



State of New Mexico
OFFICE OF THE STATE AUDITOR

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Contact: Justine Freeman
505-476-3819

**State Auditor Tim Keller Releases Report on
Out-of-State Contracting by State and Local Governments**
Identifies over \$2 billion in public funds that left state in two-year period

ALBUQUERQUE, NM – Today, State Auditor Tim Keller released the *Report on State and Local Government Contracting*. The Office of the State Auditor (OSA) reviewed over 6,000 government procurements in fiscal years 2015 and 2016 totaling over \$6 billion to analyze trends in purchasing dollars flowing out of state. Of that, over \$2 billion went to out-of-state companies. This is the first report that provides a snapshot to the public and policymakers of in-state and out-of-state purchasing by state agencies and over 300 municipalities, counties and school districts.

The report provides best practices for state and local governments. Tracking in-state purchases is an important first step that many agencies are not currently practicing. Agencies can also establish institution-wide local purchasing goals, outreach to local vendors and add in-state factors to procurement scoring. Statewide trends also suggest the need for training and technical support for procurement professionals and local businesses seeking government contracts. The report also differentiates between in-state, out-of-state, and national companies with a local workforce.

“While there are natural reasons for some out-of-state spending, this report shows a clear path for creating thousands of permanent jobs by providing these opportunities to local businesses and entrepreneurs; that also means creating more tax revenue for our state,” stated State Auditor Tim Keller. “When agencies use the competitive bidding process, they are more likely to contract with local businesses. What it takes is directive leadership by executive government officials when it comes to contracting, to demonstrate real commitment to move the needle on challenges like these in our state’s economy.”

The report identified the following:

- *The big picture.* Over \$2 billion in public funds left the state during the two-year period covered in the report. Sixty-eight percent of contract dollars went to companies located within New Mexico. However, three industries with strong in-state procurement shift the overall numbers in a positive direction. When construction, architecture and engineering, and insurance and benefits contracts are removed, the in-state percentage for the remaining industries falls to less than half (49%).

- *Differences across industries.*
 - The industries with the highest percentage of out-of-state government spending are corrections at \$224 million, information technology at \$253 million, and food services at \$100 million.
 - Contracting in the corrections industry includes private management of correctional facilities and pharmaceuticals, goods and services within government-run facilities.
 - The construction industry saw the highest value of reported contracts, and reported \$2 billion worth of contracts (95%) going to in-state vendors. This may be due to use of the in-state preference in scoring contracts and the need for local licensure to do construction.
 - The education industry has potential for capturing dollars in state, with 55% of \$169 million in contracts currently going out of state. Many educational expenses are related to the information technology sector such as Blackboard, Inc., one of the largest sole source expenditures in FY16.
 - The OSA released reports earlier this year, available at the link below, on two areas where New Mexico vendors already have the capacity to fill more governmental needs: the information technology and food service sectors.

- *Levels of government.* State agencies contracted with New Mexico companies 62% of the time, compared to schools at 84%, municipalities at 88%, and counties at 60%.

- *Competitive bidding increases in-state contracting.* Only 10% of emergency procurements and 34% of sole source procurements resulted in contracts with in-state vendors. By reducing reliance on loopholes, agencies can increase transparency and provide more opportunities for New Mexico vendors.

When governments contract with New Mexico businesses, money flows directly into the local economy, helping to build tax revenue, create jobs, reduce the ecological impacts of transport, and increase food security. Earlier this week, the OSA released the *Special Audit of State Agency Procurement* which revealed instances in which state agencies avoid lengthy and complex competitive bidding processes by using loopholes to procurement laws. This practice results in more out-of-state contracts and fewer dollars spent in the local economy.

The release of the report was followed by trainings for standing-room only audiences of procurement professionals and local business leaders. The full report is available here: https://www.saonm.org/government_accountability_office.

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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