

HOUSING
MANUFACTURED HOUSING STANDARDS PROGRAM
2007 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>
2005 Appropriation	\$9,451 ^a	\$3,212	...	\$12,663	\$9,016	\$9,708
2006 Appropriation/Request	13,000	3,647	...	16,647	13,447	13,000
2007 Request	<u>16,000</u>	<u>3,200</u>	<u>...</u>	<u>19,200</u>	<u>16,400</u>	<u>16,000</u>
Program Improvements/Offsets	+3,000	-447	...	+2,553	+2,953	+3,000

a/ In fiscal year 2005, \$13 million was appropriated however, only \$9.5 million in fees were collected.

Summary Statement

The Budget proposes \$16 million for Manufactured Housing for fiscal year 2007. This amount will be derived from fees assessed on each transportable unit produced, as well as user fees from the new dispute resolution and installation programs.

The 2007 Budget estimates assume fee-based income of approximately \$16 million based on a fee level of \$39 per unit as well as fees income generated by dispute resolution and installation programs (pending legislative approval), which are projected to launch in fiscal year 2007. 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 \$16 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 2007 Budget Request</u>
Payments to States.....	\$3.700 million
Salaries.....	1.500 million
Contract for Monitoring Primary Inspection Agencies and States	3.150 million
Contract for Consensus Committee Administering Organization...	0.200 million
Other Contracts.....	1.000 million
Contract for Installation Inspection and Enforcement.....	4.700 million
Contract for Dispute Resolution Enforcement.....	1.750 million
Total.....	16.000 million

Manufactured Housing Standards Program

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 proposed fee income will also allow the Department to begin implementation of the two new programs for installation regulation and dispute resolution, as mandated by the statute.

Initiatives

Installation and Dispute Resolution Programs. The Department's regulatory authority will include the implementation of these two new programs in states that have not put in place such programs: installation, inspection, training and licensing of installers of new manufactured housing, and the resolution of disputes among parties responsible for the design, construction, and 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. Additional appropriations language is requested to permit the collection of user fees from participants in the installation and dispute resolution programs. These collections are to be deposited into the Trust Fund and are available to support these activities subject to the annual appropriations limitation.

Manufactured Housing Standards Program

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

<u>Budget Activity</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2005 Obligations</u>	<u>2006 Budget Authority/ Request</u>	<u>2005 Carryover Into 2006</u>	<u>2006 Total Resources</u>	<u>2007 Request</u>
Fees	\$9,451	\$3,212	\$12,663	\$9,016	\$13,000	\$3,647	\$16,647	\$16,000
Total	9,451	3,212	12,663	9,016	13,000	3,647	16,647	16,000

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

<u>FTE</u>	<u>2005 Actual</u>	<u>2006 Estimate</u>	<u>2007 Estimate</u>
Headquarters	13	11	11
Field .....	...	...	...
Total	13	11	11

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

Fees	<u>Amount</u>
2005 Appropriation	\$9,451
2006 Appropriation/Request	13,000
2007 Request	<u>16,000</u>
Program Improvements/Offsets	+3,000

Proposed Actions

The regulatory activities supported by the \$16 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.

The 2007 Budget estimates assume fee-based income of approximately \$16 million based on a fee level of \$39 per unit as well as fees income generated by dispute resolution and installation programs (pending legislative approval), which are projected to launch in fiscal year 2007. These funds will allow the Department to pay an increased share of fee income to the 38 participating states, and continue executing current activities.

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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 manufactured 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. Additionally, the Department's regulatory responsibility now includes the resolution of disputes among manufacturers, installers, and retailers of manufactured housing, and the development and implementation of model installation standards and installation programs. 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. Consensus Committee. In 2000, the Act was amended to establish a consensus standards and regulatory development process. HUD is required to contract with a voluntary standards organization 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.
2. Establishment of Construction and Safety, and Installation 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 model 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.
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 Non-compliance with Construction and Safety 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 construction and safety standards in effect at the time of production. If the Department determines that any manufactured home does not comply with these 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 33 percent of the fiscal year 2007 budget. Other essential program elements are supported through procured services.

Administering Organization and Consensus Committee. One additional 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, and the recommendation of model installation standards. This is accomplished through a contract with an Administering Organization (AO), with projected fiscal year 2007 cost of \$200,000.

Manufactured Housing Standards Program

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 20 percent of the fiscal year 2007 Budget.

Installation and Dispute Resolution Support Contracts. Administration of these programs requires contracted services authorized by the statute. The contracts will procure services with two appropriate agents, one to implement the dispute resolution program, and one to implement the installation program, specified in the contracts to be executed by the Department.

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	
			2005 Plan	2005 Actual	2006 Plan	2007 Plan
Upon advice from the Manufactured Housing Consensus Committee, HUD will fully implement the manufactured housing installation and dispute resolution programs mandated by the Manufactured Housing Improvement Act of 2000 by September 30, 2007.		Office of Housing will monitor implementation	Support Housing Consensus Committee in meeting milestones	Supported Housing Consensus Committee in meeting milestones	Publish Rules	Fully implement installation and dispute resolution programs.

Explanation of Indicators

None.

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Justification of Proposed Changes in Appropriations Language

The 2007 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 \$16,000,000 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 [2006] 2007 so as to result in a final fiscal year [2006] 2007 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 [2006] 2007 appropriation: *Provided further, That for the dispute resolution and installation programs, the Secretary of Housing and Urban Development may assess and collect fees from any program participant: Provided further, That such collections shall be deposited into the Fund, and the Secretary, subject to amounts made available under this heading, may use such collections, as well as fees collected under such section 620, for necessary expenses of such Act* (Departments of Transportation, Treasury, Housing and Urban Development, the Judiciary, District of Columbia and Independent Agencies Appropriations Act, 2006.)

Explanation of Changes

The proposed language above would enable the Secretary, by regulation, to assess and collect user fees to help fund the new dispute resolution and installation programs mandated by the 2000 Act. Such an approach would: minimize any label fee increase to be collected from manufacturers; fund the programs in part with fees paid directly by their users; deter the filing of frivolous requests for dispute resolution services, and encourage states to operate their own programs. The total amount of income HUD could collect through label fees and user fees would be subject to the total appropriations cap for the program.

Manufactured Housing Standards Program

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

<u>Budget Activity</u>	<u>2005 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2005 Resources</u>
Fees	\$9,451	...	...	...	\$3,212	\$12,663
Total	9,451	3,212	12,663

Manufactured Housing Standards Program

HOUSING
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 Crosswalk of 2006 Availability
 (Dollars in Thousands)

<u>Budget Activity</u>	2006 President's Budget Request	Congressional Appropriations Action on 2006 Request	2006 Supplemental/ Rescission	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2006 Resources</u>
Fees	\$13,000	\$13,000	...	...	\$3,647	\$16,647
Total	13,000	13,000	...	...	3,647	16,647