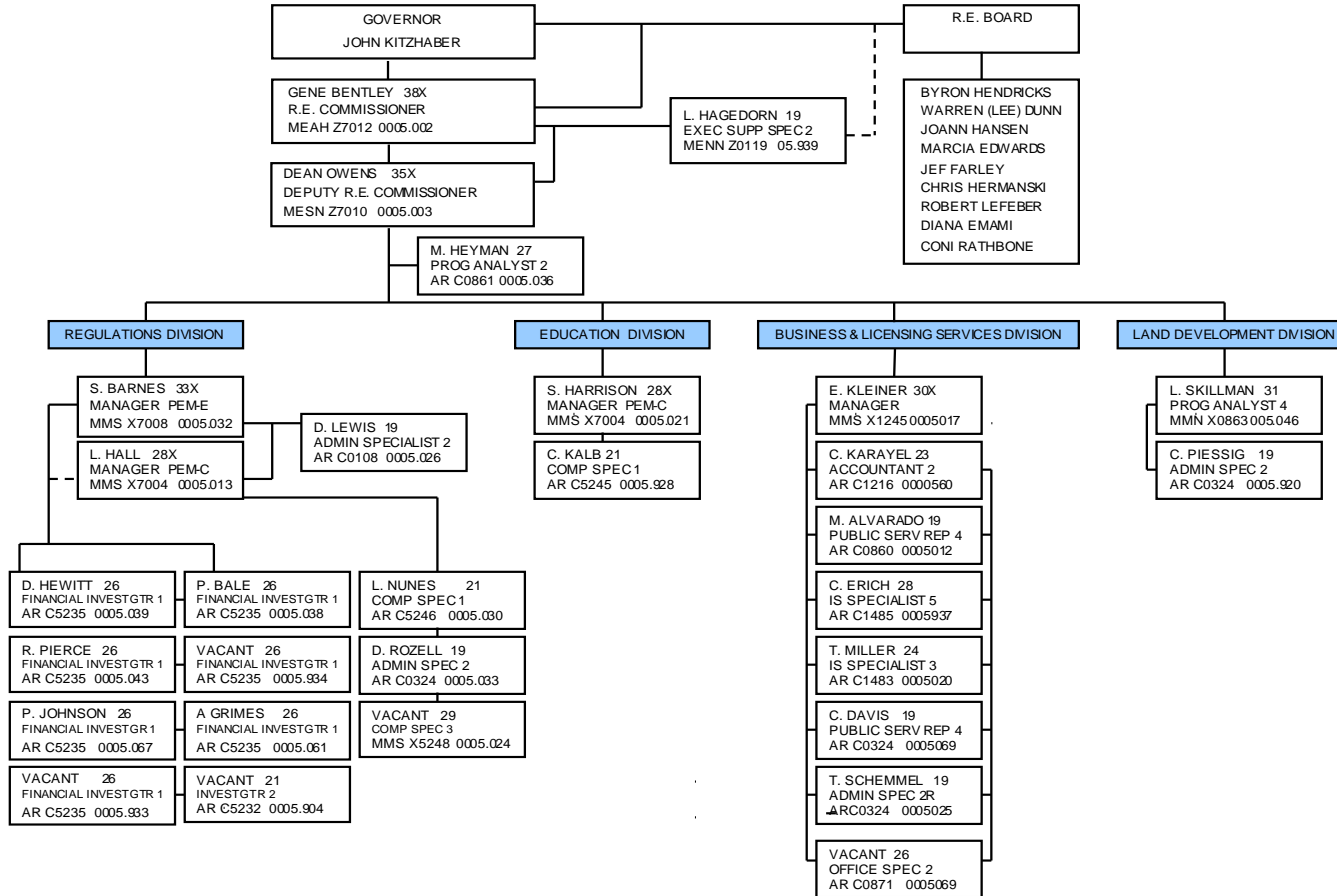


**Oregon Real Estate Agency
Budget Presentation
Joint Committee on Ways and Means – Subcommittee on Transportation and Economic
Development
February 20, 2013**

APPENDIX

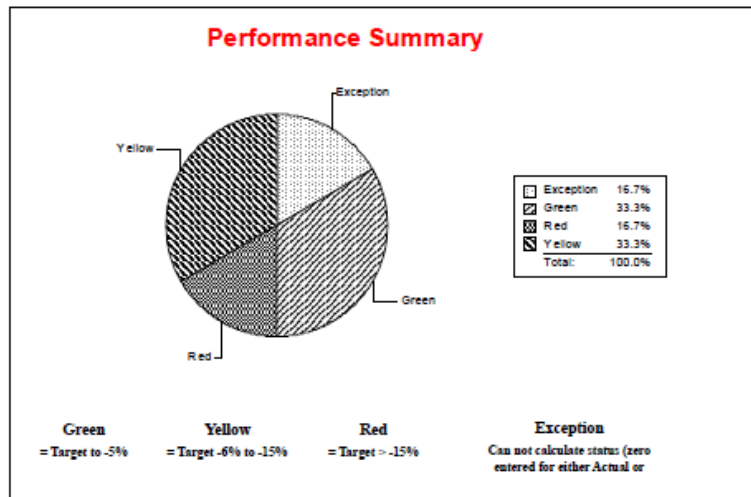
Organization chart:

2013-15 REAL ESTATE AGENCY ORGANIZATION CHART



Annual Performance Progress Report:

REAL ESTATE AGENCY	I. EXECUTIVE SUMMARY
Agency Mission: To provide quality protection for Oregon consumers of real estate, escrow and land development services, balanced with a professional environment conducive to a healthy real estate market.	
Contact: Erica Kleiner	Contact Phone: 503-378-4409
Alternate:	Alternate Phone:



I. SCOPE OF REPORT

The Real Estate Agency is responsible for the licensing, education and enforcement of Oregon's real estate laws applicable to brokers, property managers, real estate marketing organizations, registration and regulation of escrow businesses, subdivisions, condominiums, timeshares, campgrounds, registration, and public report issuance. The performance measures are used as management tools in directing resources and responding to the needs of the industry and the Oregon consumer. Key Performance Measures capture Agency responsiveness to the industry's needs, as well as our ability to provide customer service to both the real estate industry and the Oregon consumer.

2. THE OREGON CONTEXT

The Oregon Real Estate Agency licenses and regulates the Oregon Real Estate Industry. The Agency's performance measures are linked to the Agency mission, not to benchmarks.

3. PERFORMANCE SUMMARY

The Agency has worked with LFO and DAS to improve its Key Performance Measures by proposing new measures in all cases except the standard customer satisfaction measure. The proposed measures will allow the Agency to use data that is relevant to its internal business functions and the KPMs will serve as a tool to better the Agency's business processes.

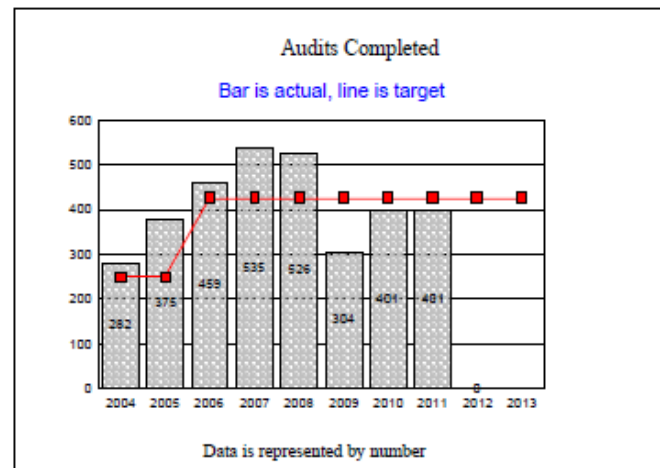
4. CHALLENGES

The improvement and implementation of new processes present challenges in most of the measures. The Agency licenses approximately 18,000 individuals. The Agency fields about 33,500 calls annually and approximately 6,900 public inquiries. The ability to respond to customers needs in a responsive and knowledgeable manner is key to the Agency's success. This challenge can be met with staff that is trained on how to deliver high quality service and retained to prevent the loss of knowledge associated with frequent turnover.

