

74th OREGON LEGISLATIVE ASSEMBLY – 2007 Regular Session
BUDGET REPORT AND MEASURE SUMMARY

MEASURE: SB 5539-A

JOINT COMMITTEE ON WAYS AND MEANS

Carrier – House: Rep. Shields
Carrier – Senate: Sen. Johnson

Action: Do Pass as Amended and Be Printed A-Engrossed

Vote: 20 – 0 – 1

House – Yeas: D. Edwards, Galizio, Garrard, Hanna, Jenson, Nathanson, Nolan, Shields

– Nays:

– Exc: Morgan

Senate – Yeas: Bates, Carter, Devlin, Gordly, Johnson, Morse, Nelson, Schrader, Verger, Westlund, Whitsett, Winters

– Nays:

– Exc:

Prepared By: Kelly Freels, Department of Administrative Services

Reviewed By: Michelle Deister, Legislative Fiscal Office

Meeting Date: 5/18/07

<u>Agency</u>	<u>Budget Page</u>	<u>LFO Analysis Page</u>	<u>Biennium</u>
Real Estate Agency	H-35	420	2007-09 2005-07

Senators: Bates, Carter, Devlin, Gordly, Johnson, Morse, Nelson,
Schrader, Verger, Westlund, Whitsett, Winters

Senator Kurt Schrader, Co-Chair

Representatives: D. Edwards, Galizio, Garrard, Hanna, Jenson,
Morgan, Nathanson, Nolan, Shields

Representative Mary Nolan, Co-Chair

Senator Betsy Johnson, Transportation and Economic Development
Subcommittee Chair

Budget Summary*

	2005-07		2007-09		Percentage Committee Change from Governor's Budget
	Legislatively Approved Budget (1)	Governor's Budget	Committee Recommendation	Difference from Governor's Budget	
Other Funds	\$ 6,922,082	\$ 8,322,612	\$ 7,790,247	\$ -532,365	-6.4%

Position Summary

Authorized Positions	32	36	32	-4
Full-time Equivalent (FTE) Positions	30.27	36.00	31.62	-4.38

2005-07 Supplemental Appropriation

Other Funds	\$ 0	\$ 0	\$ 50,957	\$ +50,957	0.0%
-------------	------	------	-----------	------------	------

(1) Includes adjustments through the December 2006 meeting of the Emergency Board

* Excludes Capital Construction expenditures

Summary of Revenue Changes

The agency is funded entirely with Other Fund revenues, supported by fees paid for professional licenses, examinations, and miscellaneous revenue. The Subcommittee made no adjustments to the current fees or revenues.

Summary of Subcommittee Action

The mission for the Real Estate Agency is to provide quality protection for consumers of real estate, escrow, and land development services, balanced with a professional environment conducive to a healthy real estate market. It licenses and regulates almost 26,000 real estate brokers, salespersons, and property managers. The agency also staffs the Real Estate Board, which advises the Governor and the Real Estate Commissioner on concerns of the real estate industry.

The Subcommittee approved a budget for the Real Estate Agency of \$7,790,247 Other Funds and 31.62 full-time equivalent positions. This is a 12.5 percent increase in Other Funds and 4.4 percent increase in full-time equivalent positions as compared to the 2005-07 Legislatively Approved Budget. The approved budget continues two full-time limited duration positions that support the growing land development and licensing workload. It also funds information system technology improvements intended to increase customer service.

The Subcommittee approved Package 082 that adjusted the budget for actions of the June 2006 meeting of the Emergency Board. The 2005-07 Legislatively Adopted Budget for the Real Estate Agency was restricted to 15 months, reflecting concerns about the the Agency's policy structure and management. The Emergency Board approved one additional month (October 2006) of operating costs, so the Agency could continue operations until the Task Force report was released. This package carries-forward that funding into the 2007-09 biennium.

The Subcommittee approved Package 083 that adjusted the budget for actions of the September 2006 meeting of the Emergency Board. The Emergency Board increased the Other Funds expenditure limitation and full-time equivalents by five months to bring the agency to a full 24 month operating budget. This package carries-forward that funding into the 2007-09 biennium

The Subcommittee approved Package 090, which is a technical package that realigns expenditures within the budget at no net cost.

The Subcommittee approved \$191,611 Other Funds expenditure limitation and 2.0 full-time equivalent limited duration positions associated with Package 101 - Standards of Service. This package, as modified, continues one full-time equivalent position in the licensing section to accommodate ongoing increases in the number of applicants seeking to be licensed and to complete the agency's transition to an internet-based licensing and renewal system. It also continues one full-time equivalent administrative support position for workload in the land development section. The position will also provide support to the agency's board, which is becoming more active and engaged in policy matters. The agency continues to have a steady stream of licensing and land development applications, justifying continuation of these positions in the 2007-09 biennium. The Subcommittee did not extend the education coordinator position from part-time to full-time (.38 full-time equivalent) pending a review by the new commissioner, but the Subcommittee noted that the agency could return to a meeting of the Emergency Board or the Ways and Means Committee if an increase of full-time equivalent positions are needed due to additional work load associated with rising numbers of licensees or land development filings.

