

2010 Special Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: HB 3624 **STATUS:** B Engrossed
SUBJECT: Registration of appraisal management companies
GOVERNMENT UNIT AFFECTED: Department of Consumer and Business Services
PREPARED BY: John Terpening
REVIEWED BY: Susie Jordan
DATE: February 23, 2010

	<u>2009-2011</u>	<u>2011-2013</u>
EXPENDITURES:		
Personal Services – Other Funds	\$ 134,503	\$ 286,054
Services and Supplies – Other Funds	\$ 65,261	\$ 119,339
Total Other Fund Expenditures	\$ 199,764	\$ 405,393

REVENUES: See Analysis

POSITIONS / FTE:

Principle Executive Manager E	1/0.29	1/0.50
Compliance Specialist 2	1/0.50	1/1.00
Investigator 3	1/0.13	1/0.50

EFFECTIVE DATE: On passage; operative January 1, 2011

INTERIM JOINT COMMITTEE ON WAYS AND MEANS: The budgetary impact of this bill was not reviewed and approved by the Interim Joint Committee on Ways and Means Committee and is not included in the omnibus budget bill to be introduced by the committee.

LOCAL GOVERNMENT MANDATE: This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

ANALYSIS: The bill requires appraisal management companies to register with the Department of Consumer and Business Services (DCBS); establishes standards and prohibitions for appraisal management companies; directs DCBS to establish rules to implement the bill; allows DCBS to impose fees sufficient to cover administrative costs of the measure; requires applicants to file with DCBS a surety bond in the amount of \$25,000 or an irrevocable letter of credit or a deposit in cash or negotiable securities in lieu of the bond or letter of credit; directs DCBS to audit registered companies every two years and issue written findings; authorizes DCBS to impose civil penalties not to exceed \$15,000. The registration process becomes operative January 1, 2011. The Department may take action prior to the operative date to implement provisions of the measure.

DCBS states the primary costs of the measure include initial program implementation costs, ongoing administration, auditing, and investigations. Initial program costs include rule making, forms development, education and outreach, and an establishment of processes for application, registration, renewal, and auditing. DCBS indicates that a permanent half-time Principle Executive Manager E would be required to begin these start-up activities and to carry out the continuation of the program and that this position would begin May 1, 2010. The Department indicates that a permanent full-time Compliance Specialist 2 would be

needed to carry out the auditing functions required by the measure and that this position would begin July 1, 2010. Total costs in the 2009-2011 biennium are anticipated to be \$199,764 of Other Funds.

The Department anticipates that a permanent half-time Investigator 3 position would be needed to carry out the investigation functions required by the measure and that this position would begin January 1, 2011. Total costs in the 2011-2013 biennium are anticipated to be \$405,393 of Other Funds.

The revenue impact is indeterminate. The numbers of appraisal management companies that will register, the fee for administrative costs, and the number and amount of civil penalties imposed are unknown. The Legislative Fiscal Office (LFO) notes that initial start-up costs in 2009-2011 will not be covered by fee revenue from this program and that cash flow may be insufficient to cover costs until such time as cash reserves can be established. This will likely require a short-term loan from the State Treasurer until fee revenue can be collected in sufficient amounts to repay the loan and pay for ongoing costs. LFO notes that the any civil penalties received by the Department would be deposited into the General Fund.