



Oregon Real Estate Agency

**Budget Presentation
Joint Committee on Ways & Means
Subcommittee on Transportation and Economic Development**

February 9, 2017

Table of Contents

Mission, Goals, and Historical Perspective	3
Summary of Programs and Populations Served	4
Agency Organization	6
Overview of Performance Measures.....	7
Major Budget Drivers and Environmental Factors.....	10
Major Program Changes and Budget Reductions.....	10
Major Cost Containing Measures	11
Major Budgetary Issues	12
Proposed Legislation.....	13
10% Reduction Option.....	16
Appendices.....	17
Agency Organizational Chart.....	18
Annual Performance Progress Report	19
SB 67 & 68 Stakeholder Engagement Schedule	26
10% Reduction Option	31

1. Agency mission, goals, and historical perspective:

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.

Goals

#1. Improved service delivery

The Agency will continually assess the services that it provides, make every effort to streamline government, and expedite and deliver quality service. The success of the Agency's eLicense system is evidence that consumers and real estate professionals are seeking information that is available electronically. The preference among industry professionals is to conduct licensing transactions online. The Agency will continue to collaborate with key stakeholders, including real estate professionals, Real Estate Board members, other state government agencies, and consumers, to define services and identify areas of service delivery and improvement.

#2. Consumer protection through better education of licensees

The Agency has continued to make progress to improve the education of its licensees during the 2015-17 biennium. In 2015 the Agency upgraded the online licensing system to require continuing education reporting prior to renewal and implemented auditing of licensee education records. Collecting this data provides two things to the Agency. First, it encourages compliance as licensees report each class taken with course detail rather than simply attesting that they have completed the education requirements. Prior to requiring detailed course reporting, licensees showed a 40-60% average compliance rate. After upgrading the licensing system to require detailed reporting licensees are demonstrating over 95% compliance. Second, the Agency is supplied with relevant data about the methods of course delivery (e.g. online, classroom), course topics and providers serving licensees. This data allows the Agency to better understand the real estate education environment which is useful for decision making, communication, and law and rule making. The Agency will continue to review and evaluate the feedback from licensees on the effectiveness of the educators and the Agency's licensing examinations.

#3. Promote workforce excellence

In a fast changing industry that deals with complex issues such as land development, property rights, mortgage terms and real estate laws, the Agency must continue to review the educational needs of its staff that carry out the licensing and regulatory charge authorized by statute.

During the past year, seven (7) Investigators and Compliance Specialists attended an ARELLO Investigator Workshop. The ARELLO Investigator/Auditor Workshop provides training

focused on current real estate regulatory issues, as well as advanced training in practical investigative skills. Regulation Division staff members have also completed the following trainings in 2015-17:

- i. DOJ Financial Crimes and Digital Evidence Conference
- ii. Attorney General's Public Law Conference
- iii. Advanced Interviewing
- iv. DOJ Notice & Order Writing
- v. DOJ Convening & Facilitating Effective Advisory Committees
- vi. CJIS Division Statewide Training
- vii. DOJ Public Records
- viii. DOJ Rule Writing

Furthermore, one of our investigators, Peter Bale, was awarded the 2016 ARELLO Investigator of the Year Award.

The Agency will continue to identify current issues and appropriate training, as well as continue to monitor changes in areas that directly and indirectly affect the real estate industry.

Historical Perspective

Oregon passed the first effective real estate license law in the United States on February 14, 1919. The law required brokers to pay a \$5 licensing fee annually, furnish a \$1,000 bond, and submit recommendations signed by ten freeholders certifying that the applicant was "honest, truthful, and of good character." The Insurance Department was initially responsible for the licensing of real estate agents. The Real Estate Department was later organized within the Insurance Department. The landscape of the real estate market has changed since then, and so has the complexity of the issues facing the state entity that regulates it.

2. Summary of programs and populations served:

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

Education

The Education program oversees 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.

This program collaborates with the Real Estate Board and the Agency's examination provider to develop and implement up-to-date and effective licensing examinations that set a standard for industry competency and professionalism.

Licensing

The Licensing Division manages the licensing of real estate brokers, principal brokers, and property managers. This includes processing license applications and renewals, investigating criminal background check, conducting continuing education audits, and maintaining escrow

license and surety bond files. Staff members also respond to technical inquiries by licensees regarding the Agency's eLicense system.

Regulations

The Regulations Division investigates complaints from the public, licensees, other governmental agencies, or upon the division's own motion, about 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, staff members review mail-in clients' trust account audits and escrow audits.

