

# PUBLIC SCHOOL FACILITIES AUTHORITY PRESENTATION TO LEGISLATIVE FINANCE COMMITTEE OCTOBER 30, 2014.

School facilities are important and school construction creates thousands of jobs. Over the next 18 months, the PSCOC is projected to award \$404 million in State matching funds for school construction. These projects, already in motion, will create approximately 3,900 on-site construction jobs, 1,850 indirect jobs from supplying construction materials and services and 5,775 induced jobs in the New Mexico economy.

Construction Employment in NM as reported in July 2014 is down 2.7% from a year ago while the U.S. average is up 3.7%. Since 2006, the construction sector in NM has 32% fewer workers.

## School Facilities

66 million ft<sup>2</sup>.

@ \$325/ft<sup>2</sup> for new facility construction replacement cost total replacement cost **\$21.5 billion**.

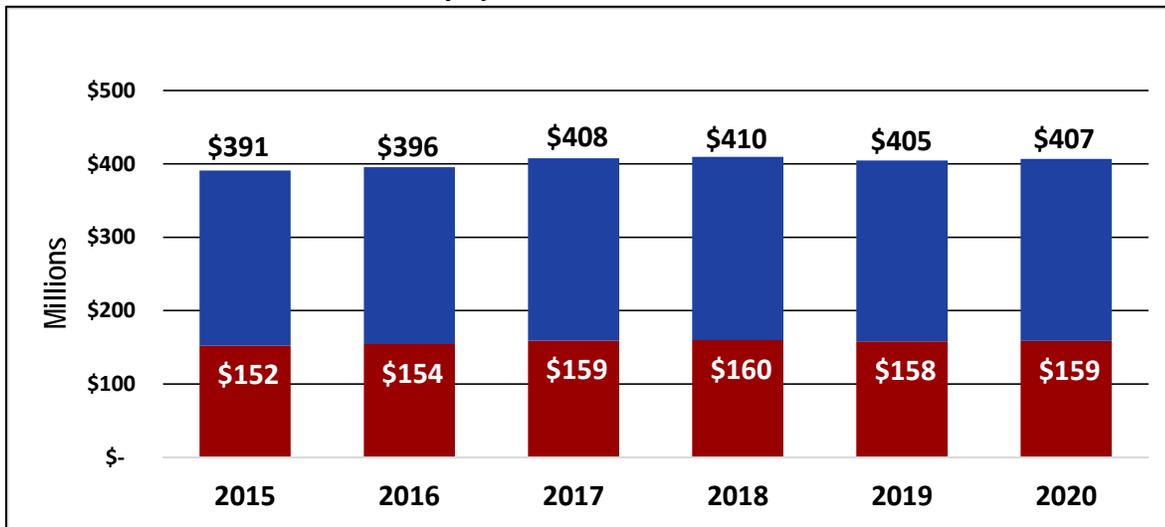
**Average Facility Life: 45 years**

**Annual Estimated Cost to Maintain FCI (\$21.5B / 45yrs.): \$476 million.**

*[FCI = repair cost / replacement cost]*

With improved maintenance and reducing total facilities to maintain, annual cost to maintain may be reduced to **\$400 million**.

