

FISCAL NOTE
Requested by Legislative Council
02/01/2017

Amendment to: HB 1251

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Bill directs legislative management to study the creation of an inmate housing construction program.
 No fiscal impact to the Department of Corrections and Rehabilitation

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

No fiscal impact to the DOCR

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

N/A

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

N/A

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

N/A

Name: Dave Krabbenhoft

Agency: DOCR

Telephone: 328-6135

Date Prepared: 02/02/2017

FISCAL NOTE
Requested by Legislative Council
02/01/2017

Amendment to: HB 1251

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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Counties			
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 No fiscal impact to the Department of Corrections and Rehabilitation

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N/A

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

N/A

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

N/A

Name: Dave Krabbenhoft

Agency: DOCR

Telephone: 328-6135

Date Prepared: 02/02/2017

FISCAL NOTE
Requested by Legislative Council
01/10/2017

Bill/Resolution No.: HB 1251

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures				\$4,400,000		\$900,000
Appropriations				\$4,400,000		\$900,000

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Bill establishes program which inmates construct homes to be provided for sale to low-income home buyers

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The following assumptions were used for the purposes of this fiscal note:

Assumptions:

1. Work will be conducted using medium custody workers.
2. Work will be conducted on the JRCC campus.
3. Work site area located on the softball field acreage across from the JRCC campus and contains 6 total acres.
4. 3 acres designated for the actual production site and a secured perimeter will enclose this 3 acre area.
5. Workers will be bused to the production site from the prison compound at the beginning of their work schedule and not be returned until the end of their work day.
6. Workers will be fed at the production work site.
7. An additional 5 FTE's will be required for this project.
 - a. 3 training instructors
 - b. 1 assigned CO
 - c. 1 additional kitchen worker
8. The production building considered is 20,000 sq. ft. in size.
9. The production site was designed to accommodate home sizes no larger than 1050 square feet and with approximate dimensions of 36'x43'. This information was gathered from the Habitat for Humanity's website.

Cost Explanations:

1. \$75 per square foot was used to construct the production building.
2. 3 acre Security Fence was considered to be square in shape.
 - a. 1446 linear feet is the measurement used to cover said area.
 - b. \$600 per linear foot was used to cover the double fence requirement.
3. The sally port gate's price quote was \$30,000 per gate; 4 gates would be required to allow completed houses to be moved outside of the perimeter.
4. \$90,000 total compensation was used per additional FTE position.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

At this time unable to estimate the potential revenue generated from this program. In order to provide a good faith estimate the DOCR believes a detailed specific business plan needs to be prepared.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Expenditures included in this fiscal note are limited to estimated costs needed to establish the production site and to staff a home construction program in a prison setting. It does not include the cost of raw materials used in the construction of actual houses.

Estimated that 5 new FTE would be necessary to implement this program.

At this time, except for the estimated FTE cost, unable to estimate expenditures for the 2019-21 biennium.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

As noted above, the estimated appropriation amount is limited to the cost needed to establish the production site and the cost to staff a home construction program in a prison setting. The estimated appropriation is 100% special funds (Penitentiary Industries Fund) and is not included in either the base budget or the executive recommendation.

Name: Rick Gardner

Agency: DOCR - RRI

Telephone: 328-6163

Date Prepared: 01/13/2017

2017 HOUSE INDUSTRY, BUSINESS, AND LABOR

HB 1251

2017 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee Peace Garden Room, State Capitol

HB 1251
1/17/2017
27008

☐ Subcommittee
☐ Conference Committee

Ellen Letang

Explanation or reason for introduction of bill/resolution:

Inmate program to construct homes for low-income home buyers.

Minutes:

Attachment 1, 2

Chairman Keiser: Opens the hearing of HB 1251.

Rep Louser: Introduces the bill. This bill proposes a program for a win/win for people involved. This is the industrial Governor's program in South Dakota. There are several may's & shall's. Explains the program. I would like to call this the Citizen's House.

6:55

Rep Dobervich: Has there been a study or information on what kind of need for homes? Would there be a market for this kind of program?

Rep Louser: There are other people in here that could answer that question. This is more for low income as opposed to affordable housing.

Rep Laning: At the fiscal note, are you aware of any thing that would prevent the Dept of Corrections to charge more for the materials to try to get some pay back on the expenditures?

Rep Louser: I'm not aware of anything in the code that would restrict their ability to charge more than the cost that they have in the property. After seeing the fiscal note, I had the same question.

Rep Ruby: South Dakota doesn't have a state owned bank, do they provide some kind of finance or is this unique to our state? This is an expansion of its scope.