5. RESOURCES AND EFFICIENCY

The Agency's Legislatively Approved Budget for 2011-13 is \$7,461,430 Other Funds. The approved budget included \$500,000 of expenditure limitation to procure the Agency's new licensing replacement system, eLicense.

REAL ESTATE AGENCY		II. KEY MEASURE ANALYSIS
KPM #1	Audits Completed – audits completed	2004
Goal	Consumer Protection - Provide quality protection for Oregon consumers of real estate related service	
Oregon Context	N/A	
Data Source	Oregon Real Estate Agency Education and Regulation Division records of the number of compliance reviews and audits completed each quarter	
Owner	OREA; Regulations Division; Selina Barnes, Manager; 503-378-4637	



I. OUR STRATEGY

The performance measure data reported in 2009 and after is exclusively comprised of Clients' Trust Account Audits. Prior to 2009, the data was a combination of the audits and on-site compliance reviews.

Clients' Trust Account Audit process: To conduct the audits going forward, staff-members will be pulling a report from the new licensing system, eLicense, on a monthly basis. This process was formerly comprised of a quarterly random pull of records from the Agency's former licensing database. The implementation of eLicense in March, 2012 afforded the Agency the opportunity to reallocate staff and devote a portion of the efforts of two staff-members to conducting the audits. Fifty clients' trust account audits per month will now be reviewed, instead of one-hundred per quarter.

A review of the audit process: The Agency requests licensees' records to be mailed to the Agency for audit. The records are then audited and usually fall into one of three categories: 1.) all records are in compliance, 2) some education is needed to correct minor areas of non-compliance, and 3) records indicate non-compliance that warrants further investigation. The results of the audit are communicated to the licensee. The audit process seeks to examine the vulnerability of client trust funds through the compliance of holders.

Compliance review process: In addition to clients' trust account audits, the Agency conducted on-site compliance reviews until May, 2008. During the 2007 Legislative Session, the Agency was charged with finding a more cost-effective alternative to the in-person compliance reviews. In response, the Agency implemented a self-administered compliance review program which replaces the in-person audit process.

A review of the compliance process: The Agency now approaches all principal brokers and property managers by county. The process was offered in the smallest counties first, in order to test and adjust the program as needed. On a volunteer basis, a licensee conducts a self-assessment and reports the results back to the Education Division. This process allows the Education Division to focus resources on educational opportunities that the industry is lacking.

During the 2011 Regular Legislative session, LFO recommended the Agency work with DAS and LFO to create a measure that would assess the Agency's strategies for licensee improvement rather than simply audit count. In response to this directive, the Agency has proposed a new key performance measure (one that is separate from the clients' trust account audit) that assesses the Agency's strategies for licensee improvement.

2. ABOUT THE TARGETS

The target has evolved from the implementation of the measure in 2004 with the changes to the program.

3. HOW WE ARE DOING

Over the last couple of biennia, Agency workload has permitted 100 clients' trust account audits quarterly. During Fiscal Year 2011-2012 Agency resources were tied to the success of the implementation of eLicense. Although the audits weren't completed during this time, the successful eLicense launch resulted in a reallocation of staff to the Regulations Division, enabling an increase in staff capacity to complete the audits on a more frequent basis. The Agency will now be

auditing fifty clients' trust accounts per month.

As for compliance reviews, in 2012 the Agency completed approximately 52 property manager compliance reviews and 60 principal broker reviews. The Agency did not complete any reviews during the last quarter due to the new exam implementation and the new course approval process.

As the compliance review process progresses in the new format, the Education Division will determine rates of compliance by category, shaping education directives.

4. HOW WE COMPARE

The Association of Real Estate and Licensing Law Official's Digest of Real Estate License Laws provides comparative complaint data for all states and other real estate licensing jurisdictions, but does not include data regarding the ratio of audits to offices.

5. FACTORS AFFECTING RESULTS

Two staff-members were reallocated from licensing efforts to regulatory functions, including the audit process. The 2012-2013 Fiscal Year will see audit data that exceeds the previous reporting years.

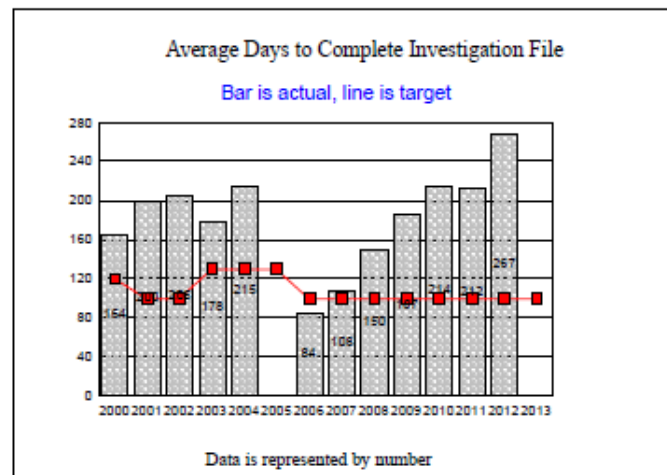
6. WHAT NEEDS TO BE DONE

In response to Legislative Fiscal Office recommendations, the Agency has proposed a new key performance measure under the Education Division. The Agency needs to determine which survey questions will most accurately assess the Agency's strategies for licensee improvement. The Agency has already identified the targeted audience (brokers, principal brokers and property managers in a given time period after initial licensing) and the method (survey distributed by the Agency).

7. ABOUT THE DATA

This data is being reported on the Oregon Fiscal Year basis. The Agency received a total of 851 complete survey responses in 2012.

REAL ESTATE AGENCY		II. KEY MEASURE ANALYSIS
KPM #2	Days to Complete Investigation File Processing – average number of days to complete investigation file processing.	2000
Goal	Consumer Protection - Provide quality protection for Oregon consumers of real estate related service	
Oregon Context	N/A	
Data Source	Oregon Real Estate Agency, Regulation Division records of the number of days to complete an investigation, average for the reporting period.	
Owner	OREA, Regulation Division; Selina Barnes, Manager; 503-378-4637	



1. OUR STRATEGY

The Financial Investigators within the Regulations Division were redistributed to focus solely on investigations. The Agency reallocated two positions from licensing efforts to focus on administrative and support functions for the Investigators. Lower level violations are also determined at the onset and an education

letter is sent out if certain criteria are met. This prevents the need for time and resources for a full investigation in cases that would most likely result in an education letter anyway. The Regulations Division also implemented a "fast track cases" method in which cases that meet certain criteria are immediately followed by a brief investigation. The former process used was that cases were all worked in the order they were received and now if they are expected to be quicker they are moved up in order.

2. ABOUT THE TARGETS

The measure changed from the 2003-05 Biennium "average number of days to close a formal complaint" to "average number of days to complete investigation file processing" in the 2005-07 Biennium. Processing of a formal complaint involved several stages, including investigation of the complaint by agency investigator/auditor staff, a potential settlement process, and legal procedures outside the agency's control (e.g., contested case hearing request/referral to the Hearing Officer Panel, appeal to courts, etc.). The modification was intended to more accurately measure the time the Agency takes to complete the investigation procedures it controls. The Agency acknowledges this measure and the target should be restructured and the Agency has proposed a new measure in response to legislative directive.

