

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3798-03
Bill No.: SCS for HCS for HBs 998 and 905
Subject: Housing; Landlords and Tenants; Manufactured Housing
Type: Original
Date: April 14, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Manufactured Housing Fund*	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
Total Estimated Net Effect on <u>Other</u> State Funds*	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

***Assumes fees would equal or exceed costs.**

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 700.600 – Notice of Eviction

In response to similar legislation, officials from the **Office of Attorney General** and the **Department of Economic Development** assumed the proposed legislation would have no fiscal impact on their agencies.

In response to similar legislation, officials from the **Office of State Courts Administrator** assume the proposed legislation would have no fiscal impact on the courts.

Sections 700.650, 700.653, 700.656, 700.659, 700.662, 700.665, 700.668, 700.671, 700.674, 700.677, 700.680, 700.683, 700.686, 700.689, and 700.692 – Manufactured Home Installation Act

In response to similar legislation, officials from the **State Treasurer's Office** and the **Department of Revenue** assumed this proposal licenses manufactured home installers and does not have a fiscal impact on their agencies.

ASSUMPTION (continued)

In response to similar legislation, officials of the **Department of Economic Development – Public Service Commission (PSC)** assumed the proposed bill would require the agency to license Manufactured Home installers, issue limited use installer licenses, set-up a dispute resolution process/procedure, conduct field inspections of a percentage of all new homes sold, set-up an installer training program and develop a decal to be attached to all new homes set-up by licensed installers. The agency anticipates the training will be conducted by a private company. Currently the agency only conducts field inspections of new homes after receiving a consumer complaint. PSC estimates 150 to 200 installers may require licensing. One hundred (100) limited use installers permits will be issued and an estimated 3,000 decals will be issued annually. PSC estimates the dispute resolution process would be limited and minor. Fees will have to be set by the agency to cover the cost of the required programs. The current annual revenues for the Manufactured Housing Program are not sufficient to cover the cost of any additional programs.

This proposal, if passed, is designed to improve the quality and safety of the homes. The proposal is part of a Federal Mandate promoted by the industry to improve the quality and safety of manufactured homes by ensuring the installers are licensed, trained and accountable for the final set-up of the home. Other objectives include increasing value and longevity of the homes, possibly decreasing insurance rates, improving the overall quality, improving consumer confidence, and reducing the number of consumer complaints. No additional federal funding will be received. Since this was industry sponsored and supported legislation, the fees to cover the cost of the implementation and continued funding should be supplied by the industry via the rules process.

PSC is requesting the following FTE (to work out of the Jefferson City office):

One Senior Office Support Assistant – Responsible for reviewing and issuing the installers licenses, limited use permits, issuing decals, maintaining a database of licenses and accounting for and tracking all fees received and answering related correspondence in a timely manner.

One additional Manufactured Housing Field Inspector – To perform field inspections of new home set-ups, oversee and assist with the review and approval of the installer training program, assist with the dispute resolution process and new home decal verification. This position is estimated at 40% travel.

ASSUMPTION (continued)

Oversight has, for fiscal note purposes only, changed the starting salary for the two requested PSC staff positions to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Also, Oversight assumes the two FTE will be paid from the license fees collected and deposited into the Manufactured Housing Fund. Oversight assumes the fees will be set at a level to cover the costs necessary to implement this proposal.

Oversight assumes the bonds or other securities would be held in trust and, only if forfeited, would be deposited into the Manufactured Housing Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
MANUFACTURED HOUSING FUND			
<u>Income</u> – Fees for license to install manufactured homes	Unknown	Unknown	Unknown
<u>Costs</u> – Public Service Commission			
Personal Service (2 FTE)	(\$41,113)	(\$50,569)	(\$51,833)
Fringe Benefits	(\$16,638)	(\$20,465)	(\$20,977)
Expense & Equipment	<u>(\$26,728)</u>	<u>(\$11,392)</u>	<u>(\$11,734)</u>
<u>Total Costs</u> – PSC	<u>(\$84,479)</u>	<u>(\$82,426)</u>	<u>(\$84,544)</u>

**ESTIMATED NET EFFECT ON
 MANUFACTURED HOUSING
 FUND***

\$0 to Unknown **\$0 to Unknown** **\$0 to Unknown**

***Assumes fees would equal or exceed costs.**

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses involved in operating manufactured or mobile home land lease communities could be directly impacted as a result of this proposal. This legislation could also have an effect on small businesses in the business of installing manufactured homes.

