,624,094.41	29.72	32.53	2.81
CVB	\$314,574.60	\$383,468.56	2.23	2.71	0.49
DCJS	\$22,644,090.45	\$30,967,859.30	107.52	173.68	66.16
DCS	\$3,236,529.74	\$3,005,139.41	13.02	15.58	2.56

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Appendix 1					
2007-08 and 2008-09 State Agency Consultant Expenditures					
Agency	2007-08 Expenditures	2008-09 Expenditures	2007-08 Estimated FTE(s)	2008-09 Estimated FTE(s)	FTE Change
DED	\$8,293,213.67	\$12,095,678.95	63.48	110.96	47.49
DHCR	\$3,234,093.27	\$3,058,026.52	11.31	15.83	4.53
DHR	\$795,508.13	\$712,866.24	5.66	5.01	(0.64)
DMV	\$18,255,257.65	\$19,026,097.27	108.33	120.20	11.87
DOB	\$7,071,552.38	\$9,049,642.70	40.26	59.76	19.50
DOCS	\$174,870,026.97	\$181,239,638.42	996.41	3,395.53	2,399.12
DOH	\$192,044,348.76	\$248,353,497.24	1,752.07	2,306.47	554.41
DOL	\$51,442,920.80	\$52,666,692.54	250.43	215.86	(34.58)
DOS	\$6,484,152.34	\$6,667,027.85	15.29	27.12	11.84
DOT	\$328,248,352.88	\$376,542,081.93	2,240.82	2,489.46	248.64
DPCA	\$126,332.94	\$146,756.61	0.90	1.03	0.13
Educ	\$74,343,165.70	\$63,090,748.22	908.86	753.62	(155.24)
Elect	\$8,476,277.14	\$7,638,391.73	25.80	16.74	(9.06)
EnCon	\$130,333,499.25	\$97,047,473.65	1,043.43	833.34	(210.09)
FTSI	\$825,000.00	\$537,000.00	5.87	3.78	(2.09)
Hesc	\$38,306,638.44	\$29,631,069.15	138.01	96.75	(41.26)
Insur	\$69,371,923.28	\$70,327,387.97	222.84	225.92	3.07
Law	\$18,172,904.73	\$19,938,325.56	99.06	105.02	5.95
Lottery	\$9,301,857.58	\$14,528,955.35	97.40	141.89	44.49
OASAS	\$10,698,974.22	\$9,499,526.30	111.23	79.26	(31.97)
OCFS	\$132,936,054.08	\$154,577,009.51	1,073.09	1,147.08	74.00
OER	\$8,532,502.48	\$17,352,963.39	30.16	101.82	71.66
OFT	\$69,562,336.02	\$65,334,963.84	343.25	342.43	(0.82)
OGS	\$26,633,548.13	\$24,937,109.88	184.09	178.09	(5.99)
OHS	\$10,228,741.44	\$11,157,849.09	66.79	46.10	(20.69)
OMH	\$61,911,488.37	\$65,384,182.32	436.13	424.42	(11.72)
OMIG	\$7,824,882.33	\$8,291,558.27	65.63	78.35	12.72
OMRDD	\$69,172,038.07	\$76,830,650.28	646.52	743.34	96.82
OPDV	\$452,924.76	\$69,814.66	8.60	1.33	(7.28)
OPRHP	\$20,794,696.35	\$21,949,199.92	136.55	155.02	18.47
ORPS	\$1,478,546.87	\$1,383,875.90	4.44	4.15	(0.28)
OSC	\$28,632,300.64	\$26,542,464.86	112.92	97.62	(15.30)
OTDA	\$122,872,843.09	\$126,224,690.69	910.09	622.77	(287.32)
Parole	\$14,263,802.36	\$6,859,769.80	101.42	48.26	(53.17)
Police	\$9,103,358.20	\$11,086,996.01	41.83	61.40	19.57
PSC	\$1,869,886.24	\$2,966,485.73	6.23	9.89	3.65
Racing	\$3,219,102.56	\$6,078,658.53	3.04	5.74	2.70
REG REFORM	\$135,408.21	\$97,131.72	0.42	0.26	(0.16)
SEMO	\$18,938,128.13	\$2,898,826.40	134.66	20.39	(114.27)
SOFA	\$1,741,882.68	\$985,106.49	12.39	6.93	(5.46)
SUNY	\$840,910,605.07	\$856,985,342.13	7,208.78	7,429.69	220.92
T&F	\$88,815,404.24	\$79,604,157.00	386.16	360.28	(25.88)
VA	\$150,286.08	\$50,223.58	1.07	0.35	(0.72)
WCB	\$33,599,369.66	\$32,190,697.20	172.43	162.60	(9.83)
	\$2,781,464,569.35	\$2,888,330,198.78	20,743.97	23,328.75	2,584.78

