

NEW MEXICO STATE AUDITOR

How Government Spending Can Grow the Local Food Economy



TIMOTHY KELLER State Auditor





OFFICE OF THE STATE AUDITOR Combating Financial Fraud, Waste and Abuse

GOVERNMENT ACCOUNTABILITY OFFICE (GAO)

Aggregating data in thousands of audits to make it more accessible to the public and useful for policymakers



GAC

CONSTITUTIONAL AUTHORITY OF OFFICE

Statewide office created by the New Mexico Constitution (Article V, Section 1).

"Historically and fundamentally, the Office of State Auditor was created and exists for the basic purpose of having a completely independent representative of the people, accountable to no one else, with the power, duty and authority to examine and pass upon the activities of state officers and agencies who, by law, receive and expend public moneys." Thompson v. Legislative Audit Commission (1968)





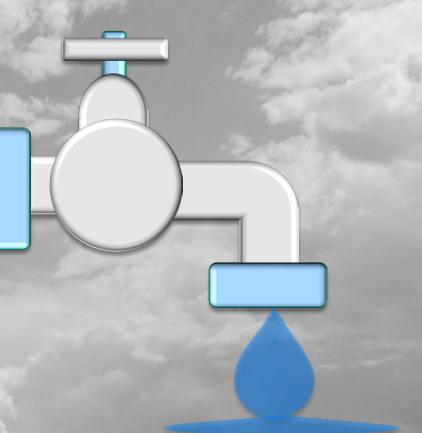
GAO Government Accountability Office

"TRICKLE OUT" SPENDING

Out of State Government Contracting

NEW MEXICO ECONOMY + Payments for government purchases

- + Purchases by government vendors
- + Taxes from government vendors
- + Purchases by vendor employees
- + Taxes from vendor employees



OUT OF STATE SPENDING



OUR TAX DOLLARS LEAVING OUR ECONOMY



OUT OF STATE GOVERNMENT SPENDING

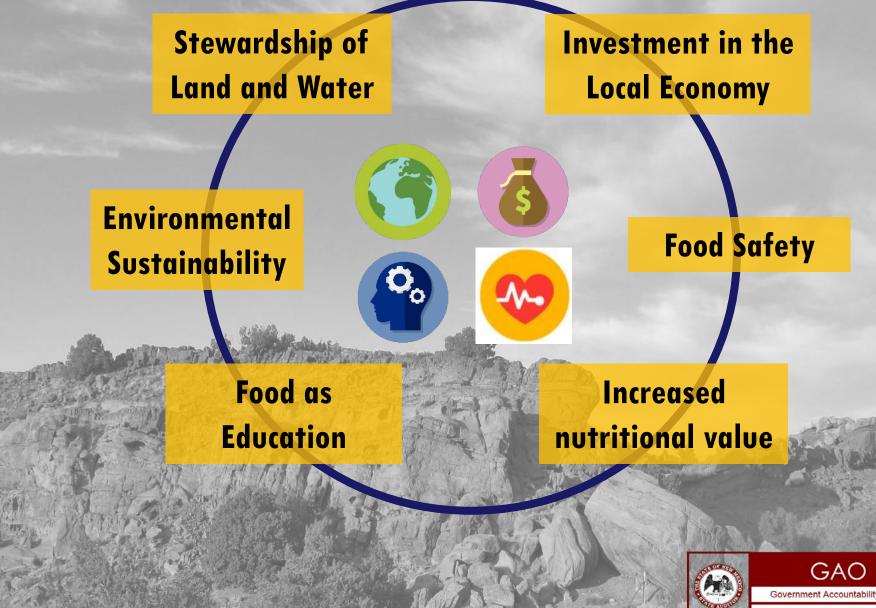
OSA told all audited agencies to self-report all contracts entered into during Fiscal Years 2015 and 2016 over \$60,000, regardless of how they were procured.