3. HOW WE ARE DOING

In 2006, the KPM goal was changed to 100 days. The Agency data indicated that the actual average number of days was 84. However, in 2006 the database was migrated to a new system. This system increased the number of data points so the agency could more accurately reflect the time for investigation. The old system only recorded the date the file was opened and the most recent action. Hence, the Agency's ability to measure investigation time accurately is limited to the data entered since 2006. The averages were taken from the new database system, L2K, and therefore only show a portion of 2006 rather than an entire twelve month period. In 2007, the Agency completed a full twelve month tracking period. Prior to 2009, the averages included background check investigations for license applicants, which take significantly shorter time frames to complete than complaint driven investigations.

In 2010, the Agency had an average of 214 days. In recent years, the average number of days to complete an investigation has continued to exceed the Agency's target. However the number of investigators has declined due to staff turnover. Over the past year, two Financial Investigators and one Investigator position have been vacant. The Agency submitted an exception request to the hiring freeze committee implemented by DAS in January, 2012, however the request was denied by the committee. The Agency posted two recruitments for Financial Investigators to the State Jobs page on January 14, 2013. With the addition of two Financial Investigators, the Agency is confident it can cut down on the average number of days to complete an investigation. Going forward, cases that have been open for more than 200 days will be prioritized.

4. HOW WE COMPARE

ARELLO's Digest of Real Estate License Laws provides comparative complaint data for all states and other real estate licensing jurisdictions, but does not include data regarding the length of investigations.

5. FACTORS AFFECTING RESULTS

Retaining adequate staffing for investigations is an ongoing issue. Staff with the knowledge and expertise to investigate complex cases involving financial and real estate transactions is vital to meet a performance measure. There are also factors beyond the Agency's control, such as unavailable witnesses or information.

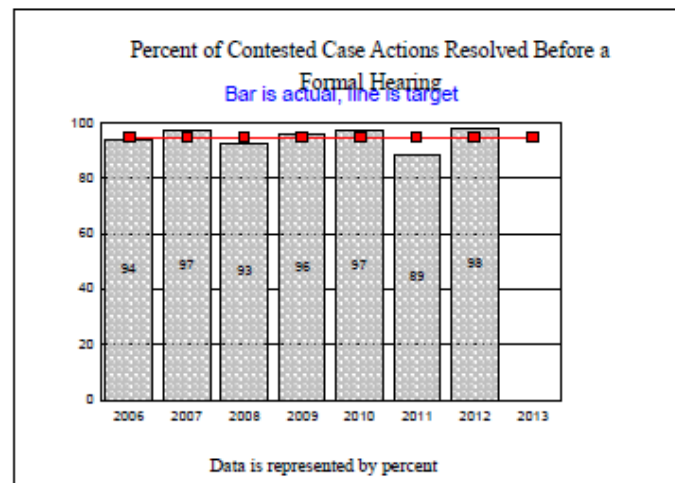
6. WHAT NEEDS TO BE DONE

This measure helps guide resource and workload distribution. Certain types of investigations may require a longer period of time to complete. There may also be cases that have been in process for a longer period of time due to unavailability of information or witnesses. The manager can't assume that all cases take close to the same amount of time. However, tracking the time to complete the investigation could more closely align the types of investigations with the expertise of the investigators. It can also highlight the areas that cause a stall in the process and help with an effective resolution. The Agency has proposed a new performance measure to more accurately reflect the timeliness of investigations without accounting as much for factors outside of the Agency's control.

7. ABOUT THE DATA

This data is being reported on the Oregon Fiscal Year basis. The wording change from "average days to close a formal complaint" to "average number of days to complete investigation file processing" more accurately measures the workload that the Agency can control.

REAL ESTATE AGENCY		II. KEY MEASURE ANALYSIS
KPM #3	Contested Case Actions resolved through settlement – percent of contested case actions that are resolved through informal settlement resolution and prior to a formal hearing before the Office of Administrative Hearings.	2006
Goal	Excellent Customer Service	
Oregon Context	N/A	
Data Source	Regulation's Division statistics - total settled contested case actions to total contested case actions	
Owner	OREA, Regulation Division Selina Barnes, Manager 503-378-4637	



1. OUR STRATEGY

Continue promoting mediation through stipulation process.

2. ABOUT THE TARGETS

The measure was added in 2005 and a target of 95% was set for FY 2006 through 2009. The administrative hearing process is expensive and lengthy and overall impacts other regulatory services. Efficient resolution of disciplinary actions saves both sides of the regulatory action the time and enormous expense of attorney representation in preparation for and attendance at a hearing. The Agency realizes that a prudent measure leaves room for those cases where a hearing is strongly desired by the respondent.

3. HOW WE ARE DOING

In 2010-11, 89% of administrative orders were settled without a contested case hearing, which didn't meet the 95% target. However in 2011-12, 98% of administrative orders were settled without a contested case hearing, which exceeded the Agency's target.

4. HOW WE COMPARE

The Board of Accountancy has a similar performance measure (CONTESTED CASES RESOLVED BY CONSENT- Percentage of contested cases resolved by consent agreement prior to formal hearing). Their goal for 2007 was to achieve 60%, and the actual was 65%. The Oregon Board of Nursing had a similar measure (MINIMAL CONTESTED CASE HEARINGS - Percentage of complaints that were resolved via stipulated agreement or default on notices in lieu of contested case hearing) however this measure was deleted due to this not being outcome based and the Board has no control over the results. Their target was 97%, which they achieved in 2003 & 2004, and dropped to 96% in 2005 & 2006.

5. FACTORS AFFECTING RESULTS

The Agency continues to value the importance of the stipulation process in the resolution of disciplinary actions. The respondent has the opportunity to meet with the Regulations Division Manager after each investigation is complete to go through the settlement process. This allows each party to better understand each other, thus improving the number of cases settled without a formal administrative hearing. A higher number of cases that are taken to the formal hearing process would require training additional staff in the preparation and administrative functions necessary to represent the Agency. This would also increase costs to the Agency significantly for each hearing as well as increased workload for the Office of Administrative Hearings.

6. WHAT NEEDS TO BE DONE

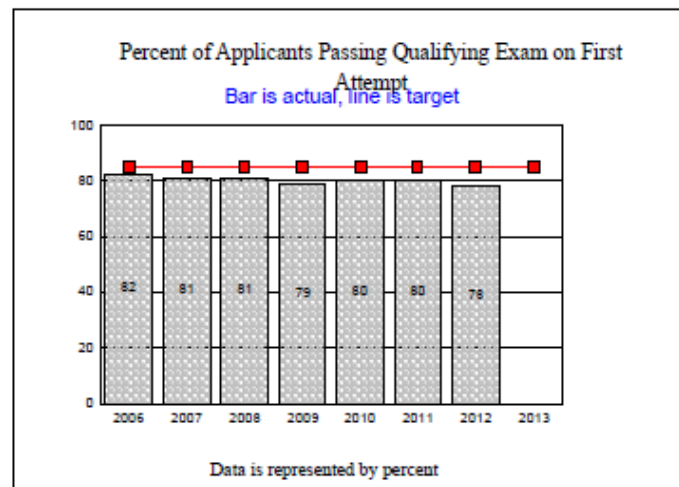
The Agency needs to maintain efforts to propose disciplinary actions that are an appropriate resolution for the regulation of the statutes and administrative rules

that OREA is responsible for, whether the resolution is by consent or through an administrative hearing.

7. ABOUT THE DATA

This data is being reported on the Oregon Fiscal Year basis.

REAL ESTATE AGENCY		II. KEY MEASURE ANALYSIS
KPM #4	Successful Exam applicants – percentage of applicants who pass the qualifying examination on the first attempt.	2005
Goal	Excellent Education	
Oregon Context	N/A	
Data Source	Psychological Services, Inc (PSI) monthly exam numbers supplied from database	
Owner	Education Division; Stacey Harrison, Manager; 503-378-4585	



1. OUR STRATEGY

Education and information – The Agency will continue to work with its vendor, PSI, and review test questions for clarity. The Agency will periodically review

educational material with the OREA Board and licensees for content.