Appendix 2 - Tables 6 and 7 explanation:

OTHER CATEGORY SAVINGS

The other services estimated savings is based on matching two separate databases from the Office of the State Comptroller; M061 commonly referred to as the Contract Database, and the M161 file which is referred to as the transaction file. The transaction file includes all transactions processed by the OSC during a month, usually over 1.6 million records each month. For the purposes of calculating an estimated savings PEF used 3 months of transactions from the transaction file, extracted only final transactions with the CTL470 object code beginning with “569” (the Other Category) and compared matches to the Contract database by both agency and contract number, totaling the transactions for each contract category. Once we had the match we calculated the percentage of Other Category transactions overall to the Other Category transaction that matched the Contract Database categories of IT, Accounting, Legal, Medical, Architecture and Engineering, and Training. This percentage was then weighted against the overall Other Category total of \$1,657,590,119.68 to show the estimated savings if the various agencies had accurately categorized the expenditures in their reports.

The following table is the calculations used for the Table 6 Other Category Savings:

A	B	C	D	E	F	G	H	I
5699_ FY Exp	% of 5699_	Est. Paid (A x B)	State % of Cnslt Rate	State Employee Cost (C x D)	CTL470 Category	Savings of 100% (C - E)	% work we do	Actual Savings (G xH)
\$1,657,590,119.68	0.042146	\$69,861,173.77	60.62%	\$42,347,967.38	IT	\$27,513,206.39	0.75	20634904.79
\$1,657,590,119.68	0.014156	\$23,465,671.52	49.11%	\$11,523,320.11	Accounting	\$11,942,351.41	0.5	5971175.706
\$1,657,590,119.68	0.000103	\$170,932.32	27.78%	\$47,482.51	Legal	\$123,449.81	0.5	61724.90526
\$1,657,590,119.68	0.021734	\$36,025,755.34	79.33%	\$28,580,748.74	Medical	\$7,445,006.60	0.5	3722503.301
\$1,657,590,119.68	0.011728	\$19,440,212.70	63.98%	\$12,437,882.14	Architect & Engrg	\$7,002,330.56	0.9	6302097.503
\$1,657,590,119.68	0.042149	\$69,866,378.28	97.59%	\$68,184,691.94	Training	\$1,681,686.34	0.25	420421.5842
	0.132017	\$129,523,532.96				\$47,024,014.22		\$37,112,827.79

The Tip of the Iceberg

The following table is the calculations used for the Table 7 Other Category Savings:

