

# **NEW MEXICO STATE AUDITOR**

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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



**GAO**

Government Accountability Office

New Mexico Office of the State Auditor

# 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)



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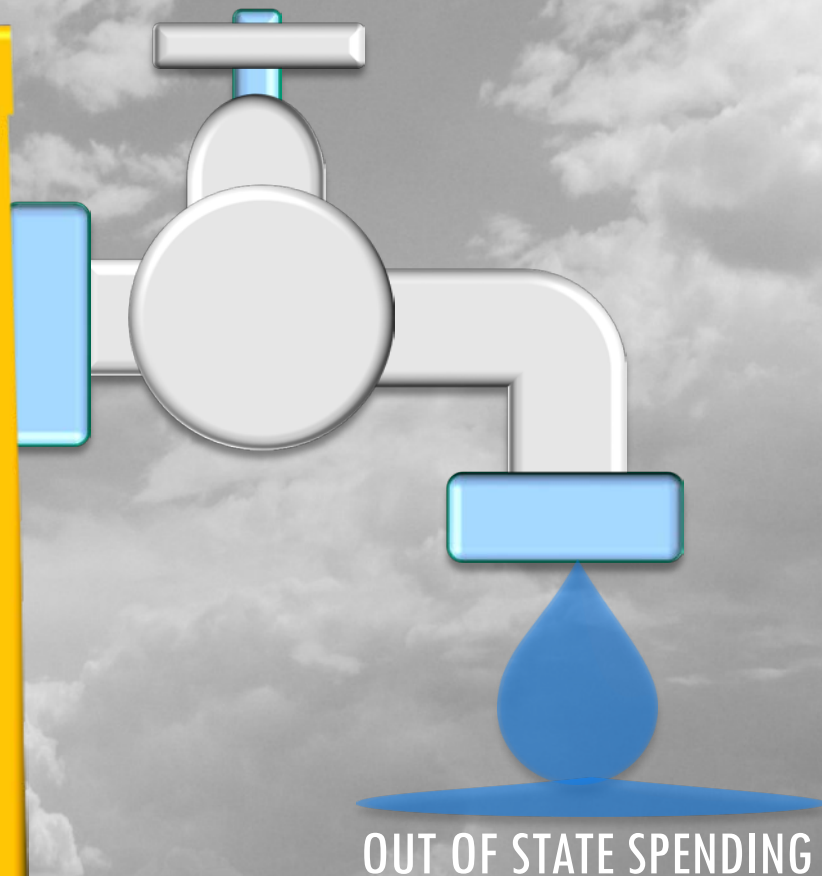


# “TRICKLE OUT” SPENDING

## 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



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# OUR TAX DOLLARS LEAVING OUR ECONOMY

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## OUT OF STATE GOVERNMENT SPENDING

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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



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# WHY INVEST IN LOCAL FOOD?



