

# **LSC Greenbook**

**Analysis of the Enacted Budget**

## **Ohio Manufactured Homes Commission**

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**ATTACHMENT:**

Budget Spreadsheet By Line Item

# Ohio Manufactured Homes Commission

- Total biennial appropriations of \$800,000
- Software upgrades at a total estimated cost of \$15,000
- Transfer of responsibilities currently under the purview of the Department of Health

## 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, building departments and their personnel, and oversees a dispute resolution process for complaints made by home purchasers. MHC was created by S.B. 102 of the 125th General Assembly in 2004, but was unable to begin regulatory operations until 2007 due to delays in the development of model installation standards by the U.S. Department of Housing and Urban Development (HUD).

MHC is governed by nine commissioners, three of which are appointed by the Governor, three of which are appointed by the President of the Senate, and three of which are appointed by the Speaker of the House. The selected commissioners represent the various business sectors 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 the responsibility of an executive director appointed by the Commission. Including the Executive Director, the Commission has four full-time staff. The Commission receives no GRF; it is entirely supported by fees.

### Appropriation Overview

The table below shows the appropriations for MHC as enacted in H.B. 1.

Appropriations by Fund Group, FY 2010-FY 2011					
Fund Group	FY 2009	FY 2010	% change, FY 2009-FY 2010	FY 2011	% change, FY 2010-FY 2011
General Services	\$380,000	\$400,000	5.2%	\$400,000	0%
<b>TOTAL</b>	<b>\$380,000</b>	<b>\$400,000</b>	<b>5.2%</b>	<b>\$400,000</b>	<b>0%</b>

\*FY 2009 figures represent actual expenditures.

As the table above shows, MHC's budget consists entirely of General Services funds, which are generated by fee revenue. H.B. 1 appropriations of \$400,000 in each fiscal year are a 5.6% increase over actual FY 2009 expenditures. As with other licensing and regulatory boards, payroll and fringe benefit costs are the Commission's biggest expense.

MHC receives support for some of its administrative tasks from the Central Service Agency (CSA) of the Department of Administrative Services. These services include help in budget development, fiscal processing, human resources, and so forth, for which the Commission paid a total of \$6,480 in FY 2008.

### 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 must 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 \$75 per seal with no limit on how many can be purchased at one time. Inspection seals do not have to be renewed.

Fees are also paid by inspectors, installers, and course sponsors (third-party inspectors) seeking state certification. Table 1 below shows the current fee charged for each type of license. Renewal dates for these licenses are based upon the date that the original license was issued. The Commission's total revenues for FY 2009 were approximately \$359,312.

Type	Fee
Home Inspection Seals	\$75
Inspector (valid for three years)	\$30
Third-Party Inspector (valid for three years)	\$300
Installer (valid for two years)	\$150

Fees are deposited in the Occupational Licensing and Regulatory Fund (Fund 4K90), a repository for license fees and other assessments collected by 26 of the states' professional and occupational licensing boards.

Table 2 shows annual revenues and expenditures from FY 2005 to FY 2009. These figures require some explanation. First, as previously noted, MHC was created in FY 2004 but only gained authority to begin its regulatory duties in FY 2007. During that

span, MHC acted primarily as an educational entity that trained and licensed manufactured home inspectors. It was not able to approve or regulate the installation of manufactured homes due to issues concerning the implementation of HUD guidelines and state statute. Revenue during this period was minimal, coming only from educational courses and license fees charged to home inspectors and installers. Renewal dates for these licenses are based upon the date of the original date of issuance. Now that regulations are in place and the Commission is able to collect fees for the sale of home inspection seals, the largest source of MHC's revenue, it is anticipated that revenues will exceed expenditures in FY 2010.