A	B	C	D	E	F	G	H	I
5699_ FY Exp	% of 5699_	Est. Paid (A x B)	State % of Cnslt Rate	State Employee Cost (C x D)	CTL470 Category	Savings of 100% (C - E)	% work we do	Actual Savings (G xH)
\$1,657,590,119.68	0.042146	\$69,861,173.77	37.92%	\$26,491,126.86	IT	\$43,370,046.91	0.75	32527535.18
\$1,657,590,119.68	0.014156	\$23,465,671.52	28.76%	\$6,748,004.51	Accounting	\$16,717,667.01	0.5	8358833.504
\$1,657,590,119.68	0.000103	\$170,932.32	13.89%	\$23,741.44	Legal	\$147,190.88	0.5	73595.44103
\$1,657,590,119.68	0.021734	\$36,025,755.34	45.02%	\$16,218,561.41	Medical	\$19,807,193.93	0.5	9903596.967
\$1,657,590,119.68	0.011728	\$19,440,212.70	42.70%	\$8,301,022.32	Architect & Engrg	\$11,139,190.38	0.9	10025271.34
\$1,657,590,119.68	0.042149	\$69,866,378.28	62.62%	\$43,748,707.79	Training	\$26,117,670.49	0.25	6529417.622
	0.132017	\$129,523,532.96				\$80,042,098.73		\$67,418,250.06

The State weighted average hourly rate calculation table:

CTL 470 Object Code Cat	PEF FTE	PEF Hourly Rate	MC Total	MC Hourly Rate	Weighted Rate	(PEF + MC) x Weighted Rate
Accounting & Auditing	3,286	\$48.58	150	\$82.83	\$50.07	\$172,055.73
Information Technology Services	5,867	\$52.40	264	\$77.98	\$53.50	\$328,006.56
Architecture & Engineering Services	4,853	\$50.85	187	\$81.26	\$51.98	\$261,974.32
Medical/Clinical Services	10,139	\$48.92	739	\$76.28	\$50.78	\$552,404.73
Legal Services	1,223	\$61.95	229	\$80.66	\$64.90	\$94,238.14
Conferences/Training Services	228	\$45.50	48	\$66.80	\$49.20	\$13,580.57
Client Services	7,301	\$45.09	92	\$70.31	\$45.41	\$335,689.08
	32,897		1709		\$50.80	\$1,757,949.14

The Tip of the Iceberg

The PEF FTE is the number of PEF represented employees who are paid on a full-time annual salaried basis from the November 2009 PEF Master File. The MC total is based on the November 2009 New York State Department of Civil Service Composite report and uses the total number of employees in title and assumes that all MCs are being paid at the job rate. Accordingly, the estimated state weighted hourly rate is conservative, the actual rate is most likely lower than the figure used. Both the PEF and MC hourly rates include 46% for benefits.

This table is a constant for both Table 6 and Table 7 in the report.

The Consultant average hourly rate broken down by CTL470 object code category, for Table 6 follows:

CTL 470 Object Code Cat	Employees	Hours	Amt Paid	Hourly Rate
Accounting & Auditing Services	279.05	109,355.51	\$10,988,746.87	\$100.49
IT All Categories	1,711.11	1,591,431.64	\$144,999,444.54	\$91.11
Legal Services	280.00	9,512.06	\$2,222,415.08	\$233.64
Medical/Clinical Services	948.04	471,757.02	\$30,197,698.06	\$64.01
Conferences/Training Services	641.00	133,456.51	\$6,728,683.78	\$50.42
Architecture & Engineering Services	10,697.00	1,725,157.12	\$140,155,912.12	\$81.24
	14,591.20	4,089,879.60	\$337,103,028.50	\$82.42

The object code category Consultant Hourly rates used to calculate the Estimated Savings shows is based on the Form Bs that were filed by the consultants where the employment category most clearly matches the object code categories from the CTL470. This represents 69% of the overall amount reported by the consultants. Examples of Form Bs that were not included are: Form Bs where the employment category did not match the CTL 470 object code categories; where the consultant did not identify an employment category; and where the consultant did identify an employment category but the hourly rate was below minimum wage.