Populations served

- General public involved in or having an interest in real estate, property management, escrow, and land development activities; as complainants against licensees and registrants; and for informational requests. As of July 2015 there were 1,718,409 housing units in Oregon with 61% being owner occupied.
- Applicants for licensure (in FY 2015-16, approximately 175 individuals obtained real estate licenses per month, on average).
- Licensees/registrants, including real estate brokers, property managers, organizations, escrow agents, escrow branch offices, campground brokers, and telemarketing organizations (as of January 2017, the Agency licensed over 21,000 individuals).
- Developers of subdivisions, condominiums, timeshare estates, and membership campgrounds (based on most recent Agency data this includes: 134 condominiums, 56 timeshares, 1 subdivision, 1 membership campground, and 1 mobile house subdivision annually).
- Attorneys representing members of the public, licensees, and developers with questions on application of law or in matters related to a complaint or administrative sanction.
- Private career schools, colleges, community colleges, universities, and certified educators offering pre-license, post-license and continuing education. Public and private schools offering pre- and post-license real estate courses (as of January 2017, there are 29 pre-license schools and 264 certified continuing education providers).
- Professional organizations representing real estate, escrow, property management, home building, land development, timeshares, campground marketing, and educational interests.
- Governmental organizations including: local District Attorneys, police, land planning organizations, the Oregon Attorney General, Consumer Protection and Criminal Justice Divisions, State Police, Housing Agency, Department of Veterans' Affairs, Department of Administrative Services, other state agencies (both in and out of Oregon), federal HUD, Department of Veterans' Affairs, Farm Home Loan Administration, FBI, FTC, IRS, other enforcement agencies, and other state and provincial Real Estate Agencies.

Agency organization:

A copy of the Agency's 2017 organizational chart is included in the Appendix

Real Estate Board Members

Marcia Edwards (Chair)	Principal Broker, Windermere Real Estate, Eugene
James "Jef" Farley (Vice Chair)	Broker, Coldwell Banker Whitney and Associates, Pendleton
Connie Rathbone	Public Member, Lake Oswego
Joann Hansen	Principal Broker, Coos Bay
Lawnae Hunter	Principal Broker, Plus Property Management, Bend
Patricia Ihnat	Public Member, Portland
David Koch	Principal Broker, RE/MAX Equity Group, Portland
Alex MacLean, III	Broker, Commercial Realty Advisors Northwest, Portland
Dave Hamilton	Broker, Norris & Stevens, Portland

Agency Managers

Dean Owens	Deputy Commissioner	30+ Years, Justice & Energy
Anna Higley	Administrative Services Manager	eLicense & DAS PM, Acct. Bckgrd
Madeline Alvarado	Customer Services Manager	Licensing Expert, Building Codes
Selina Barnes	Regulations Manager	Police Detective
Michael Hanifin	Rules/Land Development	Attorney

Program Delivery

The Agency's programs are delivered under the leadership and policy direction of the Real Estate Commissioner. The Real Estate Commissioner is advised by the Real Estate Board on real estate industry matters. The Real Estate Board also reviews rulemaking proposals and advises the Agency on testing and examination of real estate applicants. The Board meets six times annually to review the business of the Agency, hear requests for waivers and recommend new actions to the Agency and the Real Estate Commissioner. The Deputy Real Estate Commissioner oversees the Agency staff and operations of the Agency. Each of the program managers reports either weekly, or monthly, to the Commissioner and Deputy Commissioner on the progress and direction of their program. The managers also report to the Board at each Board meeting.

3. Overview of performance measures:

Areas of acceptable performance

KPM #1 – Compliance Rate Achieved – Percent of property managers/principal brokers reviewed who meet compliance within 45 days of a mail-in compliance review.

Target – 90%

Actual – 100% (FY 2016)

The method of data collection is a survey distributed by the Agency monthly by county. In FY 2016, only 14 licensees of the 200 invited to participate completed the entire review process (from which the 2016 data was derived). As a response to the low participation rate and to more efficiently channel Agency resources, the process was automated, streamlined and consolidated. Previously, compliance review questions were open-ended, which required a compliance specialist to evaluate, research, and respond to the answers in detail. The Agency staff member would then conduct a phone interview with the licensee to discuss all found issues in-depth and provide a subsequent written summary. Today, the compliance review is comprised of questions with defined answers that are categorized as either compliant or noncompliant. For any noncompliant answers selected by the licensee, prewritten responses are directly emailed to the licensee by an administrative specialist with reference to the relevant statute and rule. While participation remains low in the months following these changes, the process is equally effective and a more efficient use of Agency resources.

