

MINUTES OF THE HOUSE NEW ECONOMY COMMITTEE.

The meeting was called to order by Chairperson Bill Mason at 3:39 p.m. on February 21, 2002 in Room 241-N of the Capitol.

All members were present

Committee staff present:

April Holman, Legislative Research Department
Bob Nugent, Office of Revisor of Statutes
Renaë Jefferies, Office of Revisor Statutes
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Dean Carlson - Secretary, Department of Transportation
Joe Fritton - Director of Facilities Management
Larry Robbins, Plant Manager, Goodyear Tire and Rubber Company
Christy Caldwell, The Greater Topeka Chamber of Commerce
Bonnie Sharp, Representative of Kansas Legislature
Roger Haden, Deputy Secretary of Programs of Correctional Industries
Greg DuMars, City of Lindsborg (written testimony only)

Others attending:

See attached list

The Chairman opened the hearing on **HB2950**. Staff briefed the Committee, stating the bill would require that any expenditures from the State Highway fund, or any special revenue fund of the Department of Transportation or any other agency, for fiscal year 2002 or 2003, that would be used for the construction of a tunnel network in the Capitol Area Complex, must be specially approved by acts of the Legislature.

Joe Fritton, Director of Facilities Management, spoke in support of the pedestrian and utility tunnels in the Capitol Complex and outlined the history of the project (Attachment 1). Replacement of the existing utility tunnels and construction of the new utility tunnels would require \$3.8 million in state funds. By building the pedestrian tunnels in conjunction with the utility tunnels, only \$1 million of state funds will be needed due to \$10 million in Federal funds. A large hand-out reflecting pictures of the existing tunnel compared to how a new tunnel would appear and a map reflecting the proposed tunnel locations were distributed to the Committee (copy on file at the Department of Administration).

Discussion followed regarding how the Federal Dollars (\$10 million) would be used if **HB 2950** past, source of the state portion of funding, percent of the tunnel that needs to be replaced, pros and cons of burying cables in the ground, who benefits from the pedestrian tunnels and what security measures would be in place for use of the tunnel and the parking garage. Mr. Fritton invited interested Committee members to tour the existing tunnel.

Questions were raised regarding whether the tunnel would meet the requirements of the resolution requiring new projects be in compliance with the energy conservation issues. Mr. Fritton agreed to check and provide additional information to Representative Kuether. The design and dimensions of the tunnels were described as well as the time frame for development and construction.

The need for a tunnel to the SBG building was questioned and additional costs for that portion of tunnel were explained. Discussion followed regarding what additional costs the state would bear that are beyond the federal dollars for the tunnel project, and the rationale behind building the pedestrian tunnels at this time.

Secretary Carlson briefed the Committee on the history of events that developed into the projects current design (Attachment 2). He stated that the project complies with program requirements and the Federal Highway Administration has agreed that it is an appropriate use of funds. He spoke of the difficulty in getting information out to the public, stating that the media had blown the issue out of proportion. He addressed the security and energy issues associated with the tunnels.

CONTINUATION SHEET

Discussion followed regarding the use of those federal funds in past years and the time frame in which those funds must be used. Representatives expressed frustration over the timing of the project, due to budget constraints, and how many constituents view this tunnel expenditure. The Chairman called attention to a letter from Greg DuMars, City of Lindsborg, voicing opposition to the tunnel project (Attachment 3), before closing the hearing on **HB 2950**.

The Chairman opened the hearing on **HB 2962**, an act concerning Kansas investments in major projects. Staff explained the bill would lower the threshold to qualify for the IMPACT program and reviewed the fiscal note.

Larry Robbins, Goodyear Plant Manager, appeared in support of **HB 2962** (Attachment 4). He reviewed the Topeka Plant's history, its impact on the Community, current opportunities for Topeka and the future viability of the Plant. He concluded by stating that investment in business is critical for growth.

Christi Caldwell, Vice President of the Greater Topeka Chamber of Commerce, expressed their support for **HB 2962** (Attachment 5). By reducing the thresholds in the IMPACT act companies across the state may be able to utilize this program as they work to preserve existing jobs and/or create new ones.