The Tip of the Iceberg

The Consultant average hourly rate broken down by CTL470 object code category, for Table 6 follows:

The approach PEF used to calculate the consultant hourly rate for the unreported Form Bs was to take the top 25% of highest hourly rates and then take that average hourly rate. The following table shows those findings as follows:

CTL 470 Object Code Cat	Hours	Amt Paid	Hourly Rate
Accounting & Auditing Services	27,339.25	\$4,760,825.35	\$174.14
IT All Categories	396,544.78	\$57,758,323.20	\$145.65
Legal Services	2,378.02	\$1,111,216.17	\$467.29
Medical/Clinical Services	117,950.26	\$13,305,393.47	\$112.81
Conferences/Training Services	33,458.75	\$2,629,328.20	\$78.58
Architecture & Engineering Services	431,289.28	\$52,500,153.46	\$121.73

The Tip of the Iceberg

The State Can Save Over \$280 Million Annually by Replacing Its Consultants											
CTL470 Consultant Service Object Code Description		Consultant Cost 2008-09 FY	Consultant Hrs Wkd 2008-09 FY	Cnslt Hourly Rate	Remaining Consultant Hours	Remaining Consultant Cost	Est. Hours By Replacement State Emps.	State Hourly Rate	State Emp. Cost doing Specified % of Work	Est. No. of State Emp. FTEs	Estimated Savings
5620_	IT Consultant - Design/Develop (100%)	\$219,515,019	2,409,272	\$91.11	0	\$0	2,409,272	\$55.23	\$133,064,109	1,236	\$86,450,910
5624_	IT Software Installation/Integration (50%)	\$15,454,694	169,622	\$91.11	84,811	\$7,727,347	84,811	\$55.23	\$4,684,110	43	\$3,043,237
5626_	IT Software Maintenance (50%)	\$76,928,554	844,324	\$91.11	422,162	\$38,464,277	422,162	\$55.23	\$23,316,012	216	\$15,148,265
5629_	IT Services - Other (30%)	\$103,507,080	1,136,035	\$91.11	795,224	\$72,454,956	340,810	\$55.23	\$18,822,964	175	\$12,229,160
5631_	Accounting & Auditing Services (50%)	\$11,260,068	112,056	\$100.49	56,028	\$5,630,034	56,028	\$50.07	\$2,805,560	29	\$2,824,474
5632_	Legal Services (50%)	\$16,100,831	68,912	\$233.64	34,456	\$8,050,416	34,456	\$64.90	\$2,236,288	18	\$5,814,127
5633_	Medical/Clinical Services (50%)	\$216,494,099	3,382,192	\$64.01	1,691,096	\$108,247,050	1,691,096	\$50.78	\$85,876,943	867	\$22,370,107
5640_	Conferences/Training Services (25%)	\$81,963,175	1,625,655	\$50.42	1,219,241	\$61,472,382	406,414	\$49.20	\$19,997,580	208	\$493,214
71090	Cnslt Svcs - Architects - State Projects (90%)	\$781,234	9,616	\$81.24	962	\$78,123	8,654	\$51.98	\$449,851	4	\$253,259
71100	Cnslt Svcs - Engineers - State Projects (90%)	\$136,484,333	1,679,964	\$81.24	167,996	\$13,648,433	1,511,968	\$51.98	\$78,590,624	775	\$44,245,276
71105	Cnslt Svcs - Bridge Inspection (90%)	\$34,381,740	423,199	\$81.24	42,320	\$3,438,174	380,879	\$51.98	\$19,797,748	195	\$11,145,818
71110	Cnslt Svcs - Engineering Supervision (90%)	\$87,050,155	1,071,487	\$81.24	107,149	\$8,705,015	964,338	\$51.98	\$50,125,357	495	\$28,219,782
71115	Cnslt Svcs - Material Testing (90%)	\$5,992,774	73,764	\$81.24	7,376	\$599,277	66,388	\$51.98	\$3,450,769	34	\$1,942,728
71120	Cnslt Svcs - Other (50%)	\$51,692,082	636,270	\$81.24	318,135	\$25,846,041	318,135	\$51.98	\$16,536,342	163	\$9,309,699
	Subtotal	\$1,057,605,838	4,559,253		4,946,957	\$354,361,525	8,695,412		\$459,754,256	4,459	\$243,490,057
5699_	Other Services	\$1,657,590,120									\$37,027,779
	Projected Annual Savings	\$2,715,195,958									\$280,517,836