KPM #2 - Days to Complete Investigation File Processing – Percent of investigations completed within 150 days of receipt of complaint.

Target – 60%

Actual – 78% (FY 2016)

Historically, the Agency reported the “Average Number of Days to Complete an Investigation.” The Agency continues to monitor its outcome under both measures and acknowledges the value of considering the results of both “Average Days” and the “Percent of Cases.” The Agency met its performance target for FY 2016. During FY 2016, the Agency completed 78% of cases within 150 days. The Agency’s results for the average number of days to complete an investigation in FY 2015-16 is 151 days. This average is roughly 17% (22 days) slower than the previous biennium due to a few high impact, receivership cases which required more resources and had an impact on the caseload overall.

To provide some historical perspective, it took the Agency an average of 212 days to complete an investigation in FY 2010 and 267 days to complete an investigation in FY 2011. Again, the Agency’s performance in this area has drastically improved. The improvement is the result of several factors: the Regulations Division is fully staffed for the first time in several years, the criteria for processing investigations has been more clearly defined, and cases are assigned to more closely align with the expertise of investigators.

KPM #5 - Customer Satisfaction: 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.

FY 2016	Target	Actual
Overall	85%	91%
Timeliness	85%	86%
Accuracy	85%	92%
Helpfulness	85%	85%
Availability of Information	85%	90%
Expertise	85%	88%

The Agency measures its delivery of effective and efficient services to licensees and other stakeholders. The Agency received high percentages of “good” and “excellent” responses across the categories. The Agency will focus its efforts to further build upon this positive response rate. The Agency will do this by continuing to refine the usability of its online licensing system in an effort to streamline the experience for applicants and licensees as well as prioritize live phone answering for public inquiry. These efforts are expected to further increase the overall customer satisfaction level of customers.

Areas of concern

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.

Target – 95%

Actual – 87% (FY 2016)

The Agency’s strategy is to continue promoting case resolution through settlement process. Consent agreements are the most efficient and cost-effective method of resolving disciplinary actions. However, it is not uncommon for licensees to decline consent agreements because they want the opportunity to present their positions in administrative hearings. The Agency fell short of the 95% target in FY 2016 by 8%. The KPM can be easily skewed when respondents seek a hearing rather than informal settlement, especially when a single respondent has multiple cases. The Agency believes that all cases taken to hearing were justifiable as the ruling in each was decided in favor of the Agency.

KPM #4 – Percent of licensees who rate the board-administered exam as “good” or “excellent” as an effective screen for competent and ethical professionals.

Target – 75%

Actual – 64% (FY 2016)

The Agency worked with DAS and LFO to develop a measure that evaluates whether the exam adequately prepares a licensee for conducting real estate business, including appraising whether exam questions are clear and an appropriate assessment of information an applicant needs to know in order to competently perform in a knowledgeable and ethical manner. This measure provides the Agency with supplemental information in addition to the Agency’s efforts to work with its examination provider to review its test questions for clarity and review educational materials for appropriate and relevant content. The Agency follows up on any questions or comments expressing concern about the examinations. While the execution of this measure is useful in that it provides a direct channel for feedback to the Agency from newly practicing licensees, most of the comments do not relate to the measure itself. Instead comments express concern that pre-license education and the exam is focused on the Agency law and rule rather than tools for everyday practice, such as marketing, form filing, and general success in the business.

The Agency is considering options to restructure this measure in order to focus the feedback on the exam as an effective screen for competent and ethical professionals. The Agency seeks direction from the legislature on this measure.

Annual Performance Progress Report

A copy of the Agency's complete Annual Performance Progress Report is included in the Appendix.

4. Major budget drivers and environmental factors:

Budget Drivers

The Oregon Real Estate Agency derives over 96% of its revenue from professional real estate-related licensing fees. The remaining 4% is obtained from condominium and timeshare filings.

Industry Environment

A number of factors have been affecting the real estate industry over the past several years, and will cause the industry to continue to evolve over the next few years. Many positive indicators demonstrate a clear comeback for the industry, including: rising home prices in several key markets, trends downward for days on the market, and high transaction volumes. Oregon's position as a top in-migration state can result in mixed news for consumers that have experienced frustration in the market through limited inventory, multiple failed offers, and recently rising interest rates. Although growth in the number of licensees is expected in the next year, it will likely continue at a more gradual rate than seen over the past five years and is projected to remain flat overall with the attrition of licensees exiting the business. Under the current fee structure the Agency's 2017-19 revenue projection is conservative at approximately \$6,314,305 Other Funds.

