

# **LSC Redbook**

**Analysis of the Executive Budget Proposal**

## **Ohio Manufactured Homes Commission**

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## **ATTACHMENTS:**

- Catalog of Budget Line Items
- Budget Spreadsheet By Line Item

# Ohio Manufactured Homes Commission

- Recommended funding of \$1.2 million in each fiscal year
- Total budget has increased since MHC assumed responsibility of licensing manufactured home parks

## 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, the licensing of manufactured home dealers and salespeople, and it 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 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).

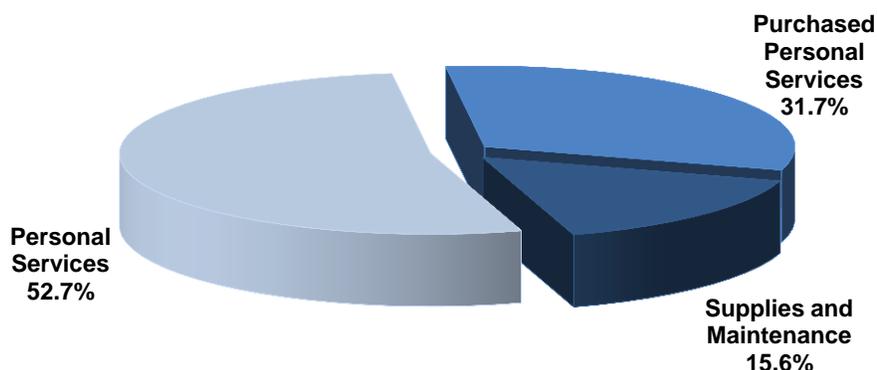
MHC is overseen by nine commissioners, three of whom are appointed by the Governor, three of whom are appointed by the President of the Senate, and three of whom are appointed by the Speaker of the House of Representatives. The selected commissioners represent the various interested parties involved in the manufactured homes industry. Commissioners receive no compensation other than actual expenses incurred in conducting MHC business. The day-to-day operations of MHC are handled by an executive director appointed by the commissioners. Including the executive director, MHC has eight full-time staff, an increase of two from FY 2013. Over the current biennium MHC added an inspector/investigator, responsible for handling home installation inquiries and regulating 800 manufactured home parks in 44 counties, and an administrative professional supporting activities related to manufactured home parks regulation.

### Appropriation Overview

The executive recommends appropriations of \$1.2 million in both FY 2016 and FY 2017, which is flat funding from FY 2015 levels. 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 MHC's

largest expense, accounting for 52.7% of the recommended funding in the upcoming biennium. Purchased personal services make up a further 36.9% of the proposed budget. The remaining 15.6% is slated for supplies and maintenance.

**Chart 1: Recommended FY 2016-FY 2017 Budget by Expense Category**  
(\$1.2 million in each fiscal year)



A large portion of the expenditures on purchased personal services is spent on contracting with local boards of health to conduct inspections of mobile home parks. According to MHC, it spends approximately \$230,000 each year 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. Statewide, approximately 70 of the 127 local boards of health 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 contracts with neighboring health departments, third-party inspectors, or uses 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 2014, MHC sold 2,118 inspection seals. MHC 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). Fees collected from park owner/operator licenses and home inspection seals are MHC's first and second largest revenue sources, respectively. Due to improving economic conditions, MHC expects increases in licenses and home installations over the FY 2016-FY 2017 biennium.

<b>Table 1. MHC Fees</b>	
<b>Seals</b>	<b>Fee</b>
Home Inspection Seals	\$100
<b>Licenses</b>	
Inspector Certification (triennial)	\$50
Third-Party Inspector Certification (triennial)	\$300
Installer License (biennial)	\$250
Dealer/Broker (biennial)	\$250
Salesperson (biennial)	\$150
<b>Manufactured Home Park Licenses</b>	
Park Owner/Operator License (annual)	\$150
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. MHC 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. In FY 2011, MHC inherited the responsibility of licensing manufactured home dealers, brokers, and sales people from the Bureau of Motor Vehicles. Table 2 shows MHC's total revenues and expenses since FY 2011. As the data in the table show, revenues have increased substantially over the past five fiscal years. Much of this increase is due to additional regulatory responsibilities MHC assumed in FY 2013, though improving economic conditions have also been positively influential.