Rep Louser: The process in South Dakota would be similar to getting a mortgage at any local lender. The local lender in ND are able to originate those first home buyers loan programs through the BND. This would be a similar in the scope that they already have. The BND would not be financing, they would be servicing.

Chairman Keiser: Have you talked to the person who wrote the fiscal note.

Rep Louser: I would be happy to defer the question.

Rep C Johnson: On the construction site for these homes, is that an outdoor construction site or is it inside a warehouse where they can work year round.

Rep Louser: Combination of both.

Rep Ruby: The woodworking, what is the reason?

Rep Louser: It's not a reflection of the skills they are learning, currently it's a benefit. I don't see it as a competing opportunity & leave the decision on who would be qualified to participate up to the DOC.

Rep Bosch: Building a home, the advanced skills, plumbing, electrical, is that part of the plan or it's just framing & construction?

Rep Louser: This includes the property that is nearly ready for occupancy minus the floor covering & appliances.

Rep Bosch: The inmates would be learning those skills, the plumbing & electrical. It wouldn't be outside contractors?

Rep Louser: Correct, they would be learning those skills.

Chairman Keiser: During this period, would the inmates be able to become qualified through an apprentice program?

Rep Louser: That is something I considered as requirements.

Chairman Keiser: I certainly applaud the concept. Some of those trades include apprenticeships, it would be nice to get an apprenticeship.

Rick Gardner~Director of Rough Rider Industries (RRI): Attachment 1.

17:59

Rep Beadle: Have you noticed any difference between the inmates that participate the Rough Rider Industries sector on giving praise & skills versus those who don't, in terms of recidivism rates?

Gardner: We don't track those numbers once they are released but I have noticed these prisoners are a lot easier to manage when they have these skills. There are certain parameters they have to meet just to come out work & work in the shops.

Rep Lefor: How would this work financially, is there a return back to the prison as well?

Gardner: One thing about RRI's is we are unique because we are self-funded agency. As far as the fiscal note that I authored, we would need to do a business study just to see what the return on the investment would be? About the question on the fiscal note, we have limited space, this would entail setting up a construction site down at James River Correction Center. It would be creating a whole new compound; it would be like building another prison outside of the prison.

Rep Bosch: Are any of the products that RRI produce now sold to private individuals or state agencies?

Gardner: We are authorized to sell to governmental entities, non-profit & authorize retailers. The way the language is right now, we can't sell directly to the consumer.

Vice Chairman Sukut: Once these folks have the training & served their term, do you have anyway of tracking to see how many end up employed with the skills they learned.

Gardner: Right now they don't track. On a national scale, they are beginning to track some of that. There is no data.

Rep C Johnson: Could you foresee a time where you could implement a recruitment type program to have a company come in & interview the inmates after they complete their sentences?

Gradner: We are always looking for businesses to partner with our guys to show them the quality of workers we have out there. Having said that, they are also working in a very structured environment, it's hard to give the thumbs up when they are free to make their own choices.

Rep Beadle: Are you familiar with the federal grant programs for jail based employment so to ready the inmates for the job market before release?

Gradner: We have someone in our contracts & grants department who watches for that. I personally not aware of the program.

Chairman Keiser: We will never get this funded, how can we find a solution & get this project done. Could we focus on the private sector? Can we find a way to get the fiscal note to nothing?

Gradner: Five years ago, there was a national program & all we had to do was supply the labor but it came down that the governor's office didn't want to pursue that option.

Chairman Keiser: This is the legislature & we may want to pursue.

Gradner: With the private sector, we would still have to add some FTE's.

Chairman Keiser: BSC, builds one home a year & Cashman's hire work release inmates, is there a population we could get to or do we have to change the rules. There for a while,

the legislature was in a punishment mentality. We recognize that we have to also look at rehabilitation. Should we be exploring this? This is a great concept.

Gradner: I have call South Dakota about their home building program. Trouble with the minimum custody inmates is they turn fast to get them into a program. That is why we were looking at a medium custody facility. Maximum inmates can't move inmates out of the compound. The James River Facility, it's a medium a little high risk, work on the job site for a contractor. This is very challenging for the DOC.

Rep Dobervich: Is James River the only option when you think about properties that the states owns that would have security? Is New England an option?

Gradner: They have a Women's Correctional & Rehabilitation prison; they have all custody levels of residence. I don't have any programs there. I do know that Steffe's do take some of the women. I wouldn't rule that out, but I can't speak for New England to what kind of assets they have.