Internal Environment

The Agency has reorganized several times over the past couple of biennia to decrease its spending levels and to ensure the coverage of existing workload. The Agency has been able to maintain some vacancy savings over the past two years as positions have become vacant. To meet the Agency's existing workload, the plan is to fill any positions that are vacated over the next two years. However, the Agency will continue to evaluate the need to fill any positions that are vacated.

5. Major program changes and budget reductions:

The Real Estate Agency's priorities and mission have remained constant. All of the major movement within the Agency has occurred within its already established divisions as needed to cover workload and maintain fiscal prudence. In addition, the Agency has not had any legislatively mandated budget reductions over the past few years.

The Agency executed a proactive cost reduction plan as licensee revenue began to diminish in the 2009-11 biennium. Starting in 2010 the Agency initiated cost-

reduction strategies rooted in the automation of administrative tasks in addition to shifting to electronic communication and streamlining processes wherever possible.

6. Major cost containing measures:

The Agency has streamlined and automated licensing processes to significantly reduce the need for additional temporary support to fill administrative gaps.

	2009-11	2011-13	2013-15	2015-17
FTE	31.6	30.0	29.0	29.0
Temporary	6.0	3.5	2.5	0.5

	2009-11	2011-13	2013-15	2015-17
Temporary Employment Expense	130,176	67,383	50,843	12,558

Supported by the shift to online licensing services and electronic communications, the Agency realized dramatic savings in publication expenses.

	2009-11	2011-13	2013-15	2015-17
Publication & Publicity (Printing)	109,468	10,371	3,735	1,585

By eliminating most mailed communication the Agency reduced office-related expenses including postage by over half.

	2009-11	2011-13	2013-15	2015-17
Office Expenses	101,669	73,755	40,157	48,815

The Agency negotiated a new lease in a privately held building within the Salem business district at the end of the 2013-15 biennium and moved into the new office space in July 2015. The cost savings for the Agency were considerable with a 50% rent reduction.

	2009-11	2011-13	2013-15	2015-17
Rent Expense	388,953	361,996	406,296	194,644

Comparing services and supplies expenditure actuals between 2009-11 and 2015-17 the Agency has reduced hard dollar costs by 34%.

	2009-11	2011-13	2013-15	2015-17
Total Services & Supplies	2,157,644	1,766,873	1,517,176	1,417,562
Services & Supplies % Change Bi/Bi	-	-18.1%	-14.1%	-6.6%

Personal services comprise 78% of the Agency budget and associated costs continue to increase over time with annual step increases, cost of living adjustments and rising healthcare costs. The only options the Agency has to cut these costs is through vacancy savings or by further eliminating positions. The Agency has eliminated and held vacant positions to the greatest degree possible and further personnel reductions are not practical if the Agency is to continue to meet its mission and goals.

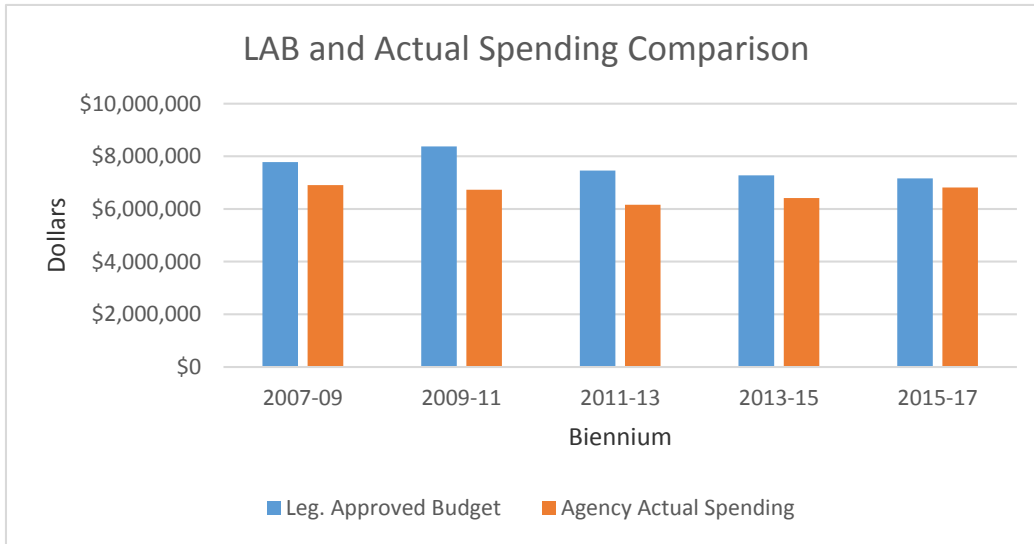
7. Major budgetary issues:

Following the 2008 economic recession, individual real estate licenses dropped by 30 percent. Since the 2009-11 biennium, operating costs have exceeded incoming revenue. In addition to aggressive cost cutting measures, the Agency used its ending balance cash reserves to support the revenue shortfall through the economic recovery.