2. ABOUT THE TARGETS

The target of 85% was set using prior year's data as a baseline. With the exams being administered by a contracted vendor, the Agency continues to monitor the target for appropriateness.

3. HOW WE ARE DOING

For 2011, OREA shows a passing rate for first time applicants at 80%, which is level with 2010. The result declined to a 78% first time passing rate in 2012.

4. HOW WE COMPARE

The Oregon Board of Nursing had a similar measure; however it was deleted because the results were out of the Board's control. Their measure (RN EXAM PASS RATE - Percentage of RN programs with a passing rate above 85% on the national exam) set a goal of 100% of applicants taking exam pass on the first attempt.

5. FACTORS AFFECTING RESULTS

Ability of educators to remain up to date on pertinent topics and educational material for instructing students when preparing for the exams.

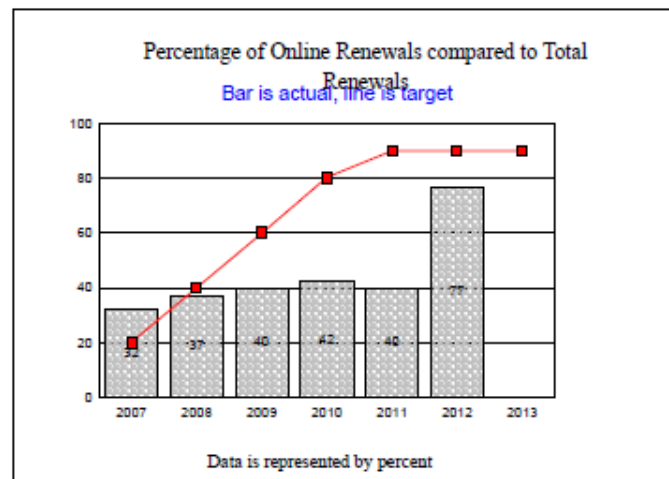
6. WHAT NEEDS TO BE DONE

There are many topics outside the authority of OREA that are needed to adequately prepare a licensee for conducting real estate business such as ethics, Landlord Tenant Law, and mortgage lending. The Agency and the OREA Board have joined with the real estate industry in evaluating the educational requirements and delivery of pertinent education under the Agency's authority. They will evaluate not only the content of the educational materials but ways to improve testing performance. The Agency has proposed a new measure to quantify the effectiveness of the Agency's educational efforts. The Agency entered into a new contract with its examination vendor, PSI, on July 1, 2011. The vendor has been tasked with developing and administering the examinations. There have been significant benefits in having the vendor develop the content of the examinations. The provider has used experts in exam development and the exams are legally defensible.

7. ABOUT THE DATA

This data is being reported on the Oregon Fiscal Year basis

REAL ESTATE AGENCY		II. KEY MEASURE ANALYSIS
KPM #5	Online License Renewals – percentage of online renewals compared to total renewal processed by agency.	2007
Goal	Excellent Customer Service	
Oregon Context	N/A	
Data Source	License 2000 (database until 3/4/12) and eLicense (system that launched 3/6/2012); total number of renewals total number of online renewals	
Owner	OREA; Business and Licensing Services Division; Erica Kleiner, Manager; 503-378-4409	



1. OUR STRATEGY

The strategy before mandating online renewals was to develop and follow a strategic marketing plan, including surveys, advertisement and possible incentives.

2. ABOUT THE TARGETS

The first year measurement of 20% with 20% increase annually comes from other agencies that have offered online license renewals. The growth rate can be gradual.

3. HOW WE ARE DOING

The Agency launched the online license renewal system with its License 2000 system in spring of 2007. In the first three complete months of renewal, April through June, the Agency averaged 32% online renewal of all eligible timely renewals. Since then Agency has seen a leveling off of the number licensees that renew online at approximately 40%. The Agency did experience an uptick when it stopped mailing out the physical renewal forms. The Agency implemented its online licensing system, eLicense, on March 6th, 2012. Upon launch of the new system, the Agency mandated online renewals. The Agency changed its administrative rules to support this mandate.

4. HOW WE COMPARE

Although there is no collective data for on-line licensing published in the Real Estate License Laws, it took Idaho four years to achieve a 44% license renewal rate and Utah achieved 66% in two years. Utah is known for their governmental licensing efforts. For Oregon agencies, achievement varies by service. Oregon Health Licensing Agency launched their online license renewals in 2006. Goals were set at 50% in 2006 and increasing to 65% in 2007. OHLAs actual online renewal rate for 2007 was 21%, citing lack of computer use among OHLA-regulated professions as a primary factor. The Oregon Board of Nursing began measuring results of online license renewals in 2005, with a target of 50% and an actual participation of 30%. In 2006, the target was 80% while participation climbed to over 80% and still increasing. OREA has been in contact with the Board of Nursing to study lessons learned, marketing strategies and implementation schedules, hoping to avoid mistakes while utilizing the expertise of a successful agency.

5. FACTORS AFFECTING RESULTS

Since mandating online renewals, feedback from the industry has been positive. The Agency has also pursued the use of e-commerce for all licensing transactions. License transfer, address changes, and a number of other transactions are now processed online.

6. WHAT NEEDS TO BE DONE

Continue system refinement so the customer experiences a streamlined process.

7. ABOUT THE DATA

This data is being reported on the Oregon Fiscal Year basis.

REAL ESTATE AGENCY		II. KEY MEASURE ANALYSIS
KPM #6	CUSTOMER SERVICE – Percent of customers rating their satisfaction with the agency’s customer service as “good” or “excellent”: overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.	2006
Goal	To improve customer satisfaction through excellent customer service.	
Oregon Context	N/A	
Data Source	Survey Monkey. The Agency’s Business and Licensing Services Manager sends the customer satisfaction survey out to all of the individuals that use eLicense. The Agency maintains an active email address for all Brokers, Principal Brokers, and Property Managers.	
Owner	OREA, Commissioner’s Office; Dean Owens, Deputy Commissioner; 503-378-4407	



1. OUR STRATEGY

OREA is committed to providing high-quality, low-cost customer service. The goal is to deliver effective and efficient service to licensees and other stakeholders. The customer satisfaction surveys will help to determine areas of strength and needed improvement. OREA management will make strategic decisions based on the results to place resources and effort where improvement is needed.

2. ABOUT THE TARGETS

Based on initial results of this measure, targets are set at 85%, with the exception of Accuracy, where the expectations will continue to be 90%.

3. HOW WE ARE DOING

The "good" and "excellent" responses decreased slightly across response categories. The Agency suspects this comes as a result of the implementation of the eLicense system in March of 2012 and the dramatic changes to the Agency's licensing processes. Nearly every licensing process changed for the Agency and licensees this past March. An adjustment period for licensees to get used to the new system and way the Agency conducts business is expected. The Agency is now focused on refining the eLicense user experience, which is expected to increase the overall customer satisfaction level of licensees. The in-depth customer satisfaction survey which will go out in 2013 will gauge specifically where licensees may experience challenges when using the eLicense system.

4. HOW WE COMPARE

Comparisons to other agencies were not included in the data from Survey Monkey. However, the Agency reviewed data reported by six agencies that conduct licensing or board duties and completed the Annual Performance Report for 2008. The averages for these agencies were: Overall: 90%; Timeliness: 91%; Accuracy: 90%; Helpfulness: 87%; Expertise: 87%; and Availability of Information: 88%. OREA is at or above these averages in each category.

5. FACTORS AFFECTING RESULTS

Real estate licensees are, in general, mindful of regulatory requirements and seek information both on the website and from office staff. Office policies and procedures encourage staff members to provide excellent customer service in the performance of their duties.