Rep Dobervich: The phrase you use is "you guys" & one of the challenges for women is economics. One thing that can pull them out of poverty is jobs that pay a living wage & constructions jobs pay a living wage. I worked for Job for Humanity where we turned away volunteers, is this a project to think out of the box to create some economics stability for women & to solve the space problem?

Chairman Keiser: Anyone else here to testify in support of HB 1251?

Carol Two Eagle~Constituent: This is a great program & a great idea to provide a means to earn their way & have humble pride. There was a program at BSC but they dropped it called the Phoenix Program. There are a lot of people with a lot of skill, but they have to have jobs. There is housing program in Washburn that is employee owned & they are interested in hiring people who have the skills that we are talking about. There needs to be a liaison. I like this bill & would like to make myself available to help make it go.

Chairman Keiser: Anyone else here to testify in support of HB 1251, opposition,

Todd Kranda~Attorney with the law firm of Kelsch, Kelsch, Ruff & Kranda on behalf of ND Manufactured Housing Association: Attachment 2.

42:00

Rep Becker: Do you have an official position like BSC.

Kranda: One spec home versus 100 is competition. To create a business, we can't support.

Rep Becker: Do you have an official position against the building of homes by the technical schools, like BSC.

Kranda: The Manufactured Housing Association hasn't indicated an official position on that. I don't think it's any different than teaching & training a skill for market. Building one building

is different & those students are the ones who our industry would be hiring. To build & create a business within the state sponsored to compete with private industry, we can't support.

Rep Becker: Would it be your position if the homes manufactured were done so for the specific intent to allow inmates to gain a skills & a half dozen homes were constructed; would you be amendable?

Kranda: I don't think so, where to you draw the line, it's the wrong direction.

Rep Boschee: Is organization you are representing, is your membership experiencing turnover like there is in the workforce in every other sector?

Kranda: I don't know what the turnover is, I can't tell you the numbers.

Rep Boschee: If there was an opportunity for a public/private partnership, would your membership be open to?

Kranda: Absolutely, I would be in favor of that, but I can't speak for them.

Chairman Keiser: Anyone else here to testify in opposition, neutral? Discussion?

Rep Boschee: Like everyone, we are trying to find a solution. Some see it at slave labor & others as gaining a skill. I would love for this to work in private partnership.

Rep Ruby: I would like to find out with WSI the issues with classification.

Rep Becker: I'm torn. I love the idea. Five to ten homes would be ok but one hundred homes would be a concern. If we could amend to give them specific skill & I don't think we have to do mass production to give them skills.

Chairman Keiser: In order to give them skills, there is a huge fiscal note. It's not marketable.

Rep Dobervich: Does South Dakota does a hundred homes over the course of 20 years?

Rep Louser: There are averaging about 100 homes a year.

Rep Becker: The inmates to construct outside, it would save \$1.5 on the fiscal note.

Rep Lefor: We are all interested in the same thing, the educational aspect, lower recidivism & the private/public, I don't know if the response would consider amendment to make it more palatable to industry? I think it's a great concept & we need to work harder.

Chairman Keiser: This is complicated. There are different levels of inmates which presents the problem. We have to find a way to have some flexibility to make this work. We need the private sector to make this work. I think the private sector is ready to do it & take these people if we could remove some obstacles. Rough Riders really does a good job & make an appoint to go see them.

Rep Louser: I request that we hold the bill.

Chairman Keiser: Absolutely & if you have any strategies, contact Rep Louser. This isn't a one-person deal, it's a group to find a solution. The two fastest growing budgets in the state of ND are Human Services & Corrections.

Chairman Keiser: Closes the hearing.

2017 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee
Peace Garden Room, State Capitol

HB 1251
1/31/2017
27675

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Ellen Letang

Explanation or reason for introduction of bill/resolution:

Minutes:

Attachment 1

Chairman Keiser: Reopens the hearing of HB 1251.

Rep Louser: Attachment 1. It's too big to appropriate, I support the study. I did write "shall".

Rep Louser: Moves the amendment 17.0132.01001.

Rep Boschee: Second.

Chairman Keiser: Further discussion?

Rep Ruby: Why the shall study & not shall consider?

Rep Louser: It's a calculated move, this is something the state should be able to do. Provides a lot of benefit & we didn't want to leave it to legislative management to determine what we heard in this committee. I did ask the group if they felt that shall was appropriate. Nobody dissented.

Chairman Keiser: The shall consider is ok, this is a very important issue. I caution you, it's a gamble. If it passes, we have taken away their authority to consider it. I'm confident it will pass.