The market reached its low point in 2012, and licensure rates gradually rebounded by a total of 15% as of January 2017. While activity associated with the real estate market in Oregon continues to show positive signs of growth, the Agency does not project revenue increases necessary to maintain operations with a prudent reserve of three to six months of expenses through the next budget period.

The cost for an initial licensee, and renewal of an active license, for a two-year period is \$230. It is \$110 for an inactive license. It has been 20 years (1997-99 legislative session) since the Oregon Real Estate Agency has raised the majority of its fees, with some fees remaining unchanged since the 1970s and early 1980s. Using the consumer price index, \$230 in 1997 is equivalent to \$345 in 2017.

The Agency committed to avoiding a fee increase during the industry downturn and recovery; however, the Agency is seeking a fee increase in the current session with Senate Bill 68. The Agency has reduced costs to the greatest degree possible while continuing to achieve its mission. The Agency has reduced services and supplies costs significantly, shifting from 37% of the Agency budget in 2007-09 to 22% in 2017-19.



2017-19 Governor’s Balanced Budget Summary

Revenue:

Beginning Balance – Other Funds (1 month exp)		\$363,637
Revenue	\$6,314,305	
Projected Transfer to General Fund	\$(90,000)	
Total Available Revenues	\$6,587,942	
+ Package 101: OREA Fee Increase	<u>\$2,229,050</u>	
Total Revenue with Fee Increase	\$8,816,992	

Expenditures:

Current Service Level	\$7,898,615
Package 91 & 92: DOJ & State Gov. Srv Charge	\$(53,962)
<u>Governor’s Budget:</u>	<u>\$7,844,653</u>

Ending Fund Balance (3 month exp)	\$972,399
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8. Proposed legislation:

SB 67:

This bill makes technical fixes to Chapter 696, including updates to language and references and reorganization of some material for readability.

This measure also removes the requirement that a principal real estate broker or real estate broker create a client trust account when they act as a courier by taking a

check made out to the seller or lessor from a purchaser or lessee for the purpose of conveying same to the seller or lessor.

This measure also provides that a licensed real estate property manager may not solicit a potential tenant unless they have a written property management agreement with the lessor.

SB 68:

The proposed fee increase will enable the agency to maintain its Current Service Level for 2017-19. Failure to adopt the fees will result in a reduction of at least six positions, more than 20% of the Agency staff. The resource loss would diminish capacity to respond to complaints and conduct investigations in a timely manner. It would require a change to the standard with which the Agency reviews consumer complaints. Licensees, applicants, and consumers would experience a significant deterioration in customer service, through the elimination of live phone answering to longer investigation times. The Agency would not have the resources necessary to meet KPMs related to compliance, complaints, or customer service. Resultant outcomes would be detrimental to the Agency's ability to achieve its mission.

The proposed fee schedule will result in an ending balance for 2017-19 equivalent to three months of operating expenditures, and four to five months of operating expenditures for the 2019-21 biennium. Fees have historically increased by roughly 30% every ten years. Barring unanticipated changes to real estate law, the health of the statewide economy, or changes to the real estate industry, the proposed fees should enable operations on a similar cycle.

Newly established fees include: a Continuing Education Provider application and renewal fee, as well as a Registered Business Name change application and renewal fee. Fees that are newly established will require additional efforts in communication, processing, and customer service, but will be absorbed by existing resources.

The Agency also seeks to abolish two fees: license print fee and address change fee and the following four fees are proposed for no change: transfer, examination, escrow name change, and individual name change.