The Tip of the Iceberg

The State Can Save Over \$480 Million Annually by Replacing Its Consultants											
	CTL470 Consultant Service Object Code Description	Consultant Cost 2008-09 FY	Consultant Hrs Wkd 2008-09 FY	Cnslt Hourly Rate	Remaining Consultant Hours	Remaining Consultant Cost	Est. Hours By Replacement State Emps.	State Hourly Rate	State Emp. Cost doing Specified % of Work	Est. No. of State Emp. FTEs	Estimated Savings
5620_	IT Consultant - Design/Develop (100%)	\$219,515,019	1,507,141	\$145.65	0	\$0	1,507,141	\$55.23	\$83,239,372	773	\$136,275,647
5624_	IT Software Installation/Integration (50%)	\$15,454,694	106,108	\$145.65	53,054	\$7,727,347	53,054	\$55.23	\$2,930,185	27	\$4,797,163
5626_	IT Software Maintenance (50%)	\$76,928,554	528,174	\$145.65	264,087	\$38,464,277	264,087	\$55.23	\$14,585,527	135	\$23,878,750
5629_	IT Services - Other (30%)	\$103,507,080	710,656	\$145.65	497,459	\$72,454,956	213,197	\$55.23	\$11,774,863	109	\$19,277,261
5631_	Accounting & Auditing Services (50%)	\$11,260,068	64,665	\$174.13	32,332	\$5,630,034	32,332	\$50.07	\$1,619,024	17	\$4,011,010
5632_	Legal Services (50%)	\$16,100,831	34,456	\$467.28	17,228	\$8,050,416	17,228	\$64.90	\$1,118,153	9	\$6,932,263
5633_	Medical/Clinical Services (50%)	\$216,494,099	1,919,274	\$112.80	959,637	\$108,247,050	959,637	\$50.78	\$48,732,120	492	\$59,514,930
5640_	Conferences/Training Services (25%)	\$81,963,175	1,043,054	\$78.58	782,290	\$61,472,382	260,763	\$49.20	\$12,830,860	134	\$7,659,933
71090	Cnslt Svcs - Architects - State Projects (90%)	\$781,234	6,418	\$121.73	642	\$78,123	5,776	\$51.98	\$300,230	3	\$402,880
71100	Cnslt Svcs - Engineers - State Projects (90%)	\$136,484,333	1,121,205	\$121.73	112,121	\$13,648,433	1,009,085	\$51.98	\$52,451,255	517	\$70,384,645
71105	Cnslt Svcs - Bridge Inspection (90%)	\$34,381,740	282,443	\$121.73	28,244	\$3,438,174	254,198	\$51.98	\$13,212,985	130	\$17,730,581
71110	Cnslt Svcs - Engineering Supervision (90%)	\$87,050,155	715,108	\$121.73	71,511	\$8,705,015	643,598	\$51.98	\$33,453,582	330	\$44,891,557
71115	Cnslt Svcs - Material Testing (90%)	\$5,992,774	49,230	\$121.73	4,923	\$599,277	44,307	\$51.98	\$2,303,037	23	\$3,090,459
71120	Cnslt Svcs - Other (50%)	\$51,692,082	424,645	\$121.73	212,323	\$25,846,041	212,323	\$51.98	\$11,036,328	109	\$14,809,713
	Subtotal	\$1,057,605,838	2,852,079		3,035,852	\$354,361,525	5,476,726		\$289,587,520	2,809	\$413,656,792
5699_	Other Services	\$1,657,590,120									\$67,418,250
	Projected Annual Savings	\$2,715,195,958									\$481,075,042

The Tip of the Iceberg