Discussion followed regarding the fiscal impact on the state and the history of usage of the existing bill. The Chairman closed the hearing on **HB 2962**.

The Chairman opened the hearing on **HB 2965**. Staff explained the bill seeks to establish a three year pilot affordable housing program where the Secretary of Corrections would use inmate labor to build small, low cost housing and the fiscal impact of the startup costs.

Representative Bonnie Sharp testified on behalf of **HB 2965**, a Kansas Futures Committee bill (Attachment 6). She reviewed the program's history that started in 1996 in South Dakota and outlined six things the bill would accomplish. The program provides prisoners with the opportunity to learn new skills, seniors a small, low maintenance home so they can continue to be independent, and larger homes (being vacated by senior citizens) to be sold to younger families. Discussion followed regarding the funding mechanism, competition and resistance to builders.

Roger Haden, Deputy Secretary of Corrections appeared in support of **HB 2965** (Attachment 7). The Department believes such a program has merit and could further the State's interest in both providing affordable housing for qualified citizens and in providing valuable employment training and work experience for inmates in the correctional system. His testimony included; affordable housing program assumptions, cost estimates, initial inventory, total startup cost and estimated selling price. In conclusion he stated that if they are to proceed with this program, they will need to receive the startup and operating costs as the Department would not be able to absorb these expenditures.

Discussion followed regarding the unit pricing compared to private industries homes. Details on the original program in South Dakota were described.

The Chairman closed the hearing on **HB 2965**.

The next meeting is February 26 in Room 522-S.

The meeting adjourned at 5:30 p.m.

NEW ECONOMY COMMITTEE

2-21-02

Name	Representing
Martin Hawver	Hawver's Capitol Report
RIP Bonnie Sharp	
Carol Ompner	KONS
HAROLD BENNETT	KDOT
Nancy Bogina	KDOT
Dean Carlson	KDOT
Dan Balth	DFM
Danil Ekensult	DFM
Joe Fritton	DFM
Don Etzel	DFM
LARRY ROBBINS	GOODYEAR TIRE
Wil Leiker	Goodyear TIRE
Judy Shaw	Goodyear Tire & Rubber Co.
STEVE KEARNEY	" " " "
Richard Crawford	Kansas Correctional Inst.
Charles Simmons	Kansas Dept. of Corrections
Roger Haden	Kansas Dept. of Corrections
Missy Jace	Representative Gordon's Intern
Barb Reavis	Office of the Governor
D. KEITH MEYERS	DEPT. OF ADMINISTRATION
Ben Bauman	Def A
Rae Anne Davis	KDOETH
Randy Speaker	KDOC + H
Allison Gallaway	House Minority Leaders Office
Marta Sue Smith	KMHA
Christy Caldwell	Topeka Chamber of Commerce
Terry Heathernon	KCCI

**TESTIMONY TO
HOUSE COMMITTEE ON NEW ECONOMY
BY JOE FRITTON, P.E.
DIRECTOR, DIVISION OF FACILITIES MANAGEMENT
February 21, 2002**

House Bill 2950

An Act Concerning Limitations on Expenditures for Certain Capital Improvement Projects.

Mr. Chairman and members of the committee:

Thank you for the opportunity to provide information regarding tunnels in the Capitol Complex. My name is Joe Fritton and I am the Director of the Division of Facilities Management for the Department of Administration. My Division is responsible for design, operations and maintenance of the facilities in the Capitol Complex and for providing administrative oversight of all state funded building construction projects in the State of Kansas.

The Department of Administration supports the tunnels in the Capitol Complex and would like to outline the history of the tunnel project with the hopes of clearing up any misconceptions about the project.

In December 1997, the Joint Committee on State Building Construction was made aware of the condition of the utility tunnel used to provide steam from the Statehouse to Memorial Hall, Landon Building and the Kansas Judicial. The Legislature authorized \$40,000 from the State Buildings Depreciation Fund for FY 1999 to study the tunnel project.