A summary of the changes proposed to fee schedule is below:

Fee Title/Description	Increase, Establish, or Decrease	Date of Last Change	Current Fee	Proposed Fee	Amount of Proposed Fee Change
License Application	Increase	1997	230	300	70
Active License Renewal	Increase	1997	230	300	70
Inactive License Renewal	Increase	1981	110	150	40
Late Renewal Fee	Increase	1981	30	150	120
Reactivation < 60 Days from Renewal	Increase	1997	75	150	75
Reactivation > 60 Days from Renewal	Increase	2011	120	150	30
Business Name Registration	Increase	1997	230	300	70
Branch Office Registration	Increase	1971	10	50	40
Escrow Application	Increase	1997	300	450	150
Escrow Branch Office Application	Increase	1997	150	225	75
Escrow Renewal	Increase	1997	300	450	150
Escrow Branch Office Renewal	Increase	1997	150	225	75
Temporary License Extension	Increase	1975	40	150	110
Temporary License	Increase	1975	40	150	110
Transfer	No Change	1975	10	10	-
Examination Fee	No Change	1997	75	75	-
Escrow Name/Address Change	No Change	1975	10	10	-
Individual Name Change	No Change	1975	10	10	-
Business Name Renewal	Establish		-	50	50
Business Name Change	Establish		-	300	300
Continuing Education Provider Application	Establish		-	300	300
Continuing Education Provider Renewal	Establish		-	50	50
License Print	Abolish		20	-	(20)
Address Change	Abolish		10	-	(10)

Stakeholder Engagement:

In the 2015 budget presentation the Agency indicated that a fee increase would be proposed in the 2017 session. Since that time we have reached out to the stakeholders at every opportunity possible. In January 2016 a work session convened with Agency management, board members, industry leaders, statewide association representatives, and legislators to draft the necessary cleanup legislative concept and proposed fees changes. In the year following, numerous meetings have been held across the state to consult with licensees and industry partners. This effort sought to open communication channels on the impact a fee increase would have on licensees as well as real estate and continuing education business organizations. The fee changes have been widely communicated in the industry with little to no concern expressed.

A complete schedule of stakeholder events can be found in the appendix.

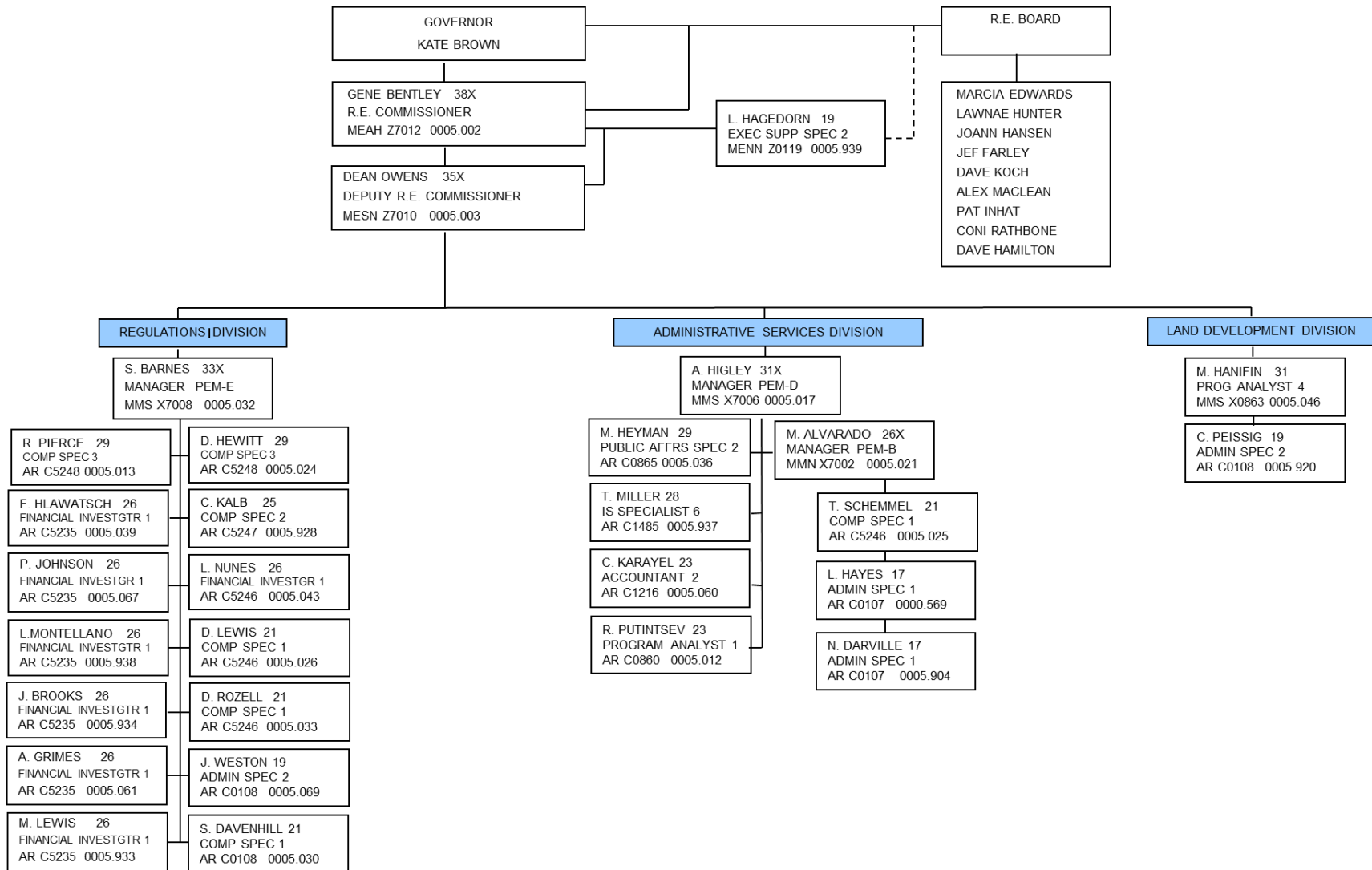
10. 10% reduction option and long-term vacancies:

