

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4109-01
Bill No.: SB 1096
Subject: Manufactured Housing; Public Service Commission
Type: Original
Date: February 24, 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 Other 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
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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

Officials from the **State Treasurer's Office** and the **Department of Revenue** state this proposal licenses manufactured home installers and does not have a fiscal impact on their agencies.

Officials of the **Department of Economic Development, Public Service Commission (PSC)** assume 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

ASSUMPTION (continued)

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.

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.

FISCAL IMPACT - State Government

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>Cost</u> - Public Service Commission			
Personal Service (2 FTE)	(\$41,113)	(\$50,569)	(\$51,833)
Fringe Benefits	(\$16,638)	(\$20,465)	(\$20,977)
Expense & Equipment	(\$26,728)	(\$11,392)	(\$11,734)
Total Cost - PSC	(\$84,479)	(\$82,426)	(\$84,544)

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

<u>\$0 to</u> <u>UNKNOWN</u>	<u>\$0 to</u> <u>UNKNOWN</u>	<u>\$0 to</u> <u>UNKNOWN</u>
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*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

This legislation could have an effect on small businesses in the business of installing manufactured homes.

DESCRIPTION

This proposal establishes the Manufactured Home Installation Act. A new type of professional (the manufactured home installer) will be licensed by the Public Service Commission. The act requires 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,

DESCRIPTION (continued)

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

The proposal delineates the requirements for obtaining a license. The applicant must complete a training program approved by the PSC and must 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 must also pay all applicable fees. The applicant must 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 allows the PSC to waive the training and examination requirements for home installers who have licenses from other states with similar licensing requirements.

The proposal allows 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 may install homes under licensed supervision and must pass the required examination before attaining a full license.

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

The proposal provides 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 may have their license revoked or suspended. Decisions to revoke or suspend a home installer's license are subject to judicial review.

The proposal allows the PSC to investigate complaints against home installers and allows 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.

DESCRIPTION (continued)

Under the proposal, the PSC must 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 shall adopt standards for the proper installation of manufactured homes. Licensed installers shall purchase installation stickers from the PSC and shall affix such sticker to the manufactured home upon completion of the installation. The PSC shall inspect a percentage of installed manufactured homes consistent with federal requirements.

The proposal requires the PSC to implement a process to address installation-related disputes among manufacturers, dealers and licensed installers. The PSC may 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 shall be deposited in the Manufactured Housing Fund.

The proposal provides that the PSC shall not issue or renew a registration or license unless a bond or other security in a form prescribed by the PSC is filed with the PSC. The bond or other security is payable to the Manufactured Housing Fund. If a bond is filed, the bond must be issued by a company authorized to do business in this state. If other security is filed, that security must be maintained in or by a banking institution located in this state. An applicant for a license or certificate of registration or a license holder shall file a bond or other security for the issuance or renewal of the license or certificate of registration in the following amount:

- (1) \$100,000 for a manufacturer;
- (2) \$50,000 for a dealer; or
- (3) \$10,000 for an installer.

This legislation is federally mandated. It does not duplicate any other program and does not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Public Service Commission

KS:LR:OD (12/02)

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State Treasurer's Office
Department of Revenue

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 24, 2004