



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

TO: Senator Susan Wagle, Chairwoman
and Members of the Senate Commerce Committee

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

DATE: March 7, 2012

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

Chairwoman Wagle and Members of the Senate Commerce 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 in support of HB 2510.

KMHA requested the introduction of HB 2510, because over the past few 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, and 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?

Senate Commerce Committee

Date: March 7, 2012

Attachment 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 are released, however we feel that training should be done through the DOC's existing Work Release Program. In fact, the Manufactured Housing Industry has always participated in the Work Release Program. This program can provide valuable training for the inmate and the opportunity for the employer to gain a skilled employee without competing against private business.

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 about their program 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. Once they get their foot in the door they come back to the Legislature wanting to build larger homes to meet public demand." The factory built housing association along with the South Dakota homebuilders 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 in 2002.

The second attempt was in 2008, language was added to the House Transportation & Public Safety Budget Report 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. Both Chambers 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 House floor debate in 2008 on the omnibus bill there was an amendment offered to provide funding to expand the cabin program into building homes, however, the amendment failed.

The final and most current effort became known in January 2011, when 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; but what I discovered was, prior to the 2011 Session, the DOC and Kansas Housing Resources Corporation (KHRC) had been working together and came up with a way for the DOC to build homes that did not require legislative approval. As I understand it, the plan was for KHRC to provide the DOC with a 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; had quoted a price of \$66,000 and had located a facility to build homes - the former Schult Homes Corporation's facility in Plainville, Kansas, which closed in January 2008. All of these plans were made without any Legislative input.

On March 9, 2011, we met with Secretary Ray Roberts and all of the interested parties and after a long discussion the Secretary said that he was not interested in competing with private business. KMHA members sincerely appreciated hearing that comment and to my knowledge the DOC homebuilding plans have been put on hold.

Once again KMHA was able to 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. HB 2510 ensures that if there are changes in leadership or attitudes in Kansas and the State would like to allow 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.

During the hearing in House Commerce and Economic Development Committee, Secretary Roberts testified that his concern was the way the bill was **originally** drafted it would prohibit the DOC from continuing to build cabins for the Department of Wildlife, Parks and Tourism. **The bill was amended to define the cabin program (pg. 1, line 26-31) and then exempt the program from the prohibition (pg. 1, line 32-33).**

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. 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 Chairwoman Wagle 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
Jonny Steen, Bookings, 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, 768-square-foot home for \$19,400. The houses are constructed with 2-by-6 lumber and vinyl siding by inmates at the Springfield prison.

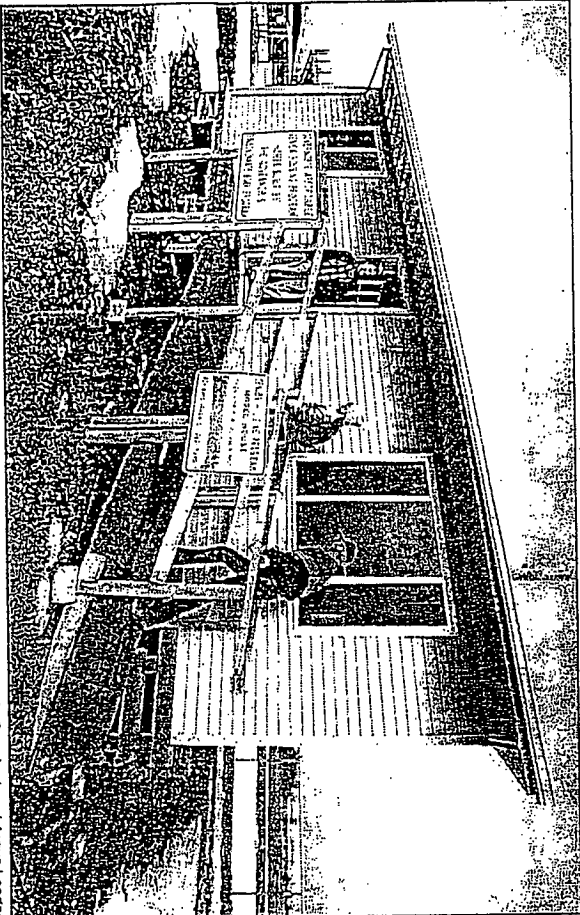
One of the homes has been placed on display at Lennox for the next month, and nearly 80 people toured it Saturday during an open house.

"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.

Lloyd B. Cunningham/Argus Leader

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 twofold, filling a demand for affordable elderly housing while developing inmates' job skills.

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.

HURLEY

Couple happy with home purchase

By RANDY HASCALL
Argus Leader Staff

Fred and Vesta Schroedermeier 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 Schroedermeier 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 Schroedermeiers 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.

Schroedermeier 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.

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News

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Prison labor could provide housing

Posted on Monday, January 24, 2011



By [Rachel Whitten](#)
January 24, 2011

([KansasReporter](#)) TOPEKA, Kan. – The Kansas Department of Corrections is considering putting inmates to work constructing low-income housing.

But it is still a long way off, said Bill Miskell, a department spokesman. The KDOC is working with other state agencies on issues like harming the private-sector construction industry.

"Those are the kinds of issues that are being discussed at the present time," Miskell said.

He added that the type of housing inmates would build is not the kind being built by construction companies in Kansas right now. Instead, inmates would work on manufacturing homes inside the prison gates that would be sent out after completion.

"What has been under discussion previously has been building small, single family housing units," Miskell said. "I'm not aware of anyone in Kansas in the private sector who is building these houses."

But Martha Smith, with the Kansas Manufactured Housing Association said they favor employing prisoners in work release programs while they serve their terms. A work release program would employ inmates within private industry instead of producing homes within prison walls.

"At this point in time with jobs so scarce, there really isn't a need for that kind of a program," Smith said. "The work release program is a better program for everyone because it doesn't take jobs away, it still provides training and if it works out, the prisoners have a job after they're released," Smith said.

Three years ago, Kansas was ranked 17th in the nation for producing manufactured homes, but now the state is not ranked at all after two factories were closed down, according to Smith.

"We provide affordable housing without any kind of subsidy," Smith said. She added that the Department of Corrections would have an unfair advantage over the private sector because they wouldn't have to pay taxes, retirement or overhead costs.

If inmates do build houses on prison grounds, the homes will be designed to go on a slab, and won't include a garage or extra features. Only 15-20 houses could be produced a year because of constraints on space within prison walls.

"We have been talking with local units of government and other kinds of community based groups about the possibility of being able to figure out how we could provide homes for this kind of a niche market," Miskell said.

Last year, through a partnership with the Kansas Department of Wildlife and Parks, inmates constructed small cabins that were placed at Scott Lake and Prairie Dog State Park. The program is looking to expand this year and build five cabins.

"It's a solid structure with bedrooms, kitchen and dining room but it's a relatively small structure and they have been transported for placement at one or more of the state parks," Miskell said.

The benefit of using inmate labor is two-fold, he said.

"It is helping teach extremely marketable skills for when they are released and it is designed to fill a niche for housing that doesn't currently exist in communities that need this kind of housing," Miskell said.

He could not lay out a timeline for when the program building houses would begin if it's approved by the proper channels.

1-6

Currently a crew from the Topeka Correctional Facility works on rehabilitating and repairing low-income housing under the direction of the City of Topeka, but crews are not constructing new projects.

Oklahoma and at least one other state have already implemented a program that puts inmates housed in state prisons to work building homes.

In 2009, the federal penitentiary system had 18,972 inmates working in various factories producing goods and services like clothing and electronics, which are only available for purchase by the federal government.