



United States  
General Accounting Office  
Washington, D.C. 20548

160146

National Security and  
International Affairs Division

B-279548

March 24, 1998

The Honorable Pete V. Domenici  
Chairman, Committee on the Budget  
United States Senate

Subject: New Mexico Federal Spending Update

Dear Mr. Chairman:

In response to your request, we have developed current information on federal expenditures in the state of New Mexico. Specifically, we obtained the amount of federal expenditures in New Mexico from 1988-96 in total, and by type of expenditures and by specific federal agencies making expenditures. The enclosure describes these data and highlights relationships between federal expenditures and other New Mexico economic indicators, and uncertainties in federal expenditure data. The information in this letter supplements data contained in our recent report on federal expenditures and employment in New Mexico, Defense Spending and Employment: Information Limitations Impede Thorough Assessments, (GAO/NSIAD-98-57, Jan. 1998). On March 6, 1998, we briefed you on the results of our work.

Please contact Carolyn Copper on (202) 512-3762 or me on (202) 512-3092 if you or your staff have any questions or need further information.

Sincerely yours,

Kwai-Cheung Chan  
Director, Special Studies and Evaluations

Enclosure

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FEDERAL EXPENDITURES IN NEW MEXICO

FEDERAL EXPENDITURES IN NEW MEXICO, 1988-96

The following figures show trends in federal expenditures by total amount and type in New Mexico from 1988 to 1996.<sup>1</sup> Figure 1 shows trends in the total amount of federal expenditures in New Mexico from 1988 to the most recent year data were available, 1996.<sup>2</sup> The average federal expenditures in this period was \$11.2 billion. Federal expenditures generally increased over the period. In 1996, New Mexico ranked fourth among states in the per capita distribution of federal funds.

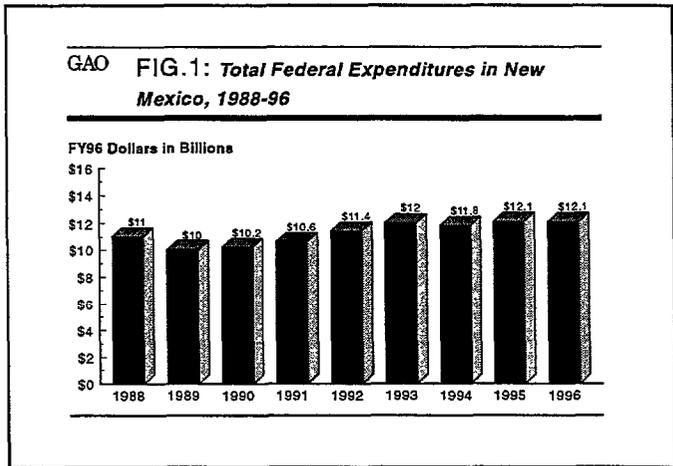
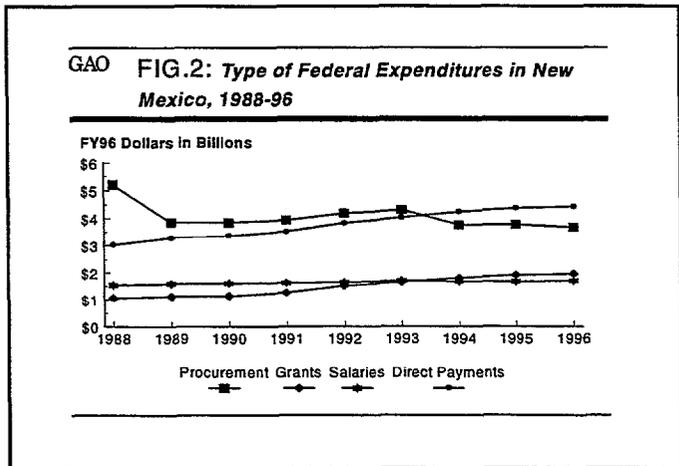


Figure 2 shows that the increase in total federal expenditures can be explained by increases in federal grants and direct, or transfer payments made in New Mexico.<sup>3</sup> Federal procurement expenditures generally decreased during the period, and federal employees' salaries and wages were generally stable. Also, direct payments were the single largest category of federal expenditures in New Mexico during 1994-96.