Initial data covers over \$6 billion dollars in awarded contracts

- First of its kind to our knowledge
 - Year-over-year analysis



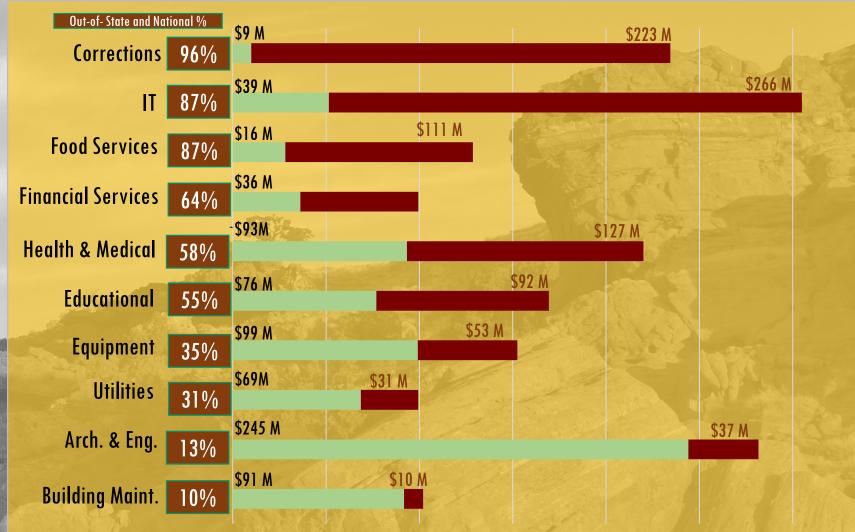
WHY INVEST IN LOCAL FOOD?



New Mexico Office of the State Auditor

STATEWIDE CONTRACTS

(Top 10 industries excluding construction and insurance & benefits)





