

Manufactured Homes Commission

House Primary and Secondary Education Subcommittee

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Legislative Service Commission*

March 22, 2007

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LSC Redbook
for the
Manufactured Homes Commission
House Primary and Secondary Education Subcommittee

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March 22, 2007

Ohio Manufactured Homes Commission

- Projected revenue of \$450,000 per fiscal year from fees
- Executive recommendation of \$418,122 in FY 2008 and \$434,671 for FY 2009

OVERVIEW

The mission of the Manufactured Homes Commission is to protect the safety, health, and property of the public throughout Ohio through the establishment and enforcement of uniform manufactured home installation standards. To this end, the Commission is tasked with the following: training and licensing manufactured housing installers, training and certifying manufactured home inspection agencies, training building departments and their personnel, training Department of Health designees, approving quality course sponsors, and administering a responsive and rational dispute resolution program.

Summary of the Current Biennium

Delayed HUD Standards

The Commission, after being created in statute by Sub. S.B. 102 of the 125th General Assembly, experienced difficulty in beginning regulatory operations. In May of 2006, the Ohio Attorney General issued a formal opinion stating that the Commission could not move forward with its rulemaking process to adopt installation standards and begin regulatory operations until such standards were adopted by the federal Department of Housing and Urban Development (HUD). HUD was required to adopt the standards by December 2005, but failed to meet its federal deadlines for promulgating the model standards. Am. Sub. H.B. 530 of the 126th General Assembly, the most recent capital reappropriations bill, provided the statutory change needed to rectify the situation. That act amended the Commission's statute allowing the Commission to adopt rules to bring the Commission into substantial equivalency with HUD standards 180 days after HUD has adopted a standard. This allowed the Commission to move forward with rulemaking and begin operations. The bulk of the Commission's administrative rules were reviewed through the Joint Committee on Agency Rule Review (JCARR) hearing process in August 2006 and filed in September of that year. The rules became effective in planned stages from September 2006 to January 2007. Thus, the Manufactured Homes Commission began regulatory operations in the Fall of FY 2007.

Increased Appropriation

Am. Sub. H.B. 66 of the 126th General Assembly included a provision permitting the Commission to request Controlling Board approval for an appropriation increase of \$356,250. However, the original cost and revenue estimates developed were higher than the Commission now anticipates. Therefore, the Board received Controlling Board approval in September 2006 for an increase in its FY 2007 appropriation of \$157,500 in order to hire two additional staff, one of which conducts inspections, investigations, and trainings, and the other serves as a fiscal and licensing specialist. The adjusted appropriation of \$412,000 for FY 2007, as granted by the Controlling Board, served as the basis for the Commission's FY 2008-2009 budget request.

Dissemination of Information to Interested Parties

The Commission has been preparing for licensing and certification to begin by informing the affected parties to ensure they have full understanding of their rights and responsibilities. The Commission is disseminating the information about the new requirements, establishing online licensing processing, and ensuring the installation and dispute resolution programs are effective. The Commission has also been arranging for the publication and distribution of manufactured home installation code, code interpretations, and other forms. Currently, three of the Commission's four subprograms are running. The Commission has promulgated standards, begun licensing and certification activities, and instituted its dispute resolution process. The inspection subprogram is the only activity yet to begin.

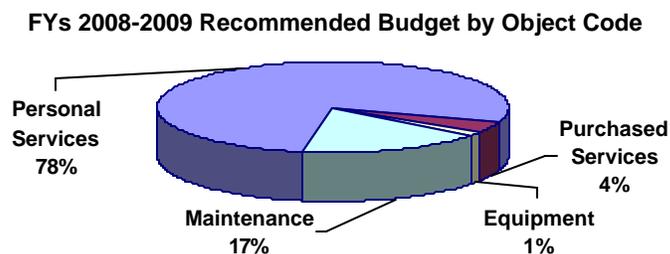
Inspections Postponed

In late December of 2006, the Commission postponed the January 1, 2007, date when inspections of all new and used home installations had to begin. This occurred because many building departments have to go through an ordinance process, which authorizes the local inspection department to perform inspections in accordance with the Commission's rules. This ordinance process has taken a significant amount of time. Also, many third party inspection agencies have had to form, hire staff, obtain offices and insurance and complete the Commission's application process, which included a contract that was not available until December.

The process of adopting installation designs also took longer than expected as designs were reworked many times during CY 2006. The designs were received and approved with minor amendments in February 2007. Finally, the Board's two new staff members were not hired until late November 2006. At that time, Commission staff was actively processing installer applications. The Commission reports that processing applications for inspectors, building departments, and third party inspection agencies on top of the installer applications would have overloaded the new staff. The delay in inspections will result in a significantly less amount of revenue received by the Commission from the sale of inspection seals until inspections begin. Currently, the date to start inspections has not been decided upon, but the Commission has committed to giving at least a 90-day advance notice for the start of inspections.

Executive Recommendation for FYs 2008-2009

The executive recommends funding for the Commission of \$418,122 for FY 2008, representing an increase of 1.5% over FY 2007 estimated spending. The executive recommends \$434,671 for FY 2009, which represents a 4.0% increase over that recommended for FY 2008. The pie chart below illustrates the Manufactured Homes Commission executive recommendation for FYs 2008-2009 by object code. Like many other licensing and regulatory boards, the vast majority of the Board's expenses are for personal services, such as payroll, health care, and fringe benefit costs.