<b>Table 2. Revenues and Expenditures, FY 2005-FY 2009</b>					
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Revenues	\$63	\$1,302	\$89,359	\$156,746	\$303,004
Expenditures	\$67,452	\$226,114	\$363,725	\$362,720	\$359,312
<b>Net:</b>	<b>(\$67,389)</b>	<b>(\$224,812)</b>	<b>(\$274,366)</b>	<b>(\$205,974)</b>	<b>(\$56,308)</b>

## **New Budget Provisions**

### **Transfer of Jurisdiction from the Department of Health**

H.B. 1 significantly expands the jurisdictional purview of the Commission, transferring several oversight responsibilities from the Department of Motor Vehicles and the Department of the Health. Prior to H.B. 1, MHC had jurisdiction only over manufactured home installers and home installations on privately owned, rather than corporately owned, property. Under the bill, MHC will now be the licensing authority for manufactured housing dealers, manufactured housing brokers, and manufactured housing salespersons. The bill also transfers the inspection authority over the installation, foundations, and support systems of manufactured housing in home parks from the Department of Health to MHC. The transfer of these responsibilities will not take effect until July 1, 2010. Although these oversight responsibilities will increase expenses, the additional revenue generated by the sale of home seals and new licenses will offset these new costs.

## ANALYSIS OF ENACTED BUDGET

The Commission's operations are funded by a single line item appropriation from the General Services Fund Group. The table below shows the appropriations for each fiscal year.

Appropriations for the Ohio Manufactured Homes Commission				
Fund	ALI and Name		FY 2010	FY 2011
<b>General Services Fund Group</b>				
4K90	996609	Operating Expenses	\$400,000	\$400,000

Funding for GSF appropriation item 996609, Operating Expenses, is \$400,000 in each fiscal year, a 5.2% increase over FY 2009 expenditures of \$380,254. This line item is used to pay all of MHC's operating expenses.

### Licenses and Home Inspection Seals

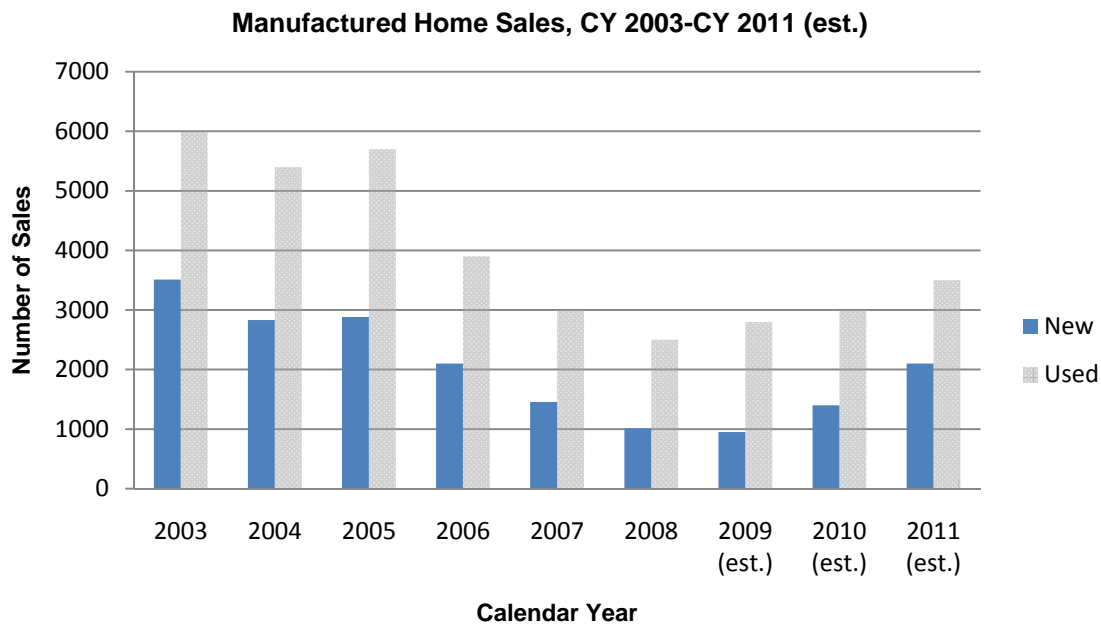
The Commission establishes standards, licenses inspectors, and requires that at least three inspections be carried out when a new manufactured home is installed. Table 3 shows the number of active licenses issued and home inspection seals sold by the Commission for FY 2008 compared with FY 2007.

