



3521 SW 5th Street * Topeka*Kansas* 66606*785-357-5256*FAX 785-357-5257 * kmha1@sbcglobal.net

TO: Representative Anthony Brown, Chairman
and Member of the House Commerce and Economic Development

FROM: Martha Neu Smith, Executive Director
Kansas Manufactured Housing Association

DATE: January 31, 2012

RE: HB 2510 - Concerning the prison-made goods act; prohibiting the manufacture or
production of manufactured homes or modular homes

Chairman Brown and Members of the House Commerce and Economic Development Committee, my name is Martha Neu Smith and I am the executive director of the Kansas Manufactured Housing Association (KMHA). KMHA is a statewide trade association representing all facets of the manufactured and modular housing industries (manufacturers, retail centers, manufactured home community owners and operators, service and supplier companies, finance and insurance companies and transport companies) and I appreciate the opportunity to speak today on HB 2510.

KMHA requested the introduction of HB 2510, because over the past several years the association has been faced with several proposals by the Department of Corrections (DOC) to build and sell homes. The factory built housing industry does not mind fair competition, private business against private business, however, competition with government is not only unfair competition but we do not believe it represents good public policy.

Please consider, private business must pay a competitive salary, federal and state income tax, workers compensation and unemployment insurance on all labor cost, property tax, sales tax and all of the general costs associated with owning and operating a business (liability insurance, state and local licenses and any continued educational requirements, etc.). All of these expenses go into the cost of our homes. In contrast, the DOC pays approximately .56 cents a day for inmate labor, they have a captive labor force, they pay no federal or state income tax, and no sales or property tax. What private business could compete against that kind of a competitor?

House Commerce & Economic
Development Committee
Date: 01/31/12
Attachment #: 1-1

Kansas Department of Commerce spends millions of dollars trying to attract businesses to locate to Kansas. How many of those companies would consider locating to Kansas if they knew that at some point they may have to compete against the State?

But, if allowing the DOC to compete against the factory built housing industry is good public policy; would it not also be good public policy for other industries in Kansas?

We understand the DOC's desire to provide inmates with a skill they can utilize once they have been released, but we feel that training should be done through the existing Work Release Program. In fact, the Manufactured Housing Industry currently utilizes the Work Release Program when we have job openings. In 2010 KMHA was contacted by Marilyn Scafe, Executive Director of the Kansas Reentry Policy Council to talk about the factory built housing industry working with them on their Reentry Program. After reviewing everything my member was currently doing with the Work Release Program, the Reentry Program, KANSASWORKS, Department of Commerce and the local Director of the Economic Development Partnership it was determined that my member should be used as a model for other industries.

The Work Release Program benefits both the inmate and the industry; the Work Release individual receives training and a job if they prove to be a good employee and the industry has the opportunity to gain a skilled employee.

Now I would like to briefly review the three attempts that have been made by the DOC to build and sell homes:

The first proposal that I am aware of came in 2002, in the form of HB 2965, which was to establish a pilot affordable housing program where the Secretary of Corrections would use inmate labor to build small, low cost housing for low income and elderly citizens. According to DOC's testimony in 2002, they were modeling this program after a program that they viewed in South Dakota in 1999.

I contacted my counterpart in South Dakota and his first comment was, "Stop them if you can because that is exactly how the program started here. First, they start by saying no one is building affordable homes especially in the rural parts of the State; then, once they get their foot in the door they come back to the Legislature noting that they can not sell the small homes they need to build larger homes because that is what the public wants."

You might ask why the factory building housing industry in South Dakota hasn't put a stop to this program; they have tried, in fact the factory built housing association and the homebuilders in South Dakota have tried to stop the program but have been unsuccessful. Again, according to my counterpart, "It is like trying to stop a moving train."

HB 2965 was not passed out of the House New Economy Committee.

The second attempt was in 2008, language was added to the House Transportation & Public Safety Budget that stated that the full Appropriations Committee would consider during omnibus negotiations **expanding** the Department of Corrections cabin building program to build housing.

However, neither the House nor the Senate appropriated money to expand the program during omnibus negotiations; in fact they both included language in the budget report that stated that the expansion of the DOC's cabin program into home building would compete with the manufactured housing industry. During floor debate on the 2008 omnibus bill there was an amendment offered to provide funding to expand the cabin program into building homes, however, the amendment failed.

