



State of New Mexico
OFFICE OF THE STATE AUDITOR

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Contact: Justine Freeman
(505) 476-3819

State Auditor Issues Best Practices for Capital Projects

Every dollar tied up in red tape is a dollar not circulating in New Mexico's economy

SANTA FE, NM – The Office of the State Auditor (OSA) issued best practices regarding New Mexico's system of funding capital projects. The *Fund Balance Report*, released earlier this year, found that New Mexico's capital project funds are the most vulnerable to unnecessary accumulation. The report identified \$1.2 billion in unspent capital project funds throughout state agencies in the last fiscal year alone. The OSA developed and released the best practices to help guide policymakers in addressing inefficiencies in the current capital project system.

"New Mexico's capital project system is mired in red tape that ties up dollars we need out in the economy," said State Auditor Tim Keller. "There is a lot local and state leaders can do that doesn't have to wait for another legislative session. With our state desperately in need of jobs, activating just a small fraction of these dollars could mean thousands of new jobs, roads, schools and water systems for New Mexico."

The OSA developed the best practices to address challenges in three key phases: at the initial funding stage to prevent unneeded accumulation of funds; after funding takes place to make sure agencies expend funds in a timely manner; and throughout the project to adjust funds to changing circumstances.

The recommendations include the following:

- **Fully fund projects up front.** Historically, infrastructure projects have been funded in small chunks over several years in the hopes that they will eventually be fully funded. During that time, project costs often escalate or project needs change course. Projects should be fully funded with a single appropriation.
- **Ensure local and state priorities are aligned.** When the state and a local body have different infrastructure priorities, it greatly increases the likelihood that funds languish unspent. A key best practice is to ensure that required decision makers have priorities aligned before funding projects.
- **Centrally monitor all projects.** The current system lacks meaningful, centralized reporting other than the portion of capital outlay tracked by the Legislative Finance Committee and the Department of Finance and Administration. Establishing a comprehensive year around project tracking office would provide greater transparency and help cutting through red tape.
- **Include a "use it or lose it" date.** Unspent funds accumulate for years, and sometimes even decades, unless there is direct executive or legislative action to move those funds or revert them back to the general fund. It is critical to establish and reinforce a "use it or lose it date" by which project funds must be spent or automatically reverted.

“Our capital outlay system is broken and it’s holding our state back. It’s time to embrace best practices that will allow us to make an efficient use of public dollars and move the needle to improve our communities,” said State Auditor Tim Keller.

The complete capital project best practices are available here:

http://www.saonm.org/media/uploads/OSA_Capital_Outlay_Best_Practices.pdf

The Office of the State Auditor helps government work better by providing transparency and accountability for government spending; informing policy choices; and tackling fraud, waste and abuse. OSA is an independently elected executive agency responsible for examining the use of public dollars in New Mexico.

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