GAO Government Accountability Office New Mexico Office of the State Auditor

FOOD CONTRACTING OVERVIEW

In-State Vendors, \$16,955,193, 11%

Out-of-State Vendors, \$13,708,684, 13%

> National Intermediary Vendors, \$97,951,716, 76%



GAO Government Accountability Office New Mexico Office of the State Auditor

AGENCIES WITH THE MOST FOOD CONTRACTING

VendorVendorVendorVendorAlbuquerque Public Schools\$11,583,965\$5,601,465\$5,6979,034\$26,164,644Albuquerque Public Schools\$13,409\$270\$270\$26,164,644Gallup-McKinley County Schools\$13,409,307\$711,929\$453,565\$13,934,801Goperative Educational Service\$6,803,2682\$348,094\$3,963,344\$12,694,124Bernalillo County\$6,803,6016\$100\$100\$9,376,613Bernatillo County\$6,605,50\$1\$1,334,984\$9,376,613Gorections Department\$6,605,50\$1,034,984\$7,640,544Marce Schools\$1,326,698\$1,934,984\$6,683,261Rio Rancho Public Schools\$5,550,135\$1<00\$1,030,984Gadsan Independent Schools\$5,550,135\$1<00\$1<00Ganta Fe County\$3,40,000\$1<141\$1<00Stanta Fe County\$1,50,013\$1<00\$1<00Roseel Independent Schools\$1,50,000\$1<100\$1<00Stanta Fe County\$3,40,000\$1<100\$1<00Stanta Fe County\$1,50,000\$1<00\$1<00Stanta Fe County <t< th=""><th>Agency</th><th>Intermediary</th><th>Out-of-State</th><th>In-State</th><th>Total</th></t<>	Agency	Intermediary	Out-of-State	In-State	Total
Ansoquerque rount Schools 44% 29% 27% Gallup-McKinley County Schools \$13,409,307 \$71,929 \$453,565 \$13,934,801 Gooperative Educational Service \$8,382,682 \$348,094 \$3,963,348 \$12,694,124 Geometative Educational Service \$8,382,682 \$348,094 \$3,963,348 \$12,694,124 Bernalillo County \$9,376,613 \$ \$ \$ \$9,376,613 Corrections Department \$9,376,613 \$ \$ \$ \$9,376,613 Corrections Department \$6,605,560 \$ \$1,034,984 \$7,640,544 Rio Rancho Public Schools \$5,314,366 \$1,326,698 \$198,150 \$6,839,213 Rio Rancho Public Schools \$5,560,135 \$ \$ \$ \$ Gadsden Independent Schools \$4,109,349 \$1,411,823 \$ \$ \$ Santa Fe County \$4,000,000 \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$<		Vendor	Vendor	Vendor	
44% 29% 27% Gallup-McKinley County Schools \$13,409,307 \$71,929 \$453,565 \$13,934,801 Cooperative Educational Service \$8,382,682 \$348,094 \$3,963,348 \$12,694,124 Bernalillo County \$9,376,613 \$ \$ \$ \$9,376,613 Corrections Department \$6,605,560 \$ \$ \$9,376,613 Corrections Department \$6,605,560 \$ \$1,034,984 \$7,640,544 Corrections Department \$6,605,560 \$ \$1,034,984 \$7,640,544 Rio Rancho Public Schools \$5,314,366 \$1,326,698 \$198,150 \$6,839,213 Rio Rancho Public Schools \$5,560,135 \$ \$ \$5,560,135 \$ \$ \$5,560,135 Gadsden Independent Schools \$4,109,349 \$1,411,823 \$ \$5,521,172 Santa Fe County \$4,000,000 \$ \$ \$ \$4,000,000 Roswell Independent Schools \$2,750,000 \$425,000 \$ \$ \$ \$ \$ \$ <	buguergue Public Schools	\$11,583,965	\$7,601,645	\$6,979,034	\$26,164,644
Sumplify Schools 96% 1% 3% Cooperative Educational Service \$8,382,682 \$348,094 \$3,963,348 \$12,694,124 66% 3% 31% \$12,694,124 66% 3% 31% \$12,694,124 66% 3% 31% \$12,694,124 66% 3% 31% \$12,694,124 66% 3% 31% \$12,694,124 66% 3% 31% \$12,694,124 66% 3% \$11% \$11% 66% 3% \$11% \$59,376,613 \$1 Corrections Department \$6,605,560 \$1 \$1,034,984 \$7,640,544 Las Cruces Public Schools \$5,514,366 \$1,326,698 \$198,150 \$6,839,213 Rio Rancho Public Schools \$5,560,135 \$1 \$1 \$5 Gadsden Independent Schools \$4,109,349 \$1,411,823 \$1 \$5,521,172 Gadsden Independent Schools \$4,000,000 \$1 \$1 \$4,000,000 Santa Fe County		44%	29%	27%	
Mathematical Mathematical<	Gallup-McKinley County Schools	\$13,409,307	\$71,929	\$453,565	\$13,934,801
Cooperative Educational Service 66% 3% 31% Bernalillo County \$9,376,613 \$ - \$ - \$ \$9,376,613 Corrections Department \$6,605,560 \$ - \$1,034,984 \$7,640,544 Corrections Department \$6,605,560 \$ - \$1,034,984 \$7,640,544 Las Cruces Public Schools \$ 5,314,366 \$1,326,698 \$198,150 \$6,839,213 Rio Rancho Public Schools \$ \$5,560,135 \$ - \$ \$ - \$ \$5,560,135 Gadsden Independent Schools \$ \$4,109,349 \$ \$1,411,823 \$ - \$ \$5,521,172 Santa Fe County \$ \$4,000,000 \$ - \$ \$ \$, \$4,000,000 \$ - \$ \$4,000,000 Roswell Independent Schools \$ \$2,750,000 \$ \$ 425,000 \$ \$ - \$ \$3,175,000		96%	1%	3%	
66% 3% 31% Bernalillo County \$9,376,613 \$ - \$ - \$9,376,613 100% 00% 00% 9,376,613 \$ - \$ - \$9,376,613 \$ - \$ - \$9,376,613 \$ - \$ - \$9,376,613 \$ - <t< th=""><th>Cooperative Educational Service</th><th>\$8,382,682</th><th>\$348,094</th><th>\$3,963,348</th><th>\$12,694,124</th></t<>	Cooperative Educational Service	\$8,382,682	\$348,094	\$3,963,348	\$12,694,124
Definition Coontry 100% 0% 0% Corrections Department \$\$6,605,560 \$ - \$\$1,034,984 \$7,640,544 Rose Public Schools \$\$5,314,366 \$\$1,326,698 \$\$198,150 \$\$6,839,213 Rio Rancho Public Schools \$\$5,560,135 \$ - \$\$ \$\$ \$\$ Gadsden Independent Schools \$\$4,109,349 \$\$1,411,823 \$\$ \$\$ \$\$ Santa Fe County \$\$ \$\$ \$\$ \$\$ \$\$ \$\$ Roswell Independent Schools \$\$ \$\$ \$\$ \$\$ \$\$ Roswell Independent Schools \$\$ \$\$ \$\$ \$\$ \$\$		66%	3%	31%	
Image: constant state Image: constant Image: constant state I	Bernalillo County	\$9,376,613	Ş -	\$ -	\$9,376,613
Connections Department 6 6 6 14% Las Cruces Public Schools \$5,314,366 \$1,326,698 \$198,150 \$6,839,213 Rio Rancho Public Schools \$5,560,135 \$ - \$ - \$\$5,560,135 Gadsden Independent Schools \$\$4,109,349 \$\$1,411,823 \$ - \$\$5,551,172 Santa Fe County \$\$4,000,000 \$ - \$\$4,000,000 \$ - \$\$4,000,000 Roswell Independent Schools \$\$2,750,000 \$\$425,000 \$ - \$\$3,175,000		100%	0%	0%	
86% 0% 14% Las Cruces Public Schools \$\$5,314,366 \$1,326,698 \$198,150 Rio Rancho Public Schools \$\$5,560,135 \$<100% \$\$<00% Gadsden Independent Schools \$\$4,109,349 \$\$1,411,823 \$\$<00% Santa Fe County \$\$4,000,000 \$\$<00% \$\$4,000,000 Roswell Independent Schools \$\$2,755,000 \$\$425,000 \$\$<00%	Corrections Department	\$6,605,560	\$ -	\$1, 034,98 4	\$ 7,640,5 44
Las croces robine seniors (111) (1		86%	0%	14%	
Rio Rancho Public Schools \$\$	Las Cruces Public Schools	\$5,314,366	\$1,326,698	\$198,150	\$6,839,213
Kite Kullene Found Schools 100% 0% 0% Gadsden Independent Schools \$4,109,349 \$1,411,823 \$- \$5,521,172 Santa Fe County \$4,000,000 \$- \$- \$4,000,000 Now \$- \$- \$4,000,000 \$- Roswell Independent Schools \$2,750,000 \$- \$- \$3,175,000		78%	19%	3%	
100% 0% 0% Gadsden Independent Schools \$\$4,109,349 \$\$1,411,823 \$\$- \$\$5,521,172 Santa Fe County 6 \$\$4,000,000 \$\$- \$\$- \$\$4,000,000 Independent Schools \$\$4,000,000 \$\$- \$\$- \$\$4,000,000 Roswell Independent Schools \$\$2,750,000 \$\$425,000 \$\$- \$\$3,175,000	Rio Rancho Public Schools	\$5,560,135	Ş -	\$ -	\$5,560,135
Constant		100%	0%	0%	
Topology	Gadsden Independent Schools	\$4,109,349	\$1,411,823	\$ -	\$5,521,172
Summer County Image: second seco		74%	26%	0%	
100% 0% 0% Roswell Independent Schools \$2,750,000 \$425,000 \$- \$3,175,000 \$3,175,000	Santa Fe County	\$4,000,000	\$ -	\$ -	\$4,000,000
	,	100%	0%	0%	
87% 13% 0%	Roswell Independent Schools	\$2,750,000	\$425,000	\$ -	\$3,175,000
		87%	13%	0%	



