



Legislative Fiscal Bureau

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September 21, 2005

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 39 and Senate Bill 23: Regulation of Manufactured Housing

Assembly Bill 39 and Senate Bill 23 would make several changes related to the regulation of the manufactured housing industry and manufactured home installations. AB 39 was introduced on January 25, 2005, and referred to the Assembly Committee on Housing. On May 19, 2005, the Committee on Housing took executive action to recommend adoption of Assembly Substitute Amendment 1, as amended by Assembly Amendments 1 and 2 to ASA 1, by a vote of 4 to 0, and to recommend passage as amended by a vote of 4 to 0. On May 26, 2005, AB 39 was referred to the Joint Committee on Finance.

SB 23 was introduced on January 24, 2005, and referred to the Senate Committee on Housing and Financial Institutions. On June 16, 2005, the Committee on Housing and Financial Institutions took executive action to recommend adoption of Senate Substitute Amendment 1 by a vote of 7 to 0, and to recommend passage as amended by a vote of 6 to 1. On July 25, 2005, SB 23 was referred to the Joint Committee on Finance.

SSA 1 to SB 23 is identical to ASA 1 to AB 39, as amended by AA 1 and AA 2 to ASA 1. The remainder of this bill summary refers to both amended bills as "the bill."

CURRENT LAW

Since it was created in 1996, the Department of Commerce has regulated the manufacture and inspection of manufactured homes. In addition, 1999 Act 9 transferred administration of the following activities to Commerce: (a) the regulation and licensing of mobile home parks and mobile home dealers from the Department of Administration; and (b) the registration and titling of any vehicles that meet the definition of mobile home or manufactured home from the Department of Transportation (DOT). 2001 Act 16 (the 2001-03 biennial budget act) transferred the authority

for manufactured home park water and sewer regulation from the Public Service Commission (PSC) to Commerce.

In 2004-05, Commerce spent \$291,800 (\$92,100 SEG and \$199,700 PR) and was provided 4.6 positions (1.6 SEG and 3.0 PR) for regulation of manufactured housing activities. Under 2005 Act 25 (the 2005-07 biennial budget), Commerce is provided \$310,900 in each year with 4.6 positions. This includes: (a) \$100,800 SEG and 1.6 SEG positions annually from the transportation fund for administration of manufactured home titling; and (b) \$210,100 PR and 3.0 PR positions annually from the Safety and Buildings Division general operations appropriation for administration of licensing and regulation of manufactured home parks, for regulating manufactured home dealers, and for manufactured home park water and sewer regulation. Program revenues deposited in the safety and buildings PR appropriation are provided from several plan review and inspection activities related to construction such as commercial buildings, dwellings, plumbing, private sewage systems, electrical and heating systems, elevators and manufactured homes. The appropriation was authorized \$15,203,200 PR with 168.8 PR positions in 2004-05. Under Act 25, the appropriation is authorized \$16,005,300 PR with 156.2 PR positions in 2005-06 and \$15,980,200 PR with 155.2 PR positions in 2006-07.

SUMMARY OF SUBSTITUTE AMENDMENT

ASA 1 to AB 39 and SSA 1 to SB 23 would make several changes related to manufactured housing as described below. In general, the bill would take effect on December 1, 2005, except where noted in the summary.

Regulation of Manufacturers of Manufactured Homes

Currently, Commerce is required to regulate manufacturers of manufactured homes, manufactured home dealers, and manufactured home salespersons. Commerce is also responsible for licensing all manufacturers that want to sell, or distribute for sale, manufactured homes in Wisconsin.

The bill would eliminate the following requirements:

1. That Commerce adopt, administer, and enforce rules for the safe and sanitary design and construction of manufactured homes that are manufactured, distributed, sold or offered for sale in the state.
2. That Commerce establish standards for certification of inspection and testing agencies that inspect manufacturing facilities, processes, fabrication and assembly of manufactured homes and for issuance of or acceptance of a label of approval.

