



TO: Representative Mark Hutton, Chairman
and Members of the House Commerce, Labor and Economic Development
Committee

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

DATE: February 15, 2016

RE: HB2618 & HB2648 – Prison Made Goods Act

Chairman Hutton and Members of the House Commerce, Labor 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 comment on HB2618 and HB2648.

KMHA would like to express our opposition to HB2618 that amends the language in K.S.A 75-5275 to allow the Department of Corrections to sell to any person who is a resident of Kansas and to HB2648 that would amend K.S.A. 75-5275a to allow Ellsworth correctional facility to start building and selling homes to the public. Our opposition comes from our past experience with this issue. In 2010, the Legislature passed language which was similar to line 20-23 on page one of HB 2618. The bill took effect upon publications in the statute book. Within five months of publication, Kansas Correctional Industries had two blueprints to build homes; one with over 1600 square feet and the other with 1400 square feet. Consequently, KMHA worked with the Governor's office and the Legislature to pass SB 74 which prohibits the Secretary of Corrections from establishing or maintaining a home building program which produces housing units which would compare with manufactured or modular homes **however**, it allows the Department of Correction to build any structure for any state agency that does not exceed 1,000 square feet (K.S.A. 75-5275a).

When KMHA first introduced legislation it prohibited the Department of Corrections from building and selling homes. During the House Commerce Committee hearing the Department of Corrections said that they would not oppose the bill if they could continue to build the cabins for Wildlife and Parks, we agreed and the bill was amended even though KMHA had a member building cabins for Wildlife and Parks. Then during the Senate Commerce Committee hearing they came back saying they needed to be able to build other structures for other state agencies; we agreed and amended the bill.

KMHA is seeing a very familiar pattern; first the Department of Correction is given the ability to sell to anyone in Kansas – HB 2618. Then HB 2648 will allow Ellsworth Correctional Facility to build homes. The next step will be to allow the other facilities the same ability to build and sell homes. The proponents of HB 2648 have stated to me that it will be no more than five homes yearly, it's a minimal amount. How many of the proponents would be willing to give up part of their wages to their competitor that does not have to pay the same business expenses? That is what this legislation is asking the housing industry to do.

As you know private business must pay a competitive salary, federal and state income taxes, worker's compensation, unemployment insurance, property tax, sales tax and all of the general costs associated with owning and operating a business (liability insurance, state and local licenses, etc.). All of the expenses private business incurs must go into the cost of their products. In contrast, the DOC pays approximately \$1.00 a day for inmate labor, they have a captive labor force, and they pay no federal or state income tax, no property taxes and no unemployment insurance or worker's compensation on their laborers. With all of the government exemptions that the Department of Corrections enjoys, what private business could possibly offer the same product at a competitive price?

Specifically, with regards to HB 2648, let me provide an example of what is being proposed for Kansas has worked in South Dakota. The South Dakota Department of Corrections started a homebuilding program sometime in 1990s; initially their homes were for communities with less than 5000 people; the homes were 768 square foot and they were for handicap individuals and people 62 and older. Now the program is available to any community and to anyone under age 62 with a net worth of less than \$99,999.; the homes are over 1000 square feet or over 2000 square feet with basement and the agency also offers plans to finish the basement. This program continues to exist even with the factory built housing and the site built housing industry in South Dakota working to reign in the program.

Once this door is opened it will be next to impossible to close. As Legislators, you know how difficult it is to reign in a government program once it has been started and there are people dependent upon it.

We would ask you to consider, if this legislation, which expands government into the private sector represents good public policy then it shouldn't it be good for other industries in Kansas, not just the housing industry?

We do understand the Department of Correction'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 this program and we have hired the individuals participating in the program when we have job openings.

KMHA strongly believes that a state agency should not engage in direct business competition against private Kansas businesses that employ Kansas citizens and pay taxes. Allowing the Department of Corrections to sell to any resident of Kansas is the first step in allowing government to compete with private sector which will harm Kansas businesses and risk the elimination of jobs for Kansas workers.

KMHA would respectfully ask you to not support either bill (HB2618, HB2648) and keep government from expanding into the private sector. Thank you for allowing me to present comments from KMHA.