DESCRIPTION

Section 700.600 – Notice of Eviction

The proposed legislation would require owners of manufactured or mobile home land lease communities to provide tenants 120 days' notice to vacate due to a change in the use of such property. Where more than 120 days remain on a lease, the tenants would not be required to vacate prior to the lease termination except for violation of lease terms or as otherwise provided by law.

Sections 700.650, 700.653, 700.656, 700.659, 700.662, 700.665, 700.668, 700.671, 700.674, 700.677, 700.680, 700.683, 700.686, 700.689, and 700.692 – Manufactured Home Installation Act

This proposal would establish the Manufactured Home Installation Act. A new type of professional (the manufactured home installer) would be licensed by the Public Service Commission. The act would require the Public Service Commission to implement a program consistent with the American Home Ownership and Economic Opportunity Act of 2000 (federal law). Under that federal act, for states which do not have their own programs in place by December 27, 2005, the federal law will be enforced by the Department of Housing and Urban Development.

A manufactured home installer could not engage in that business without obtaining a license from the Public Service Commission. Cities and counties would require any additional license. Dealers or manufacturers who perform their own installation would be required to have one licensed installer. Persons installing a manufactured home on his or her own property for their own occupancy would not need to obtain a license.

DESCRIPTION (continued)

The proposal would delineate the requirements for obtaining a license. The applicant would be required to complete a training program approved by the PSC and obtain a passing grade on an examination which will ascertain whether the applicant has adequate skills and knowledge pertaining to the home installation profession. The applicant would also be required to pay all applicable fees. The applicant would also show proof of a certificate of insurance for workers' compensation insurance and show proof of general liability insurance in an amount of \$300,000.

The proposal would allow the PSC to waive the training and examination requirements for home installers who have licenses from other states with similar licensing requirements.

The proposal would allow the PSC to issue a limited use installer license to a person who has not met the training and examination requirements of the act. The limited licensee could install homes under licensed supervision and would be required to pass the required examination before attaining a full license.

The proposal would provide for the renewal of an installer license. The PSC could suspend a person's license for failure to carry the required workers' compensation coverage or general liability insurance coverage. The PSC could also grant inactive status to a licensee.

The proposal would provide penalties for fraudulently obtaining a license, committing a crime relating to the home installation profession, violating orders of the PSC, or violating installation standards provided by the act. A person who violates these provisions could have their license revoked or suspended. Decisions to revoke or suspend a home installer's license would be subject to judicial review.

The proposal would allow the PSC to investigate complaints against home installers and allow the PSC to seek a restraining order or writ of mandamus in the name of the state against persons who are violating any provisions of this act or order of the PSC.

Under the proposal, the PSC would require installers to install homes in accordance with the installation instructions approved by the United States Department of Housing and Urban Development and provided by the manufacturer of the manufactured home. The PSC would adopt standards for the proper installation of manufactured homes. Licensed installers would purchase installation stickers from the PSC and affix such sticker to the manufactured home upon completion of the installation. The PSC would inspect a percentage of installed manufactured homes consistent with federal requirements.

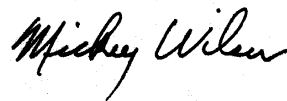
DESCRIPTION (continued)

The proposal would require the PSC to implement a process to address installation-related disputes among manufacturers, dealers, and licensed installers. The PSC could implement the provisions of this proposal using its own employees, independent contractors, or through other private or public entities. All fees collected pursuant to this act would be deposited in the Manufactured Housing Fund.

The Manufactured Home Installation Act portion of this legislation is federally mandated. The legislation does not duplicate any other program and does not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Attorney General
Office of State Courts Administrator
Department of Economic Development
 – Public Service Commission
State Treasurer's Office
Department of Revenue



Mickey Wilson, CPA
Director
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