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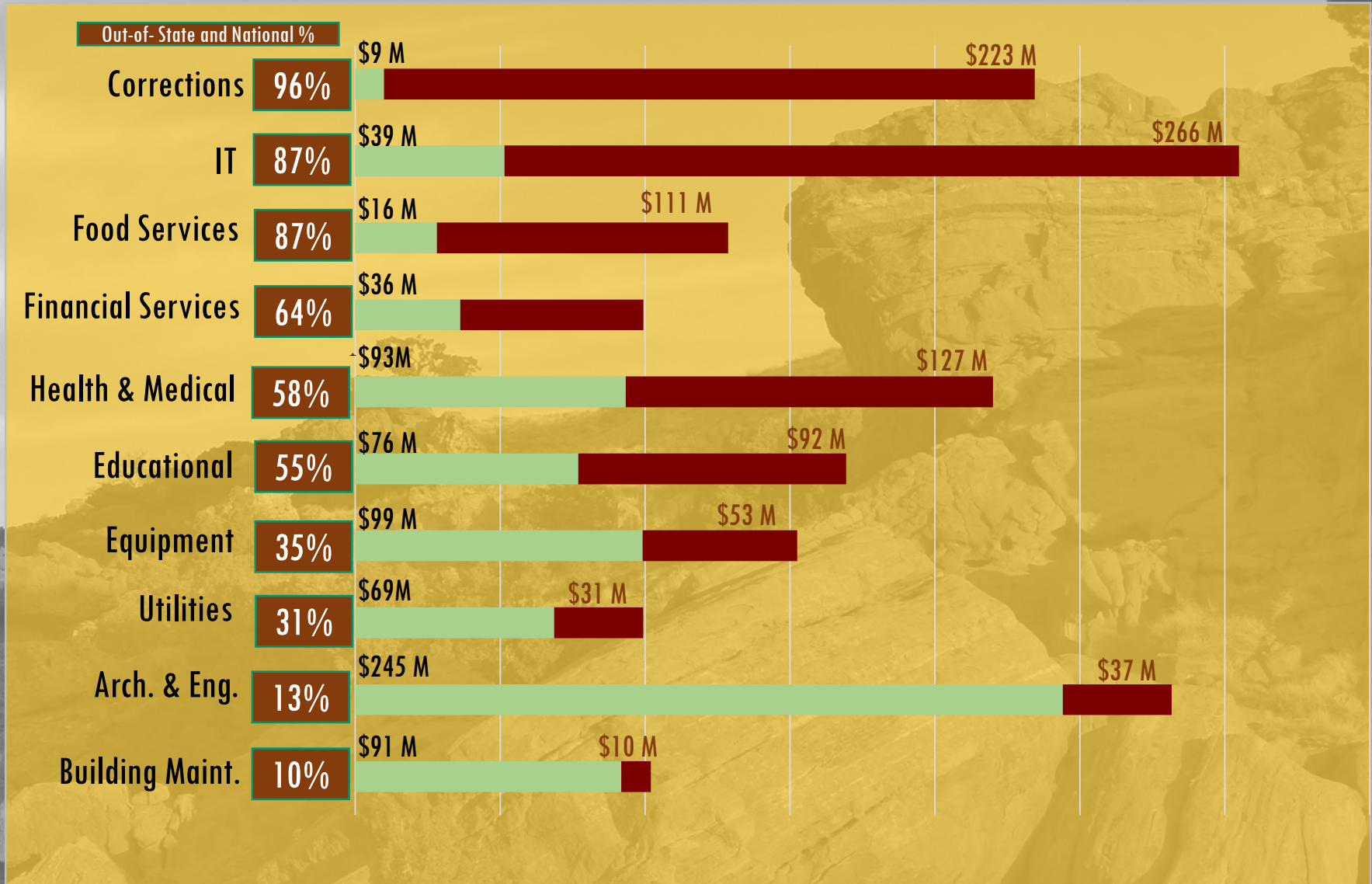
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# STATEWIDE CONTRACTS