At that time, members of the Joint Committee on State Building Construction asked the Department of Administration to study the possibility of a pedestrian tunnel between Landon and Memorial Hall to be included in the Memorial Hall renovation. In 1998 the Department of Administration requested \$270,000 from the State Buildings Depreciation Fund for FY 2000 to coordinate with the construction of Memorial Hall (then scheduled to start in calendar 1998). The legislature authorized \$270,000 from the State Buildings Depreciation Fund for FY 2000 for the pedestrian tunnel.

Additionally in 1998, the Department of Administration requested \$200,000 to design and begin installation of a utility and pedestrian tunnel between the Landon Building and the Statehouse. The Legislature authorized \$138,400 from the State Buildings Depreciation Fund for FY 2000.

In 1999, incremental funding was requested to support coordinated design of a tunnel system with Statehouse renovation and start construction to connect the Landon Building to the Statehouse tunnel. The legislature authorized \$345,500, a portion of the request, from the State Buildings Depreciation Fund for FY 2001.

In 2000, the Department of Administration modified the requested tunnel scope to encompass a Capital Complex wide utility plan. At this time the Department of Administration became aware of the availability of Federal funds for this project. The Department requested addition funding in order to provide \$1 million, in state funds. This funding would allow the State to utilize \$10 million dollars of federal alternative transportation modes funding. Since the project start date of the Statehouse and SBG renovations would not occur until FY 2003, the Governor
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and the Legislature did not authorize additional funding in FY 2002.

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ATTACHMENT 1

In 2001, the Department of Administration requested \$345,500 from the State Buildings Depreciation Fund for FY 2003 to complete funding authority necessary for completing design of pedestrian/utility tunnels. This amount along with previously allocated funding will provide \$1 million in state funds.

Replacement of the utility tunnels only will require \$3.8 million in state funds. By building the pedestrian tunnels along with the utility tunnels, only \$1 million of state funds will be required. Additionally by utilizing the federal funds, the state will gain both a utility and pedestrian tunnel to the SBG building.

Mr. Chairman, I stand for questions.



KANSAS DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY OF TRANSPORTATION

E. Dean Carlson
Secretary of Transportation

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Bill Graves
Governor

TESTIMONY BEFORE THE
HOUSE NEW ECONOMY COMMITTEE

REGARDING HOUSE BILL 2950
RELATING TO LIMITATIONS ON CERTAIN CAPITAL IMPROVEMENT
PROJECTS TO CONSTRUCT A TUNNEL NETWORK IN THE CAPITOL
AREA COMPLEX

February 21, 2002

Mr. Chairman and Members of the Committee:

I am E. Dean Carlson, Secretary of the Kansas Department of Transportation (KDOT). On behalf of the Department, I am here to provide testimony on House Bill 2950.

The Department of Administration has described in the development of the Governor's Capitol Area Complex Plan the necessity of replacing and expanding the existing utility tunnels. In the summer of 1999, it became apparent that KDOT was moving into the Security Benefit Group (SBG) Building, even though this was the fourth choice among the options presented to KDOT. My choice was to consolidate in the Docking Building and avoid the disruption as we work on the Comprehensive Transportation Program. However, I spoke with Secretary Stanley about the possibility of using one hundred percent federal transportation dollars for the development of a combination underground pedestrian/utility tunnel that would provide access to the Capitol from SBG, League of Municipalities, Landon, Memorial, and the Curtis Buildings. This money would provide additional funding, reduce the use of state dollars, and still accomplish the goal of addressing the upgrading of the existing utility tunnels. The money to accomplish this goal would come from the Transportation Enhancement (TE) Program.

The "tunnels" project complies with program requirements and the Federal Highway Administration has agreed that it is an appropriate use of funds. I would like to point out that by funding this \$10 million project under this program the cost to the state funds is approximately \$1 million instead of the estimated \$3.8 million.

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Many state departments of transportation have kept a large share of the Transportation Enhancement dollars for their own purposes. Since the beginning, KDOT has used only three percent of the nearly \$90 million for their own purposes but has made the remainder available to local communities and other state agencies, mainly the Kansas State Historical Society. We have received national awards for our program. This project will not jeopardize the future of our program or require us to withdraw any committed dollars.