Summary of FYs 2008-2009 Budget Issues

Enforcement Challenges

The Commission's challenges related to starting up operations in the current biennium will transition into enforcement challenges for the upcoming biennium. For instance, the Commission anticipates over 5,000 new and used manufactured homes will be installed or reinstalled in Ohio each fiscal year for the upcoming biennium. Commission rules require a minimum of three inspections per home with all newly installed manufactured homes to be inspected. However, in some areas of the state no inspections have ever been performed on manufactured homes and there is currently no certified local inspection agency. Therefore, the Commission's main challenge will be ensuring that uniform standards are upheld.

The Commission will also be tasked with monitoring third party inspection agencies as they perform inspections and report on their permitting and inspection work. The Commission is using the e-Licensing software that many other occupational licensing and regulatory boards use to manage licensee information for licensing only. While the Commission intends to have online renewal capability by the end of CY 2007, the Commission reports that the e-Licensing software is not well suited for its needs for an inspection and investigation database. The Commission is seeking qualified bidders to develop such a database consisting of information from investigations and inspections and hopes to have the project completed by CY 2009.

Based on Ohio industry experience, the Commission anticipates a minimum of 100 complaints per year in the upcoming biennium to handle through the agency's dispute resolution process. Corresponding to the number of complaints the Commission will receive will be costs for hearings, hearing officers, and court reporters. The Commission states that investigations will be critical in its first few years to ensure uniformity of interpretation and enforcement throughout the state.

Revenue Generation

The Commission will be primarily supported through home inspection seal revenue. These seals carry a per-home fee of \$75 for home installation inspection and dispute resolution programs. The Commission will also receive revenue from an estimated 250 to 400 installers paying a \$150 license fee renewed biennially, an estimated 15 certified third party inspection agencies paying a \$300 fee renewed triennially, an estimated 175 certified inspectors paying a \$30 fee renewed triennially, and other training and continuing education fees. Overall, the Commission projects revenue of approximately \$450,000 per fiscal year. Some revenue is anticipated to be cyclical. Home installations and placements largely take place during the spring, summer, and fall, resulting in less revenue for the Commission in winter months. Furthermore, revenue from home seals may vary from year to year as the housing market fluctuates.

Staffing Levels

In early FY 2007, the Commission received Controlling Board approval for an increase in its appropriation in order to hire an investigator/inspector and a fiscal/licensing specialist. The Commission expects the inspector will conduct inspections on 100 homes per year at most. The inspector must make the inspections when no third party inspection agency or building department exists.

Manufactured Homes Commission Staffing Levels						
Program Series/Division	2004	2005	2006	2007	Estimated	
					2008	2009
Board Members	9	9	9	9	9	9
Administrative Staff	1	1	2	4	4	4
Totals	10	10	11	13	13	13

ANALYSIS OF EXECUTIVE PROPOSAL

Single Program Series

Operating Expenses

Purpose: Regulates manufactured housing installers, the installation of manufactured housing, and manufactured housing foundations and support systems

The following table shows the line items that are used to fund the Manufactured Homes Commission as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2008	FY 2009
General Services Fund Group				
4K9	996-609	Operating Expenses	\$418,122	\$434,671
General Services Fund Group Subtotal			\$418,122	\$434,671
Total Funding: Manufactured Homes Commission			\$418,122	\$434,671

Program Description: In accordance with Chapter 4781. of the Revised Code, the Manufactured Homes Commission regulates manufactured housing installers, the installation of manufactured housing, and manufactured housing foundations and support systems. The Commission is also empowered to review the design of and plans for manufactured housing installations, foundations, and support systems. Further, they are also required to inspect a sample of homes at a percentage the Commission determines to evaluate the construction and installation of manufactured housing installations, foundations, and support systems to determine compliance with the adopted standards.

Funding Source: Home inspection fees and fees from licensed installers

Line Items: 996-609, Operating Expenses

Implication of Executive Recommendation: The Governor's proposal recommends \$418,122 in FY 2008 and \$434,671 for FY 2009, which fully funds the Commission's request. These amounts enable the Commission to begin full operations at the recommended amount once manufactured home inspections commence.

Temporary and Permanent Law Provisions

None.

REQUESTS NOT FUNDED

The executive recommends \$418,122 in FY 2008 and \$434,671 for FY 2009, which fully funds the Commission's request.

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General Services Fund Group

4K9 996-609 Operating Expenses

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$0	\$67,542	\$226,164	\$412,000	\$418,122	\$434,671
		234.8%	82.2%	1.5%	4.0%

Source: GSF: Inspection seals as well as license fees and other assessments collected by the state's professional and occupational licensing boards.

Legal Basis: ORC 4781.02 and 4743.05; Section 329.10 of the main operating appropriations act of the 127th G.A. (originally established by Controlling Board on November 15, 2004)

Purpose: The funds in this line item are used for general operating expenses, including payroll, supplies and equipment needed for the Commission to train, examine, and license manufactured home installers; train, license, and certify manufactured home inspectors; certify local building department inspectors; develop standards for installation of manufactured homes; and provide a dispute resolution process for manufactured home complaints.

LSC Budget Spreadsheet by Line Item, FY 2008 - FY 2009

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	<i>2006</i>	<i>Estimated 2007</i>	<i>Executive 2008</i>	<i>% Change 2007 to 2008</i>	<i>Executive 2009</i>	<i>% Change 2008 to 2009</i>
MHC Manufactured Homes Commission								
4K9	996-609	Operating Expenses	\$ 226,164	\$412,000	\$ 418,122	1.5%	\$ 434,671	4.0%
General Services Fund Group Total			\$ 226,164	\$ 412,000	\$ 418,122	1.5%	\$ 434,671	4.0%
Total All Budget Fund Groups			\$ 226,164	\$ 412,000	\$ 418,122	1.5%	\$ 434,671	4.0%