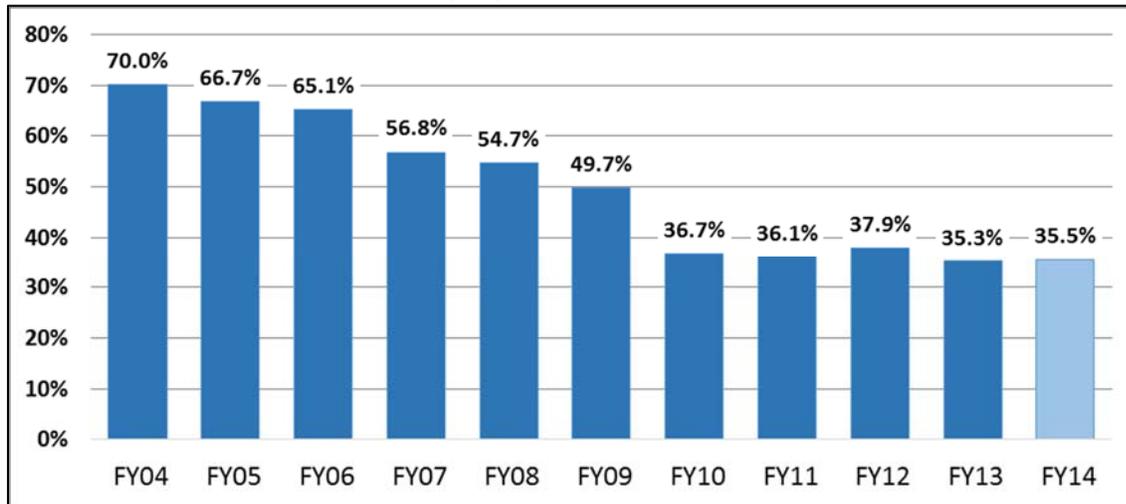
### **Projected State & Local Funds Required to Maintain the Current FCI with Improved Maintenance and Reduced Facility Space.**



Since 2004, all but 5% of the balance of the deposits in the Bonding Fund is used for issuing supplemental severance tax bonds for public school capital outlay and senior bonds for statewide projects.<sup>1</sup>

As a result of this significant investment, the New Mexico Average Facilities Condition Index (FCI) for school buildings has fallen from 70.0% to 35.5% from FY03 to FY14. But as Chart 4. Shows, progress in lowering the FCI further has “leveled out” since 2010.

#### Annual Facilities Condition Index (FCI) for All New Mexico Schools



#### FY16 Request

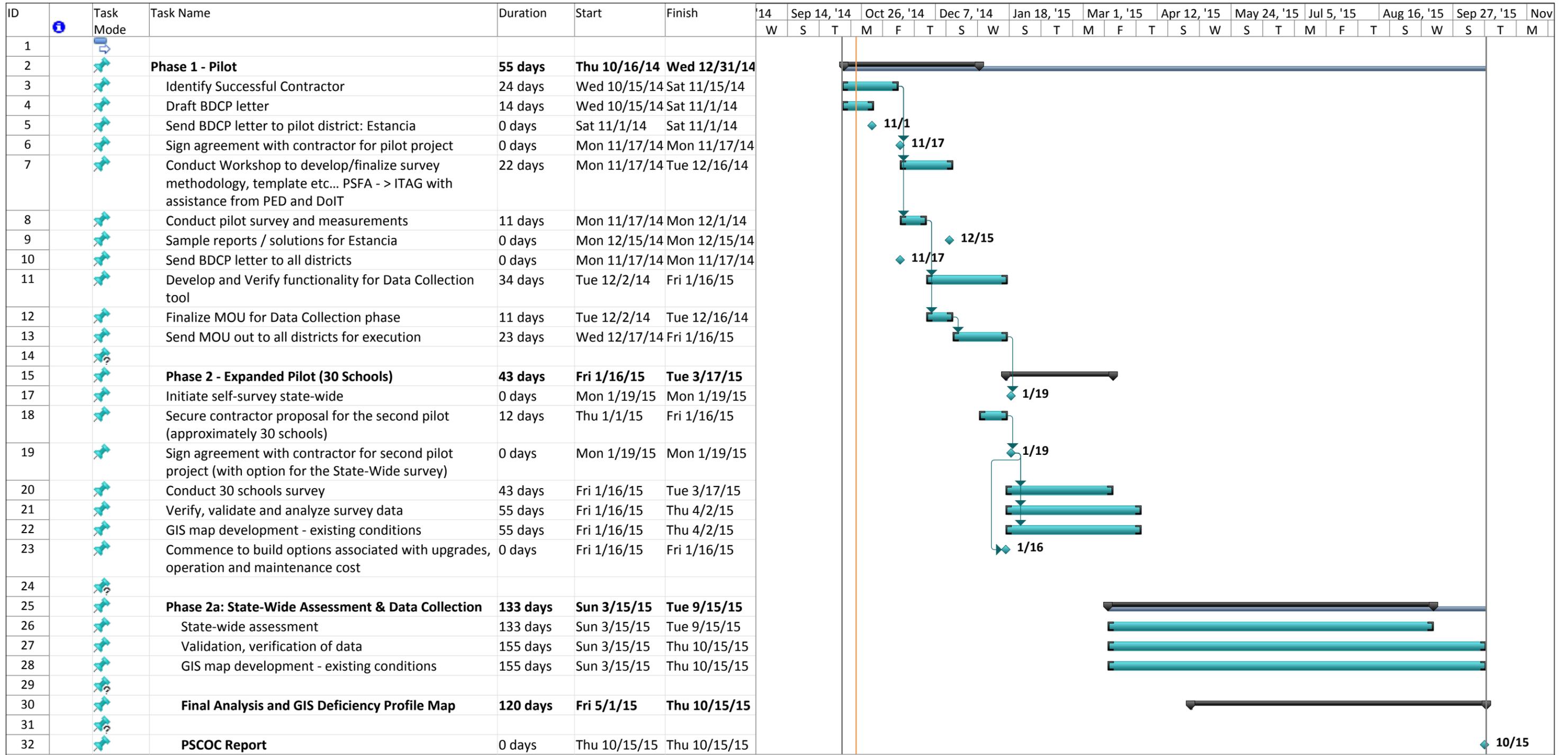
Base: \$5,941.2 thousand with 53 FTE. The base includes \$132.0 thousand to account for the 3% salary increase plus benefits and \$3.8 thousand to account for the GSD and DoIT rates issued for FY16.