Rep Kasper: This is an easy one you can stand up & talk about. It's great to help rehabilitate the inmates.

Chairman Keiser: We have two pressing areas, corrections & human services. Anything we can do that can influence our costs on either of those programs, is critical.

Chairman Keiser: Further discussion?

Voice vote – Motion carried.

Chairman Keiser: What are the wishes of the committee?

Rep Becker: Moves a Do Pass as Amended.

Vice Chairman Sukut: Second.

Chairman Keiser: Further discussion?

Roll call was taken for a Do Pass as Amended on HB 1251 with 12 yes, 1 no, 1 absent & Rep Laning is the carrier.

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1251

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative management study of the creation of an inmate housing construction program.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE MANAGEMENT STUDY - INMATE HOUSING CONSTRUCTION PROGRAM. During the 2017-18 interim, the legislative management shall study the creation of an inmate housing construction program to provide inmates with housing construction vocational skills through the construction of homes to be made available for sale to low-income home buyers. The study must include an analysis of the grants available to support the program, the ability to establish partnerships with private industry and apprentice opportunities with labor groups, and the ability to work with private industry to provide for the sale and transport of the completed homes. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-sixth legislative assembly."

Renumber accordingly

Date: Jan 31, 2017

Roll Call Vote #: 1

2017 HOUSE STANDING COMMITTEE

ROLL CALL VOTES

BILL/RESOLUTION NO. HB 1251

House _____ **Industry, Business and Labor** **Committee**

☐ **Subcommittee**

**Amendment LC# or
Description:**

17.0132.01001

Recommendation

- ☒ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
Other Actions ☐ Reconsider ☐ _____

Motion Made By Rep Louser **Seconded By** Rep Boschee

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser			Rep Laning		
Vice Chairman Sukut			Rep Lefor		
Rep Beadle			Rep Louser		
Rep R Becker			Rep O'Brien		
Rep Bosch			Rep Ruby		
Rep C Johnson			Rep Boschee		
Rep Kasper			Rep Dobervich		

Total (Yes) _____ **No** _____

Absent _____

Floor Assignment _____ **Voice vote ~ Motion carried**

Date: Jan 31, 2017Roll Call Vote #: 22017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1251

House _____ Industry, Business and Labor _____ Committee

☐ SubcommitteeAmendment LC# or
Description: _____

Recommendation

- ☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☒ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions

☐ Reconsider☐ _____Motion Made By Rep Becker Seconded By Rep Sukut

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	X		Rep Laning	X	
Vice Chairman Sukut	X		Rep Lefor	Ab	
Rep Beadle	X		Rep Louser	X	
Rep R Becker	X		Rep O'Brien	X	
Rep Bosch	X		Rep Ruby		X
Rep C Johnson	X		Rep Boschee	X	
Rep Kasper	X		Rep Dobervich	X	

Total (Yes) 12 No 1Absent 1Floor
Assignment Rep Laning

REPORT OF STANDING COMMITTEE

HB 1251: Industry, Business and Labor Committee (Rep. Keiser, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 1 NAYS, 1 ABSENT AND NOT VOTING). HB 1251 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative management study of the creation of an inmate housing construction program.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE MANAGEMENT STUDY - INMATE HOUSING CONSTRUCTION PROGRAM. During the 2017-18 interim, the legislative management shall study the creation of an inmate housing construction program to provide inmates with housing construction vocational skills through the construction of homes to be made available for sale to low-income home buyers. The study must include an analysis of the grants available to support the program, the ability to establish partnerships with private industry and apprentice opportunities with labor groups, and the ability to work with private industry to provide for the sale and transport of the completed homes. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-sixth legislative assembly."

Renumber accordingly

2017 SENATE GOVERNMENT AND VETERANS AFFAIRS

HB 1251

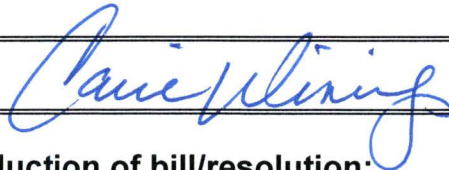
2017 SENATE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee Sheyenne River Room, State Capitol

HB 1251
3/2/2017
Job Number 28589

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

BILL for an Act to provide for a legislative management study of the creation of an inmate housing construction program.

Minutes:

Attachments: 1

Chairman Poolman: Opened the hearing on HB 1251.