6. WHAT NEEDS TO BE DONE

A follow-up survey will be sent out in 2013 seeking additional feedback regarding how the Agency can improve. The Agency will seek comments in the following areas: customer service, how to streamline/expedite processing, and eLicense system refinement/improvement.

7. ABOUT THE DATA

This data is being reported on the Oregon Fiscal Year basis.

REAL ESTATE AGENCY		III. USING PERFORMANCE DATA	
Agency Mission: To provide quality protection for Oregon consumers of real estate, escrow and land development services, balanced with a professional environment conducive to a healthy real estate market.			
Contact: Erica Kleiner		Contact Phone: 503-378-4409	
Alternate:		Alternate Phone:	
The following questions indicate how performance measures and data are used for management and accountability purposes.			
1. INCLUSIVITY	<p>* Staff : Assists with regular review of performance measure results and development of meaningful measures.</p> <p>* Elected Officials: Provide input and approve key performance measures through DAS and Legislative members.</p> <p>* Stakeholders: Assists the Agency in setting realistic goals and directing the content of the performance measures by providing feedback through general discussions.</p> <p>* Citizens: The Agency also provides opportunity for feedback through phone contact and via email, analyzing the information provided to determine the Agency's performance achievements.</p>		
2 MANAGING FOR RESULTS	<p>Agency management tracks performance measures quarterly and some are tracked monthly. Results are communicated to Agency staff through the Agency's intranet. Management solicits input from staff on performance goal achievement, and takes into account the feedback from staff that will help strengthen the performance of the Agency. Managers make decisions to allocate resources, both staff time and funding, based on quarterly results. The Agency will closely examine performance measures to determine if they are accurately measuring the impact of the Agency's business practices with the interest of government and key stakeholders.</p>		
3 STAFF TRAINING	<p>In the past year, staff have been trained on how to use eLicense. The Public Service Representatives have had in-house training on providing excellent customer service, and employee position descriptions include customer service as a primary function and responsibility. The Agency and each division within the Agency has set customer service standards.</p>		
4 COMMUNICATING RESULTS	<p>* Staff : Performance measurements are a frequent topic of discussion, both directly and indirectly, during management, division, and staff meetings to assure compliance with the initiatives. The Regulation Division Manager and the Business and Licensing Services Manager both discuss division workload at the division staff meetings, and process improvement suggestions are continuously encouraged. Division staff meet as needed to discuss workload</p>		

	<p>and process improvement.</p> <p>* Elected Officials: The Agency includes the Annual Performance Progress Report in each budget document for review by elected officials.</p> <p>* Stakeholders: The Agency will include the annual progress report each year on the Agency website in order to solicit feedback from the industry and the consumer. The report will be provided to the Oregon Real Estate Board biennially for their review and input.</p> <p>* Citizens: The Agency's performance measures and annual report are posted on the Agency's website: http://www.rea.state.or.us.</p>
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Business case for reclassification requests:

In February, 2013, the Oregon Real Estate Agency will request to reclassify 3 positions to higher classifications. These reclassifications are needed to address reorganization in the Agency that has occurred during the 2011-2013 Biennium.

Problem Definition: Since the 2011-13 Legislative Budget was approved, the organization of the Agency has changed significantly. Two management service positions vacated, and the Agency implemented a new licensing system designed to streamline the process by which a licensee conducts business with the Agency. Although the Agency was not directly affected by the initiatives to reduce management positions, it took the opportunity to make changes in the structure of the Agency that would allow more effective management without filling the vacant management positions. In August, 2011, the Information Services Division management position was reclassified to classified/represented and the management oversight moved under the Administrative Services Division Manager. The function of Information Services was analyzed, resulting in moving several key components of data management to the State Data Center, saving the Agency significant funds and allowing Information Services staff to focus on customer support.

In September, 2011, the Compliance Manager for Regulations Division retired. That position was reclassified to Compliance Specialist 3, classified/represented.

The Agency was also beginning to implement the new eLicense system, and reclassified a vacant position to an Operations and Policy Analyst 2 to direct the project. This position worked closely with the vendor (Iron Data) and Agency employees to prepare all aspects of the implementation. Preparing for the implementation and change in business process, the Licensing Division Manager position was moved to the Regulations Division to assume the duties of the Compliance Manager. The Licensing Manager title was changed to Compliance Manager, continuing to work in her current classification as a PEM/C. The Ops & Policy Analyst assumed the role of lead worker in licensing during the remainder of the implementation process.

The management oversight of licensing fell to the Administrative Services Manager. eLicense launched in March, 2012, and immediately began to show reductions in workload and processing times. In June, 2012, the Operations and Policy Analyst resigned from the Agency, accepting a position with DAS. While the implementation was well underway, there were still gaps to fill in managing the day to day issues with the new system. To manage that workload, one Public Service Representative 4, who picked up the new system quickly, was given an opportunity to work out of class as a Program Analyst 1. That position became the eLicense system expert, and worked with the system vendor to correct errors, enhance the system and find solutions to problems with processing. It also became apparent that the role of the agency had changed from customer support in filling out forms and processing

paper, to technical support in assisting customers with conducting business online. As of June, 2012, all of the Agency's business processes were initiated and paid for online. The organizational structure of the Agency changed to reflect the new business model, and the Licensing Division was combined with the Administrative Services Division, creating the Business and Licensing Services Division.

In September, 2012, the Office Specialist 2 retired. That position was responsible for the entry of accounts payable and receivable to be processed by DAS under a Client Service agreement. The Administrative Services Manager analyzed the benefit and cost of using DAS as the financial services provider, and determined that significant savings in both funds and time could be achieved by performing those activities at the Agency. A classification study of the Position Description to perform all accounting functions was performed by DAS, and the position was recruited and filled as an Accountant 2. Beginning March 1, 2013, all accounting services will be performed at the Agency. Beginning July 1, 2013, all payroll services will be performed at the Agency. This will reduce processing time for both receiving revenue and making payments, as well as save approximately \$3,000 monthly in service charges to DAS.

All of these changes, along with a complete review and revision of the Agency's education guidelines and licensing exam questions, created the need to provide better information to our customers, both internally and externally. The Agency lacked a position responsible for not only the coordination of information and the distribution of such information, but also to manage the communications with outside resources when major changes were occurring at the Agency, and to work with interested stakeholders to provide critical information and changes in the appropriate way. For example, small changes in eLicense could have major impact on business functions in the licensing community. Having a position to coordinate the communication of such changes to all parties at the appropriate time would result in less confusion, better processing of business and a more satisfied customer. The Agency had a position, the Program Analyst 2, spending some time on managing the web site, publishing the Oregon Real Estate News Journal and Commissioner's bulletin, but it wasn't enough to keep up with the information. A new Position Description was presented to DAS for classification, including management of the Agency's communication and information, as well as conducting focus groups to determine stakeholder interests in Agency changes, such as eLicense increased functionality, communication, education and regulation. This information will allow the Agency to make changes that will be better received by our consumer.

In summary, these significant changes in the Agency's business processes have shifted workload to existing employees rather than hiring more managers and filling vacancies. The changes have resulted in employees working out of class or performing duties that were not currently in their position descriptions.

Alternatives Considered: The Agency spent a good deal of time analyzing the workflow after the implementation of eLicense. The decisions to consolidate operations under certain management structures presented several opportunities, but most would require hiring another manager. The Agency also considered the priorities that were identified, and determining when we had reached capacity under the current structure to effectively manage the priorities, and delaying other issues until some workload reduction was noticed. The Agency also considered continuing to work positions out of class.

Proposed Solution:

After a year of reorganization and processing business under the new eLicense system, the structure of the Agency has settled in to meet the needs of our licensees and customers. However, due to the shift in duties, and continued movement in the area of customer service and regulatory streamlining, we propose to correctly identify staff and duties, and appropriately classify the positions permanently. The requests are as follows:

1. Reclassify Administrative Services Manager (Fiscal Analyst 3 MMS) to Principal Executive Manager E as established by DAS Class & Comp review.

