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TO: Senator Julia Lynn, Chairperson
and Member of the Senate Commerce Committee

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

DATE: February 7, 2013

RE: SB 74 - Concerning the prison-made goods act; prohibiting the manufacture or
production of manufactured homes or modular homes

Madam Chairwoman 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 SB 74.

KMHA requested the introduction of SB 74, 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 that 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 .60 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?

The housing industry across the nation has been hit hard with the economic recession, and the factory built housing industry was hit hard and hit earlier than the traditional housing industry. Since 1998, the industry in Kansas has seen a steady decline in sales; in fact, sales of manufactured homes in

Senate Commerce Committee

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Attachment: 1

Kansas have fallen 73% since 2002. In the past five years Kansas has lost four manufacturing facilities: Schult Homes Corp., Plainville; Skyline Corporation, Halstead; Liberty Homes, Yoder and KanBuild, Osage City. With the close of each of these facilities Kansas lost approximately 125 to 200 jobs. Nationally, in 2002 there were 235 facilities building manufactured homes and Kansas was ranked 17th the in production of manufactured homes. Today, there are 122 facilities and Kansas is no longer ranked in the production of homes. The closure of the four production facilities has had a domino effect on the companies that supplied the factories; four Kansas supplier/distributor companies have closed their doors since 2006. The industry has also lost countless retail centers across the state.

Again, the 73% downturn in sales over the past ten years and the job losses are due to the economic climate and while we are optimistic that the housing industry is on a comeback, these numbers will hopefully illustrate how important **every** home is to the survival of the Industry.

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 has utilized 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 doing with the Work Release Program, the Reentry Program, KANSASWORKS, Department of Commerce and the local 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 all without competing with the private sector.

There have been several attempts over the years 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. HB 2965 did not pass 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. The amendment failed.

In January 2011, I was contacted by a reporter who 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. I discovered that the program was far enough along that the DOC already had potential clients, two blueprint options available a 1,624 square foot home or a 1400 square foot home; 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 and his staff on March 9, 2011, and after a long discussion with all of the interested parties - including a KMHA Board Member - at the end of the meeting the Secretary said that he was not interested in competing with private business. To my knowledge, the DOC homebuilding plans have been put on hold. The Legislature once again included language in the 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 straightforward 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.

KMHA requested SB 74 to ensure that if the State of Kansas would like to allow state government to compete against the private sector (factory-built housing industry) that the Legislature will be engaged in that decision. We feel that the legislative process is critical in determining public policy and should not be sidestepped.

In closing, KMHA strongly believes that a state agency should not engage in direct business competition against private businesses that employ Kansas citizens and pay taxes. Allowing the Department of Corrections to build and sell homes would create unfair government competition against the factory-built housing industry, which would harm Kansas businesses and risk the elimination of jobs for Kansas workers. SB 74 is narrowly focused and ensures that if the State of Kansas decides to build and sell homes to the public, the Kansas Legislature will be involved in that decision.

Thank you Chairwoman Lynn and Members of the Committee for the opportunity to comment and I would like to respectfully ask that the Committee support SB 74.

ACROSS OUR REGION/STATE

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LENNOX Low-cost housing option draws attention from elderly

Construction work done by inmates

By RANDY HASCALL

Augus 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.

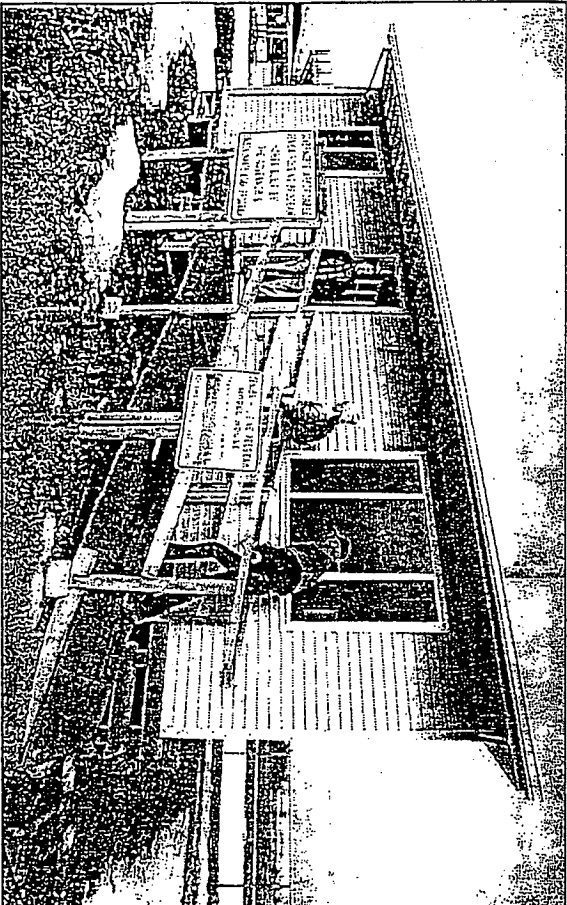
One of the homes has been placed on display at Lennox for the next month, and nearly 60 people toured it Saturday during an open house.

"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.



Lloyd B. Cunningham/Augus Leader

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 twofold, 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.

HURLEY Couple happy with home purchase

By RANDY HASCALL

Augus Leader Staff
Fred and Vesia 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.