



Steel Fabricators of New England

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The Economic Impact of Local Spending Summary of Analysis – Public School Construction Data

The negative economic consequences resulting from the purchase of foreign fabricated steel instead of our taxpaying domestically produced fabricated steel industry.

According to our review of Massachusetts School Building Authority data, we estimate that using foreign fabricated steel versus domestic fabricated steel on public school construction projects has produced an average savings of \$15 million per year during the six-year period for which this data has been collected. As shown below, that savings is dwarfed by the loss of economic activity if domestic fabricated steel was instead utilized on these projects. The shortfall includes economic losses in job creation opportunities, tax revenue, local consumer spending and a stronger domestic competitive marketplace for our region's steel fabricating sector, which currently struggles to maintain and grow their businesses. The Pandemic will exacerbate this problem.

School Building Authority Data (2014 – 2020, Public Schools) (numbers rounded)

\$10 Billion Total Construction Cost Over 6 years

\$1.6 Billion Total Construction Cost Per Year x 6.2% Steel Portion of School Projects

\$100 Million (average spent on fabricated steel per year)

Cost Savings

\$100 Million Steel Purchased from Canadian Steel Fabricators

\$115 Million Steel purchased from American Steel Fabricators (15% cost increase)

\$15 Million (cost savings with purchase of Canadian fabricated steel)

Economic Multiplier

For every \$1.00 spent on domestic fabricated steel, \$1.50 is generated in domestic economic activity.

For every \$1.00 spent on foreign fabricated steel, 0.00 is generated in domestic economic activity.

\$115 million (domestic fabricated steel expenditure) x \$1.50 (multiplier) = \$172.5 million (economic activity over 5 years following expenditure)

Issue: Do the cost savings substantiate the loss of economic activity?

The economic multiplier benefits from domestic spending **can be quantified in the first five years.

Cost savings vs. economic multiplier (5 - year period)

Cost savings (\$100 million spent on foreign fabricated steel per year for 5 years (15% less than domestic fabricated steel) 0 economic activity). **\$500 million spent.**

Year 1	Year 2	Year 3	Year 4	Year 5	Total
\$15 million	<u>\$75 million (savings)</u>				

Lost economic activity (\$115 million not spent on domestic fabricated steel per year for 5 years (15% more than foreign fabricated steel) $\$172.5 \text{ million} \times 5 \text{ (years)}$ in economic activity forgone). **\$575 million spent.**

The economic multiplier benefits continue over a 5-year period after each expenditure and diminish each year. For simplification purposes, we average those benefits out equally for this 5-year period.
 $\$172.5 \text{ million} / 5 \text{ years} = \34.5 million (economic multiplier affect activity).

Year 1	Year 2	Year 3	Year 4	Year 5	Total
\$34.5 million	\$69 million	\$103 million	\$138 million	\$172.5 million	\$517 million (loss/5 years)
Year 6	Year 7	Year 8	Year 9		Total
\$138 million	\$103 million	\$69 million	\$34.5 million		\$862.5 million (loss/total)

The total economic benefits of domestic spending on fabricated steel is **\$862.5 million**

Summary

Taxpayer funded school projects have been able to save, on average, \$15 million per year by purchasing fabricated steel from foreign businesses for these public construction projects. However, the result of such savings has led to the loss of economic activity of more than \$100 million per year and significant damage to our local taxpaying steel fabrication industry.

Over a 5-year period this amounts to \$75 million in savings, but a loss exceeding more than a half of a billion dollars in economic activity to our economy.

The Pandemic has taught us that buying domestic is critical to our overall economic health and welfare. In this instance, using taxpayer made fabricated steel on taxpayer funded projects also makes good economic sense.