

HOUSING
MANUFACTURED HOUSING STANDARDS PROGRAM
2006 Summary Statement and Initiatives
(Dollars in Thousands)

MANUFACTURED HOUSING STANDARDS PROGRAM	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2004 Appropriation	\$9,003 ^{a/}	\$3,241	...	\$12,244	\$9,036	\$9,900
2005 Appropriation	13,000	3,208	...	16,208	13,000	13,000
2006 Request	<u>13,000</u>	<u>3,208</u>	<u>...</u>	<u>16,208</u>	<u>13,000</u>	<u>13,000</u>
Program Improvements/Offsets .....	...	...	...	...	...	...

a/ In fiscal year 2004, \$13 million was appropriated however, only \$9 million in fees were collected.

Summary Statement

The Budget proposes \$13 million for Manufactured Housing for fiscal year 2006. This amount will be derived from fees assessed on each transportable unit produced.

Production forecasts for fiscal year 2006 range from 280,000 to 333,333 units. Based on the upper end of the forecast, fiscal year 2006 estimates assume fee-based income of \$13 million based on a fee level of \$39 per unit. At the lower end of the forecast, an increase in the fee from \$39 to approximately \$46 per unit would be required to generate \$13 million in income. These funds will allow the Department to pay an increased share of fee income to the 38 participating states, and continue executing current activities.

The following table reflects an estimate of the use of the \$13 million. However, the table is for illustrative purposes only. Actual expenditures may deviate from these amounts.

<u>Cost Categories for Federal Manufactured Housing Program</u>	<u>FY 2006 Budget Request</u>
Payments to States.....	\$4.5 million
Salaries.....	1.5 million
Contract for Monitoring Primary Inspection Agencies and States	3.15 million
Contract for Consensus Committee Administering Organization...	0.2 million
Other Contracts.....	0.75 million
Contract for Installation Inspection and Enforcement.....	2.15 million
Contract for Dispute Resolution Enforcement.....	0.75 million
Total.....	13.0 million

Manufactured housing is a critical element in the nation's supply of affordable housing. The Federal Manufactured Housing Program is the sole party, through Federal pre-emption, responsible for the oversight of the design and construction of all manufactured housing (mobile homes) in the United States. The program is administered from the Department's Headquarters with no Field Office staff support. The proposed fee income will allow the Department to continue its oversight of the manufacturer's inspection agencies, identifying weaknesses in the oversight of production and design review and approval systems, and to monitor the performance of states working as partners in identifying serious defects and imminent safety hazards in new and existing manufactured housing.

Manufactured Housing Standards Program

Initiatives

Installation and Dispute Resolution Programs. The Department's regulatory authority will include the administration of two new programs in states that have not put in place such programs by December 27, 2005: installation, inspection, training and licensing of installers of new manufactured housing, and the resolution of disputes among parties responsible for the design, construction, sales and installation of manufactured housing. Further, the Manufactured Housing Consensus Committee must make recommendations to the Department regarding revisions to manufactured home construction and safety standards in the form of a proposal prior to the Department's own rule-making in this area.

Manufactured Housing Standards Program

HOUSING
 MANUFACTURED HOUSING STANDARDS
 Summary of Resources by Program
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2004 Budget Authority</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2004 Obligations</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2006 Request</u>
Fees	\$9,003	\$3,241	\$12,244	\$12,841	\$13,000	\$3,208	\$16,208	\$13,000
Total Manufactured Housing Standards Program	9,003	3,241	12,244	12,841	13,000	3,208	16,208	13,000

NOTE: Actual program activity is determined by actual fees collected and may be below the appropriated level.

<u>FTE</u>	<u>2004 Actual</u>	<u>2005 Estimate</u>	<u>2006 Estimate</u>
Headquarters	16	14	14
Field .....	...	...	...
Total	16	14	14

**HOUSING
MANUFACTURED HOUSING STANDARDS PROGRAM
Program Offsets
(Dollars in Thousands)**

Fees	<u>Amount</u>
2004 Appropriation	\$9,003
2005 Appropriation	13,000
2006 Request	<u>13,000</u>
Program Improvements/Offsets .....	...