I consider this project an improvement and an enhancement to the Capitol Area Complex by providing a transportation service to its constituents, its customers, and the general public, while complying with the Transportation Enhancement Program requirements. It is an expansion of an existing pedestrian tunnel system and will provide public pedestrian access, arguably, to one of the most historic buildings in the state, the State Capitol. This is not a new concept and many cities such as Indianapolis and Minneapolis have used federal funds for traffic-separated pedestrian facilities in core areas with great success.

In summary, I strongly oppose House Bill 2950.

CITY OF LINDSBORG

FACSIMILE TRANSMITTAL SHEET

TO:	Bill Mason, Chairman	FROM:	Greg DuMars
COMPANY:	Committee on the New Economy	DATE:	2/21/2002
FAX NUMBER:	785-368-6365	TOTAL NO. OF PAGES INCLUDING COVER:	2
PHONE NUMBER:	785-296-7636	SENDER'S REFERENCE NUMBER:	2002 21 02
RE:	House Bill No. 2950	YOUR REFERENCE NUMBER:	

URGENT FOR REVIEW PLEASE COMMENT PLEASE REPLY PLEASE RECYCLE

NOTES/COMMENTS:

Testimony attached in support of House Bill No. 2950

February 21, 2002

Dear Chairman Mason and Committee Members on the New Economy:

The City of Lindsborg would like to thank you for taking the time to consider this testimony in support of HB 2950.

The tunnel network project in the capitol area complex is not so desperately in need that it cannot wait until the 2004 fiscal year. During this year of hard decisions concerning the State of Kansas budget for fiscal year 2002 and for fiscal year 2003, it seems prudent to delay the project until the revenue stream improves. We are well aware that the state department of transportation proposes to use transportation enhancement dollars from the Federal government for this project, but couldn't those dollars have more of an impact on the State's economy if they were used for projects within communities throughout the State. Projects like hiking and biking trails could be developed within communities, improving the quality of life. Historic preservation, development of tourist and welcome center facilities, and establishment of museums could be accomplished with these dollars. This could invigorate new life in many cities.

Furthermore, the transportation enhancement program requires a 20% match for its use. The estimated cost of the capitol tunnel network is \$10 million dollars. Where is the \$2 million dollar match to come from during the extremely tight budget years? Every program that the State of Kansas offers and every State of Kansas agency will have to share in the pain of the tight budget years, \$2 million dollars just adds to the pain.

Because of the enormous benefit that the transportation enhancement dollars could have in the communities of the state and because of the austere revenue stream for fiscal years 2002 and 2003, the City of Lindsborg urges the Committee on the New Economy to support House Bill No. 2950 and forward it on to the full House of Representative for consideration.

City of Lindsborg, Kansas

New Economy Committee Testimony
(Larry Robbins, Goodyear-Topeka Plant Manager)

- I. Goodyear – Topeka Plant History.
 - A. Manufacturing tires and tire products since 1945.
 - 1. Current product line includes medium radial truck tires, radial and bias earthmover tires, and military tires.
 - B. Size of facility is 69 acres (3 million square feet) under roof.
 - 1. Approximately 1750 associates.

- II. Impact on Community
 - A. Largest manufacturer in the area.
 - B. Fifth largest employer overall in Topeka.
 - C. Associates live in more than 70 surrounding cities.
 - D. Annual payroll of more than \$100 million.
 - E. Associate's average hourly earnings of \$40.00.
 - F. Purchases of \$34.5 million of goods and services.

- III. Current opportunities for Topeka – Goodyear.
 - A. Under consideration for \$100 - \$130 million investment.
 - B. Newest technology in radial truck tire building.
 - C. Newest concept available in EM tire market.
 - D. Would insure future viability of plant for years to come.

- IV. Future Viability of Plant
 - A. Investment critical to future of plant.
 - 1. Missing this opportunity could mean “the beginning of the end”.
 - B. Floor space available for additional investment.
 - C. Retain jobs first – Job growth second.
 - 1. Employment history.
 - D. Manufacturing is the backbone of the economy.