A copy of the Agency's 10% reduction options is included in the Appendix. The Agency has no long-term vacancies.

Appendices

Agency Organizational Chart	18
Annual Performance Progress Report	19
SB 67 & 68 Stakeholder Engagement Schedule	26
10% Reduction Option	31

2017-19 REAL ESTATE AGENCY ORGANIZATION CHART



Real Estate Agency
 Annual Performance Progress Report
 Reporting Year 2016

KPM #	Approved Key Performance Measures (KPMs)
1	Compliance Rate Achieved - Percent of property managers/principal brokers reviewed who meet compliance within 45 days of a mail-in compliance review.
2	Percent of investigations completed within 150 days of receipt of complaint. -
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.
4	Percent of licensees who rate the board-administered exam as "good" or "excellent" as an effective screen for competent and ethical professionals. -
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.

Performance Summary	Green	Yellow	Red
	= Target to -5%	= Target -6% to -15%	= Target > -15%
Summary Stats:	60%	40%	0%

KPM #1	Compliance Rate Achieved - Percent of property managers/principal brokers reviewed who meet compliance within 45 days of a mail-in compliance review.
	Data Collection Period: Jul 01 - Jun 30

Report Year	2012	2013	2014	2015	2016
Compliance Rate Achieved					
Actual	No Data	No Data	69%	92%	100%
Target	TBD	TBD	90%	90%	90%

How Are We Doing

For 2016, 100% of those property managers and principal brokers who completed the compliance review process, including the follow-up survey, came into compliance within 45 days of the review completion.

Factors Affecting Results

Prior to 2015, the participants were forewarned that they wouldn't complete the compliance review process until a follow-up survey was submitted. Because the data for this measure relied on the respondent's completion of the entire review process, a very low response rate occurred. From 2015 forward, it was made very clear during the initial contact, that in order to complete this process, respondents must submit the follow-up survey to identify if they had come in to compliance. To date, 100% of those respondents meet compliance after 45 days from the review.

KPM #2	Percent of investigations completed within 150 days of receipt of complaint. -
	Data Collection Period: Jul 01 - Jun 30

Report Year	2012	2013	2014	2015	2016
Percent of cases investigated within 150 days of receipt of complaint					
Actual	No Data	No Data	62%	73%	78%
Target	TBD	TBD	60%	60%	60%

How Are We Doing

For the fiscal year ending June 30, 2016 78% of cases were completed within 150 days of receipt of the complaint which is considerably above the 60% target.

Factors Affecting Results

Retaining senior staff and recruiting employees with the education and expertise to investigate cases with the necessary understanding of the complexity of real estate and financial accounting is imperative to the Agency's ability to continue to meet this key performance measure.

Since FY 2014 the Agency has mostly had a fully staffed Regulations division with minimal turnover. The most junior investigators have gained experience in the field and most investigative staff have had advanced training, aiding in the Agency's ability to exceed our targets.

Some factors that may affect the outcome of the length of a case will be outside of the Agency's control, such as, unavailable witnesses or information that contribute to lengthier investigations.

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.
	Data Collection Period: Jul 01 - Jun 30

Report Year	2012	2013	2014	2015	2016
Percent of Contested Case Actions Resolved Before a Formal Hearing					
Actual	98%	99%	95%	71%	87%
Target	95%	95%	95%	95%	95%

How Are We Doing

In FY 2015 the Agency had a substantial decrease in resolving cases through informal settlement resolution. In FY 2015 the Agency underperformed in this measure by resolving 71% of cases, 24% below the 95% target. However in FY 2016 contested cases were resolved much closer to the target at 87%.

