

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 14, 2003

TO: Honorable Kenny Marchant, Chair, House Committee on State Affairs

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB3187 by Uresti (Relating to the regulation of manufactured housing in this state.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3187, As Introduced: a positive impact of \$751,334 through the biennium ending August 31, 2005.

General Revenue-Related Funds, Five-Year Impact:

| Fiscal Year | Probable Net Positive/(Negative) Impact to General Revenue Related Funds |
|-------------|--|
| 2004 | \$431,667 |
| 2005 | \$319,667 |
| 2006 | \$319,667 |
| 2007 | \$319,667 |
| 2008 | \$319,667 |

All Funds, Five-Year Impact:

| Fiscal Year | Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE</i> <i>FUND</i> 1 | Probable Savings from <i>GENERAL REVENUE</i> <i>FUND</i> 1 | Probable Savings from <i>APPROPRIATED</i> <i>RECEIPTS</i> 666 | Probable Revenue (Loss) from <i>APPROPRIATED</i> <i>RECEIPTS</i> 666 |
|-------------|---|--|---|---|
| 2004 | (\$924,000) | \$1,355,667 | \$948,832 | (\$4,682,000) |
| 2005 | (\$1,036,000) | \$1,355,667 | \$948,832 | (\$4,682,000) |
| 2006 | (\$1,036,000) | \$1,355,667 | \$948,832 | (\$4,682,000) |
| 2007 | (\$1,036,000) | \$1,355,667 | \$948,832 | (\$4,682,000) |
| 2008 | (\$1,036,000) | \$1,355,667 | \$948,832 | (\$4,682,000) |

| Fiscal Year | Change in Number of State Employees from FY 2003 |
|-------------|--|
| 2004 | (51.0) |
| 2005 | (51.0) |
| 2006 | (51.0) |
| 2007 | (51.0) |
| 2008 | (51.0) |

Fiscal Analysis

The bill would require a manufacturer's certificate to show whether a manufactured home has been built in or outside the state and would require filing the certificate with the Department of Housing and Community Affairs (TDHCA), with a copy filed with the Comptroller. The certificate could not be

used as a document of title.

It would prohibit TDHCA from issuing a manufactured home title for a new manufactured home installed for use and occupancy in this state on or after September 1, 2003. Installation of a manufactured home would be prohibited unless the state sales and use tax had been paid based on proof of payment as prescribed by the Comptroller. Installation of a manufactured home without payment of the state sales and use tax would be subject to a \$1,000 fine.

The provisions would establish a new system, effective September 1, 2003, to replace documents of title for manufactured homes. For permanently installed homes, a notice of installation would serve the requirement as a document of title. For manufactured homes financed as personal property, a memorandum of lien would replace a document of title. TDHCA would have to notify all lien holders by July 31, 2003 that, to provide constructive notice of a lien, a memorandum of lien would have to be filed in the county records. TDHCA would be required to publish in the Texas Register a list of all manufactured home liens in its records as of September 1, 2003.

At the first retail sale of a manufactured home, the retailer would have to provide TDHCA with information sufficient to allow tracking of the home. It would delete the requirement that a manufactured home lien be filed with TDHCA.

Methodology

According to TDHCA, it is assumed that provisions of the bill would require all manufactured home titling transactions be handled at the local (county) level, that all related fees be paid to those counties, and that all liens would be similarly handled.

There would be a loss of \$924,000 in fiscal year 2004 and \$1,036,000 in fiscal year 2005 in general revenue allocable to titling transactions based on the Comptroller's Biennial Revenue Estimate (BRE). The loss in revenue would come from the elimination of fees on 110,000 titles, 4,375 quick titles, and 351 title researches transactions. The provisions also require that notices of installation be filed in local county offices. If notices of installation filings were no longer done at TDHCA, an estimated \$4,682,000 each year in appropriated receipts revenue allocable to such filings would be lost. This would include a loss of revenue from approximately 44,000 installation inspections and approximately 2,700 other items fees are assessed on.

Since the TDHCA would no longer have responsibility for processing titles, liens, or notices of installation, it could reduce operations in those functional areas, eliminating the need for \$1,355,667 in general revenue and \$948,832 in appropriated receipts and for a total of 51 FTEs.

Section 403.302 of the Government Code requires the Comptroller to conduct a property value study to determine the total taxable value for each school district. Total taxable value is an element in the state's school funding formula. Passage of this bill could cause a change in school district taxable values reported to the Commissioner of Education by the Comptroller.

Passage of the bill would change the documentation required and the process for perfecting manufactured housing sellers and the definition of real and personal property relative to the ad valorem taxation of manufactured homes. The bill could change the manner in which certain manufactured homes are appraised and taxed under current law; however, the change in taxable values should not be significant.

Based on the analysis of the Comptroller and the Secretary of State, duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2003.

Local Government Impact

No significant fiscal implication to units of local government is anticipated. Although a memorandum of lien replaces a document of title, the provisions of the bill do not outline the fees that counties would assess on this document. In addition, the provisions of the bill do not require a document of title be issued at either a first retail sale or a subsequent sale or transfer.

Source Agencies: 304 Comptroller of Public Accounts, 332 Department of Housing and Community Affairs, 452 Department of Licensing and Regulation

LBB Staff: JK, WP, RR, RT, DE