Representative Louser, District 5: Testified in support of the bill. This is a study resolution that was originally a bill. The study resolution speaks for itself. (Explained a personal story that spurred the idea for the bill – based on the Governor's Program in South Dakota where the prisoners build homes and sell them for cost minus the labor.) It would be in conjunction with the Bank of North Dakota providing the financing. It addresses some of the affordable housing issues, but it also creates an opportunity for a trade or a skill to be acquired by a prisoner as they leave the system and make themselves marketable upon their release. As this was being introduced, there was a question as to whether this competes with private industry. My answer to that is that I view this as a very limited opportunity. In SD they have expanded this to do over 100 homes per year. I do not see our capacity to do that in North Dakota. The fiscal note on this original bill was over \$4 million. That included building a new building and putting a fence around a softball complex and transportation for prisoners in and out. There was also an objection of what if the program failed. My answer to that is that we would price the properties so that the program would not fail. We are not trying to make money here but we are not trying to lose money either. In SD they have them at \$42,900 or \$49,200 and that includes transportation. They are setting a fixed cost when they have variable costs for transportation. I would not propose to do exactly like SD, but the committee felt that this is something that should be done. We formed a sub-committee and met with some industry and agencies and got some input. We felt it should be a study because it was too big to implement just as a bill. The study includes an analysis of the grants that are available to support the program, and the ability to establish partnerships with private industry and apprentice opportunities. I wanted to try and take any of the objections and put them together to make this work. This is a shall study, not a shall consider. It was a strong feeling in committee that this is something we need to move forward with.

(6:15) Senator Meyer: Is there any way that we could consider this to be modular? Knowing the issues that come with lending on manufactured homes?

Representative Louser: That is a concern that I had in the financing. The way these are sold in SD is that the closing happens once the property is affixed to the ground. These have to be fixed to the ground. You would not convert to a mortgage until it is fixed to the ground. The Bank of North Dakota would consider it real estate.

Senator Meyer: So the title would be surrendered right then?

Representative Louser: When I say manufactured, I was talking about the association. It would be considered a modular home that is transported and put on a foundation that could be underwritten and sold on the secondary market later. SD does have a restriction of having to own it for 3 years before you can sell. It is similar to our first time home buyers in North Dakota.

Senator Davison: The more attractive side of the bill is the skill sets that we can help our inmates get regarding construction. Is there data from SD on how many of the inmates have come out and worked in the construction industry?

Representative Louser: The SD statistics are heavily weighted as a real estate solution. I did not find anything in my limited research that showed that. That was a benefit that everyone seemed more interested in the House. The process of building a home takes a while and it would be really those incarcerated for a long period of time.

Senator Bekkedahl: What are your thoughts on some cap on production?

Representative Louser: My initial understanding is that in SD you would be put on a waiting list until you qualified financially and then you were put on a waiting list until the next property was available. I found the next one was available very quickly since they were so efficient. I don't see our ability to produce at the level SD was producing. My initial concern for a cap is that our capacity could handle it. I think that is something that would come out in the study.

Senator Bekkedahl: This may be something beneficial in terms of essential workforce housing. We do have those programs with the housing finance agency. On the 3 years of ownership requirement that SD has, other states actually cap the amount of appreciation that the seller could recover based on so much per year. I could see you taking a house like this and then selling it for quite a profit? How would that be handled in your mind?

Representative Louser: The value of real estate increases because the dirt increases but structure typically decreases. If the original owner is the one that paid for the land and put in the infrastructure, regardless of what they paid, and they were fortunate enough to realize a gain (that after 2 years would be capital gains tax free on real estate for a single person at \$250,000, married \$500,000.) I would not want to see any caps similar to what a community land trust does in this program. That is one of the benefits of private property ownership. I would be opposed to capping any gains.

Senator Meyer: Would consider the recapture tax with affordable housing?

Representative Louser: Yes, if they are recapturing because in most cases they are receiving a discounted interest rate for the first time home buyers. That is a different issue because they would be selling within that initial time period.

(14:21) Todd Kranda, Attorney Kelsch Law Firm, North Dakota Manufactured Housing Association: See Attachment #1 for testimony in opposition to the bill. Gave examples of programs that inmates have that provide to the public.

(19:40) Senator Meyer: Representative Louser mentioned \$45,000 average price for the inmates to build; what is the average price of a manufactured home?

Todd Kranda: I don't have those specifics, but I can get that for you. I think it would be the lower end of the scale for this type of a product.

Senator Bekkedahl: I used to do modular home construction when I was a carpenter, but I brought my product in from out of state, do you know how many we have in North Dakota? Do you only represent the home based in North Dakota industry?

