CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 6, 2000

S. 1452
Manufactured Housing Improvement Act

As ordered reported by the Senate Committee on Banking, Housing, and Urban Affairs on March 8, 2000

SUMMARY

CBO estimates that S. 1452 would reduce revenues (governmental receipts) by $90 million and reduce direct spending by $82 million over the 2001-2005 period. Because S. 1452 would affect direct spending and receipts, pay-as-you-go procedures would apply.

S. 1452 would make changes to the joint federal and state program for ensuring the safety and soundness of manufactured housing. The bill would require the Department of Housing and Urban Development (HUD) to develop a program for monitoring the installation of manufactured homes and resolving disputes. The bill also would create a consensus committee to make recommendations to HUD on regulations concerning manufactured homes. S. 1452 would expand current research and information gathering activities performed by HUD and would eliminate certain reports HUD prepares for Congress. Finally, the bill would make spending for this work subject to appropriation and expand HUD's authority to charge fees to recover all associated costs. When this program is fully implemented, after 2005, the bill would have no net effect on discretionary spending because additional fees would completely offset additional discretionary spending.

S. 1452 contains several intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA), but CBO estimates that the costs of complying with these mandates would not exceed the threshold established under that act ($55 million in 2000, adjusted annually for inflation).

The bill also contains private-sector mandates as defined in UMRA. Because those new requirements would depend on specific standards that would be established by the Secretary of Housing and Urban Development, CBO cannot determine whether their direct cost to the private sector would exceed the threshold specified in UMRA ($109 million in 2000, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1452 is shown in the following table. The cost of this legislation falls within budget function 370 (commerce and housing credit).

	By Fiscal Year, in Millions of Dollars					
	2000	2001	2002	2003	2004	2005
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	0	-17	-17	-18	-19	-19
Estimated Outlays	0	-9	-17	-18	-19	-19
CHANGES IN REVENUES						
Estimated Revenue Loss	0	-17	-17	-18	-19	-19
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Changes in Offsetting Collections						
Estimated Authorization Level	0	-26	-32	-39	-46	-55
Estimated Outlays	0	-26	-32	-39	-46	-55
Changes in Spending of Collections						
Estimated Authorization Level	0	26	32	39	46	55
Estimated Outlays	0	18	30	37	44	52
Net Changes in Discretionary Spending						
Estimated Authorization Level	0	0	0	0	0	0
Estimated Outlays	0	-8	-2	-2	-2	-3

BASIS OF ESTIMATE

Under current law, HUD charges manufacturers fees for the cost of inspecting manufactured homes. The budget records the receipt of these fees as revenues, and they are spent by HUD without further appropriation action. CBO estimates that under current law such spending and revenue will be about $18 million a year over the 2001-2005 period. S. 1452 would make federal spending and the collection of fees associated with manufactured housing subject to appropriation action, and would direct that fees collected to cover these costs be credited as offsetting collections to this new appropriation account. Because the fees would shift to the discretionary side of the budget, revenues would decline by about $90 million over the five-year period. The spending for these activities would also become discretionary, so that direct spending would also decline—by about $82 million.

Discretionary spending would be affected both by changing the current program from mandatory to discretionary, and also by an expansion of federal activities related to manufactured homes. The bill would require HUD to establish a committee to advise it on regulations, a program to resolve disputes, and a program to monitor the installation of manufactured housing. The bill also would require HUD to increase its use of private contractors for administering the program. Based on information from HUD, CBO estimates that the bill would increase the cost of this program by $12 million a year when the legislation is fully implemented in 2005, assuming appropriation of the necessary funds.

S. 1452 would authorize the federal government to pay states for their costs associated with inspections of the installation manufactured homes. Based on information from HUD and the states, CBO assumes the installation program would require on-site inspections for about 25 percent of the 400,000 homes installed annually. Based on information about similar programs in various states, CBO estimates that the cost per visit will be about $250. Thus, CBO estimates that the installation program will cost about $25 million a year when fully implemented in 2005.

HUD's new responsibilities would gradually increase federal spending in this area to more than $50 million a year, but such costs would be offset by higher fees paid by the manufactured home industry. Because we expect such fees to be collected more quickly than they would be spent, CBO estimates that net discretionary outlays would decline by $17 million over the 2001-2005 period.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Changes in outlays	0	-9	-17	-18	-19	-19	-20	-21	-22	-23	-24
Changes in receipts	0	-17	-17	-18	-19	-19	-20	-21	-22	-23	-24

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 1452 contains several preemptions of state authority:

- From the date of enactment of the bill until the date that HUD finalizes its standard governing the installation manufactured housing, states would be prohibited from lowering their standards from those that are already in place;

- Once the federal installation standard is finalized, if they choose to create their own installation standard and program, states would be required to set standards that are no less rigorous than the federal program. State installation programs that do not meet the federal minimum would be superseded by the HUD standards; and

- Similarly, states that choose to create a dispute resolution program would be required to set standards that are at least as stringent as the federal program; otherwise HUD would administer the program in the state.

CBO treats such preemptions of state law as mandates under UMRA. The mandates would impose no costs on state, local, or tribal governments, however, because the affected entities would not be required to take any action. States that chose not to establish their own standards would be regulated and monitored by HUD.

Other provisions of the bill would broaden the activities HUD is authorized to include in its calculation of inspection fees for manufactured housing, and expand its authority to collect those fees in states where such collections are prohibited under current law. Though these provisions would change the method by which inspection fees are calculated and levied on builders of manufactured housing, CBO estimates that states would continue to receive at least the same amount of funding under this program as they collect under current law.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

S. 1452 also contains private-sector mandates as defined in UMRA. Currently, builders of manufactured housing must pay a fee to cover the cost of construction and safety inspections and other administrative activities. The bill would increase the cost of that mandate by expanding the activities paid for by the fee to include items such as the on-site inspection of newly installed homes and the operation of a dispute resolution program. CBO estimates that those changes would increase private-sector costs by $9 million in 2001 and by a total of $108 million over the 2001-2005 period, assuming that 25 percent of new-home installations would be inspected. (The added cost could be higher or lower depending on the requirements specified by the Secretary of HUD.)

The bill would also impose new federal standards on the installation of manufactured homes, including requiring installation inspections and mandating that all installers be trained and licensed. The cost of those new requirements to the private sector would also depend on the specific standards established by the Secretary of HUD.

Overall, because the requirements imposed by the bill would depend in large part on future actions of the Secretary of HUD, CBO cannot to determine whether their direct cost to private-sector entities would exceed the threshold specified in UMRA ($109 million in 2000, adjusted annually for inflation).

PREVIOUS CBO ESTIMATE

S. 1452 is similar to Title XI of H.R. 1776, which was reported by the House Committee on Banking and Financial Services on March 29, 2000. CBO's estimate of the budgetary impact of Title XI of H.R. 1776, prepared on April 4, 2000, is identical to the estimated impact of S. 1452.

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