3. That Commerce establish by rule standards for the safe and sanitary design and construction of manufactured homes, including standards in addition to standards established by the U.S. Department of Housing and Urban Development.

4. That manufactured home manufacturers submit typical construction plans and specifications to the Department and that the Department review the submitted plans and specifications.

5. That Commerce inspect manufactured homes manufactured in other states to be sold or intended to be sold in Wisconsin, or contract with a third party inspection agency to do so.

6. That Commerce may enter into reciprocal agreements with other states regarding the design and construction of manufactured homes. Current law would continue to authorize Commerce to enter into reciprocal agreements with other states regarding inspection and labeling. In addition, the bill would authorize Commerce to enter into reciprocal agreements regarding installation of manufactured homes.

7. That Commerce issue a label for display on a manufactured home that indicates that the manufactured home meets the requirements of the statutes and rules.

8. That the manufacturer of a manufactured home install a functional smoke detector in each manufactured home it manufactures. Federal law contains a similar requirement and requires smoke detectors to be installed in additional locations within manufactured homes.

9. That Commerce promulgate rules relating to plumbing in the design and construction of manufactured homes, certify persons to perform inspections of the plumbing systems in manufactured homes, and review plans and specifications for approval of plumbing systems in manufactured homes.

The current requirement would be maintained that no person may manufacture, assemble, distribute or sell a manufactured home unless the manufactured home complies with federal regulations.

Regulation of Manufactured Home Installations

Current law generally regulates the construction of the manufactured home in the facility but does not regulate installers of manufactured homes. Current law requires Commerce to promulgate rules prescribing minimum installation standards for pier installation of new manufactured homes, and requires that the standards be consistent with standards established by the American National Standards Institute and the manufactured housing industry trade organizations. The bill would repeal the requirement that Commerce promulgate these rules and, instead, create requirements for regulation of the installation of manufactured homes.

The bill would require Commerce to promulgate rules to establish installation standards for the safe installation of manufactured homes in Wisconsin. Installation standards would be defined as specifications for the proper installation of manufactured homes at their place of occupancy to ensure proper siting, the joining of all sections of the manufactured home, connection to existing utility services and the installation of stabilization, support, or anchoring systems. The Department would be required to consider the recommendations of the Manufactured Housing Code Council. (The Council is described in a later section.) Commerce would be required to promulgate administrative rules to establish a method for ensuring compliance with the installation requirements. The bill would authorize Commerce to enter into reciprocal agreements with other states regarding installation of manufactured homes.

Commerce would be directed to require inspections of manufactured home installations by third-party inspectors licensed by the Department. Commerce would be required to promulgate rules to establish criteria for third-party inspectors that include a requirement that an individual may not serve as a third-party inspector if the individual is, is employed by, or is an independent contractor of, any of the following: (a) a manufactured home manufacturer who was directly involved in the sale of the particular manufactured home; (b) a manufactured home salesperson who was directly involved in the sale of the particular manufactured home; or (c) an installer who was directly involved in the sale of the particular manufactured home.

Beginning on July 1, 2006, no person would be allowed to install a manufactured home in the state unless the person is a licensed installer or employs one or more licensed installers to generally supervise each of the person's installations of manufactured homes in the state. The license requirement would not apply to an individual who installs a manufactured home on his or her own property for his or her personal use or to an individual who installs a manufactured home under the general supervision of a licensed installer. A licensed installer would be liable for all acts and omissions related to the installation of each individual who performs an installation under the licensed installer's general supervision.

Commerce would be authorized to issue a manufactured home installer's license only to individuals for whom all of the following apply: (a) the individual is at least 18 years old; (b) the individual files a license application with the Department; (c) the individual completes an examination approved by Commerce that tests the skills necessary to properly install manufactured homes and knowledge of the laws applicable to manufactured home installation; (d) the individual has not been found responsible in any judicial or administrative forum for any violation of the manufactured housing section during the two years before the date on which the individual's license application is submitted; (e) the individual has not been found responsible in any judicial or administrative forum during the two years before the date on which the individual's license application is submitted for any failure to perform an installation of a manufactured home as required under contract or for defrauding any person with regard to the provision of installation services; and (f) the individual meets the standards of financial responsibility established by Commerce rules.

