



CONSTRUCTION  
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Nabholz.com/construction

March 12, 2018

Legislators of Kansas K-12 Education Budget Committee

Re: Kansas Bond Cap - HB 2636

Dear Kansas K-12 Budget Committee Members,

Thank you for giving Nabholz Construction the opportunity to share our viewpoint on the potentially detrimental effect of the Kansas bond cap on our state's economy. Nabholz was founded in 1949 and has grown from very humble beginnings to a firm with more than 1,100 employees working out of ten offices across the states of Kansas, Missouri, Oklahoma, Arkansas, and Mississippi. Our top three markets are Education, Healthcare, and Telecommunications.

Nabholz constructed our first K-12 facility in 1953 and have been on school campuses every day since. We are now ranked #11 nationally for our K-12 construction production, averaging over 1 million square feet of K-12 space annually. Our K-12 construction story in Kansas began shortly after the adoption of the Construction Manager at-Risk delivery method for Kansas public projects in July, 2008. By this time, Nabholz had been providing CM at-Risk construction services in surrounding states for two decades. Our \$32,000,000 Hutchinson High School addition and renovation project would be the catalyst that set into motion a successful construction delivery method across the state that allows the Construction Manager to work hand-in-hand with Kansas Unified School Districts and their **local subcontractors, suppliers, and vendors.**

Our two most critical concerns with the bond cap measure are the negative domino effect this spending cap imposes on the Kansas subcontractor community and the compounding cost of delayed action.

The *Nabholz Subcontractor Summit* was born in Hutchinson when we invited local subcontractors, vendors, and suppliers to meet Nabholz representatives and learn about the scope of the project. More importantly, we wanted to learn more about the talent and resources that resided within the community of Hutchinson. We believe very strongly that local taxpayers who support local bond issues should have every opportunity to bid on their hometown projects. Through this process, Nabholz representatives can fashion bid packages to fit the strengths of the local subcontracting community. In many cases, those local subcontractors submit the lowest, most responsible bid and earn the right to participate in the project. In 2017, for example, our Kansas office entered into contracts with hundreds of unique subcontractor and supplier entities, many of whom reside in the communities in which we build. Since Hutchinson, Nabholz has repeated this process in Independence, El Dorado, Garnett, Tribune, Hoisington, Mound City, Pleasanton, La Cygne, Fort Scott, Olpe, Hartford, Neosho Rapids, Lawrence, Osawatomie, Spring Hill, and many other communities across the state of Kansas.

Not only has this approach generated an overwhelming sense of pride by those local workers participating in landmark hometown projects, but the Nabholz Subcontractor Summit has also kept valuable bond dollars in the community, where those dollars are reinvested 3 to 5 times in the local economy. Hotels, filling stations, theaters, restaurants, and grocery stores see a boost to their bottom

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line. Construction investment provides a compounding positive economic impact on the community served. Most importantly, the bond dollars have a lifetime effect on our future leaders, the children of Kansas who will make contributions to our state for the generations to come.

It is important to note that through the Great Recession the people of Kansas found a way to improve our public places of learning through bond measures. Even during those tough times, we found a way to update decaying infrastructure, improve safety and security measures, and provide spaces for learning for the children of Kansas.

#### 2007

North Ottawa County USD 239  
Twin Valley USD 240  
Hutchinson USD 308  
Rock Creek USD 323  
Circle USD 375  
Louisburg USD 416  
Maize USD 266  
Silver Lake USD 372  
Hillsboro USD 410  
Chetopa USD 505

#### 2008

Arkansas City USD 470  
Copeland USD 476  
Pittsburg USD 250  
Valley Falls USD 338  
Augusta USD 402  
Valley Center USD 262

#### 2009

Council Grove USD 417  
Valley Heights USD 498  
Olathe USD 233  
De Soto USD 232  
Wichita USD 259  
Baldwin City USD 348  
Anthony-Harper USD 361  
Sterling USD 376  
Manhattan USD 383  
Sabetha-Wetmore USD 441  
Leavenworth USD 453  
Garden City USD 457

Through the Great Recession, as retail and hospitality construction came to a screeching halt, hundreds of Kansas subcontractors, suppliers, and vendors competed and were awarded projects for Kansas bond issue projects. Those hundreds of employers kept thousands of Kansas workers and their families fed, a roof over their head and a place to sleep at the end of the day.

Our economy has historically averaged a 4% rate of annual inflation. Construction inflation has generally followed that same trend with annual increases in the range of 3% to 5%. A School District in need of a project that would cost \$10,000,000, for example, can expect to see that same project reach as much as \$10,400,000 if delayed a year because of bond cap limitations. Delayed yet another year, that same project could cost \$10,816,000. Delaying projects does not save money. Delaying projects compounds inevitable costs for Kansas taxpayers.

Placing a cap on bond dollars is detrimental to Kansans in the short term and in the long run. Many students in this state are not receiving an education in a facility that is ADA compliant, resistant to storm threats or a human with ill intent. Some students are attempting to learn in a facility that was constructed nearly a century ago and with limited upgrades since then. While many communities struggle to maintain their facilities as they were 50 years ago, other Kansas students are learning to compete in today's economy in 21<sup>st</sup> century facilities that are designed and built to support that goal.

Unfortunately, many Kansas students will be greatly challenged to compete with other Kansans within our own secondary education system. There are Kansas high school students that are now graduating

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with advanced skill sets in automotive engineering, architecture, engineering and construction science, biotechnology, culinary arts, graphic design, medical health science, biomechanical engineering, animation and interactive media, civil engineering, and other real-world career skills.

Placing a limit on bond issue proceeds feeds a mentality to simply replace roofing, carpet and paint in decades-old facilities so that our educators can prepare today's students for years gone by. Simply replacing the bare necessities will not further today's students as they attempt to prepare for tomorrow's real world. And, in the long run, the state of Kansas will struggle to compete altogether.

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