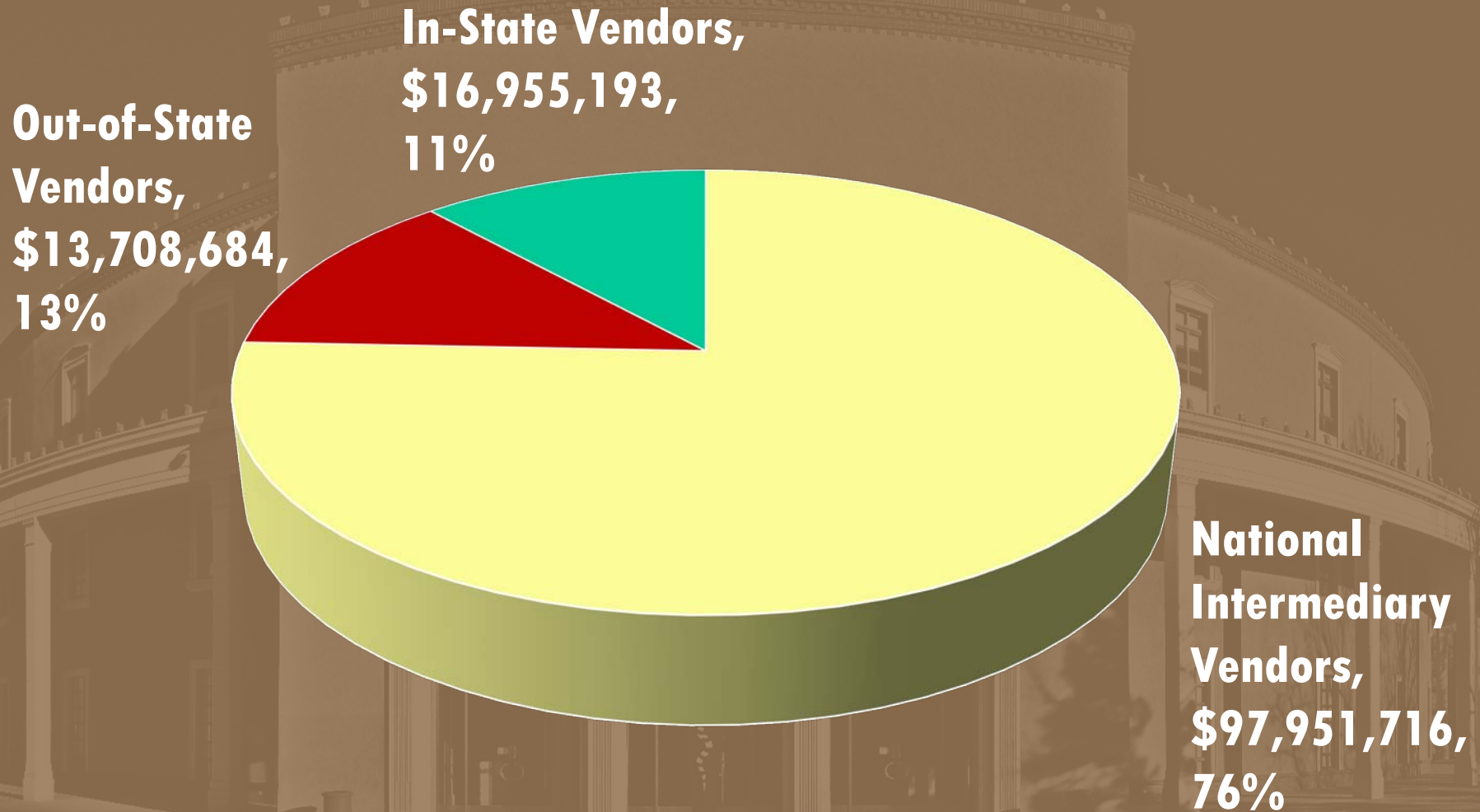
(Top 10 industries excluding construction and insurance & benefits)



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# FOOD CONTRACTING OVERVIEW



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# AGENCIES WITH THE MOST FOOD CONTRACTING

Agency	Intermediary Vendor	Out-of-State Vendor	In-State Vendor	Total
Albuquerque Public Schools	\$11,583,965	\$7,601,645	\$6,979,034	\$26,164,644
	44%	29%	27%	
Gallup-McKinley County Schools	\$13,409,307	\$71,929	\$453,565	\$13,934,801
	96%	1%	3%	
Cooperative Educational Service	\$8,382,682	\$348,094	\$3,963,348	\$12,694,124
	66%	3%	31%	
Bernalillo County	\$9,376,613	\$ -	\$ -	\$9,376,613
	100%	0%	0%	
Corrections Department	\$6,605,560	\$ -	\$1,034,984	\$7,640,544
	86%	0%	14%	
Las Cruces Public Schools	\$5,314,366	\$1,326,698	\$198,150	\$6,839,213
	78%	19%	3%	
Rio Rancho Public Schools	\$5,560,135	\$ -	\$ -	\$5,560,135
	100%	0%	0%	
Gadsden Independent Schools	\$4,109,349	\$1,411,823	\$ -	\$5,521,172
	74%	26%	0%	
Santa Fe County	\$4,000,000	\$ -	\$ -	\$4,000,000
	100%	0%	0%	
Roswell Independent Schools	\$2,750,000	\$425,000	\$ -	\$3,175,000
	87%	13%	0%	



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# FOOD CONTRACTING IN SANTA FE & SURROUNDING AREA

Agency	Intermediary Vendor	Out-of-State Vendor	In-State Vendor	Total
Corrections Department*	\$6,605,560	\$ -	\$1,034,984	\$7,640,544
	86%	0%	14%	
Santa Fe County	\$4,000,000	\$ -	\$ -	\$4,000,000
	100%	0%	0%	
Department of Health*	\$2,631,741	\$ -	\$180,358	\$2,812,099
	94%	0%	6%	
Pojoaque Valley Schools	\$1,084,250	\$ -	\$ -	\$1,084,250
	100%	0%	0%	
Española 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.