Proposed Actions

The regulatory activities supported by the \$13 million in fee revenue will: (1) cover the contractual costs of the program; (2) make payments to the States for the costs of investigating purchaser complaints; and (3) cover the Department's expenses for staff. Payment for this last item is made through a transfer to the "Salaries and Expenses, HUD" account. The Department will ensure that staffing is sufficient for proper program administration and enforcement of standards.

Production forecasts for fiscal year 2006 range from 280,000 to 333,333 units. Based on the upper end of the forecast, fiscal year 2006 estimates assume fee-based income of \$13 million based on a fee level of \$39 per unit. At the lower end of the forecast, an increase in the fee from \$39 to approximately \$46 per unit would be required to generate \$13 million in income. These funds will allow the Department to pay an increased share of fee income to the 38 participating states, and continue executing current activities.

Manufactured housing is a critical element in the nation's supply of affordable housing. The Federal Manufactured Housing Program is the sole party, through Federal pre-emption, responsible for the oversight of the design and construction of all manufactured housing (mobile homes) in the United States. The program is administered from the Department's Headquarters with no field office staff support. The proposed fee income will allow the Department to continue its oversight of the manufacturer's inspection agencies, identifying weaknesses in the oversight of production and design review and approval systems, and to monitor the performance of states working as partners in identifying serious defects and imminent safety hazards in new and existing manufactured housing.

The Department regulates the design, construction, and safety of manufactured housing pursuant to its authority under the National Manufactured Housing Construction and Safety Standards Act of 1974, 42 U.S.C. 5401, *et seq.* ("the Act"). The standards are to govern quality, durability, and safety among other things. The Act originally took effect June 15, 1976, and all manufactured homes produced since then must meet Federal manufactured home construction and safety standards. The Act was amended by the Manufactured Housing Improvement Act of 2000 (Title VI, P.L. 106-569, 114 Stat. 2944, approved December 27, 2000) in part to provide for the establishment of a consensus committee for manufacturing housing that is charged with providing recommendations to the Secretary to adopt, revise, and interpret manufactured housing construction and safety standards and procedural and enforcement regulations related thereto, as well as submitting to the Secretary proposed model installation standards. Additionally, the Department's regulatory responsibility now includes the resolution of consumer-initiated disputes unresolved among manufacturers, installers, and retailers of manufactured housing. The 2000 Act requires the Department to carry out these responsibilities with completed rule-making, administration, and procurement no later than December 27, 2005. Further, the Manufactured Housing Consensus Committee must review and recommend all of the proposed construction and safety standards and regulations prior to the Department's own rule-making.

Manufactured Housing Standards Program

Activities authorized by the Act include the following:

1. Establishment of Standards. Under the Act, the Secretary is directed to establish appropriate Federal manufactured home standards for the construction, design, and performance of manufactured homes which meet the needs of the public, including quality, durability, and safety, as well as new standards for the installation of manufactured homes. The Department appointed the Manufactured Housing Consensus Committee, as mandated by statute in 2002. The Consensus Committee is responsible for initiating new manufactured housing construction and safety standards and reviewing recommended revisions to the standards.
2. Consensus Committee. In 2000, the Act was amended to establish a consensus standards and regulatory development process. HUD has contracted with the National Fire Protection Association (NFPA) to serve as the Administering Organization to support a Consensus Committee. The Secretary appointed 21 persons to serve on the Consensus Committee, the cost of which is accounted for in the Administering Organization contract.
3. Enforcement of Construction and Safety Standards. Enforcement of the construction and safety standards is accomplished mainly by third-party primary inspection agencies. These agencies can be private or State agencies and are approved and monitored by HUD.
4. Addressing noncompliance with Standards. Title VI of the 1974 Act requires that every company that builds manufactured homes provide HUD with the plans for each model produced. The manufacturer is required to issue a certification that each section built meets the Federal standards in effect at the time of production. If the Department determines that any manufactured home does not comply with standards or contains a defect constituting a significant safety hazard, it may require the producer to notify the purchaser of the manufactured home of the defect. In certain cases, HUD may require repair, replacement or refund of the price of the defective section(s).
5. Administration and Enforcement of Installation Standards and Dispute Resolution Program. The 2000 Act calls for the development of new program standards and regulations for the installation of manufactured homes as well as a new program for dispute resolution. Under current market conditions there are approximately 180,000 homes installed nationwide each year.