GAO Government Accountability Office New Mexico Office of the State Auditor

FOOD CONTRACTING IN SANTA FE & SURROUNDING AREA

Agency	Intermediary	Out-of-State	In-State	Total
	Vendor	Vendor	Vendor	
Corrections Department*	\$6,605,560	\$ -	\$1, <mark>034,98</mark> 4	<mark>\$7,640,544</mark>
	86%	0%	14%	
Santa Fe County	\$4,000,000	\$ -	\$ -	\$4,000,000
, i i i i i i i i i i i i i i i i i i i	100%	0%	0%	
Department of Health*	\$2,631,741	\$ -	\$180,358	\$2,812,099
	94%	0%	6%	
Pojoaque Valley Schools	\$1,084,250	Ş -	\$ -	\$1,084,250
	100%	0%	0%	
Espanola Public Schools	\$672,520	\$ -	\$104,516	\$777,036
	87%	0%	13%	
Los Alamos Public Schools	\$384,460	\$ -	\$ -	\$384,460
	100%	0%	0%	

* We included the Corrections Department because it contracts for food services for the Santa Fe Penitentiary. Similarly, we included the Department of Health because it operates several medical centers in surrounding areas, such as San Miguel and Bernalillo Counties, for which they contracted food services in FY15 and FY16. Other large governmental agencies in the area, such as the City of Santa Fe, Santa Fe Public Schools, Northern New Mexico College and Santa Fe Community College, are not included here because there were no awarded food contracts reported in FY15 and FY16 for those agencies.



