



**Associated General Contractors of Kansas, Inc.**

WICHITA  
765 E Second St. • Wichita, Kansas 67202  
Phone 316-928-8635 • Fax 316-768-6419

TOPEKA (Mailing)  
PO Box 86 • Topeka, Kansas 66601  
Phone 785-266-4015 • Fax 785-266-2561

Email: agcks@agcks.org • Website: www.agcks.org

**Associated General Contractors of Kansas  
House K-12 Budget Committee  
Testimony Supporting House Bill 2636  
Monday March 12, 2018**

On behalf of Associated General Contractors (AGC) of Kansas, which represents over 325 Kansas construction firms and their 9,000 employees and is recognized as the “Chamber of Commerce for the Construction Industry”, we would encourage you to support House Bill 2636 and begin a new conversation on how Kansas administers school bonds.

We would like to give this committee some information on historical pricing data and how trend lines may be included in a new school bond approach. We asked Ken Simonson, Chief Economist for AGC of America, specifically about how input costs drive pricing and how to best measure them over time and he provided us with these thoughts;

“The best measure of changing construction costs is the Bureau of Labor Statistics’ producer price index (PPI) for new school construction. The index measures the change in what contractors say they would charge to put up a specific set of school and college buildings, based on a fixed set of components.

This is a monthly series that dates back to January 2006. The two pairs of graphs and tables below, copied from the PPI website, [www.bls.gov/ppi](http://www.bls.gov/ppi), show the level of the index each January and its change from one year earlier. The cumulative change over those 12 years is (157.9-100.0)/100.0 or 57.9%, a compound annual average increase of 3.8% per year. But, as the second graph and table show, the cost has picked up sharply in the past year. From January 2016 to January 2017, the index increased only 0.7%. But in the latest period it rose 4.2%. That was the largest January-January increase in six years, and I think it is a harbinger of even steeper increases in the near future.

The increases are being driven by a combination of tight labor and materials markets. While some construction materials are produced locally, even those are influenced by national or global price trends. For instance, ready-mix concrete is generally produced close to where it is used. But it incorporate cement that may be produced hundreds of miles away, and the delivered price reflects diesel fuel

**Officers**

Scott Casebolt *President*  
Ben Hutton *Vice President*  
Scott Ludwick *2<sup>nd</sup> Vice President*  
Tom Saffel *Treasurer*  
Mike Gibson *Executive Vice President*

**Board of Directors**

Chad Buresh  
Loren Dekat  
Raymond Dondlinger  
Tracy Green  
Jeff Grier  
Mike Hafling  
Paul Huffman  
John Johnston  
Luke Kunkel  
Danny Langerot  
Matt Lee  
Matt McGivern  
Jim Rinner  
Patrick Schutter  
John Walker  
Larry Weis  
Dean Youngers  
Mike Kilian, Specialty Contractor  
Matt Lashley, Specialty Contractor  
Joe Sarnia, Specialty Contractor  
Tim Sinclair, Specialty Contractor  
Fred Willich, Specialty Contractor  
Bill Pickert, Associate  
Chad Wallace, Associate

**NATIONAL DIRECTORS**

Bennie Crossland  
Charles Grier  
James R. Grier, III  
Mark Hutton  
Richard M. Kerschen  
Bob Burns, ex-officio

costs that are closely tied to world oil prices. Labor costs reflect both demand from the construction industry and from other industries that seek workers with the same or similar skills, such as truck drivers, welders and pipefitters, who are in high demand from trucking, oil and gas drilling and pipeline industries.

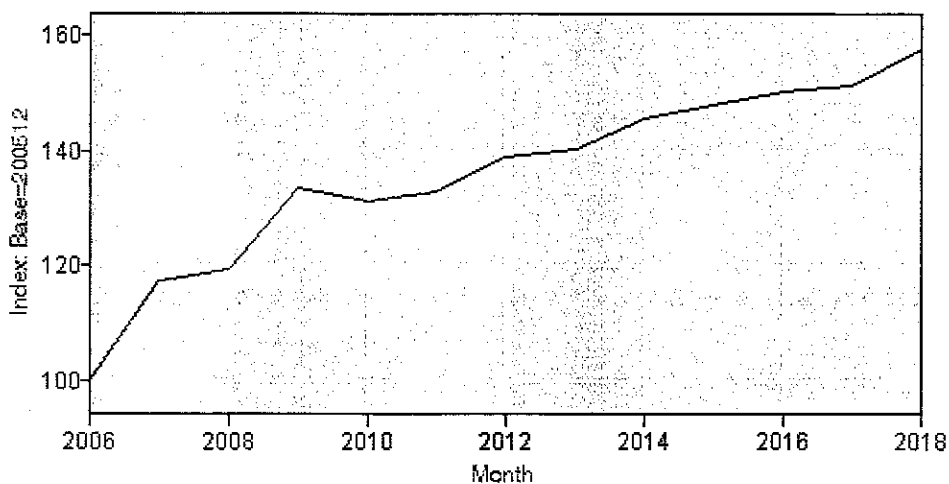
With U.S. and most foreign economies now growing and the U.S. unemployment rate at a 17-year low, I expect continued increases in both materials and labor costs. These increases are likely to accelerate if the Trump administration imposes steep tariffs or other import restrictions on important construction materials such as steel, lumber and aluminum, and tightens both legal immigration and deportations further.

We urge the Committee to take these ideas into consideration when considering how best to move forward on structuring school bonds and any restrictions placed on them.

Sincerely,

Mike Gibson

**Series Id:** WPU801102 Not Seasonally Adjusted **Series Title:** PPI Commodity data for Construction (partial)- New school building construction, not seasonally adjusted **Group:** Construction (partial) **Item:** New school building construction **Base Date:** 200512



Year	Jan
2006	100.0
2007	117.2
2008	119.5
2009	133.6
2010	131.1
2011	132.8
2012	138.9
2013	140.4
2014	145.7
2015	148.1
2016	150.4
2017	151.5
2018	157.9(P)

P : Preliminary. All indexes are subject to revision four months after original publication.