Budget and Activities

Payments to States and Program S&E. The Manufactured Housing Program has two primary financial responsibilities, and several activities of a more discretionary nature requiring financial commitments. The two primary responsibilities are to share the fee income with the participating states, and to pay staff salaries and expenses allowing overall administration of the program. Together these two financial commitments account for approximately 46 percent of the fiscal year 2006 budget. Other essential program elements are supported through procured services.

Administering Organization and Consensus Committee. One responsibility is to ensure the Manufactured Housing Consensus Committee (MHCC), mandated by the Manufactured Housing Improvement Act of 2000, is able to meet on a regular basis to carry out its responsibilities, primarily the recommendation of new and revised design and construction standards for manufactured housing. This is accomplished through a contract with an Administering Organization (AO), with projected fiscal year 2006 cost of \$200,000.

Monitoring, Inspection, and Support Contracts. The Department uses several resources to monitor program administration by the 17 inspection agencies and 38 state administrative agencies: staff paid from fee income, state payments from fee income, and contractual assistance paid through fee income. The projected costs of these activities will account for approximately 23 percent of the fiscal year 2006 Budget.

Manufactured Housing Standards Program

Installation and Dispute Resolution Support Contracts. Preparing and processing these procurements will begin in fiscal year 2005. The several contracts supporting these activities must have been executed no later than the final quarter of fiscal year 2005 to allow the Department to begin the new mandated activities by December 2005. The funds to pay for these contracts are projected to account for 24 percent of the budget.

Manufactured Housing Standards Program

**HOUSING
MANUFACTURED HOUSING STANDARDS PROGRAM
Performance Measurement Table**

Program Name: MANUFACTURED HOUSING STANDARDS PROGRAM					
Program Mission: Increase the nation's supply of affordable housing.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2004 Plan	2004 Actual	2005 Plan	2006 Plan
Upon advice from manufactured Housing Consensus Committee, HUD will establish the manufactured housing installation and dispute resolution programs mandated by manufactured Housing Improvement Act of 2000 by September 30, 2006.	Office of Housing	Consensus Committee will submit to HUD Proposed Regulation	Consensus Committee submitted to HUD Proposed Regulation	Support Housing Consensus Committee in meeting milestones	Publish Rules

Explanation of Indicators

None.

Manufactured Housing Standards Program

HOUSING
MANUFACTURED HOUSING STANDARDS PROGRAM
Justification of Proposed Changes in Appropriations Language

The 2006 President's Budget includes proposed changes in the appropriations language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For necessary expenses as authorized by the National Manufactured Housing Construction and Safety Standards Act of 1974, as amended (42 U.S.C. 5401 et seq.), up to \$13,000,000 to remain available until expended, to be derived from the Manufactured Housing Fees Trust Fund: Provided, That not to exceed the total amount appropriated under this heading shall be available from the general fund of the Treasury to the extent necessary to incur obligations and make expenditures pending the receipt of collections to the Fund pursuant to section 620 of such Act: Provided further, That the amount made available under this heading from the general fund shall be reduced as such collections are received during fiscal year [2005] 2006 so as to result in a final fiscal year [2005] 2006 appropriation from the general fund estimated at not more than \$0 and fees pursuant to such section 620 shall be modified as necessary to ensure such a final fiscal year [2005] 2006 appropriation. (Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, FY 2005.)

Explanation of Changes

No new policy changes are proposed.

Manufactured Housing Standards Program

HOUSING
 MANUFACTURED HOUSING STANDARDS PROGRAM
 Crosswalk of 2004 Availability
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2004 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2004 Resources</u>
Fees	\$9,003	...	...	...	\$3,241	\$12,244
Total	9,003	...	...	...	3,241	12,244

Manufactured Housing Standards Program

HOUSING
 MANUFACTURED HOUSING STANDARDS PROGRAM
 Crosswalk of 2005 Availability
 (Dollars in Thousands)

<u>Budget Activity</u>	2005 President's Budget <u>Request</u>	Congressional Appropriations Action on 2005 <u>Request</u>	2005 Supplemental/ <u>Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	Total 2005 <u>Resources</u>
Fees	\$13,000	\$13,000	...	...	\$3,208	\$16,208
Total Changes	13,000	13,000	...	...	3,208	16,208