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# PROCUREMENT METHODS RESULTING IN OUT OF STATE CONTRACTS

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



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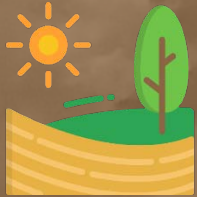
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# BARRIERS TO LOCAL FOOD PROCUREMENT

## PRODUCTION



Scale and Capacity  
Licensing  
Awareness

## DISTRIBUTION



Scale and Capacity  
Price Pressure

## PROCESSING



Scale and Capacity  
Connectivity

## PROCUREMENT



Lack of Facilities  
and Staff  
Price Pressure  
Awareness  
Sustained Effort

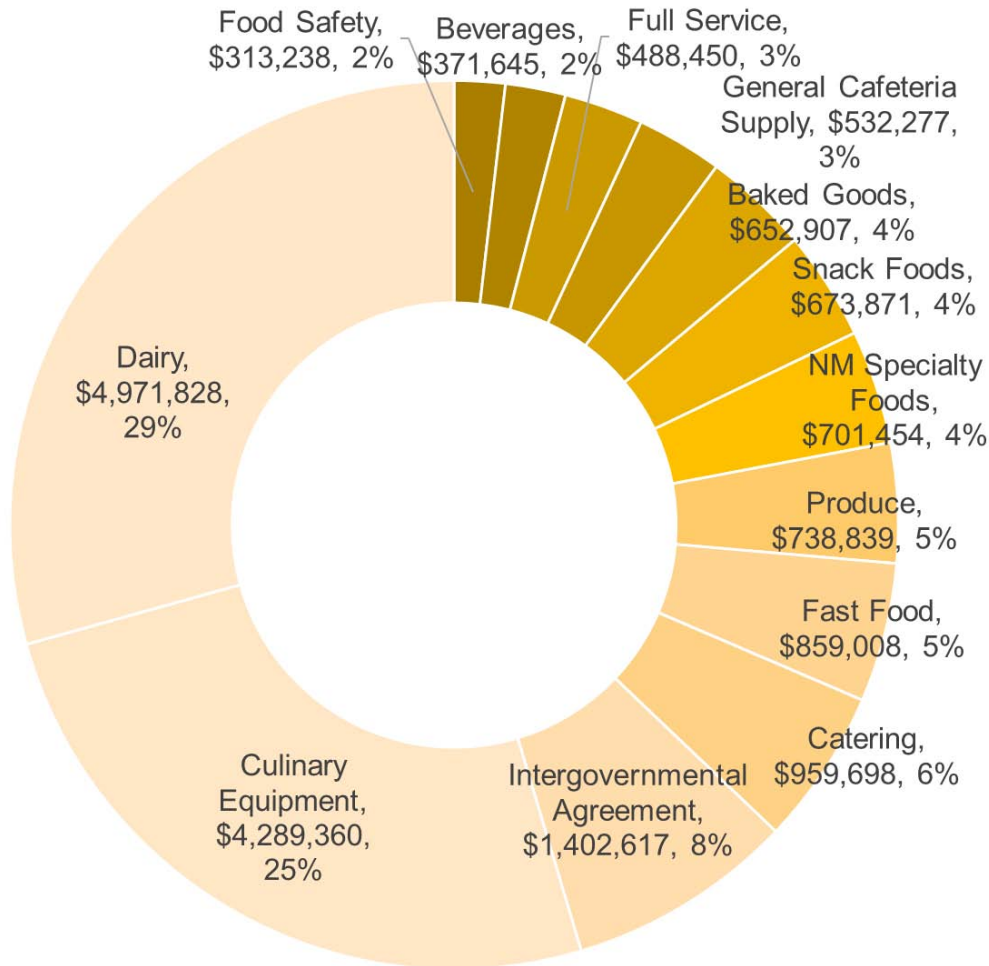


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# FOOD CONTRACT TYPES WITH IN-STATE VENDORS



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# 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



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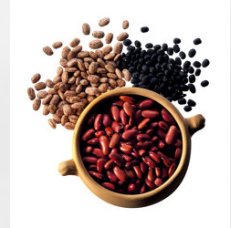
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# MOVING BEYOND THE MYTH OF SCARCITY

- 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.



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# IN SUMMARY



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



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 small 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.