<sup>1</sup>The information in figures 1-6 is GAO's analysis of Federal Expenditures By State data obtained from the Census Bureau.

<sup>2</sup>Fiscal year 1997 federal expenditure data for states will be available after the last week in March 1998.

<sup>3</sup>Federal grant programs include aid to children and families; community development programs; drug elimination grants; and federal aid to highways, among others. Direct payments include social security and supplemental security income payments; Medicare payments; and retirement and disability payments for federal civilian and military personnel, among others.

**FEDERAL EXPENDITURES BY AGENCY IN NEW MEXICO, 1996**

Figures 3, 4, and 5, respectively, show the distribution of federal expenditures for procurement, federal employees' salaries and wages, and federal grants by federal agency in New Mexico in 1996. Figure 6 shows the distribution of direct payments by federal program in New Mexico in 1996.

Figure 3 shows that DOE accounted for approximately 70 percent of all federal procurement expenditures in New Mexico in 1996.

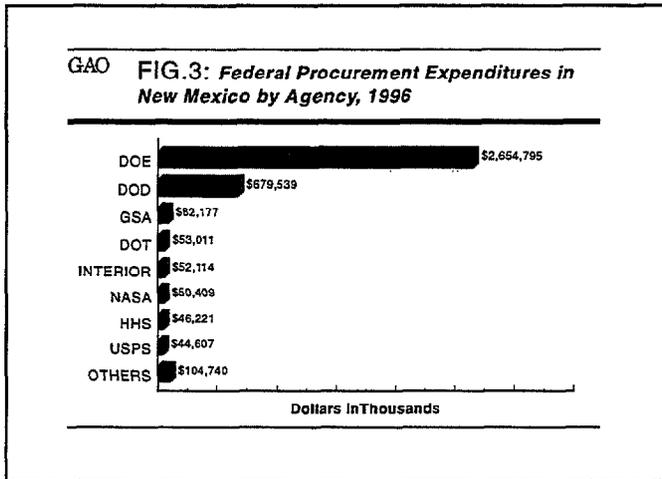
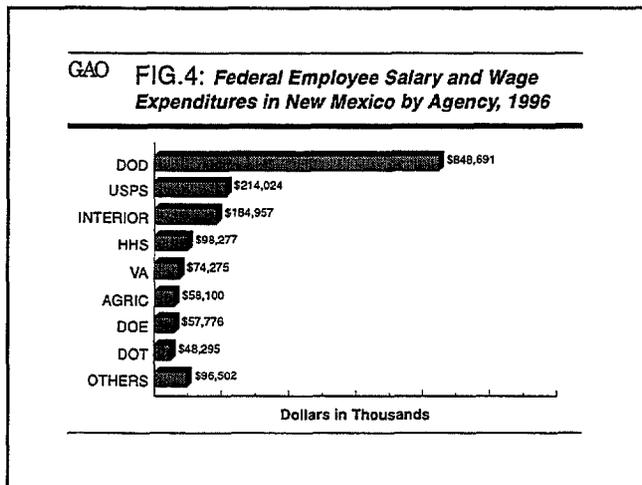


Figure 4 shows that DOD accounted for 51 percent of all federal employee salary and wage expenditures in New Mexico in 1996.<sup>4</sup>



<sup>4</sup>This figure does not include the wages of private contractor employees like those at Sandia and Los Alamos National Laboratories.

Figure 5 shows that the Department of Health and Human Services accounted for approximately 50 percent of all federal grant expenditures made in New Mexico in 1996.