PROCUREMENT METHODS RESULTING IN OUT OF STATE CONTRACTS

Type of Procurement	All Awarded Large Food Contracts	Winning Bidders for this Procurement Type	
	¢117 000 00/	In State	13%
Competitive	\$115,223,386 90%	Out of State	12%
		Intermediary	75%
	A7 000 001	In State	4%
Statewide Pricing Agreement	\$7,320,031 6%	Out of State	0%
		Intermediary	96 %
	\$5,250,262	In State	0%
Exempt		Out of State	25%
	4%	Intermediary	75%

The remaining categories represented less than 1% of overall food contracts: sole source (\$242,459, 30% out of state); and cooperative (\$579,455, 11% to national intermediaries).





BARRIERS TO LOCAL FOOD PROCUREMENT



PROCESSING Scale and

Scale and Capacity Connectivity

PROCUREMENT



Lack of Facilities and Staff Price Pressure Awareness Sustained Effort

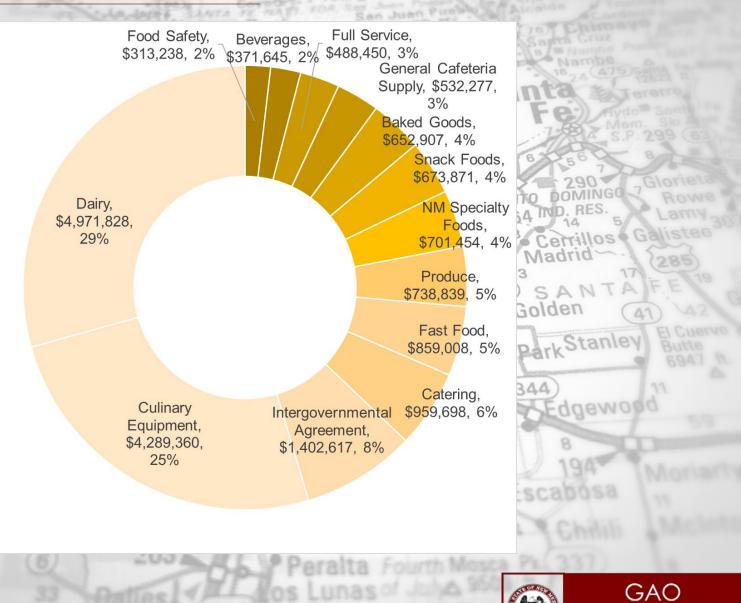


GAO Government Accountability Office New Mexico Office of the State Auditor

this view and the second and produced and and and and and the second and and the second and the second and the

FOOD CONTRACT TYPES WITH IN-STATE VENDORS







Government Accountability Office

SETTING A REALISTIC GOAL AND STICKING TO IT

What if we decided as a State that we want to keep 100% of government spending on bakery items and coffee service with New Mexico vendors?

+ \$1.25 million in contracts annually
+ 92 jobs
+ \$5 million in economic impact
Minimal investment by private sectors or agencies



()

MOVING BEYOND THE MYTH OF SCARCITY

 Shifting just 3.75% of all food contracting to local vendors would have a greater fiscal impact than increasing all bean production in the State by 50% or doubling all peanut production in the State or quadrupling honey production.



- Sustained funding to creative pilot programs.
- Making the RFP process more accessible for smaller food producers.
- Investing in projects to help aggregate the many small food businesses in New Mexico.
- Developing local processing and distribution channels.
- Making creative connections between these projects and available grants and funding, including the Local Economic Development Act.



IN SUMMARY

10

THE GOOD: INNOVATORS HAVE BEEN WORKING FOR YEARS ON INCREASING GOVERNMENT CONTRACTING FOR LOCAL FOOD

		J	٢	
	Iſ		1	
5	~	-	•	

We have a base to grow from: dairy, culinary equipment, New Mexico specialty foods and baked goods already serve government food needs.



Small change can make a big difference — pilot projects and incremental funding reduce the risk of trying new things.

THE BAD: STRUCTURAL GAPS IN THE NEW MEXICO FOOD INDUSTRY LIMIT GROWTH

Large New Mexico farms cannot feasibly provide at the smalls scale of government contracts; small farms are too small to service those contracts consistently.

Lack of access to and awareness of bidding opportunities make scaling up difficult.

THE UGLY: WE ARE NOT PAYING ENOUGH ATTENTION TO LOCAL SOURCING



Data collection shows that few agencies are actually tracking how much of their food spending stays in New Mexico.