The Department would be required to promulgate administrative rules that establish a procedure under which it could waive the examination requirement for individuals that demonstrate sufficient experience installing manufactured homes including active participation in the installation of at least 10 manufactured homes. The examination waiver requirement would not apply after December 1, 2006.

Commerce would be required to promulgate administrative rules to establish the term of licenses for installers, and the conditions under which the Department could revoke or suspend installers' licenses. The Department would be required to promulgate a rule establishing a fee for an initial installer's license and a license renewal fee.

The licensing requirements would go into effect on July 1, 2006, and the examination waiver would apply between that date and December 1, 2006. However, it is possible that Commerce rules for the program might not be effective by July 1, 2006. The dates in the bill were based on anticipated enactment by mid-2005. Manufactured housing and Commerce officials have suggested that it might be appropriate to amend the bill to change the effective date of the installation licensing requirements from July 1, 2006, to January 1, 2007, and to change the date after which the examination waiver would not apply from December 1, 2006, to June 1, 2007.

The substitute amendment would include enforcement provisions that require any person who violates the manufactured home installation provisions in statute or rule to forfeit at least \$25 but not more than \$500 for each violation. Each day of continued violation would be a separate violation. Commerce would be authorized to request the Attorney General to commence an action in court to enjoin any installer from installing a manufactured home in violation of the installation requirements.

The bill would also require that any ordinances enacted, or resolutions adopted, by any county, city, village, or town relating to manufactured home installation would have to conform with the manufactured home installation program established by Commerce. If a city, village, town, or county, would have an ordinance or resolution in effect on December 1, 2005, that is inconsistent with the program established by Commerce, the ordinance or resolution would not apply and could not be enforced. However, as described in a later section on administrative rules, Commerce would have to submit proposed permanent rules related to the installation program to the Legislative Council staff no later than the first day of the 12th month beginning after the day after publication. Thus the permanent rules for the program are unlikely to be effective by December 1, 2005. A January 1, 2007, deadline has been suggested as consistent with Commerce's anticipated rule promulgation schedule.

Titling of Manufactured Homes

Currently, any person who acquires a manufactured home must apply to Commerce to obtain a certificate of title to the manufactured home. This current requirement does not apply to a person who intends to permanently affix the manufactured home to land owned by the owner of the

manufactured home. In such a situation, the manufactured home becomes part of the land and its ownership is part of the deed for the land.

The substitute amendment would create a similar exception that applies to an owner who intends to affix the manufactured home to property in which the owner has an ownership or leasehold interest subject to Chapter 706 of the statutes (conveyances of real property, recording and titles).

Regulatory Fees

As of July 1, 2000, Commerce, rather than the Department of Transportation, collects revenues related to the titling of a manufactured home. Current law establishes several specified fees that Commerce must charge for various services relating to titling of manufactured homes. Under the bill, the statutory fees would be deleted on December 1, 2005, and Commerce would be authorized to promulgate an administrative rule that establishes fees for the services. (See the later section that describes the administrative rule provisions of the bill.)

The fee amounts for the following statutory title fees would be deleted and replaced by fee amounts established in rule: (a) a fee of not less than \$2 for conducting a file search of manufactured home title records (the Department would have to promulgate a rule with a fee of not less than \$2); (b) \$8.50 for filing an application for the first certificate of title to be paid by the owner of the manufactured home; (c) \$4 for the original notation and subsequent release of each security interest noted upon a certificate of title to be paid by the owner; (d) \$8.50 for a certificate of title after a transfer to be paid by the owner; (e) \$7.50 for a supplemental title fee to be paid by the owner; (f) \$1 for each assignment of a security interest noted upon a certificate of title to be paid by the assignee; (g) \$8 for a replacement certificate of title to be paid by the owner; and (h) \$25 for the reinstatement of a certificate of title previously suspended or revoked. A current requirement would be maintained for Commerce to establish a fee by rule for processing applications for certificates of title that have a special handling request for fast service, where the fee would approximate the Department's cost for providing the special handling service.

