

LSC Redbook

Analysis of the Executive Budget Proposal

Ohio Manufactured Homes Commission

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Ohio Manufactured Homes Commission

- Recommended funding of \$1.2 million in each fiscal year
- As of December 2012, MHC responsible for regulating and licensing manufactured home parks under H.B. 487

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, licensing of manufactured home dealers and salespeople, and oversees a dispute resolution process for complaints made by home purchasers. Additionally, MHC is responsible for establishing and enforcing standards ensuring the safety and sanitation of manufactured home parks and issuing licenses to manufactured home park operators.

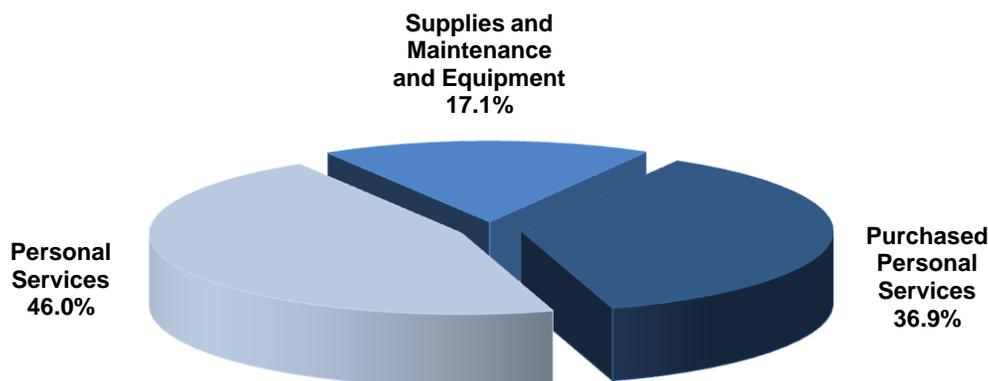
MHC is overseen by nine commissioners, three of whom are appointed by the Governor, three of whom are appointed by the President of the Senate, and three of whom are appointed by the Speaker of the House of Representatives. The selected commissioners represent the various interested parties involved 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) and the Manufactured Homes Commission Regulatory Fund (Fund 5MC0).

Appropriation Overview

The executive recommends appropriations of \$1.2 million in both FY 2014 and FY 2015, a 7.9% increase when compared to estimated FY 2013 spending of \$1.1 million. Chart 1 below shows the executive recommendation broken down according to expense category. As with other licensing and regulatory boards and commissions, payroll and fringe benefit costs are the Commission's largest expense, accounting for 46.0% of the recommended funding in the upcoming biennium. Purchased personal services and

equipment make up a further 36.9% of the proposed budget. The remaining 17.1% is slated for supplies and maintenance.

Chart 1: Recommended FY 2014-FY 2015 Budget by Expense Category
(\$1.2 million in each fiscal year)



A large portion of the expenditures on purchased personal services is expected to be made on inspections of mobile home parks conducted by local boards of health. MHC estimates that as much as \$250,000 a year will be used for this purpose. H.B. 487 of the 129th General Assembly transferred the authority to regulate and license manufactured home parks from the Department of Health and local boards of health to MHC, but required MHC to contract with the local boards for inspection services if the local boards wished to conduct inspections. About 70 of the 127 local boards of health statewide have contracted with MHC to continue conducting inspections. In areas where local boards of health have decided not to continue manufactured home park inspections, MHC expects to contract with neighboring health districts, third-party inspectors, or use internal staff to conduct inspections.

Licensing Types

MHC generates revenue through the sale of various licenses, home inspection seals, and certification fees. 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. In FY 2012, the Commission sold 2,395 inspection seals. The Commission also collects 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. Finally, beginning in December 2012, MHC took over the statewide responsibility for regulating and licensing manufactured home parks. 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), except for fees collected on licenses for manufactured home parks. These receipts are instead deposited into the Manufactured Homes Commission Regulatory Fund (Fund 5MC0).

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
Mobile Home Park License (for 1 year)	\$150
Mobile Home Park Lot Fee (per lot/per year)	\$4.15

Revenues and Expenses

Although MHC was first established in FY 2004, early on it served primarily as an educational entity that trained and licensed manufactured home installers and inspectors. The Commission only gained authority to carry out its regulatory duties in FY 2007, largely because of various federal and state law changes that were necessary to flesh out MHC's scope of responsibilities. Table 2 shows MHC's operating revenues and expenses since the Commission took on its regulatory functions in earnest in FY 2007. As the data in the table show, there has been considerable fluctuation in revenues since MHC took on its regulatory role. This is due to a combination of economic factors, as well as additional regulatory responsibilities the Commission has absorbed since its inception. For example, between FY 2009 and FY 2010, revenues were adversely affected by the downturn in the economy, during which a large number of installers and inspectors allowed their licenses and renewals to lapse. FY 2011 revenues increased because MHC inherited the responsibility of licensing manufactured home dealers, brokers, and sales people in that fiscal year from the Bureau of Motor Vehicles.

Between FY 2007 and FY 2012, the Commission operated entirely from the Occupational Licensing and Regulatory Fund (Fund 4K90). A significant change occurred in December 2012, almost mid-way through FY 2013, when the Commission assumed responsibility for licensing manufactured home parks under H.B. 487. Unlike the other fees the Commission collects, receipts from manufactured home parks are

deposited into the Manufactured Homes Commission Regulatory Fund (Fund 5MC0). As Table 2 shows, FY 2013 year-to-date revenues are up substantially because of the new licenses issued to manufactured home parks. As of January 2013, combined Fund 4K90 and 5MC0 revenues were almost \$1.0 million.

