

LSC Redbook

Analysis of the Executive Budget Proposal

Ohio Manufactured Homes Commission

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Ohio Manufactured Homes Commission

- Recommended funding of \$652,922 in FY 2012 and \$642,267 in FY 2013
- MHC now also responsible for certifying manufactured homes dealers, brokers, and sales people
- Recent reduction in revenue linked to economic downturn and decline of manufactured home sales

OVERVIEW

Agency Overview

The Ohio Manufactured Homes Commission (MHC) is responsible for establishing and enforcing standards of quality and uniformity in the sale and installation of manufactured homes in Ohio. MHC regulates the training and licensing of manufactured home installers, the training and certification of manufactured home inspection agencies, and oversees a dispute resolution process for complaints made by home purchasers.

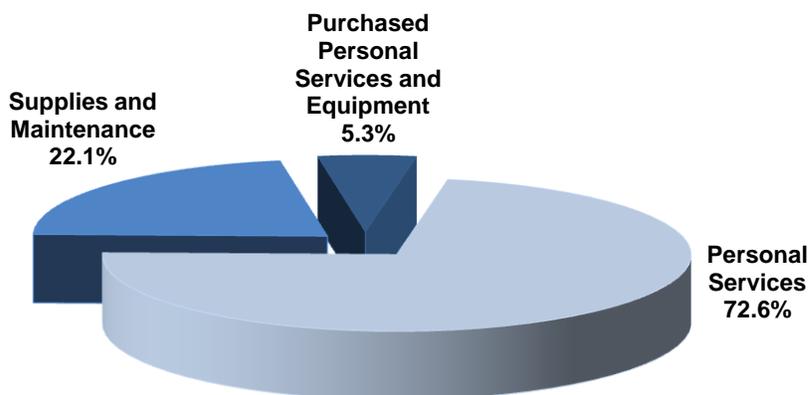
MHC is overseen by nine commissioners, three of whom are appointed by the Governor, three of whom are appointed by the President of the Senate, and three of whom are appointed by the Speaker of the House of Representatives. The selected commissioners represent the various interested parties involved in the manufactured homes industry. Commissioners receive no compensation other than actual expenses incurred in conducting MHC business. The day-to-day operations of the commission are handled by an executive director appointed by the Commission. Including the Executive Director, the Commission has six full-time staff. The Commission receives no GRF funding, but is instead entirely supported by fees deposited into the Occupational Licensing and Regulatory Fund (Fund 4K90).

Appropriation Overview

The executive recommends appropriations of \$652,922 in FY 2012, a 12.0% reduction when compared to estimated FY 2011 spending of \$742,100. Recommended FY 2013 funding is \$642,267, a 1.63% decrease when compared to the FY 2012 amount. The Board had anticipated adding another inspector to its staff, but the level of funding proposed by the executive will probably mean this will not be possible.

Chart 1 below shows the appropriation broken down according to expense category. As with other licensing and regulatory boards, payroll and fringe benefit costs are the Commission's largest expense, accounting for 72.6% of the recommended funding in the upcoming biennium. Supplies and maintenance make up a further 22.1%. The remaining 5.3% is slated for purchased personal services and equipment combined.

**Chart 1: Recommended FY 2012-FY 2013 Budget by Expense
(\$1.29 million)**



MHC receives support for some administrative functions from the Central Service Agency (CSA) within the Department of Administrative Services (DAS). These services include help in budget development, fiscal processing, human resources, and so forth. The Commission paid a total of \$9,501 for these CSA services in FY 2010 and expects to pay approximately \$13,000 for them in FY 2011. Charges are estimated to be \$10,800 each year in FY 2012 and FY 2013. When looking at Chart 1 above, CSA charges are accounted for under the Supplies and Maintenance expense category.

The Commission uses the eLicensing system, an online tool used by many other licensing boards that allows for applications and renewals to be processed and stored electronically. The Commission stores approximately 1,630 records in the system, significantly less than 1% of eLicensing's total capacity. Thus, MHC's share of the cost for eLicensing is also very small (approximately \$200 in FY 2010 and estimated to be around that same amount in FY 2011). Charges in the upcoming biennium are expected to be about \$533 in each fiscal year.