Background: This position was hired in February, 2010 to manage the Agency's financial operations, including budget, and manage the day to day operations of the facility (contracts, building repairs, supplies, etc.) At the time of hire, only one position (Office Specialist 2) reported to the Administrative Services Manager. In July 2011, the Information Services Division was moved under the direction of the Administrative Services Manager. In August 2011, an Operations and Policy Analyst 2 position was allocated to Administrative Services. In March 2012, the Licensing Division was consolidated with the Administrative Services Division, become what is now Business and Licensing Services. The Administrative Services Manager has 7 FTE that report directly. The position has been receiving WOC of 5% since July, 2010 when the Agency bestowed management of Information Services to Administrative Services. In February 2012, Business and Licensing Services transitioned back the services of accounting that were performed by Shared Client Services. The Administrative Services Manager is now responsible for

- all of the Agency's financial transaction and reporting, internal controls and budget preparation
- all licensing transactions
- all Information Services, including data security, customer support and information technology necessary to run the Agency

- span of authority had increased from 1 employee to 7 employees

This reclassification would result in a 5% increase in pay; however, since the position is receiving a 5% work out of class differential that would no longer apply, there will be a net of no cost to the Agency.

2. Reclassify one PSR4 position to a Program Analyst 1 as established by DAS Class & Comp Review.

Background: The position is already performing the duties with a work out of class differential. The Agency has determined that this work needs to continue to manage the workflow that has been identified with this reorganization. This position will be considered the Agency's expert in the new licensing system, and will be responsible for analyzing use and effectiveness and recommending changes to the system to better serve our licensees. This position will also provide expert guidance to the technical staff serving licensees. Assigning these duties helps fill the void of ongoing project management that was left when the Operations and Policy Analyst resigned.

This reclassification would result in a 5% increase in pay; however, since the position is receiving a 5% work out of class differential that would no longer apply, there will be a net of no cost to the Agency.

3. Reclassify one Program Analyst 2 position to Public Affairs Specialist 2.

Background: The Program Analyst 2 position existed in the Education Division, and for years has maintained the Agency's website and publications, as well as working with education providers to meet the Agency's education guidelines. The Education Division also exists of a Manager (PEM/C) and Compliance Specialist 1. The Education Division just completed a major project of reviewing all education courses offered for pre-license to our applicants, and a complete review of all examination questions for the pre-license test. They are re-focusing their priorities to allow the Program Analyst 2 position to be allocated to the Commissioner's Office to work as the Public Affairs Specialist. Her degree in journalism and expertise in information services and communication allow her to be an immediate asset to address the needs of more efficient and effective communication. Her work as a Public Affairs Specialist will have an immediate impact as she will gather and analyze data about the way licensees and consumers use our services, and devise new methods, including re-vamping the existing website, using social media, and enhanced communication to make access to the Agency's information and business process easier for all.

This reclassification would result in a 5% increase in pay; however, since the position was receiving a 5% lead work differential that would no longer apply, there will be a net of no cost to the Agency.

Expected Outcomes: Correct and current classifications and position descriptions will define to all Agency staff the authority and responsibility of these re-classified employees. The new classifications will also properly reflect the Agency's organizational structure. This will result in a more effective customer service model by improving communication with the public and the Agency's licensees, and improve services provided as a result of better business analysis.

How does this action fit with the agency's long-range, strategic staffing plan? It complies with the belief as business changes, the Agency should be flexible to change with it. Reduces the amount of Management Service positions while streamlining the accountability of remaining managers and represented employees.

Senate Bill 23 detail:

The highlights of SB 23 are as follows:

- Defines “property management agreement” as a written contract between a real estate property manager and an owner of real estate for the management of rental real estate specified in the agreement.
- Only allows a real estate property manager to engage in the management of rental real estate for an owner of rental real estate pursuant to a property management agreement.
- Technical amendment to change continuing education provider record-keeping requirements to conform to Agency’s new eLicense system. The Agency needs flexibility to require providers to maintain and provide licensee records to the Agency in an electronic format or to upload information. Allow recordkeeping to be determined by rule of the Agency.
- Establishes responsibility for a specific principal real estate broker or property manager associated with a registered business name to maintain current information on the business and any associated clients' trust accounts. Clarifies requirement that all licensees associated with a registered business name must conduct professional real estate activity under that name.

The following is a section-by section analysis that provides detail on the proposed amendments in SB 23.

Section 1. Amends ORS 696.010 - Definitions

Purpose: To define “property management agreement.” Page 3, line 36: “Property management agreement” means a written contract between a real estate property manager and an owner of real estate for the management of rental real estate specified in the agreement.

Section 2. Amends ORS 696.890 - Duties of real estate property managers

Purpose: To clarify that a real estate property manager must have a written contract (“property management agreement”) with an owner of real estate to engage in the “management of rental real estate.” This concept has been in rule for the past five years.
See page 4, line 19 to 25: A real estate property manager may engage in the management of rental real estate for an owner of rental real estate only pursuant to a property management agreement.

Section 3. Amends ORS 696.290 - Sharing compensation with or paying finder's fee to unlicensed person prohibited; exceptions

Purpose: Housekeeping for internal consistency and readability.

See page 4-5. Technical amendment to clarify language and conform to legislative counsel writing style. This section was confusing as written. The term “change of affiliation” actually means the “association” of a real estate broker to a principal real estate broker. “Affiliation” is archaic language. “Associated with” is a defined term about the relationships between licensees.

Section 4. Operative date for Section 3

Purpose: States that the amendments to ORS 696.290 in Section 3 apply to property management agreements entered into on or after the operative date of the Act.

Section 5. Amends 696.020 - License required for individuals engaged in professional real estate activities; exception; rules

Purpose Technical amendment to fix technical inconsistency. The section as written reads:

(3) A real estate licensee is bound by and subject to the requirements of ORS 696.010 to 696.495, 696.600 to 696.785, 696.800 to 696.870, 696.990 and 696.995 while:

(a) Engaging in professional real estate activity; or

(b) Acting on the licensee's own behalf in the sale, exchange, lease option or purchase of real estate or in the offer or negotiations for the sale, exchange, lease option or purchase of real estate.

Problem #1: “Real estate licensee” refers to all three licenses and the statutory requirements for property managers are different and need to be distinguished. The provision in (3)(a) and (b) should only apply to brokers and principal brokers because the provisions in ORS 696.800 to 696.870 apply only to these licenses. The provisions in ORS 696.890 (affirmative duties of a property manager) apply only to real estate property managers (includes real estate brokers, principal brokers and property managers); however, 696.890 is not included in the list.

Problem #2: The standards required for licensees acting on their own behalf in (3)(b) only apply to principal real estate broker and broker because these licensees may represent another for compensation in the sale, exchange, lease option or purchase, only these licensees should be bound while conducting those activities on their own behalf. A property manager license does not authorize the licensee to engage in these activities and, therefore, a property manager should not be bound by chapter 696 when engaging in sale, exchange, lease option or purchase on their own behalf.

See page 6, lines 12-20

Section 6. Amends ORS 696.315 - Prohibition against licensee permitting nonlicensed individual to engage in activity with or on behalf of licensee.

Purpose: Clarifies application of existing licensing exemption under ORS 696.030 for individuals who conduct certain activities on behalf of a licensed real estate property manager. Requires the property manager to specifically delegate authority in writing. See also Section 10, amending ORS 696.030

Section 7. Amends ORS 696.130 - Effect of revocation of license

Purpose: Technical amendment to clarify that the provision applies a property manager licensee whose license has been revoked by the Commissioner and that the property manager must comply with the statutes prior to being reissued a license.

Section 8. Amends ORS 270.120

Purpose: Technical amendment by legislative Counsel to conform other statutes to ORS Chapter 696.

