

**Legislative
Fiscal Office**

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**Joint Committee on
Ways and Means**

Sen. Richard Devlin, Senate Co-Chair
Rep. Nancy Nathanson, House Co-Chair

Sen. Betsy Johnson, Senate Co-Vice Chair
Sen. Jackie Winters, Senate Co-Vice Chair
Rep. Dan Rayfield, House Co-Vice Chair
Rep. Greg Smith, House Co-Vice Chair

To: Members of the Joint Ways and Means Transportation and Economic Development Subcommittee

From: Michelle Deister, Legislative Fiscal Office

Date: March 22, 2017

Subject: 5037 – Real Estate Agency
Work Session Recommendations

Agency Name – Agency Totals

	2013-15 Actual	2015-17 Legislatively Approved	2017-19 Current Service Level	2017-19 LFO Recommended
Other Funds	6,587,706	7,166,423	7,898,615	7,898,615
Total Funds	6,587,706	7,166,423	7,898,615	7,898,615
Positions	29	29	29	29
FTE	29.15	29.00	29.00	29.00

Attached are the recommendations from the Legislative Fiscal Office for the Real Estate Agency. The budget recommendation contains the following:

- Package 070 - This is a revenue reduction package to balance expenditures to existing, current law revenue. This package eliminates 6 positions (6.00 FTE) and reduces expenditures by \$1.3 million.
- Package 101 - This package adds back the 6 positions and associated expenditures, assuming approval of SB 68, the Real Estate Agency fee bill, which is also recommended by the Legislative Fiscal Office.

Adjustments to Current Service Level

There are no adjustments to the current service level. See attached “Work Session Presentation Report.”

Note: Statewide adjustments are not included in these recommendations. Any needed adjustments will be made in an omnibus bill at the end of session.

Accept LFO Recommendation:

MOTION: I move the LFO recommendation to HB 5037. (VOTE)

OR

Change LFO Recommendation:

MOTION: I move the LFO recommendation to HB 5037, with modifications. (VOTE)

Performance Measures

See attached “Legislatively Proposed 2017-19 Key Performance Measures.”

Accept LFO Recommendation:

MOTION: I move the LFO recommendation on Key Performance Measures. (VOTE)

OR

Change LFO Recommendation:

MOTION: I move the LFO recommendation on Key Performance Measures, with modifications. (VOTE)

Recommended Changes

LFO recommends a budget of \$7,898,615 Other Funds, and 29 positions (29.00 FTE), which is reflected in the -1 amendment.

MOTION: I move adoption of the -1 amendment to HB 5037. (VOTE)

Final Subcommittee Action

LFO recommends that HB 5037 as amended by the -1 amendment, be moved to the Ways and Means Full Committee.

MOTION: I move HB 5037 as amended, to the Full Committee with a do pass recommendation. (VOTE)

Carriers

Full Committee: _____

House Floor: _____

Senate Floor: _____

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2015-17 Agy. Leg. Adopted	-	-	6,897,314	-	-	-	6,897,314	29	29.00
2015-17 Ebds, SS & Admin Act	-	-	269,109	-	-	-	269,109	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	-	-	7,166,423	-	-	-	7,166,423	29	29.00
2015-17 Leg Approved Budget (Base)	-	-	7,159,101	-	-	-	7,159,101	29	29.00
Summary of Base Adjustments	-	-	393,367	-	-	-	393,367	-	-
2017-19 Base Budget	-	-	7,552,468	-	-	-	7,552,468	29	29.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	62,884	-	-	-	62,884	-	-
030: Inflation & Price List Adjustments	-	-	283,263	-	-	-	283,263	-	-
2017-19 Current Service Level	-	-	7,898,615	-	-	-	7,898,615	29	29.00
070: Revenue Reductions/Shortfall	-	-	(1,310,673)	-	-	-	(1,310,673)	(6)	(6.00)
Adjusted 2017-19 Current Service Level	-	-	6,587,942	-	-	-	6,587,942	23	23.00
Total LFO Recommended Packages	-	-	1,310,673	-	-	-	1,310,673	6	6.00
2017-19 Legislative Actions	-	-	7,898,615	-	-	-	7,898,615	29	29.00
Net change from 2015-17 Leg Approved Budget	-	-	732,192	-	-	-	732,192	-	-
Percent change from 2015-17 Leg Approved Budget	0.0%	0.0%	10.2%	0.0%	0.0%	0.0%	10.2%	0.0%	0.0%
Net change from 2017-19 Current Service Level	-	-	1,310,673	-	-	-	1,310,673	6	6.00
Percent change from 2017-19 Current Service Level	0.0%	0.0%	19.9%	0.0%	0.0%	0.0%	19.9%	26.1%	26.1%

