

HB 5037 BUDGET REPORT and MEASURE SUMMARY

Joint Committee On Ways and Means

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Reviewed By: Michelle Deister, Legislative Fiscal Office

Real Estate Agency

2017-19

PRELIMINARY

Budget Summary*

	2015-17 Legislatively Approved Budget (1)	2017-19 Current Service Level	2017-19 Committee Recommendation	Committee Change from 2015-17 Leg. Approved	
				\$ Change	% Change
Other Funds Limited	\$ 7,166,423	\$ 7,898,615	\$ 7,898,615	\$ 732,192	10.2%
Total	\$ 7,166,423	\$ 7,898,615	\$ 7,898,615	\$ 732,192	10.2%

Position Summary

Authorized Positions	29	29	29	0
Full-time Equivalent (FTE) positions	29.00	29.00	29.00	0.00

(1) Includes adjustments through December 2016

* Excludes Capital Construction expenditures

Summary of Revenue Changes

The Oregon Real Estate Agency is funded entirely with fees paid for professional licenses by brokers, principal brokers and property managers and from publication fees. The Committee's recommended budget will leave a projected ending balance of approximately three months of operating expenses. Over a decade has passed since the Real Estate Agency last instituted a comprehensive fee increase in 1997. The user-specific fees were increased to cover inflationary costs and staff time associated with the provision of particular services. The Real Estate Agency collaborated with stakeholders over the course of the 2015-17 biennium to gather input, develop the new fee schedule and to inform licensees about the timing and reasons behind the fee proposal.

Senate Bill 68 (2017) increases fees imposed by the Oregon Real Estate Agency and established new fees. Senate Bill 68 (2017) is estimated to generate \$2.2 million in additional revenue to the Real Estate Agency for the 2017-19 biennium and an estimated ending balance of approximately three months. The approved fee increases in Senate Bill 68 (2017) are for:

- License Applications from \$230 to \$300
- Active License Renewal from \$230 to \$300
- Inactive License Renewal from \$110 to \$150
- Late Renewal Fee from \$30 to \$150
- Reactivation Fee from \$75 to \$150
- Business Name Registration Fee from \$230 to \$300
- Branch Office Registration Fee from \$10 to \$50
- Escrow Renewal Fee from \$300 to \$450
- Escrow Branch Office Renewal from \$150 to \$225
- Temporary License Fee from \$40 to \$150
- Temporary License Extension Fee from \$40 to \$150
- Registered Business Name Renewal Fee established at \$50
- Registered Business Name Change Fee established at \$300
- Continuing Education Provider Application established at \$300

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- Escrow Application Fee from \$300 to \$450
- Escrow Branch Office Application from \$150 to \$225
- Continuing Education Provider Renewal established at \$50

Summary of Transportation and Economic Development Subcommittee Action

Senate Bill 5037 (2017) is the budget bill for the Oregon Real Estate Agency. The agency is responsible for licensing, continuing education and the enforcement of Oregon's real estate laws applicable to brokers, property managers and real estate firms. The Subcommittee approved a budget of \$7,898,615 Other Funds and 29.00 full-time equivalent positions for 2017-19, which is a 10.2 percent increase from the 2015-17 Legislatively approved spending level.

The Subcommittee approved the following recommendation:

- Package 070, Revenue Shortfall - includes Other Funds expenditure reductions necessary to balance expenditures to existing, current law revenues. The package reduces Other Funds limitation by (\$1,310,673) and eliminates six positions (6.00 FTE).
- Package 101, OREA Fee Increase - adds back the six permanent full-time positions and associated expenditures related to package 070, with approval of Senate Bill 68 (2017). In addition, the package includes approximately \$2.2 million in additional revenue.

Summary of Performance Measure Action

See attached Legislatively Adopted 2017-19 Key Performance Measures form.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

Oregon Real Estate Agency
Robert Otero--503-983-8670

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
2015-17 Legislatively Approved Budget at Dec 2016 *	\$ -	\$ -	\$ 7,166,423	\$ -	\$ -	\$ -	7,166,423	29	29.00
2017-19 Current Service Level (CSL)*	\$ -	\$ -	\$ 7,898,615	\$ -	\$ -	\$ -	7,898,615	29	29.00
SUBCOMMITTEE ADJUSTMENTS (from CSL)									
SCR 050 - Real Estate Agency									
Package 070: Revenue Shortfalls									
Personal Services	\$ -	\$ -	\$ (1,066,114)	\$ -	\$ -	\$ -	(1,066,114)	(6)	(6.00)
Services and Supplies	\$ -	\$ -	\$ (244,559)	\$ -	\$ -	\$ -	(244,559)		
Package 101: OREA Fee Increase									
Personal Services	\$ -	\$ -	\$ 1,066,114	\$ -	\$ -	\$ -	1,066,114	6	6.00
Services and Supplies	\$ -	\$ -	\$ 244,559	\$ -	\$ -	\$ -	244,559		
TOTAL ADJUSTMENTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	0	0.00
SUBCOMMITTEE RECOMMENDATION *	\$ -	\$ -	\$ 7,898,615	\$ -	\$ -	\$ -	7,898,615	29	29.00
% 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%
% Change from 2017-19 Current Service Level	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

*Excludes Capital Construction Expenditures

Legislatively Approved 2017 - 2019 Key Performance Measures

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Agency: Real Estate Agency

Mission Statement:

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.

Legislatively Approved KPMs	Metrics	Agency Request	Last Reported Result	Target 2018	Target 2019
1. Compliance Rate Achieved - Percent of property managers/principal brokers reviewed who meet compliance within 45 days of a mail-in compliance review.		Approved	100%	90%	90%
2. Percent of investigations completed within 150 days of receipt of complaint.		Approved	78%	60%	60%
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.		Approved	87%	95%	95%
4. Percent of licensees who rate the board-administered exam as "good" or "excellent" as an effective screen for competent and ethical professionals.		Approved	64%	75%	75%
5. 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.	Availability of Information	Approved	90%	85%	85%
	Overall		91%	85%	85%
	Timeliness		86%	85%	85%
	Accuracy		92%	85%	85%
	Expertise		88%	85%	85%
	Helpfulness		85%	85%	85%

LFO Recommendation:

The Legislative Fiscal Office recommends Key Performance Measures and targets as presented.

As discussed in the Ways and Means Subcommittee on Transportation and Economic Development, depending on the nature of disciplinary cases, the agency may continue to miss the target for KPM #3. In the most recent reporting year, there were few agency investigations that moved to the contested case phase, and some of those that did were more egregious cases of misconduct, which the Commissioner did not find to be suitable candidates for settlement.

To address concerns brought forward by the agency related to KPM #4 - specifically that new licensee survey responses seem to emphasize the course and exam preparation for how to operate a real estate *business*, rather than responding to the agency's emphasis on course and exam preparation regarding *ethics*, it is recommended that the agency survey new licensees sooner than current practice.

SubCommittee Action:

The Transportation and Economic Development Subcommittee approved the Legislative Fiscal Office recommendation.