Section 9. Amends ORS 696.026 - Registration of business names; rules

Purpose #1: To clarify that a specific, named principal real estate broker or property manager is responsible for a registered business name and professional real estate activity that is done under that name, including providing the agency with information on all clients' trust accounts opened under a registered business name.

Under existing rules and in the Agency's database, most real estate licensees are associated with a registered business name. Only a principal real estate broker or property manager may establish a registered business name. The Agency needs a named principal broker or property manager who is "responsible" for the registered business name and for all clients' trust accounts associated with the registered business name, including current active status with the Secretary of State.

Purpose #2: Technical amendment to clarify that all licensees who are associated with a principal real estate broker or licensed real estate property manager must conduct business under the registered business name. Clarification is to add principal real estate brokers to the licensees who must comply with this statute.

Section 10. Amends ORS 696.030 - Exemptions from licensing

Purpose #1: Technical amendment to clarify the meaning of the term "single owner of real estate." Change to define "owner of real estate" under ORS 696.030(1). New language:

(b) For the purpose of this subsection, "owner of real estate" means:

(A) An individual who has a sole ownership interest in the real estate; or

(B) More than one individual, each of whom has an ownership interest in the real estate, if the ownership interest is by survivorship, tenancy in common or tenancy by the entirety.

Purpose #2: Technical amendment to clarify the application of existing licensing exemption under ORS 696.0309 for individuals who conduct certain activities on behalf of a licensed real estate property manager. Requires the property manager to specifically delegate authority in writing. See also Section 6, amending ORS 696.315.

Purpose #3: Technical amendment to clarify current ORS 696.030(24). New language: A nonlicensed individual acting as a paid fiduciary whose real estate activity is limited to negotiating a contract [or closing a transaction] to obtain the services of a real estate licensee.

Section 11. Amends ORS 696.184 - Continuing Education Provider Requirements

Purpose#1: Significant housekeeping amendments for simplicity and readability.

Purpose #2: Technical amendment to change continuing education provider record-keeping requirements to conform to Agency's new eLicense system. The Agency needs flexibility to require providers to maintain and provide licensee records to the Agency in an electronic format or to upload information. Amend by deleting "The records may be maintained in any format." Change all recordkeeping requirements to "as required by rule of the Agency."

Purpose #3: Clarify that the Agency can request and the continuing education provider must produce records within 15 business days.

Section 12. Amends ORS 696.186 - Qualifications of continuing education instructors; rules

Purpose: Technical amendment to delete statutory provision on an "approved" training course because the Real Estate Board does not approve instructor training courses. This provision is unnecessary.

Section 13. Amends ORS 696.241 - Clients' trust accounts; notice to agency; branch trust account; interest earnings on trust account; when broker entitled to earnest money; funds not subject to execution; rules

Purpose#1: Technical amendment to clarify that a clients' trust account must be "opened" in the state of Oregon. Current language only states that the licensee must "maintain" an account in Oregon.

Purpose#2: Technical amendment clarifying that a property manager or a principal real estate broker who engages in the management of rental real estate must open and maintain at least one clients' trust account. Also, clarify that the clients' trust account provisions apply specifically to a property manager.

Purpose#3: Technical amendments for clarity and readability.

Purpose#4: Technical amendment to clarify that the licensee who places funds in a clients' trust account is responsible for those funds until the ownership of the clients' trust account is transferred to another licensee.

Section 14. Amends ORS 696.385 - Power of agency; rulemaking procedures

Purpose: Technical amendment to streamline filing and adopting administrative rules. The current provision creates problems for the Agency when filing proposed rules or notices of hearing because the Board only meets bi-monthly. Issue is easily resolved by shortening the 45-day requirement to submit proposed rules to the Board before the board meeting to 10 days. The Board will have 10 days prior to the Board meeting to review the rules and advise the Agency at the Board meeting.

Section 15. Amends ORS 696.425 - Powers and duties of board; expenses.

Purpose: Technical amendment to update archaic language. The Board does not “conduct examinations;” however, it does make recommendations to the Agency about the manner and methods for conducting examinations.

Section 16. Amends ORS 696.445 - Advancement of education and research; Oregon Real Estate News Journal; content as to disciplinary actions.

Purpose: Technical amendment to expand the concepts of “publication” and “printed matter” to include electronic “publication.” Also, allow for the Agency to publish a complete, final order rather than just “a brief description of the situation involved and the grounds for the commissioner’s action” on a final administrative order.

Section 17. Amends ORS 696.361 - Regulation of real estate property manager

Purpose: To repeal the statute. The entire statute reads: *A real estate property manager is regulated and bound as a real estate broker and as a principal real estate broker.* This statute was initially enacted to cover a new licensee called a “property manager,” and its purpose was to have all existing statutes regulating a broker apply to a property manager. Because the conduct allowed under the statutes is different for brokers and property managers, over the past three Legislative Sessions, the Agency has amended the provisions in ORS chapter 696 to specifically apply the appropriate statutes to individual licensees. The work is now completed and this statute may be repealed.

Section 18. Operative dates

States that the provisions of the bill become operative on July 1, 2013 and allows the agency to take any action necessary (including rule writing) prior to the effective date to enable the Agency to implement the provisions of the bill on the effective date.

Section 19. Unit captions

States that the unit captions are not part of the law.

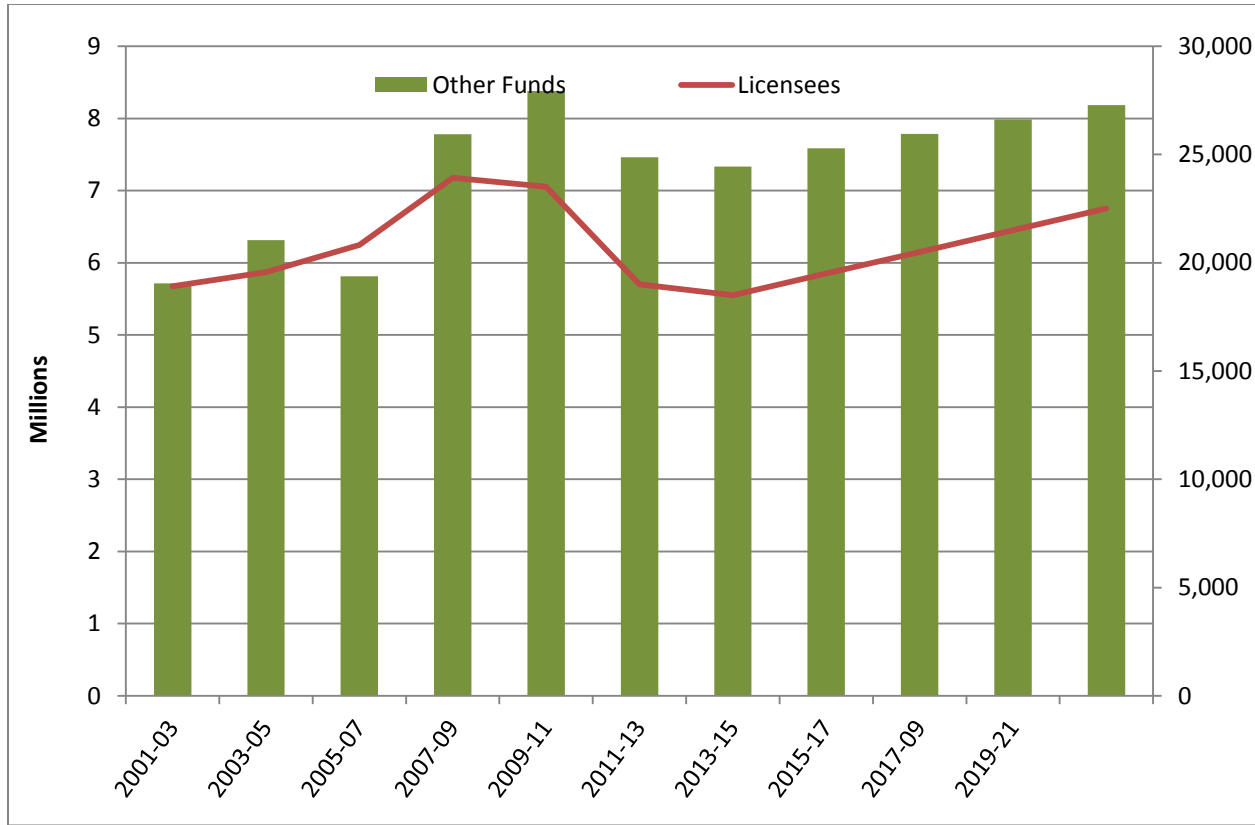
Section 20. Emergency Clause

States that the bill takes effect on passage.