Expansion Request: \$583.0 thousand with 5 Term FTE.

Justification:

To execute the Broadband Deficiencies Correction Program per SB159 appropriation (2014 Legislature).

<sup>1</sup> The legislature has increased the limit to issue supplemental sponge notes several times: capped at 75% of the deposits into the Bonding Fund during the preceding fiscal year (Laws 2000 (1<sup>st</sup> S.S.), ch. 6, § 7); then raised to 87.5% (Laws 2000 (2<sup>nd</sup> S.S.), ch. 11, § 2); and raised again to 95% (Laws 2004, ch. 125, § 2).



Project: WorkPlan_2014-10-22_D Date: Thu 10/23/14	Task		Project Summary		Inactive Milestone		Manual Summary Rollup		Deadline	
	Split		External Tasks		Inactive Summary		Manual Summary		Progress	
	Milestone		External Milestone		Manual Task		Start-only			
	Summary		Inactive Task		Duration-only		Finish-only			



## The Economic Impact of Construction in the United States and New Mexico

### Economic Impact of Investment in Nonresidential Construction:

- An additional \$1 billion invested in nonresidential construction would add \$3.4 billion to Gross Domestic Product (GDP), \$1.1 billion to personal earnings and create or sustain 28,500 jobs.
  - About one-third (9,700) of these jobs would be on-site construction jobs.
  - About one-sixth (4,600) of the jobs would be indirect jobs from supplying construction materials and services. Most jobs would be in-state, depending on the project and the mix of in-state suppliers.
  - About half (14,300) of the jobs would be induced jobs created when the construction and supplier workers and owners spend their additional incomes. These jobs would be a mix of in-state and out-of-state jobs. Conversely, investments elsewhere would support some indirect and induced jobs in the state.

### Nonresidential Construction Spending:

- Nonresidential spending in the U.S. in 2013 totaled \$569 billion (\$305 billion private, \$264 billion public).
- Private nonresidential spending in New Mexico totaled \$2.5 billion in 2012 and \$2.2 billion in 2013. (Public spending is not available by state.)
- Nonresidential starts in New Mexico totaled \$1.3 billion in 2013, according to Reed Construction Data.