Fee Revenues and Fund 4K90

MHC is slightly different than most regulatory boards in that the majority of its revenue is not derived from licenses, but rather from the sale of home inspection seals. MHC rules require that all newly installed manufactured homes undergo a minimum of three inspections prior to and during installation. Home inspection seals are given to homeowners after their home has been successfully installed. These seals are not presented by MHC directly, but rather by independent inspectors licensed by MHC to ensure that they meet all educational and professional standards. MHC charges licensed inspectors a fee of \$100 per seal with no limit on how many can be purchased at one time. Inspection seals do not have to be renewed. Receipts from seal fees totaled \$204,125 in FY 2010.

While most of MHC's revenue is generated by the sale of seals, the Board does collect fees for licensing and certifying various professionals involved in the manufactured homes trade. These fees are paid by inspectors, installers, course sponsors (third-party inspectors), dealers, and salespersons seeking state certification to provide these services. The table below shows the current fee charged for each type of license. All fees are deposited into the Occupational Licensing and Regulatory Fund (Fund 4K90), a repository for license fees and other assessments collected by many of the states' professional and occupational licensing boards.

| Type | Fee |
|---|-------|
| Home Inspection Seals | \$100 |
| Inspector certification (for three years) | \$50 |
| Third-Party Inspector certification (for three years) | \$300 |
| Installer license (for two years) | \$250 |
| Dealers/Broker (for two years) | \$250 |
| Salesperson (for two years) | \$150 |

Although the MHC was first established in FY 2004, it only gained authority to carry out its regulatory duties in FY 2007. This was because of various federal and state law changes that were necessary to flesh out MHC's scope of responsibilities. Before FY 2007, MHC acted primarily as an educational entity that trained and licensed manufactured home installers and inspectors. The Commission, however, was not authorized to regulate the installation of manufactured homes. As can be seen in Table 2, start-up expenses in FY 2007 and FY 2008 exceed operating income by a wide margin. By FY 2009, operating revenues had climbed significantly but were still lagging expenditures. Then between FY 2009 and FY 2010, a large number of installers and inspectors allowed their licenses and renewals to lapse as a result of the sharp drop in manufactured homes during the economic downturn. FY 2010 revenue from these sources dropped substantially.

There is a noticeable uptick in revenue so far in FY 2011. This is because MHC has begun to certify manufactured homes dealers, brokers, and sales people. These entities were previously regulated by the Bureau of Motor Vehicles (BMV). During the FY 2012-FY 2013 biennium, the Commission intends to focus on certifying more manufactured homes dealers, particularly those that have low sale volumes, but in numbers still sufficient to require certification (more than five manufactured homes annually).

| | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 (YTD) |
|------------|--------------------|--------------------|-------------------|--------------------|-------------------|
| Revenues | \$89,359 | \$155,251 | \$303,804 | \$237,231 | \$291,220 |
| Expenses | \$363,725 | \$362,721 | \$380,254 | \$439,913 | \$374,770 |
| Net | (\$274,366) | (\$207,470) | (\$76,450) | (\$202,682) | (\$83,550) |

ANALYSIS OF EXECUTIVE PROPOSAL

| Governor's Recommended Amounts for the Ohio Manufactured Homes Commission | | | |
|---|---------------------------|-----------|-----------|
| Fund | ALI and Name | FY 2012 | FY 2013 |
| General Services Fund Group | | | |
| 4K90 | 996609 Operating Expenses | \$652,922 | \$642,267 |

Operating Expenses (996609)

The executive recommends funding of \$652,922 in FY 2012, a 12.0% reduction when compared to FY 2011 appropriations of \$742,100. The amount recommended for FY 2013 is \$642,267, a 1.63% decrease when compared to the FY 2012 amount. This line item is used to pay all of MHC's operating expenses. Although the Commission had anticipated adding another inspector to its staff for the FY 2012-FY 2013 biennium, the executive's funding recommendation probably means that it will not be possible to hire someone to fill this position. The additional inspector would have been, in part, responsible for overseeing those licensees that the Board recently acquired from the BMV. Under current practice, manufactured homes dealers are only inspected when they are initially licensed and are not re-inspected unless a complaint is made. The Commission had intended upon re-inspecting the facilities it acquired from the BMV, but may not be able to do so given this level of funding.