Currently, the title fees above are deposited in the transportation fund, as they were when the Department of Transportation was responsible for titling manufactured homes before July 1, 2000. The bill would repeal the deposit of the fees to the transportation fund on December 1, 2005 (the general effective date of the bill). As of December 1, 2005, the fees would be deposited in the Commerce Safety and Buildings program revenue (PR) operations appropriation.

DOT also collects a \$7.50 supplemental title fee on vehicles. The Secretary of DOT is required to annually certify to the Secretary of the Department of Administration (DOA) the amount of supplemental title fees collected by DOT and Commerce in the previous fiscal year. DOA is required to transfer an amount based on the supplemental title fee amounts certified by DOT from the general fund to the nonpoint account of the segregated environmental fund on October 1 annually. The nonpoint account funds several nonpoint source water pollution

abatement-related programs in the Department of Natural Resources and the Department of Agriculture, Trade and Consumer Protection.

Other statutory fee amounts that would be deleted and replaced by fee amounts in rule include: (a) \$50 per year, or prorated for a partial year, for a manufactured home dealer license; and (b) \$4 per year, or prorated for a partial year, for a manufactured home salesperson license. These fees are currently, and would continue to be, deposited in the Safety and Buildings PR appropriation.

The bill would also repeal the obsolete reference to the \$9 environmental impact fee that was collected until December 31, 2003, at the time of titling and deposited in the environmental management account of the environmental fund.

Staff and Appropriations

The bill would repeal the existing administrative appropriation from the transportation fund on December 1, 2005. The 1.6 SEG transportation fund positions would be deleted and the authorized number of positions in the Safety and Buildings PR operations appropriation would be increased by 1.6. The unencumbered balance of the transportation fund appropriation would be transferred to the PR appropriation immediately before December 1, 2005.

Manufactured Housing Rehabilitation and Recycling

The bill would create a manufactured housing rehabilitation and recycling grant program. Commerce would be required to make grants to provide financial assistance to: (a) persons engaged in the disposal of abandoned manufactured homes; (b) municipalities, for the purpose of supporting environmentally sound disposal practices; and (c) individuals who reside in manufactured homes that are in need of critical repairs, if the individual is otherwise unable to finance the critical repairs.

The bill would create an annual program revenue appropriation for the administration of, and for grants under, the program. Expenditure authority of \$70,000 PR would be provided annually. Commerce would be authorized to promulgate an administrative rule to establish a manufactured housing rehabilitation and recycling fee to support the appropriation. The fee would be paid by a person filing an application for the first certificate of title and for a certificate of title after a transfer. A fee of approximately \$7.50 per title transfer would generate \$70,000 in annual revenue.

Commerce would be required to contract with one, or more, organization(s) exempt from taxation under Section 501 (a) of the Internal Revenue Code and that employs individuals with technical expertise concerning manufactured housing for administration of the grant program. Commerce would be required to promulgate administrative rules for the program.

The Department would be required to coordinate, to the extent feasible, the grant program with the state housing strategy plan under s. 560.9802 of the statutes. Commerce is required to prepare a comprehensive five-year state housing strategy plan, with annual updates, that includes

information on housing policies and recommendations, housing conditions and trends, housing assistance needs, major housing needs, strategies for utilizing federal funding and coordinating federal and state housing efforts, and specific recommendations for attaining housing policies. The Department is required to submit the plan to the U.S. Department of Housing and Urban Development, the Governor and the Legislature.