In January 2011, I was contacted by a reporter which asked how KMHA members felt about DOC building and selling homes. There was no legislation and no funding in the budget that I could see; but what I discovered was, prior to the 2011 Session, the DOC and Kansas Housing Resources Corporation (KHRC) had been working together and they came up with a way for the DOC to build homes without having to receive legislative approval. The plan was for KHRC to provide the DOC with a \$1 million grant that could be used for startup cost for the DOC homebuilding program. (For those of you who are not familiar with KHRC, they are a quasi-governmental entity that does not go through the legislative process for funding. They are a pass-through for federal funds; for which they receive an administrative fee.)

The KHRC/DOC homebuilding program was far enough along that the DOC already had clients, two blueprint options available for a 1,600 square foot home; they had quoted a price of \$66,000 and had already located a facility for their program, the former Schult Homes Corporation in Plainville, Kansas, which closed in January 2008. All of these plans were made without any Legislative input.

We met with Secretary Roberts on March 9, 2011, and after a long discussion with all of the interested parties, the Secretary said that he was not interested in competing with private business; which KMHA members sincerely appreciated hearing and to my knowledge the DOC homebuilding plans are on hold.

We were able to once again include language in the House and Senate budget report that stated the expansion of the DOC's cabin program into home building would compete with the manufactured housing industry.

Those are the three attempts; the first two were straight forward and used the legislative process; the third attempt usurped the legislative process and would have set public policy that pitted the State of Kansas against the factory built housing industry. That is why we requested HB 2510. HB 2510 ensures that if there are changes in leadership or attitudes in Kansas and the State would like to look at allowing government to compete against the factory built housing industry that it is the Legislature that will make that policy decision, not state agencies. We feel that the legislative process is critical in determining good public policy and should not be sidestepped.

Most likely the opponents to HB 2510 are going to say that since the DOC is not currently building homes, HB 2510 is not necessary/it is preemptive and pointless. To that I have to say the Legislature passes a lot of legislation that is preemptive in nature. Most Legislators would rather prevent a bad situation for their constituents versus trying to find a solution.

In closing, KMHA feels government should not compete against private business and to allow the DOC to build and sell homes is in fact government competing against the factory built housing industry. We think that type of public policy sends the wrong message to our existing businesses and to businesses considering locating to Kansas. Second, the DOC's existing Work Release Program provides training for inmates and it is not at the expense of private sector businesses. Third, HB 2510 ensures that the Legislature will set the policy concerning the DOC competing against the factory built housing industry.

Thank you Chairman Brown and members of the Committee for the opportunity to comment and I would like to respectfully ask that the Committee support HB 2510 and pass it out of Committee with a favorable recommendation.

ACROSS OUR REGION/STATE

Jim Smorada, regional editor 1-800-530-NEWS or 331-2376, Fax: 1-605-331-2294
Jonay Steen, Brookings, Lake, Moody counties, 692-3256

