



**State of New Mexico**  
**OFFICE OF THE STATE AUDITOR**

For Immediate Release

March 13, 2017

Contact: Justine Freeman  
505-476-3819

**State Auditor Tim Keller Releases Third Annual Fund Balance Report, Recommendations**  
*Shines Light on Funds Accumulating Instead of Being Used for Intended Purpose*

SANTA FE, NM – The Office of the State Auditor (OSA) released the third annual *Fund Balance Report* that tallies unspent funds in government accounts. The OSA Government Accountability Office compiled data from the most recent financial audits of 431 funds in 91 state agencies. Most of the dollars reside in funds for thousands of specific projects and programs. The report highlights the long-term challenges of red tape and bureaucracy, which tie up millions of dollars intended to make it out into the economy for various purposes, such as to build infrastructure and create jobs. Recent revenue shortfalls have led the Legislature to examine many of the funds to help avoid deeper cuts to services and schools, leading them to “sweep” almost \$900 million.

“We’ve moved almost \$900 million of these dollars to plug holes caused by revenue shortfalls, and now we need to address the long-term challenge of having important funds sitting stagnant instead of being used for their intended purpose. Given our state’s vast needs, untangling these funds to get them out the door and into New Mexico’s struggling economy is critical for the future of our state,” stated State Auditor Tim Keller. “We should not shy away from the complexities that connect government finance and our economy because using funds in a more efficient manner has the potential to truly make a difference in our communities.”

Highlights from the report include:

- *Nearly \$1 billion in underutilized funds “swept”*: In FY16-17, the Legislature attempted to “sweep” (revert or transfer) over \$1.1 billion to plug budget holes and avoid deeper cuts to services and schools and to de-authorize an additional \$89 million in unused capital outlay. The Governor vetoed over \$62 million worth of those sweeps. A Governor’s administration is responsible for using most of these funds, while the Legislature can in some cases decide what to do when funds are underutilized.
- *\$43 million in “stagnant” funds not used in last two years*: Funds that have only changed by 1% or less from year to year raise questions as to whether those funds are being meaningfully utilized. The largest of the thirty-nine funds were the Department of Transportation state infrastructure bank, the New Mexico Finance Authority primary care fund, and the Energy, Minerals and Natural Resources Department abandoned mine reclamation fund. Of those, 24 funds, totaling over \$31 million, were also stagnant between 2014 and 2015.

*(continued on next page)*

- *\$512 million in unspent water-related infrastructure balances, continues to increase:* Totalling over \$512 million and spread across multiple funds, despite increasing needs around the state, water-related infrastructure funds continue to accumulate faster than then they can get out the door.
- *Very high capital project balances remain:* Capital project fund balances have increased since 2014 to over \$1.2 billion. The ten largest municipalities in the state have aggregate capital project funds totaling over \$504 million.
- *Some of the top agencies with the largest infrastructure-related balances:* The New Mexico Finance Authority, New Mexico Environment Department, Department of Transportation, Office of the State Engineer-Interstate Stream Commission, Department of Game and Fish, Economic Development Department, and Energy, Minerals and Natural Resources Department.

In New Mexico, capital project funds are most vulnerable to balance accumulation. The report recommends that any executive branch agency administering capital outlay should ensure local and state priorities are aligned, monitor projects centrally and cut red tape, conduct project audits, and appoint a single point person or task force to provide direct accountability for the status of all projects. The report also recommends that the Legislature fully fund projects up front, require matching funding to be in place, include specific expiration date or reversion dates, and follow existing Legislative Finance Committee guidelines.

The OSA provides the full report and supporting data each year to the Legislature, the Legislative Finance Committee, and the Department of Finance and Administration, and they are available on the OSA website at: [http://osanm.org/gao\\_reports](http://osanm.org/gao_reports).

*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.*

###