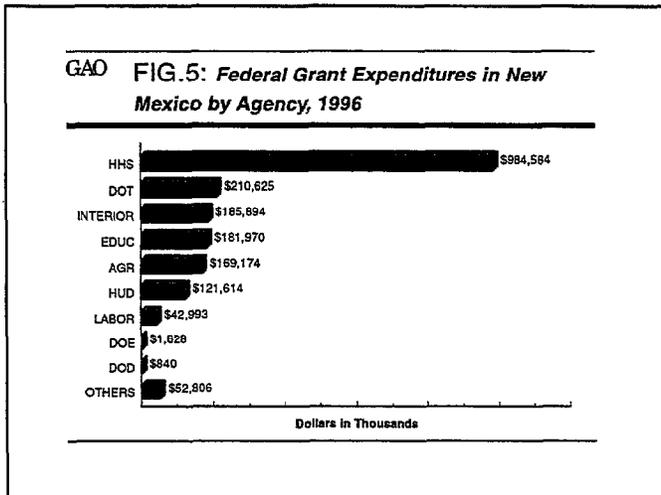
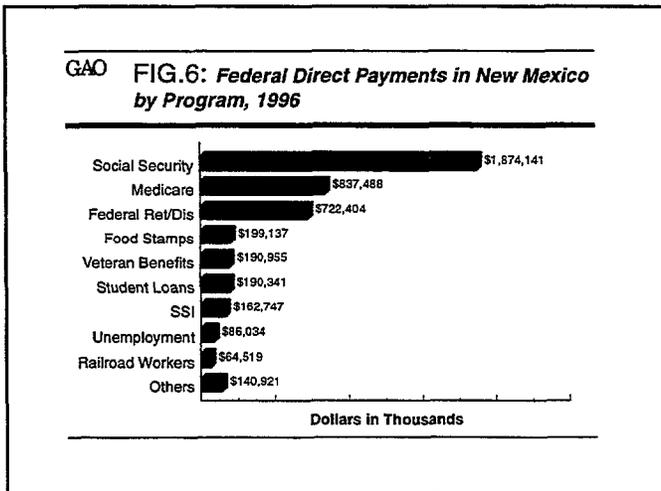


Figure 6 shows that social security payments to New Mexicans accounted for 42 percent of all federal direct payments made in New Mexico in 1996.



RELATIONSHIP BETWEEN FEDERAL EXPENDITURES AND NEW MEXICO ECONOMIC INDICATORS

A comparison of total fiscal year 1996 federal expenditures with other major economic indicators for New Mexico shows that 1996 total federal expenditures were \$12 billion, 1996 gross receipts from retail trade were \$14 billion, and 1996 total New Mexico personal income was \$32 billion. An

estimated \$3 billion, or about 25 percent of the total 1996 federal expenditures, was linked to New Mexico personal income, through either federal employee salaries and wages or procurement expenditures that were used to pay contractor salaries and wages (e.g., DOE procurement). Not included in this estimate are direct payments to individuals in the form of federal retirement and disability payments and other income-based direct payments.

#### QUANTIFYING UNCERTAINTIES IN GOVERNMENT ECONOMIC DATA

A comparison of our survey results with DOD records of dollars received by four of the top New Mexico defense contractors between 1994-96 shows that, on average, DOD records understated the total amount of dollars received by the defense contractors by 31 percent. As we reported earlier, one explanation for this discrepancy is that DOD records do not include subcontracts.<sup>5</sup> In 1996, approximately 43 percent of all DOD contract dollars received by top New Mexico defense contractors were from subcontracts.

Given the substantial time and resources it would require, we did not quantify uncertainties in other types of federal expenditure data. However, we reviewed the qualities of federal expenditure data for states to gauge the reliability of the data for determining the amount of federal expenditures that end up in a state's economy. This review is summarized on pages 15-17 of our earlier report.

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<sup>5</sup>See Defense Spending and Employment: Information Limitations Impede Thorough Assessments (GAO/NSIAD-98-57, Jan. 1998)



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