David Kranz, Minnehaha county, 331-2302
Randy Hascall, Lincoln county, 331-2320

LENNOX Low-cost housing option draws attention from elderly

Construction work done by inmates

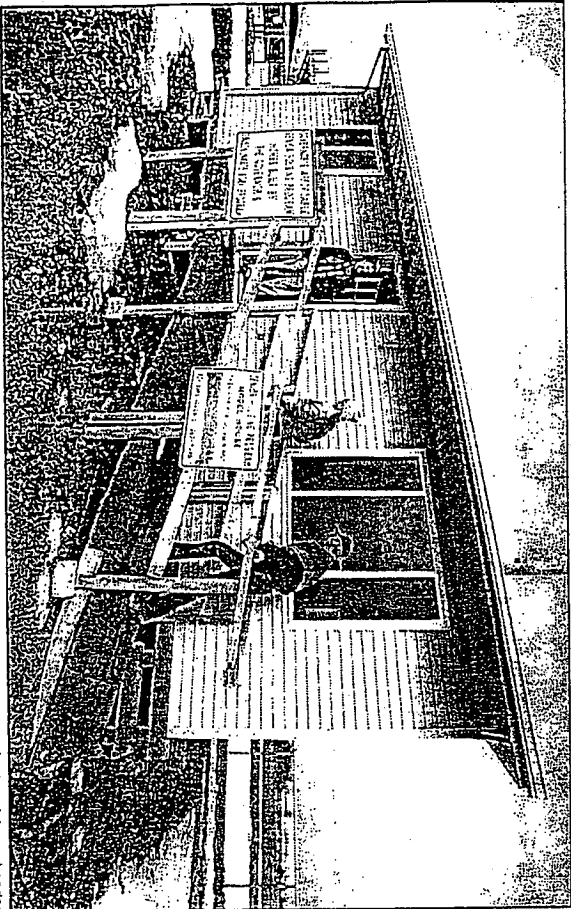
By RANDY HASCALL

Argus Leader Staff
For less than the price of a 1998 Ford Explorer, senior citizens can buy a new house.
All they have to do is provide a lot in a town with a population less than 5,000.

Through a program launched by Gov. Bill Janklow nearly two years ago, people who are at least 62 years old are eligible to buy a well-insulated, 788-square-foot home for \$19,400. The houses are constructed with 2-by-6 lumber and vinyl siding by inmates at the Springfield prison.

One of the homes has been placed on display at Lennox for the next month, and nearly 80 people toured it Saturday during an open house.
"It's a nice little house, and quite spacious," said Virgil Musch of the Lennox Industrial Development Corporation.
"I was quite surprised. It's put together well."

Several of those who toured the model home left with purchase agreements, said Erik Amundson of the South Eastern Council of Governments, which joined Lennox's development corporation and commercial club in sponsoring the event.
A home purchased now probably would be delivered in May, Amundson said, and eight to 10 weeks is the typical waiting period for construction and delivery.



Erik Amundson of Southeast Council of Governments welcomes Lennox area visitors to the senior housing open house in Lennox on Saturday. The house will be open again for showing on April 18 or by appointment.

More than 170 houses have been sold since the program started in April 1996, Amundson said. Demand has grown, so the state has added a second moving crew to keep up.
"In this area, it's starting to catch on," Amundson said.
"The program is in its early stages, so we expect interest to keep going up."
The program's benefits are two-

fold, filling a demand for affordable elderly housing while developing inmates' job skills, Amundson said.
Prison construction crews can work on 16 houses at a time, and the oak cabinets are built at the penitentiary wood shop in Sioux Falls. Most people who've looked at the homes have been complimentary of the work done by the inmates, Amundson said.

The program also benefits younger families because many senior citizens who move into the homes put their larger houses up for sale, Amundson said.
In some instances, small towns have bought several of the homes, then rented or sold them to senior citizens.
Recently, program eligibility was expanded to include people with disabilities.

Lloyd B. Cunningham/Argus Leader

HURLEY Couple happy with home purchase

By RANDY HASCALL

Argus Leader Staff
Fred and Vesta Schroedermeyer moved into an apartment after selling their farm near Hurley two years ago.
The only problem was climbing a dozen steps several times a day.

"I couldn't do it any more," 88-year-old Fred Schroedermeyer said.
The couple got a break when their daughter and son-in-law saw a newspaper advertisement about inexpensive homes for senior citizens. They learned they could buy a house built at the Springfield prison for \$19,400.

After visiting a similar home in Centerville, they bought a vacant lot in Hurley and placed their order.
"The first thing we knew, we had a house," he said.
More than 170 houses have been sold in eight dozen communities since the state program began in April 1996. Among the smaller

towns are Badger and Fulton, with populations barely topping 100.
Interest is growing steadily in this part of the state, said Erik Amundson of South Eastern Council of Governments.
Homes recently have been sold to residents of Centerville, Canton, Valley Springs, Hartford and Bridgewater.

Buyers are required to place the home on a 4-foot concrete foundation or a basement.
The Schroedermeyers have been in their home for a little more than a year. It's smaller than their farm house, but big enough for them, he said.
Heating bills have been fairly low, and the home has vinyl siding that won't require painting.
Schroedermeyer said.
"It's real well built underneath," he said. "I like it better all the time."
And best of all, there are no steps.

For more information

Through a state program, an elderly or disabled person can buy a home for \$19,400, plus taxes.
To tour a model home, or for information, call the South Eastern Council of Governments at 367-5390.

An open house will be held from noon to 4 p.m. April 18 at a display home in Lennox. The home is on the athletic complex at the southeast corner of Lennox.