### Construction Employment (Seasonally Adjusted):

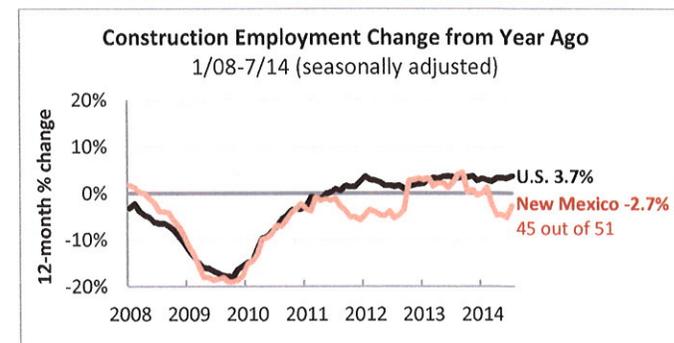
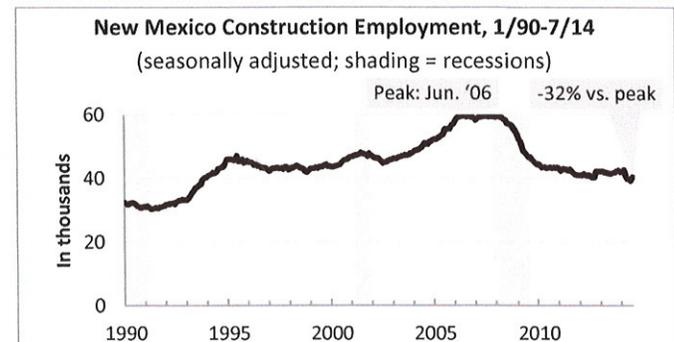
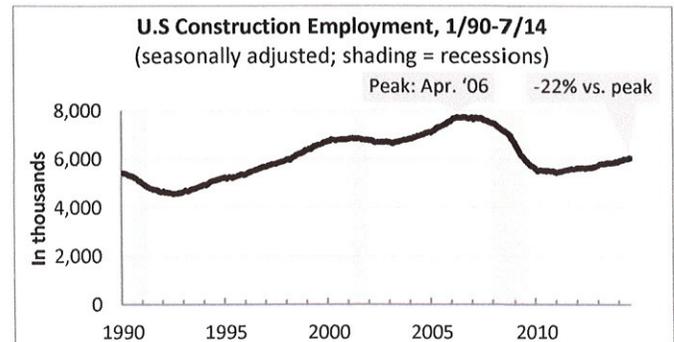
- Construction (residential + nonresidential) employed 6.0 million workers in July 2014, an increase of 218,000 (3.7%) from July 2013 and a decrease of 1.7 million (22%) from April 2006, when U.S. construction employment peaked.
- Construction employment in New Mexico in July totaled 40,400, a decrease of 2.7% from July 2013 and a decrease of 32% from the state's peak in June 2006.

### Construction Industry Pay:

- In 2013, annual pay of all construction workers in the United States averaged \$53,200, 7% more than the average for all private sector employees.
- Construction workers' pay in New Mexico averaged \$41,500, 5% more than all private sector employees in the state.

### Small Business:

- The United States had 652,900 construction firms in 2012, of which 92% employed fewer than 20 workers.
- New Mexico had 4,400 construction firms in 2012, of which 90% were small (<20 employees).



Empl. Change by Metro (not seasonally adjusted)		Rank
Metro area or division	7/13-7/14	(out of 339)
Statewide* (Const/mining/logging)	2%	
Albuquerque*	-1%	269
Las Cruces*	0%	224
Santa Fe*	11%	32

\*The Bureau of Labor Statistics reports employment for construction, mining and logging combined for most metro areas and some states in which mining and logging have few employers. To allow comparisons between states and their metros, the table shows combined employment change.