Todd Kranda: The scope of the membership I believe it is a majority of in state entities. I can get that for you.

Senator Bekkedahl: I would appreciate if you would get that for me. Relative to the needs of the employment needs of your industry that you represent, I can see where this would be beneficial. To me, it could be beneficial to provide tradesman.

Todd Kranda: We talked about that. We talked about the skills for carpentry and development of this. Then we talked about our educational system in the state and there are opportunities and options available already. You would have to bring the educators and trainers on to the facility to train the inmates specifically. Otherwise you are not only talking about security personnel for the facility.

Chairman Poolman: Closed the hearing on HB 1251.

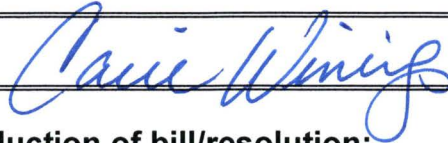
2017 SENATE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee Sheyenne River Room, State Capitol

HB 1251
3/9/2017
Job Number 28963

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

BILL for an Act to provide for a legislative management study of the creation of an inmate housing construction program.

Minutes:

No Attachments

Chairman Poolman: Opened HB 1251 for committee discussion. This bill was about studying the concept of having an inmate housing construction program. I am curious of what the committee thinks about this one.

Senator Vedaa: I would like to see this. I think it is coming at a great time. We are having incarceration issues. We are looking at getting people out sooner and to me this makes sense. It looks like it would be a good study and it is something that I would like to see in North Dakota.

Senator Meyer: I understand from the testimony that there really are not any manufacturers in the state. Also, when they said the price of \$45,000, I don't think there is anything that you can buy for that. If you are able to teach a trade and maybe they can get out and have some life skills. It is a win/win, and it is just a study.

Senator Bekkedahl: It is a shall study, so there is not an option here. I am told that sometimes legislative management can work with that.

Chairman Poolman: That is my understanding, but I have never served on legislative management.

Senator Bekkedahl: That was the one important part to me; that we were going to do a "shall study" versus a "shall consider study". I want to make sure the committee knows there is some small presence here of manufacturers. The large majority does come from out of state. I did have an issue with when the participants are allowed to purchase these homes and then there are no barriers on the amount of appreciation that can be taken once the house is sold. You could argue that when that happens then that party is moving up the income scale and it is good for them, but I am not sure if it is good for a reoccurring affordable

housing system that some of us are trying to create out there. I don't think that should limit the study ability to look at that as well.

Senator Vedaa: Is this a program that would work good on the reservations, or don't you have a housing shortage?

Senator Marcellais: We do have a housing shortage in Turtle Mountain. When they use the word homeless, it does not pertain to the reservation. It is over crowdedness. We do not leave our people out in the cold. There might be 15 to 20 people living in one home. It is not homelessness, but there is great overcrowding. We are about 1500 to 2000 homes short on Turtle Mountain as far as housing. The Turtle Mountain authority is the main housing authority for the reservation. I think this would be a good fit because, from what I have been told, our prison system has 80% Native American and it gives them an opportunity to rehabilitate themselves. A lot of those prisoners are not killers and stuff, yet they are locked up for life. My feeling is that it would be good to study this.

Senator Vedaa: Twin Buttes used to have a custom home manufacturing, are you aware of that?

Senator Marcellais: Some of our homes used to come from Canada, but that has stopped because of the regulations. We do have some log cabins that come out of Minnesota. It depends on the style of home you want and what the cost is.

Senator Vedaa: Twin Butte's custom home building was on a rail system, but I do know if or why it closed.

Senator Marcellais: Turtle Mountain Band of Chippewa Tribe has a manufacturing facility that is just sitting empty. We used to do the buffalo tanks for the military and when the feds cut that contract out the welders all got out of work. This is why we have high unemployment. We had 500-600 employees at that manufacturing plant. When I was tribal chair I investigated it and I found out it was costing \$25,000 per month to heat the place. I shut the whole thing down but they are now looking for something to be put in there. We had a home building company that came up and were supposedly going to build homes and they ended ripping off the tribe because they did not do a background check.

Vice Chairman Davison: I am not sure that I don't have an issue with the "shall study" language.

Chairman Poolman: We can amend it.

Vice Chairman Davison: I am not sure that this raises to the level of first on the list. I think it is awesome. From an education standpoint, am for a hands on training workforce development. Building inmates esteem and doing something positive for the community is an excellent idea. I do have some concerns with the language.

Vice Chairman Davison: Moved to Amend to say "shall consider studying".

Senator Bekkedahl: Seconded.