Buy sheet from the Governor's 10-year planning process:

Oregon Real Estate Agency

Primary Outcome Area: Safety
Secondary Outcome Area: N/A



Executive Summary

The Oregon Real Estate Agency (Agency) is responsible for licensing, education and enforcement of Oregon’s real estate laws applicable to brokers, property managers and escrow agents. The Agency develops educational and examination statistics for licensees, provides educational services, issues and renews real estate licenses, investigates complaints and takes administrative actions against licensees who violate the law. The Agency’s regulatory efforts in education, licensing, and enforcement protect Oregon real estate consumers. Currently, the Agency licenses over 19,000 real estate brokers, property managers and escrow agents.

Program Description

The Agency's primary program areas are Education, Licensing, and Regulations.

The Education Division manages all pre-license education requirements for broker, principal broker and property manager license applicants, including developing course content, approving real estate schools and approving instructors. The division manages all requirements for continuing education including certifying continuing education providers, developing course outlines and approving specific required continuing education courses. The division staff conducts educational compliance reviews of licensee practices. Additionally, the division works with the Real Estate Board and an examination provider to develop and implement up-to-date and effective licensing examinations that set a standard for industry competency and professionalism.

The Licensing Division manages the licensing of real estate brokers, principal brokers, and property managers. This includes processing license applications and renewals, criminal background check investigations and maintaining escrow license and surety bond files.

The Regulations Division investigates complaints from the public, licensees, other governmental agencies, or upon the division's own motion, into real estate brokers, property managers, escrow agents, and individuals engaged in unlicensed activity. After an investigation, the Agency may engage in dispute resolution with the respondent through a stipulated order or take the case to a contested case hearing. Investigators work with the Agency's Assistant Attorney General to prepare contested cases for hearing and, if necessary assist other criminal justice agencies in investigations, court testimony, and case preparation. Finally, the division reviews mail-in clients' trust account audits and escrow audits.

Program Justification and Link to 10-Year Outcome

The Agency's programs help improve the safety of Oregon's citizens who purchase or sell real estate, or engage a person to manage their real property by providing education, licensing and regulatory efforts to real estate licensees and applicants. The Agency's program areas link to Strategy 5.

The Agency's education directives are focused on developing well-educated, well-informed and qualified real estate professionals who comply with laws and rules, therefore protecting consumers when dealing with a major purchase. The Agency's goal is to ensure

that real estate and escrow licensees have and maintain the knowledge and ability necessary to protect the financial safety of the public. The Agency accomplishes this by developing pre-license education courses for approved schools to teach the knowledge necessary for property manager, broker and principal broker licensees and setting standards for continuing education.

One of the main purposes of the Agency is to maximize the probability of success for individuals who enter the real estate industry. A goal that meets this purpose is to establish pre-license courses followed by a qualifying examination that adequately prepares a licensee for conducting professional real estate activity. The Agency ensures that examination questions are clear, fair and appropriately assess the information an applicant needs to know to competently perform in an ethical manner. The Agency works closely with an examination vendor and the Oregon Real Estate Board to develop examinations for property manager, broker and principal broker license applicants. All examinations test knowledge and skills directly related to what is necessary for safe practice and consumer protection. The agency also focuses its efforts on continuing education requirements to help licensees maintain and expand their knowledge. The Agency also develops and updates statutorily required continuing education courses.

In early 2010 the Agency developed a mail-in compliance review process that focused the reviews on isolating critical patterns of non-compliance. Education Division staff track response rates, non-compliance categories and qualitative data that provide the division with direction and enable the division to establish performance benchmarks. The purpose of these reviews is to prevent licensees from violating statutes and rules by using the review as a learning tool to bring licensee-specific non-compliance issues to the attention of the licensee and providing an opportunity for the licensee to come into compliance.

Investigations into licensed and unlicensed professional real estate activity by the Regulations Division also focus on ensuring the safety of Oregonians. The Agency prioritizes and focuses its resources on cases that pose the greatest harm to the public, including cases that involve the potential for significant financial losses to consumers.

Program Performance

The Agency currently measures its performance in several ways. Given that each licensee pays for a license that is regulated by the State of Oregon, the Agency's focus is largely on setting the standard for this function. One of the foremost areas of measurement for the Agency is of its efforts in setting guidelines for both initial and post-license education and developing an examination that serves as an effective screen for real estate professionals. The ultimate performance goal is to keep the consumer safe. With the Department of Administrative Services and Legislative input, the Agency recently identified two new measures of its effectiveness. The first captures the percent of property managers and principal brokers reviewed who meet compliance within 45 days of a mail-in

compliance review. Success will be determined based on meeting at least a 90% compliance rate. This will measure how well the Agency prepares its licensees to comply with laws and rules.

The second measure is also intended to capture the Agency's performance in preparing a licensee for conducting real estate business and thereby reducing potential harm to the consumer. The performance measurement here will be the percent of property managers and principal brokers who rate the Board-administered exam as "good" or "excellent" as an effective screen for competent and ethical professionals. Beginning in 2013, property managers and principal brokers will all be required to take an Advanced Practices course. The Agency will require course instructors to provide students information on how to complete a survey that gauges this information. This will allow real estate professionals at least two years in the profession to formulate a response. Success will be a positive response rate of at least 90%.

Finally, the Agency currently measures its regulatory program performance. The measurement is the percent of cases investigated within 150 days of receipt of complaint. Success is measured by attaining at least 60%.

The Agency is open to exploring additional opportunities for the analysis of the performance of its programs and appreciates external input.

Enabling Legislation/Program Authorization

The Agency, including funding, is governed by Oregon Revised Statutes 696.010 – 696.995 (2011 Oregon Laws). In addition, the Agency also administers the following statutes: Escrow, ORS 696.505-696.590 and 696.990, Oregon Subdivision and Series Partition Control Statutes, ORS 92.305-92.990, Condominiums, ORS 100.005-100.990, Timeshare Estates and Membership Campgrounds, ORS 94.803-94.989, Telemarketing Organizations, and ORS 696.392, 696.600-696.785 and 696.995.

Funding Streams

The Agency is funded entirely with Other Funds. This revenue source is derived from licensing and registrations, primarily comprised of fees paid for professional licenses by brokers, principal brokers and property managers. The Agency also receives land development fees. Some revenue is received by the Agency from civil penalties, all of which is transferred to the State's General Fund.

Significant Proposed Program Changes from 2011-13

The 2013-15 funding proposal advanced by the Agency is a 4.6% decrease from its 2011-13 Legislatively Approved Budget. The decrease can be attributed to a request to phase-out \$500,000 in expenditure limitation that was built into the Agency's budget to pay for a replacement licensing system, as well as, three packages included on behalf of the Governor for additional savings in administrative expenditures and reductions related to PERS taxation policy. The Governor's budget does not include any new programs or services; it is the same requested funding level as the Agency's Current Service Level.