Licenses, Certifications, and Home Inspection Seals

The Commission establishes standards, licenses inspectors, and requires that at least three inspections be carried out when a new manufactured home is installed. Table 3 shows the number of active licenses issued and home inspection seals sold by the Commission from FY 2007 to FY 2010. During this period, a substantial number of inspectors and installers allowed their licenses to lapse because of a reduction in the number of manufactured homes sold. In contrast, sales of home inspection seals increased briskly between FY 2007 and FY 2009 before tailing off in FY 2010. This was because H.B. 1, the FY 2010-FY 2011 budget act, brought homes installed in mobile home parks under the jurisdiction of MHC. These were previously under the jurisdiction of local boards of health.

| Registration | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|-----------------------|----------------|----------------|----------------|----------------|
| Inspector | 153 | 197 | 118 | 103 |
| Installer | 409 | 425 | 325 | 313 |
| Third-Party Inspector | 9 | 10 | 10 | 10 |
| Home Inspection Seals | 55 | 1,367 | 2,922 | 2,451 |
| Total | 626 | 1,999 | 3,375 | 2,877 |

When home inspectors issue a seal to a homeowner, they report the details of the transaction to MHC so it has a record of how many manufactured homes were installed during a certain time period and where those homes have been installed. MHC then organizes this information in a record called the Seal Report. Of the 2,451 inspection seals sold in FY 2010, approximately 2,440 were presented to homeowners, indicating a legal installation.

Complaint and Investigation Statistics

In the first year after a manufactured home is installed (whether used or new), the owner is able to file a complaint with MHC in the event that a flaw is discovered in the home. The Commission then investigates the complaint to determine its validity and who is at fault (the manufacturer, the retailer, the installer, etc.). Under H.B. 1, the current budget act, MHC now has jurisdiction over manufactured home installers and retailers. There were two dispute resolution cases in FY 2010, both of which were resolved successfully. The Commission also held five disciplinary hearings and collected \$800 in fines for the year.

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Manufactured Homes Commission

General Services Fund Group

4K90 996609 Operating Expenses

| FY 2008 | FY 2009 | FY 2010 | Estimate FY 2011 | Introduced FY 2012 | Introduced FY 2013 |
|-----------|-----------|-----------|---------------------|-----------------------|-----------------------|
| \$362,721 | \$380,254 | \$425,031 | \$742,100 | \$652,922 | \$642,267 |
| | 4.8% | 11.8% | 74.6% | -12.0% | -1.6% |

Source: General Services Fund Group: 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 (originally established by Controlling Board on November 15, 2004)

Purpose: This appropriation is used to cover the Commission's cost for training, examining, and licensing manufactured home installers. The appropriation is also used to cover costs for (1) training, licensing, and certifying manufactured home inspectors, (2) certifying local building department inspectors, (3) developing standards for installation of manufactured homes, and (4) providing a dispute resolution process to resolve manufactured home complaints.

FY 2012 - FY 2013 Introduced Appropriation Amounts

All Fund Groups

| Line Item Detail by Agency | | | FY 2010 | Estimate FY 2011 | Introduced FY 2012 | FY 2011 to FY 2012 % Change | Introduced FY 2013 | FY 2012 to FY 2013 % Change |
|--|--------|--------------------|-------------------------------|---------------------|-----------------------|--------------------------------|-----------------------|--------------------------------|
| Report For Main Operating Appropriations Bill | | | Version: As Introduced | | | | | |
| MHC Manufactured Homes Commission | | | | | | | | |
| 4K90 | 996609 | Operating Expenses | \$ 425,031 | \$ 742,100 | \$ 652,922 | -12.02% | \$ 642,267 | -1.63% |
| General Services Fund Group Total | | | \$ 425,031 | \$ 742,100 | \$ 652,922 | -12.02% | \$ 642,267 | -1.63% |
| Manufactured Homes Commission Total | | | \$ 425,031 | \$ 742,100 | \$ 652,922 | -12.02% | \$ 642,267 | -1.63% |