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TO: Representative Marvin Kleeb, Chairman
and Member of the House Commerce & Economic Development Committee

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

DATE: March 11, 2013

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

Chairman Kleeb and Members of the House Commerce & 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 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 to \$1.00 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?

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.

What SB 74 does is it ensures 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 discussion and the Legislature will make that decision. We feel that the legislative process is critical in determining public policy and should not be sidestepped.

The Senate Commerce Committee amended SB 74 to allow the Department of Corrections to build any freestanding structure that does not exceed 1000 square feet, for any state agency, for that agency's use. On February 20, 2013, the Senate passed SB 74 as amended 36 to 4. The bill you have before you is a compromise between proponents and opponents.

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 Chairman Kleeb and Members of the Committee for the opportunity to comment and I would like to respectfully ask that the Committee support SB 74 as it is currently amended.