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2015-17 Ebds, SS & Admin Act	-	-	269,109	-	-	-	269,109	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	-	-	7,166,423	-	-	-	7,166,423	29	29.00
2015-17 Leg Approved Budget (Base)	-	-	7,159,101	-	-	-	7,159,101	29	29.00
Summary of Base Adjustments	-	-	393,367	-	-	-	393,367	-	-
2017-19 Base Budget	-	-	7,552,468	-	-	-	7,552,468	29	29.00
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030: Inflation & Price List Adjustments	-	-	283,263	-	-	-	283,263	-	-
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Package 070 Revenue Shortfalls

Package Description This package includes Other Funds expenditure reductions necessary to adjust Current Service Level to available revenues. The package reduces Other Funds limitation by (\$1,310,673) to account for increased costs and the revenue shortfall. This package eliminates six permanent full-time positions in total, as follows:

- Two financial investigators (responsible for investigating allegations of financial mismanagement associated with escrow, earnest and property management fees, and for investigating complaints against licensees);
- Two administrative support specialist positions that deal directly with the public and licensees;
- An Operations and Policy Analyst III position responsible for overseeing business and information technology projects; and
- A Program Analyst I position associated with managing and maintaining the licensee database, which is foundational to agency operations.

This package also includes the reduction of Other Funds expenditures for the following services and supplies: instate travel; out of state travel, employee training, publicity and publications, and office expenses. Instate travel allows the agency to annually conduct six board meetings across the state. This practice allows the Board and Real Estate Commissioner to connect with licensees across all geographic and economic regions of the state, providing the public with direct access and to share information with the agency.

Delays in responding to stakeholders and licensees are probable with the proposed reductions.

These reductions would be restored if policy option package 101 is approved.

LFO Recommendation The Legislative Fiscal Office recommends approval of this package to balance expenditures with revenue available under current law. These reductions would be restored with the approval of Policy Option Package 101.

LFO Recommended	-	-	(1,310,673)	-	-	-	(1,310,673)	(6)	(6.00)
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 101 OREA Fee Increase

Package Description This package provides additional revenue and associated expenditure limitation associated with the approval of the Real Estate Agency's fee bill, SB 68. The bill establishes some new fees and increases existing licensing related fees to meet the agency mission of quality protection for Oregon consumers of real estate, escrow, and land development services. The bill would provide an additional \$2.2 million in revenue, which provides for agency operations at a level commensurate with service levels associated with the 2015-17 biennium.

The agency has not increased its licensing related fees since the 1997-99 biennium, with some fees remaining unchanged since the 1970s. A surge of licensees during the heated real estate market in early 2000s provided sufficient licensing revenue for operations, plus a large ending balance that the agency was able to draw on for operations during the recession (when the number of licensees and associated revenue fell) and its aftermath. That ending balance has now been exhausted, while agency costs -- particularly personal services -- have grown due to inflation.

Absent approval of this package, the six positions eliminated and \$1.3 million in expenditures reduced in package 070 would not be restored, at a time when the number of real estate licensees is again growing.

LFO Recommendation The Legislative Fiscal Office recommends approval of Package 101.

LFO Recommended	-	-	1,310,673	-	-	-	1,310,673	6	6.00
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