- V. Future Viability of Kansas.
 - A. Investment critical for growth.



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Testimony before the House New Economy Committee
February 21, 2002
HB 2962
By Christy Caldwell, Vice President Government Relations
Greater Topeka Chamber of Commerce

Chairman Mason and members of the committee, thank you for the opportunity to address you today.

The Greater Topeka Chamber of Commerce would like to express our support for HB 2962 which changes languages in the IMPACT act reducing the thresholds to allow more Kansas companies to utilize this program.

IMPACT (Investment in Major Projects and Comprehensive Training) has two major components. The State of Kansas Investment in Lifelong Learning (SKILL) which funds workforce training programs and the Major Project Investment Fund (MPI) which covers other expenses associated with business expansions. The IMPACT program is funded through a diversion of a portion of the withholding taxes of new or existing jobs. Public purpose bonds are issued as needed by the Kansas Development Finance Authority and those bonds are paid off with those diverted withholdings.

Two years ago the IMPACT act was amended to allow for retraining of existing jobs. Thresholds were created to access the program: the training must be for 1000 employees and there must be more than \$250 million in capital investment. These thresholds make it difficult for many companies to qualify. HB 2962 drops the thresholds to 250 employees and \$50 million in investment.

Our state is now in a recession and communities across the state are trying to hold on as businesses are laying off employees. Certainly this is our experience here in Topeka. We are trying to do everything we can to maintain the jobs we have and certainly grow jobs wherever possible. We are currently working with Goodyear, our largest manufacturer, to attract new investment to the Topeka plant. This investment would insure that existing jobs are not lost. Topeka Goodyear is competing with other Goodyear plants for this investment. We want to provide the best possible incentive package in order to attract this investment. Reducing the thresholds in the IMPACT act will allow us to utilize this program to train their existing employees for this new product line. We do believe keeping Goodyear a viable manufacturing company in Topeka is not only good for Topeka, it is good for the state.

We also believe that by reducing the thresholds in the IMPACT act other companies across our state may be able to utilize this program, as well, as they work to preserve existing jobs and/or create new ones. We ask for your support of HB 2962.

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 REPRESENTATIVE, THIRTY-FIRST DISTRICT
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TOPEKA

HOUSE OF
 REPRESENTATIVES

February 21, 2002

COMMITTEE ASSIGNMENTS

RANKING MINORITY MEMBER: KANSAS FUTURES
 MEMBER: FINANCIAL INSTITUTIONS
 INSURANCE
 TAXATION

Chairman Mason and Committee Members:

Thank you for the opportunity to testify on behalf of House Bill 2965, which establishes an affordable senior housing pilot project under the Department of Corrections.

Statistics show that it is cost effective to keep seniors independent. However, in today's world it is becoming more difficult. For policy makers this dilemma is of great importance, especially in Kansas. Kansas ranks fifth among the states as having the oldest population, according to the 2000 Census. The good news is we live longer in Kansas, but with this blessing comes a whole host of policy challenges. We must look at new ways to ensure a high quality of life for our aging population.

House Bill 2965 is a Kansas Futures Committee bill. This bill is based on an innovative plan whereby prison inmates build housing for the elderly. It began in 1996 with an executive directive from Governor William Janklow of South Dakota. The South Dakota plan has a proven record. Many states are looking at its success, and two states have used its model for addressing their needs.

House Bill 2965:

1. Creates an affordable housing initiative with the Department of Corrections.
2. This would begin as a three-year pilot project to train and use inmates within the Department of Corrections. The affordable houses will be built at a designated facility and then would be transported to qualified purchasers in Kansas' communities.
3. A fund will be established for the deposit of payments for homes constructed under this initiative. Balances in this fund would be used for paying expenses for construction costs to continue the project.
4. The Secretary of the Department of Corrections will be charged with developing and administering this project. The Secretary is encouraged to look at a similar program in South Dakota as guidance in developing the Kansas initiative.
5. Although this initiative should end up revenue neutral, the Department of Corrections is directed to work with appropriations for any start up funds.
6. The authority for this program is placed with the Secretary of the Department of Corrections and the secretary shall report in January of each year to the legislature on the progress of the program.