Between FY 2007 and FY 2012, MHC operated entirely from the Occupational Licensing and Regulatory Fund (Fund 4K90). A significant change occurred in December 2012, almost halfway through FY 2013, when MHC assumed responsibility for licensing manufactured home parks under H.B. 487. Unlike the other fees MHC collects, receipts from manufactured home parks are deposited into the Manufactured Homes Commission Regulatory Fund (Fund 5MC0) and are MHC's largest revenue source.

As Table 2 shows, total revenues increased substantially beginning in FY 2013 because of the new licenses issued to manufactured home parks. However, Fund 5MC0 revenues of just over \$880,000 for that fiscal year were above normal due to a one-time excess funds transfer executed upon the creation of the fund. According to MHC, FY 2014 revenues of close to \$750,000 are more indicative of future revenues for Fund 5MC0. Unlike with Fund 4K90 receipts, Fund 5MC0 revenues are more consistent because licenses associated with mobile home parks are renewed annually. Because most of the other high-volume licenses are renewed on a biennial basis, revenues for Fund 4K90 tend to be higher in odd-numbered fiscal years and lower in even-numbered fiscal years. Through January 2015, combined Fund 4K90 and Fund 5MC0 revenues were \$860,000 for FY 2015.

<b>Table 2. Fund 4K90 Revenues and Expenditures, FY 2011 to FY 2015 YTD (through January)</b>					
	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015 YTD</b>
Revenues	\$407,678	\$270,787	\$428,957	\$257,793	\$193,886
Expenditures	\$552,798	\$535,526	\$530,065	\$288,682	\$190,621
<b>Net</b>	<b>-\$145,120</b>	<b>-\$264,739</b>	<b>-\$101,108</b>	<b>\$30,889</b>	<b>\$3,265</b>
<b>Fund 5MC0 Revenues and Expenditures, FY 2011 to FY 2015 YTD</b>					
	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015 YTD</b>
Revenues	N/A	N/A	\$881,425	\$754,430	\$666,172
Expenditures	N/A	N/A	\$50,528	\$557,955	\$413,142
<b>Net</b>	<b>N/A</b>	<b>N/A</b>	<b>\$830,897</b>	<b>\$196,475</b>	<b>\$253,030</b>
<b>Total Revenues and Expenditures, FY 2011 to FY 2015 YTD</b>					
	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015 YTD</b>
Revenues	\$407,678	\$270,787	\$1,310,382	\$1,012,223	\$860,058
Expenditures	\$552,798	\$535,526	\$580,593	\$846,637	\$603,763
<b>Net</b>	<b>-\$145,120</b>	<b>-\$264,739</b>	<b>\$729,789</b>	<b>\$165,586</b>	<b>\$256,295</b>

Note: Fund 5MC0 was established nearly halfway through FY 2013 under H.B. 487 of the 129th General Assembly.

### **Licenses, Certifications, and Home Inspection Seals**

MHC 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 by and inspection seals sold by MHC from FY 2011 to FY 2014. Note that regulatory activity has increased significantly over this time. As

can be seen from the data below, the increase is attributable to the number of manufactured home parks licenses processed since MHC assumed responsibility of this function in December 2012, halfway through FY 2013. Previously, manufactured home parks were under the jurisdiction of the Department of Health and local boards of health. As of February 6, 2015, 89% of manufactured home parks throughout Ohio had renewed their annual licenses through MHC.

<b>Table 3. Active Licenses with MHC, FY 2011 to FY 2014</b>				
	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
Installer	296	278	257	251
Inspector	95	93	65	67
Dealer/Broker	231	230	227	250
Salesperson	222	278	278	308
Park Owner/Operator	0	0	1,629	1,600
Third-Party Inspection Agency	8	6	4	5
Building Departments	0	0	21	21
<b>TOTAL</b>	<b>844</b>	<b>879</b>	<b>2,481</b>	<b>2,502</b>
<b>Inspection Seals Sold by MHC, FY 2011 to FY 2014</b>				
	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
Inspection Seals	2,387	2,395	2,538	2,118

Over the FY 2011-FY 2014 period, the average number of inspection seals sold was 2,360. The number of seals sold was noticeably above average in FY 2013 at 2,538 and markedly below average in FY 2014 at 2,118. As of February 11, 2015, approximately 1,400 seals have been sold in FY 2015. MHC expects to sell over 2,400 in total for the year, in line with the four-year average.