Chairman Poolman: Is there any further discussion?

Committee Discussion: There was a brief discussion on the language of "shall consider studying" or "shall study" and in the end it was confirmed by legislative management that if it says "shall study" it is a have to do directive. Senator Bekkedahl stated that he had some concerns that the "shall study" language might put the bill in peril on the floor vote, and some others agree with that sentiment.

A Roll Call Vote Was Taken: 6 yeas, 0 nays, 0 absent.

Motion Carried.

Vice Chairman Davison: Moved a Do Pass As Amended.

Senator Bekkedahl: Seconded.

Chairman Poolman: Is there any discussion/

Senator Marcellais: When it states private industry, does it include our native nations?

Chairman Poolman: I think it would include anyone who wants to be in on the study.

Vice Chairman Davison: I would agree with that.

A Roll Call Vote Was Taken: 6 yeas, 0 nays, 0 absent.

Motion Carried.

Senator Vedaa will carry the bill.

17.0132.02001
Title.03000

Adopted by the Senate Government and
Veterans Affairs Committee
March 9, 2017

CS
3/9-2017
1 of 1

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1251

Page 1, line 6, replace "study" with "consider studying"

Renumber accordingly

319
↓

1251

Committee

line 5+6 replace "shall study"
sider studying"

w) "shall consider studying"

☒ Adopt Amendment☐ Do Not Pass☐ Without Committee Recommendation☐ Rerefer to Appropriations

Other Actions:

☐ Reconsider☐

Dawson

Bekkedahl

[illegible]

6

0

Q

Floor Assignment

If the vote is on an amendment, briefly indicate intent:

Date: 3/9
Roll Call Vote #: 2

2017 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1251

Senate Government and Veterans Affairs Committee

☐ Subcommittee

Amendment LC# or Description: 17.0132.02001
.03000

Recommendation: ☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☒ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ _____

Motion Made By Davison Seconded By Bekkedahl

Senators	Yes	No	Senators	Yes	No
Chairman Poolman	✓		Senator Marcellais	✓	
Vice Chairman Davison	✓				
Senator Bekkedahl	✓				
Senator Meyer	✓				
Senator Vedaa	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Vedaa

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1251, as engrossed: Government and Veterans Affairs Committee (Sen. Poolman, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1251 was placed on the Sixth order on the calendar.

Page 1, line 6, replace "study" with "consider studying"

Renumber accordingly

2017 TESTIMONY

HB 1251

HOUSE INDUSTRY, BUSINESS, and LABOR COMMITTEE
Chairman Keiser

Rick Gardner
Director, Rough Rider Industries
North Dakota Department of Corrections and Rehabilitation
Presenting Testimony in House Bill 1251
Tuesday, January 17, 2017

Good morning Chairman Keiser and members of the Industry, Business and Labor Committee. My name is Rick Gardner and I am the Director of Rough Rider Industries (RRI). I am here on behalf of the Department of Corrections and Rehabilitation to provide supporting testimony regarding House Bill 1251.

In 1978 there was a major prison riot in Pontiac, Illinois which was attributable to many factors, including overcrowding and old and obsolete facilities, but one factor that was identified was the lack of employment and training for inmates. Rough Rider Industries is the job training arm of the North Dakota Department of Corrections and Rehabilitation (DOCR) and was established in 1975. RRI has manufacturing operations at all three of North Dakota's correctional facilities and teaches skills in metal, furniture, sign, license plate, plastic bag, and sewing and garment manufacturing, along with teaching upholstery techniques, and CAD design. Our program teaches soft skills as basic as going to a job daily, working alongside others, and taking pride in their work. We also teach hard skills such as welding, machining, computer skills and design, blueprint reading, construction and assembly methods, heavy equipment operation, and packaging and warehousing just to name a few. Our program helps improve our workers self-esteem; it instills confidence within the individual, gives them a sense of responsibility and accomplishment, and allows them to be treated as a normal person. The DOCR benefits because these individuals are easier and cost less to manage as they are productive and stay out of trouble. Program participants must remain compliant with treatment, medical, and their psychiatric needs and they must obtain either their GED or high school diploma in order to enter and remain in our program. The skills and trades these individuals learn will hopefully be used to help transition back into the community successfully which then helps lower the State's recidivism rate.

The DOCR and RRI welcome opportunities to provide additional work skills training to our offender population. RRI would participate in a private/public partnership in the construction of these homes where RRI could provide component parts to the project such as cabinets, drawer boxes, or trim finishing. The DOCR could also provide trainable labor to a home building construction site for such a partnership.

