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FISCAL IMPACT REPORT

ORIGINAL DATE 2/20/07

SPONSOR Rodella LAST UPDATED _____ HB 1241

SHORT TITLE Modular Housing Warranty Act SB _____

ANALYST C. Sanchez

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Regulation and Licensing Department (RLD)

Attorney General's Office (AGO)

SUMMARY

Synopsis of Bill

House Bill 1241 enacts the "Modular Housing Warranty Act" which would generally require manufacturers, dealers, and installers of modular homes to each provide an express warranty to the consumer. The bill prescribes the terms and length of those warranties, and requires the Construction Industries Division of the Regulation and Licensing Department to enact rules implementing the provisions of the act.

The bill defines "modular housing" to mean a building intended for residential use and designed to be placed on a permanent foundation that is built in modules that are transported to the home site on flat-bed trucks. The Construction Industries Division (CID) currently has authority to inspect and certify modular homes. NMSA Sections 60-13-42F, 60-13-2L.

FISCAL IMPLICATIONS

The Construction Industries Division (CID) believes they will need more staff since they have not budgeted to oversee the enforcement of this bill's provisions.

PERFORMANCE IMPLICATIONS

According to the regulation and Licensing Department, CID is under a mandate to adopt greenhouse emissions rules before the end of 2007. It will not be feasible to undertake the rulemaking required by this bill concurrently. CID will, however, be able to include this segment of the construction industries in its green building program, and to begin the process of developing a new statutory and regulatory scheme that addresses the unique aspects of this type of residential construction.

TECHNICAL ISSUES

The terms “dealer” and “installer” are not defined in the bill.

According to the Construction Industries Licensing Act, only licensed contractors may install modular homes. CID does not have authority to regulate dealers or installers.

The CID further notes that the bill appears to be based on the Manufactured Housing Division’s rules covering warranties required of their licensees. This model does not translate well to the Construction Industries Division. For example, manufactured housing is regulated by federal rules, and is more like a product than a process. Therefore, the concept of warranty as it is described in the bill is a much better fit with manufactured housing that is subject to HUD regulation, than it is with construction of conventionally built homes.

The bill requires that manufacturers, dealers and installers warranty appliances and equipment provided by them. Unlike manufactured homes, modular homes are not required to be sold with appliances already installed. CID’s authority is limited to construction. It has no expertise or resources to oversee appliances or equipment that may or may not be installed at the time a modular home is erected.

OTHER SUBSTANTIVE ISSUES

Other CID consumer protection legislation has been introduced this session. It is unclear whether this bill would interfere with that legislation.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Modular housing dealers and installers will not be mandated to warrant their products or services.

CS/csd