This initiative provides prisoners with the opportunity to learn new skills, seniors a small, low maintenance home so they can continue to be independent, and larger homes (being vacated by senior citizens) to be sold to younger families. As of the end of Fiscal Year 1998, 199 homes had been sold in South Dakota and placed in 118 communities under Governor Janklow's Affordable Senior Housing Program. This would be a new opportunity for Kansas, but it has a proven record in addressing the needs of a growing population of seniors in South Dakota.

Thank you again for this opportunity to testify before your committee. I ask for your consideration of this initiative and favorable passage of H.B. 2965. I will stand for questions.

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 ATTACHMENT 6



DEPARTMENT OF CORRECTIONS
OFFICE OF THE SECRETARY
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Topeka, Kansas 66612-1284
(785) 296-3317

Bill Graves
Governor

Charles E. Simmons
Secretary

Date: February 21, 2002

To: Committee on New Economy

From: Roger Haden, Deputy Secretary of Corrections

A handwritten signature in black ink, appearing to be "RHA", written over the name "Roger Haden".

Re: HB 2965 Affordable Housing Pilot

House Bill Number 2965 seeks 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. The houses would be built on site at a correctional facility and transported to the purchaser's designated site. The Secretary of Corrections would be required to seek appropriations for all start-up and operations cost for the Kansas Affordable Housing Operation (KAHO) fund. The pilot would operate for three years subject to legislative extension.

The Department believes such a program has merit and could further the State's interest in both providing affordable housing for qualified citizens and in providing valuable employment training and work experience for inmates in the correctional system. In fact, the Department of Corrections, in cooperation with the Department of Commerce and Housing, has previously considered the feasibility of implementing such a program modeled on one operating in South Dakota. In 1999, Secretary Simmons and other department staff traveled to South Dakota to review that state's affordable housing program. The Department, through Kansas Correctional Industries (KCI) began developing a business plan which, at that time, would have been implemented at the Norton Correctional Facility.

The initial plan would have established the program as an industry managed by Kansas Correctional Industries and involved cooperation among several agency participants to meet a variety of implementation and operational issues. The Department did not proceed with the plan at that time primarily because of funding limitations. For the purpose of providing information to the Committee, I have provided below a brief description of the major features of that initial plan, including updated cost projections.

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Affordable Housing Program Assumptions: The Department's initial business plan included the following assumptions:

- The Department would establish a new correctional industry division to be located at Norton Correctional Facility.
- KDOC/KCI would be responsible for:
 - Building, storing, and transporting finished houses to the homeowner's site.
 - Complying with building specifications and construction plans developed in cooperation with the Kansas Department of Commerce and Housing.
 - Employing sufficient administrative and supervisory personnel to manage the production site, supervise inmate workers, purchase materials and supplies, schedule production phases, provide accounting service, and prepare the houses for transportation.
 - Pricing the house at the break-even point for this program of KDOC.
 - Providing labor and supervision for the infrastructure development including pouring the concrete road and pads, fence and gate construction, site utilities, and storage building.
 - Providing through the Department's Education Contract Provider vocational training specific to construction trades to inmates who would subsequently be employed by KCI in the house construction industry.
- Construction of the houses would be accomplished utilizing 10 separate production sites.
- The staffing necessary at full operation would include four FTE positions:
 - 1 - Industry Manager
 - 2 - Industry Supervisors
 - 1 - Correctional Officer
- In full operation, the industry would employ 40 inmate workers who had been previously trained or who had construction experience.
- The volume of projected annual sales was 50 units.
- Houses would be constructed at the NCF production site and moved to storage location at NCF until transported to purchaser's site.
- The Department would contract with outside businesses for the transportation of completed units to homeowner sites.
- The homeowner would be responsible for securing and completing site work including foundations, utilities, and other homeowner responsibilities.
- Marketing of the houses would be accomplished through a partnership with a local non-profit housing development agency.
- Restricted target area for sales (16-counties in Northwest Kansas)