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 (YTD)*
Revenues	\$89,359	\$155,251	\$303,804	\$237,231	\$407,678	\$270,787	\$962,460
Expenses	\$363,725	\$362,721	\$380,254	\$439,913	\$525,798	\$535,525	\$326,960
Net	-\$274,366	-\$207,470	-\$76,450	-\$202,682	-\$118,120	-\$264,738	\$635,500

*FY 2013 shows combined results year-to-date for both Fund 4K90 and Fund 5MC0.

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 2009 to FY 2012. Note that regulatory activity has increased significantly over this time. As can be seen from the data below, the increase is attributable to the transfer of the manufactured home salespersons, dealers, and brokers licensing function from the Bureau of Motor Vehicles to MHC.

Registration	FY 2009	FY 2010	FY 2011	FY 2012
Inspector	118	103	95	93
Installer	325	313	296	278
Third-Party Inspection Agency	10	10	8	6
Home Inspection Seals	2,922	2,451	2,387	2,395
Dealer/Broker	0	0	231	230
Salespersons	0	0	222	278
Total	3,375	2,877	3,239	3,280

The data in this table do not include manufactured home parks licenses processed since MHC assumed responsibility of this function in December 2012, mid-way through FY 2013. Previously, manufactured home parks were under the jurisdiction of the Department of Health and local boards of health. As of February 13, 2013, of the approximately 1,800 manufactured home parks throughout Ohio, 1,369 had renewed their licenses through MHC.

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.) and may initiate a dispute resolution process to settle the complaint. In FY 2012, MHC resolved three complaints through a dispute resolution process. Additionally, fines for noncompliance totaled \$1,500. Fines are likely to increase in the future due to the addition of manufactured home parks under the Commission's regulatory authority.

ANALYSIS OF EXECUTIVE PROPOSAL

Governor's Recommended Amounts for the Ohio Manufactured Homes Commission				
Fund	ALI and Name		FY 2014	FY 2015
General Services Fund Group				
4K90	996609	Operating Expenses	\$459,134	\$459,134
State Special Revenue Fund Group				
5MC0	996610	Manufactured Homes Regulation	\$747,825	\$747,825
Total Funding: Manufactured Homes Commission			\$1,206,959	\$1,206,959

Operating Expenses (996609)

The executive recommends funding of \$459,134 in both FY 2014 and FY 2015, a 28.5% reduction when compared to FY 2013 estimated spending of \$642,267 for operating expenses covered by this line item. Previously, this appropriation had been used to pay for all of MHC's operating costs. This arrangement changed, however, when MHC assumed responsibility for regulating manufactured home parks in FY 2013. Operating expenses covered by this line item now are those specifically related to the licensing and regulatory functions concerning the sale and installation of manufactured homes. Overall, roughly half of the personal services costs that were formerly paid from this line item are now paid from appropriation item 996610, Manufactured Homes Regulation.

Manufactured Homes Regulation (996610)

For this appropriation item, the executive recommends funding of \$747,825 in each fiscal year of the FY 2014-FY 2015 biennium, a 57.0% increase over estimated FY 2013 spending of \$476,309 since MHC took over the manufactured homes licensing function earlier in FY 2013. FY 2014 will be MHC's first full year operating this program. Under H.B. 487, MHC is required to contract with local health departments to perform inspections of manufactured home parks if those entities wish to continue this regulatory function. For local entities that choose not to do so, MHC will contract with other local health departments or use its own staff to perform these responsibilities. MHC estimates that inspection contracts with local health departments will cost approximately \$250,000 per year.

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Manufactured Homes Commission

General Services Fund Group

4K90 996609 Operating Expenses

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$425,031	\$552,798	\$535,526	\$642,267	\$459,134	\$459,134
	30.1%	-3.1%	19.9%	-28.5%	0.0%

Source: General Services Fund Group: Proceeds from the sale of home 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 331.10 of Am. Sub. H.B. 153 of the 129th G.A. (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.

State Special Revenue Fund Group

5MC0 996610 Manufactured Homes Regulation

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$0	\$0	\$0	\$476,309	\$747,825	\$747,825
	N/A	N/A	N/A	57.0%	0.0%

Source: State Special Revenue Fund Group: License fees charge to manufactured home park operators

Legal Basis: ORC 4781.54

Purpose: This appropriation is used to cover the Commission's costs for regulating, inspecting and licensing manufactured home parks, including the costs of contracting for inspection services. Under Revised Code Section 4781.26 local boards of health have the first right of refusal for contracts to inspect manufactured homes parks.

FY 2014 - FY 2015 Introduced Appropriation Amounts

All Fund Groups

Line Item Detail by Agency			FY 2012	Estimate FY 2013	Introduced FY 2014	FY 2013 to FY 2014 % Change	Introduced FY 2015	FY 2014 to FY 2015 % Change
Report For Main Operating Appropriations Bill			Version: As Introduced					
MHC Manufactured Homes Commission								
4K90	996609	Operating Expenses	\$ 535,526	\$ 642,267	\$ 459,134	-28.51%	\$ 459,134	0.00%
General Services Fund Group Total			\$ 535,526	\$ 642,267	\$ 459,134	-28.51%	\$ 459,134	0.00%
5MC0	996610	Manufactured Homes Regulation	\$0	\$ 476,309	\$ 747,825	57.00%	\$ 747,825	0.00%
State Special Revenue Fund Group Total			\$0	\$ 476,309	\$ 747,825	57.00%	\$ 747,825	0.00%
Manufactured Homes Commission Total			\$ 535,526	\$ 1,118,576	\$ 1,206,959	7.90%	\$ 1,206,959	0.00%