Manufactured Housing Code Council

The bill would create a Manufactured Housing Code Council in Commerce, consisting of 13 members appointed by the Secretary of Commerce for three-year terms. The members would consist of: (a) two members representing manufacturers of manufactured homes; (b) two members representing manufactured home dealers; (c) two members representing owners of manufactured home communities; (d) two members representing installers of manufactured homes; (e) one member representing an association of the manufactured housing industry in the state; (f) one member representing suppliers of materials or services to the manufactured housing industry; (g) one member representing the public; (h) one member representing labor; and (i) one member representing inspectors of manufactured homes (the members identified by (h) and (i) are added by AA 2 to ASA 1 to AB 39 and are included in SSA 1 to SB 23) . The initial terms for members would include terms that expire on July 1, 2006, for the members under (a) and (b), terms that expire on July 1, 2007, for the members under (c) and (d), terms that expire on July 1, 2008, for the members under (e) and (f), and terms that expire on July 1, 2009 for the members under (g), (h) and (i).

However, it should be noted that this provision could have seven new members (a majority of the Council) up for appointment in 2009 and every three years thereafter. It has been suggested that a more equitable distribution would be to have the initial terms for the final five members (under (e) through (i) above) expire on July 1, 2008. This would help ensure that no more than five new members be appointed in any year.

The Council would be created effective on the day after publication of the bill. The Council would be required to meet at least twice per year. The Commerce Secretary would be required to designate an employee of Commerce to serve as the nonvoting secretary of the Council.

The Manufactured Housing Code Council would be required to review the manufactured homes subchapter of Chapter 101 of the statutes and any rules promulgated by Commerce related to the manufactured housing statutes. The Council would be required to recommend a statewide manufactured housing code for promulgation by the Department. The Council would also be directed to make recommendations to Commerce related to: (a) rules related to manufactured housing; (b) licensure and professional discipline of manufacturers of manufactured homes, manufactured home dealers, manufactured home salespersons, and installers; and (c) consumer protection applicable to consumers of manufactured homes. When making recommendations, the Council would be required to consider the likely costs of any proposed rules to consumers in relation to the benefits that are likely to result from the rules.

Nonjudicial Resolution of Manufactured Housing Industry Disputes

The bill would require Commerce to promulgate administrative rules that establish an administrative dispute resolution program. The program would need to be designed to facilitate the timely, informal resolution of certain disputes concerning defects in manufactured homes and manufactured home installations. Any defects would have to be reported to Commerce within one year of the date on which the manufactured home was installed. The program would apply to disputes among manufactured home installers, salespersons, dealers and installers. It would not apply to disputes with consumers, or affect the rights of consumers to commence an action, or the rights of a person to commence an action against the consumer.

Administrative Rules

While the bill would have a general December 1, 2005, effective date, the authorization for Commerce to promulgate rules would take effect on the day after publication. Commerce would be authorized to promulgate emergency rules, without a requirement to provide a finding of emergency, within 31 days after publication of the act, for the following provisions: (a) fees for a file search; (b) title fees; (c) fee for perfection of a security interest; (d) fee for a manufactured home community related to provision of water and sewer service; (e) fee for a manufactured home dealer's license; and (f) fee for a manufactured home salesperson's license. The emergency rules would remain in effect until December 31, 2007, or the date on which the permanent rules take effect, whichever is sooner.

Commerce would also be required to submit proposed permanent rules to the Legislative Council staff for review no later than the first day of the 12th month beginning after publication of the act. The permanent rules would apply to all of the provisions included in the emergency rules. In addition, the submission of permanent rules would also include the manufactured home installation provisions, including installation standards, methods of enforcement, criteria for licensure, installer financial responsibility standards, and examination waiver. The deadline for submittal of proposed permanent rules would not apply if the Secretary of the Department of Administration would require Commerce to prepare an economic impact report for the proposed rules under s. 227.137 of the statutes.

Federal Requirements

Commerce officials indicate that the U.S. Department of Housing and Urban Development requires states to have a manufactured housing installation program and a manufactured housing alternative dispute resolution program in effect by December 27, 2005. Commerce officials also indicate that state standards will have to be equivalent to the federal standards. However, to date, HUD has not finalized model standards for the installation program or the dispute resolution program.