Registration	FY 2007	FY 2008	% Change
Inspector	153	197	28.8%
Installer	409	425	3.9%
Third-Party Inspector Certificate	9	10	11.1%
Home Inspection Seals	55	1,367	2,385%
<b>Total</b>	<b>626</b>	<b>1,999</b>	<b>219.33%</b>

During the first half of FY 2009, the Commission sold 1,112 home inspection seals, approximately 81.0% of the total number of seals sold during all of FY 2008. This indicates that MHC will continue to see an increase in the sale of home inspection seals in the FY 2010-FY 2011 biennium, albeit at a smaller percent increase from year to year.

Concerning this point, Chart 2 below shows sales of new and used manufactured homes in Ohio from calendar year (CY) 2003 to CY 2008, with projections for CY 2009 through CY 2011. In CY 2008, the sale of manufactured homes decreased by approximately two-thirds in comparison with CY 2003. However, the Manufactured Homes Association (not affiliated with MHC) expects growing sales in the upcoming

biennium, as the sale of manufactured homes, which are typically more affordable than conventional homes, tends to rise during a weak economy.



Source: Ohio Manufactured Homes Association, 2009

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. MHC is in the process of installing a web site that will place all information from the Seal Report on the Internet, allowing consumers and inspectors to verify that a manufactured home has been legally and properly set without having to call the Commission. Eventually, the web site will also allow inspectors to update the Seal Report themselves, without having to involve MHC. It anticipates that the web site will be fully implemented during the upcoming biennium at an estimated cost of approximately \$10,000.

Of the 1,367 inspection seals sold in FY 2008, approximately 867 were presented to homeowners, indicating a legal installation. MHC estimates that there were a total of 5,100 manufactured homes installed in Ohio during the same period, meaning that approximately 17% of installed homes underwent MHC certified inspections. Of the 5,100 total home installations, approximately 3,400 were set in home parks, over which the Department of Health, not MHC, had jurisdiction. With the enactment of H.B. 1, MHC will have jurisdiction over these home installations as of July 1, 2010.

## 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.). All interested parties are informed when a valid complaint is filed. Prior to H.B. 1, the Commission only had jurisdiction over licensed installers. Under the bill, MHC will also be able to take disciplinary action against manufactured home retailers as necessary. Table 4 below summarizes the Commission's enforcement statistics for FY 2008.

<b>Enforcement Action</b>	<b>Amount</b>
Complaints Investigated	17
Complaints Closed	15
Disciplinary Hearings	6

MHC conducted a total of 17 investigations during FY 2008. Fifteen of those cases were settled, but two resulted in litigation. Six of the cases resulted in disciplinary hearings and the assessment of \$2,600 worth of fines. As of February 23, MHC had conducted one disciplinary hearing in FY 2009, which resulted in a fine of \$2,700. In addition to any fines paid to MHC, installers are required to remedy any flaws created by improper home installations. MHC anticipates investigating 30 to 60 complaints per year in the upcoming biennium.

In FY 2011, MHC will develop software that will allow it to record and analyze data associated with its complaint arbitration process. This will allow MHC to see trends in complaints, such as a concentration of complaints in a specific geographic location or with a specific installer, and so forth. The installation of the complaint software is expected to cost approximately \$5,000.

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**FY 2010 - 2011 Final Appropriation Amounts**

**All Fund Groups**

<b>Line Item Detail by Agency</b>			<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010 Appropriations</b>	<b>% Change FY09 - FY10</b>	<b>FY 2011 Appropriations</b>	<b>% Change FY10 - FY11</b>
<b>Report For: Main Operating Appropriations Bill</b>			<b>Version: Enacted</b>					
<b>MHC Manufactured Homes Commission</b>								
4K90	996609	Operating Expenses	\$ 362,721	\$ 380,254	\$ 400,000	5.19%	\$ 400,000	0.00%
<b>General Services Fund Group Total</b>			<b>\$ 362,721</b>	<b>\$ 380,254</b>	<b>\$ 400,000</b>	<b>5.19%</b>	<b>\$ 400,000</b>	<b>0.00%</b>
<b>Manufactured Homes Commission Total</b>			<b>\$ 362,721</b>	<b>\$ 380,254</b>	<b>\$ 400,000</b>	<b>5.19%</b>	<b>\$ 400,000</b>	<b>0.00%</b>