Deleted: s

Deleted: this

Deleted: s

Deleted: or other positions

The Subcommittee did not approved Package 102: Education and Compliance. This package would have reorganized the Real Estate Agency to create an Educational and Consulting Section, and established four positions as follows: Two positions would have conducted compliance reviews for real estate and property management offices; one position would have developed and provided training; and, one position would have increased the ombudsman capacity by ensuring telephone coverage for the agency's phone room, which answers inquiries from licensees and the public on real estate matters. The Subcommittee requested that the new real estate commissioner review and evaluate the proposed policy package, and make any changes he feels are appropriate, since he will be the one ultimately accountable for achieving the goals and improvements articulated by the interim legislative task force. Once the new commissioner has had an opportunity to evaluate and formulate plans for improving education among agency employees and licensees, the agency can return to the Emergency Board or the Ways and Means Committee to request appropriate resources. The Subcommittee approved the following budget note, directing the agency to assess the cost effectiveness of compliance reviews in conjunction with the Commissioner's review of Policy Package 102:

Deleted: is

Budget Note

The Real Estate Agency is directed to explore, with the input of the Board and industry representatives, cost-effective education and outreach alternatives to in-person compliance reviews of real estate and property management firms. The agency shall report to the Ways and Means Committee or the appropriate legislative committee prior to the convening of the 2009 regular legislative session.

Deleted: each

Subcommittee members expressed the desire that any request for additional resources be accompanied by information relating to the agency’s ending balance, number of licensees, expected biennial revenue, and other indicators of long-term financial health.

The Subcommittee approved Package 103: IT Security and Web Enhancements in the amount of \$171,700 Other Funds expenditure limitation. This package is intended to streamline internet-based services of the agency to better serve the real estate community. Enhancements include on-line payment options and enhanced search capabilities. Further, the package extends a licensing database contract with the current vendor, and provides for mainframe system upgrades required to handle the increased activity anticipated with a user-friendly website. The Department of Administrative Services, Budget and Management Division is requested to unschedule \$50,000 of the expenditure limitation related to licensing system enhancements, pending decisions about vendors and the extent of further License2000//MyLicense system improvements.

Deleted:

Deleted: A

Deleted: Effective during the 2005-07 budget, agency customers will be able to renew their real estate license via the internet using a credit card. This package provides an enhancement that will allow the agency to index and organize document and the customer to efficiently search for documents on the Agency’s website. It extends

Lastly, the Subcommittee approved the following budget note to create a joint interim task force on the Real Estate Agency for the purposes of crafting legislation for consideration by the legislature pursuant to recommendations made in the final report of the 2006 Joint Interim Task Force on Real Estate Agency Oversight.

Budget Note:

Legislative leadership will appoint a work group including at least two members from each chamber, one from the Joint Committee on Ways and Means that considered the agency’s budget and one from an appropriate substantive committee; two members from the Real Estate Board including at least one public member; the Real Estate Commissioner; and one licensee that has not served on the Real Estate Board. The Real Estate Agency shall provide the necessary administrative support for the work group. The work group shall review the recommendations from the 2006 Joint Interim Task Force on Real Estate Agency Oversight and draft legislation for consideration by the legislature to implement the recommendations of the 2006 Joint Interim Task Force on Real Estate Agency Oversight.

Deleted: A

2005-07 Supplemental Appropriation

The Subcommittee increased the Other Funds expenditure limitation for the Real Estate Agency by \$50,957 to continue planned operational costs, including:

- Additional in-state travel due to investigations of unlicensed activity in central and eastern Oregon (\$12,669);
- Limitation to cover payment associated with the agency's contracted testing service which will be offset by testing fees paid by applicants (\$23,288); and
- Limitation to address design flaws in database and accounting systems. These corrections will ensure random sampling of licensees and efficient access to response histories pursuant to mail-in compliance audits, as well as reconcile accounting system reports (\$15,000).

Summary of Performance Measure Action

See attached Legislatively Adopted 2007-09 Key Performance Measures form. The Subcommittee approved the following instructions regarding the Real Estate Agency's performance measures:

- Adjust measure #1 to measure the percentage of mail-in audits conducted that are out of compliance with current procedures as detailed in agency statutes and administrative rules.
- The agency should report back to an appropriate legislative committee on 2007 actual performance data related to performance measure #2 to determine whether a target of 100 days continues to be appropriate in 2008 and 2009.
- Using the board for study and feedback, the agency should report back to an appropriate legislative committee on an alternative to measure #4 which more appropriately measures whether the exam questions are appropriate, complete, clear and adequately test applicants so that public protection is maintained.

Deleted: and subcommittee