Other

The bill would change a number of statutory references from "manufactured home park" to "manufactured home community."

A technical amendment could be considered to reconcile treatment of the supplemental title fee matching appropriation with 2005 Act 25 related to the transfer of amounts based on the supplemental title fees.

AMENDMENTS TO THE ASSEMBLY SUBSTITUTE AMENDMENT

Assembly Amendment 1 to ASA 1 to AB 39 would amend the substitute amendment to: (a) make a technical correction in the numbering of two titling fee statutory citations; and (b) delete the authority included in the original bill for Commerce to promulgate emergency administrative rules, without a finding of emergency, related to the manufactured home installer license.

Assembly Amendment 2 to ASA 1 to AB 39 would add two members (for a total of 13) to the Manufactured Housing Code Council, including one member representing labor and one member representing inspectors of manufactured homes (the original bill and ASA 1 would have provided an 11-member Council). AA 2 would specify that the initial terms of the two members would expire on July 1, 2009. It would also specify that the term of the member of the public would expire on July 1, 2009, instead of on July 1, 2008. Finally, AA 2 would specify that Commerce "may" instead of "shall" promulgate emergency rules.

SSA 1 to SB 23 would include the same changes as do AA 1 and AA 2 to ASA 1 to AB 39.

FISCAL EFFECT

Under the bill, fees that are currently set in statute and deposited in the segregated transportation fund or the Safety and Buildings PR operations appropriation would be established in rule and all of the fees would be deposited in the Safety and Buildings PR appropriation. Table 1 shows Commerce data for actual and estimated revenues under current law. Commerce provided updated title fee and supplemental title fee estimates since it submitted its fiscal estimate for AB 39 and SB 23, based on further analysis of actual collections. Since the deposit of the fees would change from the transportation fund to the Safety and Buildings appropriation on December 1, 2005, the reduction in transportation fund revenue would be approximately \$107,900 in 2005-06 for seven months of the year, and \$185,000 for a full year in 2006-07. Further, expenditures would be reduced by \$100,800 in 2006-07 for a net decrease to the transportation fund balance estimated at \$84,200.

TABLE 1**Manufactured Home Revenues Currently Collected by the Department of Commerce**

<u>Fee Type</u>	<u>2003-04 Actual</u>	<u>2004-05 Actual</u>	<u>2005-06 Estimated</u>	<u>2006-07 Estimated</u>	<u>Fund Where Revenue is Currently Deposited</u>
Manufactured home park license	\$200,758	\$206,447	\$210,000	\$210,000	PR - Commerce Safety and Buildings
Manufactured home dealer license	13,829	12,586	14,000	14,000	PR - Commerce Safety and Buildings
Environmental impact fee*	50,069	90	0	0	SEG environmental management account of environmental fund
Title fee	102,239	107,669	115,000	115,000	SEG transportation fund
Supplemental title fee	<u>59,870</u>	<u>63,987</u>	<u>70,000</u>	<u>70,000</u>	SEG transportation fund
Total	\$426,765	\$390,779	\$409,000	\$409,000	

*The environmental impact fee ended December 31, 2003, but there have been occasional collections since then.

Commerce's fiscal estimate indicates that the Department anticipates it would establish fees related to titling in administrative rule that would more closely match the costs of administering the titling program. Current law titling revenues, shown in Table 1, are approximately \$185,000 annually. 2005 Act 25 includes \$100,800 SEG in each of 2005-06 and 2006-07 with 1.6 SEG positions from the transportation fund for activities related to titling of manufactured homes. Under the bill, the appropriation would be converted from transportation fund SEG to PR in the Safety and Buildings Division general operations appropriation on December 1, 2005, the supplemental title fee would be set by rule and the fee would be deposited in the Safety and Buildings PR appropriation (rather than the transportation fund currently).