### **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. MHC 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 a typical year, MHC conducts one to three hearings through a dispute resolution process. Outside of this process, MHC investigated 1,168 complaints in FY 2014.

## ANALYSIS OF EXECUTIVE PROPOSAL

Governor's Recommended Amounts for the Ohio Manufactured Homes Commission				
Fund	ALI and Name		FY 2016	FY 2017
<b>General Services Fund Group</b>				
4K90	996609	Operating Expenses	\$459,134	\$459,134
<b>State Special Revenue Fund Group</b>				
5MC0	996610	Manufactured Homes Regulation	\$747,825	\$747,825
<b>Total Funding: Manufactured Homes Commission</b>			<b>\$1,206,959</b>	<b>\$1,206,959</b>

### Operating Expenses (996609)

The executive recommends funding of \$459,134 in both FY 2016 and FY 2017, which is flat funding from the FY 2015 appropriation level for the 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 2016-FY 2017 biennium, which is flat funding from the FY 2015 appropriation level. FY 2014 was MHC's first full year operating this program. In the upcoming biennium, MHC hopes to use funding from this line item to pursue several new initiatives, including improved software programming to better monitor inspections and complaints as well as an educational course for manufactured home park operators and managers.

Under H.B. 487 of the 129th General Assembly, 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 contracts with other local health departments, third-party agencies, or uses its own staff to perform these responsibilities. In FY 2014, MHC paid approximately \$230,000 to local health departments and third-party agencies to conduct inspections.

## Manufactured Homes Commission

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### Dedicated Purpose Fund Group

#### 4K90 996609 Operating Expenses

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$535,526	\$530,065	\$288,682	\$459,134	<b>\$459,134</b>	<b>\$459,134</b>
	-1.0%	-45.5%	59.0%	<b>0.0%</b>	<b>0.0%</b>

**Source:** Dedicated Purpose 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 321.10 of Am. Sub. H.B. 59 of the 130th G.A. (originally established by Controlling Board on November 15, 2004)

**Purpose:** This appropriation is used to cover the Commission's costs for training, examining, and licensing manufactured home installers as well as training and licensing for dealers, brokers, and salespersons. 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.

#### 5MC0 996610 Manufactured Homes Regulation

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$0	\$50,528	\$557,955	\$747,825	<b>\$747,825</b>	<b>\$747,825</b>
	N/A	1,004.2%	34.0%	<b>0.0%</b>	<b>0.0%</b>

**Source:** Dedicated Purpose Fund Group: License fees charged to manufactured home park operators

**Legal Basis:** ORC 4781.54, Section 321.10 of Am. Sub. H.B. 59 of the 130th General Assembly

**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 ORC 4781.26 local boards of health have the first right of refusal for contracts to inspect manufactured homes parks.

## FY 2016 - FY 2017 Introduced Appropriation Amounts

## All Fund Groups

### Line Item Detail by Agency

			FY 2014	Estimate FY 2015	Introduced FY 2016	FY 2015 to FY 2016 % Change	Introduced FY 2017	FY 2016 to FY 2017 % Change
<b>Report For Main Operating Appropriations Bill</b>			<b>Version: As Introduced</b>					
<b>MHC Manufactured Homes Commission</b>								
4K90	996609	Operating Expenses	\$ 288,682	\$ 459,134	\$ 459,134	0.00%	\$ 459,134	0.00%
5MC0	996610	Manufactured Homes Regulation	\$ 557,955	\$ 747,825	\$ 747,825	0.00%	\$ 747,825	0.00%
<b>Dedicated Purpose Fund Group Total</b>			<b>\$ 846,637</b>	<b>\$ 1,206,959</b>	<b>\$ 1,206,959</b>	<b>0.00%</b>	<b>\$ 1,206,959</b>	<b>0.00%</b>
<b>Manufactured Homes Commission Total</b>			<b>\$ 846,637</b>	<b>\$ 1,206,959</b>	<b>\$ 1,206,959</b>	<b>0.00%</b>	<b>\$ 1,206,959</b>	<b>0.00%</b>