Mr. Chairman, I would be happy to answer any questions at this time. Thank you.

**Testimony in Opposition to
HOUSE BILL NO. 1251**

House Industry Business & Labor Committee

January 17, 2017

Chairman Keiser, House Industry Business and Labor Committee members, for the record my name is Todd D. Kranda. I am an attorney with the law firm of Kelsch, Kelsch, Ruff & Kranda in Mandan. I appear before you today as a lobbyist on behalf of the North Dakota Manufactured Housing Association to oppose HB 1251.

The North Dakota Manufactured Housing Association (NDMHA) is a state trade association representing all segments of the manufactured housing industry, including manufactured home builders, suppliers, retailers, community developers, owners and managers, insurers and financial services companies. The NDMHA works to promote fair laws and regulations, increase and improve financing options, promote a positive image of manufactured housing, provide technical analysis and counsel, promote industry professionalism and remove zoning barriers to the use of manufactured housing. Through these various programs and activities, the NDMHA seeks to promote the use of manufactured housing to consumers, developers, lenders, community operators, insurers, the media and public officials, so that more Americans will be able to realize their dream of affordable home ownership.

The NDMHA opposes HB 1251 because it is inappropriate and unnecessary to establish a state sponsored program to employ inmates to construct homes that are then made available for sale to low-income home buyers which is in direct competition with private industry. The state should not have a policy that sponsors and promotes direct competition with private industry. Opportunities already exist in the free market system for low-income home buyers to purchase and obtain reasonable and adequate housing for their needs through the existing private industry of manufactured housing and other home construction businesses.

Accordingly, on behalf of the NDMHA, I would urge a **DO NOT PASS** recommendation for **HB 1251**. I would be happy to try to answer any questions.

Jan 31, 2017

17.0132.01001
Title.

Prepared by the Legislative Council staff for
Representative Louser
January 27, 2017

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1251

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative management study of the creation of an inmate housing construction program.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE MANAGEMENT STUDY - INMATE HOUSING CONSTRUCTION PROGRAM. During the 2017-18 interim, the legislative management shall study the creation of an inmate housing construction program to provide inmates with housing construction vocational skills through the construction of homes to be made available for sale to low-income home buyers. The study must include an analysis of the grants available to support the program, the ability to establish partnerships with private industry and apprentice opportunities with labor groups, and the ability to work with private industry to provide for the sale and transport of the completed homes. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-sixth legislative assembly."

Renumber accordingly

Testimony in Opposition to
ENGROSSED HOUSE BILL NO. 1251
Senate Government & Veterans Affairs Committee
March 2, 2017

Chairman Poolman, Senate Government & Veterans Affairs Committee members, for the record my name is Todd D. Kranda. I am an attorney with the law firm of Kelsch, Kelsch, Ruff & Kranda in Mandan. I appear before you today as a lobbyist on behalf of the North Dakota Manufactured Housing Association to oppose Engrossed HB 1251.

The North Dakota Manufactured Housing Association (NDMHA) is a state trade association representing all segments of the manufactured housing industry, including manufactured home builders, suppliers, retailers, community developers, owners and managers, insurers and financial services companies. The NDMHA works to promote fair laws and regulations, increase and improve financing options, promote a positive image of manufactured housing, provide technical analysis and counsel, promote industry professionalism and remove zoning barriers to the use of manufactured housing. Through these various programs and activities, the NDMHA seeks to promote the use of manufactured housing to consumers, developers, lenders, community operators, insurers, the media and public officials, so that more Americans will be able to realize their dream of affordable home ownership.

The NDMHA opposed HB 1251 in its original version because it attempted to establish a state sponsored program to employ inmates to construct homes that are then made available for sale to low-income home buyers which is in direct competition with private industry. As amended, EHB 1251 provides for a study regarding the same type of activity.

The state should not have a policy that sponsors and promotes direct competition with private industry. Opportunities already exist in the free market system for low-income home buyers to purchase and obtain reasonable and adequate housing for their needs through the existing private industry of manufactured housing and other home

HB 1251

#1 Pg 2

3-2-17

construction businesses.

Furthermore, there is a different study that is broader and covers the same type of subject matter with regard to competition between government and private industry, namely Engrossed HB 1162. If necessary and desired, the study in EHB 1162 should be broad enough to cover the topic of competition between government and private industry such as is being suggested and addressed in EHB 1251.

Accordingly, on behalf of the NDMHA, I would urge a **DO NOT PASS** recommendation for **EHB 1251**. I would be happy to try to answer any questions.