In addition, the plan identified several issues that are outside the Department's area of expertise and for which the Department would seek assistance from the Department of Commerce and Housing (KDCH) and other state or local agencies. These include:

- Coordinating with local government and community housing development agencies to include community education and acceptance of program.
- Evaluating the impact on private sector businesses.
- Determining eligibility of purchasers and monitoring compliance.
- Developing complete building specifications and construction plans (blueprints) that have been approved by a certified architect and comply with state and federal regulations applicable to low-income housing programs.
- Identifying the geographic areas to serve and estimating the number of houses that will be sold prior to the beginning of each succeeding year. Placing the construction sites at any specific correctional facility will limit the geographic area for potential sales. Extensive transportation costs may drive the total cost of the unit to the homeowner above what the house could be built for locally.
- Developing and implementing a marketing plan for the completed houses. Currently KCI is restricted from selling to private individuals. Additionally, KCI lacks sufficient marketing staff and resources to develop and meet sales estimates required to ensure the program is financially self-supporting.
- Coordinating the completion of site work including foundations, utilities, and other homeowner responsibilities with the delivery date of houses.

Cost Estimates

Infrastructure

Concrete construction pads	\$48,000
Concrete road	\$54,000
Site utilities	\$45,000
Fence around construction site (650 ft. @ \$20/ft.)	\$26,250
Wide perimeter gate	\$24,000
Storage building (40' x 120') @ \$13/sq. ft.	<u>\$62,400</u>
	\$259,650

Initial inventory

The following estimate is based on information obtained from South Dakota and the following assumptions have been made:

- That the size of the house is 24' x 32' (768 sq. ft.).
- That material costs are \$13,650 per house in South Dakota.
- That material costs will be 15% higher in Kansas due to freight charges and smaller quantities.

$\$13,650 \times 15\% = \$15,975 \times 30 \text{ houses} =$	\$479,250
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Tools and equipment

Pneumatic power tools	\$ 8,000
Electric power tools	\$ 9,000

Hand tools	\$ 3,000
Scaffolding	\$ 8,500
Supplies (nails, screws, glue, etc.)	\$12,500
Moving equipment (jacks, beams, etc.)	<u>\$34,000</u>
	\$75,000
<u>Vehicles</u>	
Tractor/trailer (used)	\$65,000
Pickup (used)	\$ 4,000
Forklift (federal surplus property)	<u>\$10,000</u>
	\$79,000
<u>Salaries</u>	
Project Manager	\$44,125
Work Supervisor*	\$37,044
Correctional Officer	\$31,242
Inmate Incentive Pay**	<u>\$ 9,133</u>
	<u>\$121,544</u>
	=====
Total startup cost	\$1,014,444

*One Supervisor is projected for the first year start-up. Once the program is in full production, a second supervisor position would be necessary for the second and subsequent years.

**Inmate incentive pay represents 20 inmate workers for approximately a 6-month time frame. Inmate workers would be utilized to build the necessary infrastructure as well as the initial contingent of houses. The number of inmate workers would increase to 40 for the second and subsequent years.

Estimated selling price

This prospectus is based on a sales volume of 50 houses per year. The salaries, amortization, and support allocations distributed to the sale price of each house is based on sales volume of 50 houses. It should be understood that if the sales volume falls short of 50, the program would lose money with a fixed price and lower volume. As the volume exceeds 50 those fixed overhead costs can be spread over more houses reducing the cost of each home sold.

Materials	\$15,975
Salaries	\$ 4,600
Inmate Incentive	\$ 800
Administrative Support	\$ 1,000
Depreciation	\$ 500
Moving	<u>\$ 5,000</u>
	\$27,875

Implementing the Program

For the Department to proceed with this program, it would be necessary to receive an appropriation for the necessary start-up and operating costs. These are not included in the Governor's budget recommendations. The Department would not be able to absorb these expenditures due to other reductions now proposed for the FY 2003 budget.