The changes in expenditures are shown in Table 2. The administrative expenditures are shown as \$58,800 to represent the estimated funding shift from December 1, 2005, through June 30, 2006. In addition to the administrative expenditures, the bill would provide expenditure authority of \$70,000 PR annually for the new manufactured housing rehabilitation and recycling grant program and would authorize Commerce to promulgate a rule with a titling fee that would generate revenue sufficient to cover the \$70,000 in expenditure authority. In the Commerce fiscal estimate, the Department estimated that \$7,000 would be provided in a contract to a qualified tax-exempt organization for administration of the program, and the remaining \$63,000 would be provided as grants to persons engaged in the disposal of abandoned manufactured homes and to municipalities. Therefore, titling revenue that currently equals approximately \$185,000 annually,

could be reduced to approximately \$100,800 to match the cost of titling program expenditures, but the addition of the \$70,000 in new revenue from the manufactured housing rehabilitation and recycling fee would result in a titling-related revenue target of approximately \$170,800 annually.

Commerce also estimates that it would certify less than 50 manufactured home installers under the bill. The Department anticipates the workload would be absorbed within current resources and minimal additional revenue would result from the provision.

TABLE 2

Change in Manufactured Housing Expenditures

<u>Expenditure</u>	<u>2005-06</u>		<u>2006-07</u>		<u>Total Funding</u>
	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>	
SEG Transportation Fund Operations	- \$58,800	- 1.6	- \$100,800	- 1.6	- \$159,600
PR Safety and Buildings Division Operations	58,800	1.6	100,800	1.6	159,600
PR Manufactured Housing Rehabilitation and Recycling	70,000	0.0	70,000	0.0	140,000

In addition to the revenue changes summarized in Table 1, the Commerce fiscal estimate indicates that the provision in the bill that would create a program of inspection of manufactured home installations by third-party inspectors would generate an estimated \$75,000 annually in building permit seal revenue, based on the Department administering a program similar to the current building permit seal system for site-constructed homes under the one- and two-family dwelling code. The third-party inspector would purchase the seal from Commerce and assign it to the owner when the inspector certifies that a manufactured home installation meets the Commerce installation standards. The Department estimates that 3,000 annual installations would need to be inspected, and a fee of \$25 per installation (same as the current building permit seal fee for one- and two-family dwellings) would generate \$75,000 in annual revenue to be deposited in the Safety and Buildings PR appropriation. The Department anticipates that the consultation and processing workload associated with the installation program requirements would be absorbed by current staff.

In addition, there would be an annual decrease of \$70,000 SEG in revenue to the nonpoint account of the segregated environmental fund, because the \$70,000 annual supplemental title fee revenue would be retained by Commerce. In addition to the change in expenditures summarized in Table 2, there would also be a decrease in expenditures estimated at \$70,000 GPR annually, because the decrease in supplemental title fee revenue to the transportation fund would decrease the corresponding GPR transfer to the nonpoint account of the environmental fund under current law.

Under the bill, the net impact on the balances of the affected funds (change in revenues and change in expenditures) is shown in Table 3. A positive number indicates the amount of increase in the fund or appropriation balance, while a negative number indicates the amount of decrease in the balance. The change in the Safety and Buildings operations appropriation assumes that the Department will promulgate rules that include titling fees approximately equal to the titling expenditures (\$100,800 annually) and that the \$75,000 increase in the appropriation account balance will result from Commerce implementing the manufactured home installation program by July 1, 2006, at which time installers would have to meet the requirements of the new program.

TABLE 3

**Change of Collection of Titling Revenues and Expenditures --
Net Effect on Fund Balances**

<u>Fund or Account</u>	<u>2005-06</u>	<u>2006-07</u>	<u>Total</u>
SEG Transportation Fund	- \$49,100	- \$84,200	- \$133,300
SEG Nonpoint Account	- 40,800	- 70,000	- 110,800
PR Safety and Buildings Division Operations*	0	75,000	75,000
PR Manufactured Housing Rehabilitation* and Recycling	0	0	0
General Fund (GPR)	40,800	70,000	110,800

*Depending on fees established by Commerce in administrative rule.

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