Factors Affecting Results

In FY 2015 there were two respondents with numerous related cases which were not resolved in the settlement process. While the investigations were related, the cases were technically separate which created a greater volume of non-settled cases than is typically seen.

The Agency continues to value the importance of the settlement 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. However, it is not uncommon for respondents to decline a settlement agreement because they want the opportunity to present their position in a formal administrative hearing.

KPM #4	Percent of licensees who rate the board-administered exam as "good" or "excellent" as an effective screen for competent and ethical professionals. -
	Data Collection Period: Jul 01 - Jun 30

Report Year	2012	2013	2014	2015	2016
Percent of property managers/principal brokers who rate the board-administered exam as 'good' or 'excellent' as an effective screen for competent and ethical professionals.					
Actual	No Data	No Data	72%	69.47%	64%
Target	TBD	TBD	75%	75%	75%

How Are We Doing

For 2016, 64% of new licensees rated the examination as "good" or "excellent" as an effective screen for competent and ethical professionals.

Factors Affecting Results

Licensees who have failed the examination tend to express negative responses to survey questions related to the examination. Licensees new to the real estate business find that the examination material is not related to performance or success in the industry and may provide negative responses as a reaction.

KPM #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.
	Data Collection Period: Jul 01 - Jun 30

Report Year	2012	2013	2014	2015	2016
Availability of Information					
Actual	90%	80%	91%	91%	90%
Target	TBD	90%	90%	90%	85%
Overall					
Actual	91%	80%	92%	90%	91%
Target	TBD	90%	90%	90%	85%
Timeliness					
Actual	88%	77%	90%	87%	86%
Target	TBD	90%	90%	90%	85%
Accuracy					
Actual	93%	81%	92%	93%	92%
Target	TBD	90%	90%	90%	85%
Expertise					
Actual	91%	79%	90%	88%	88%
Target	TBD	90%	90%	90%	85%
Helpfulness					
Actual	90%	79%	90%	84%	85%
Target	TBD	90%	90%	90%	85%

How Are We Doing

Since 2013 Licensees have adjusted to the new system and online processes. Licensees and especially new applicants appreciate the flexibility and reduced processing times that online licensing offers.

The Agency launched a new version of eLicense in July 2015, which has drastically improved the "look and feel" of the eLicense system. The goal with sending the customer satisfaction surveys to individuals who contacted the Agency through its main inbox, was to diversify the pool of survey respondents. Generally these are individuals who have some type of "issue" with either a licensing process or the Agency in general. Or they are contacting the Regulations Division with a questions. The Agency felt that only surveying individuals who had successfully renewed their licensees was not fully transparent, and may have skewed the results.

Factors Affecting Results

In June 2016 the Agency transitioned to the new statewide IBM telephone system. The Agency implemented a 'live-answer' configured system that provides the caller with a direct answer by a staff member without a phone tree or the need for a receptionist to receive and route calls, with minimal hold times. In the early months of this transition the Agency closely monitored the performance of the new system, having to make adjustments to configuration and staffing resources during high call volume days and times. While there may be a minor decrease in customer service KPMs as a result of this transition, the Agency believes that the new system should aid to maintain high performance in this area.

Stakeholder Engagement Schedule: SB 67 & 68

Stakeholder Event	Location	Date	Participants	Format
PMAR	Portland	September 18, 2015	Commissioner, Risk Management Group Members	Meeting
Business Issues Committee	Portland	September 29, 2015	Commissioner, Business Issues Committee Members	Meeting
OAR Board of Directors	Salem	September 30, 2015	Commissioner, Association Board Members	Meeting
ORS 270 – Legislative Concept: Fee Increase Work Session	Salem	January 20, 2016	Commissioner, Agency Management, Board Members, Industry Leaders, Oregon Association of Realtors, Legislators	Work Session
Norris, Beggs & Simpson	Portland	January 29, 2016	Commissioner, Norris, Beggs & Simpson President	Meeting

Stakeholder Event	Location	Date	Participants	Format
Boarding Meeting	Florence	April 4 th , 2016	Commissioner, Agency Management, Board Members, Continuing Education Providers, Licensees, Public	Meeting w/ Public Audience
Berkshire Hathaway RE Services	Portland	April 17, 2016	Commissioner, President	Meeting
OAR Executive Committee	Salem	April 20, 2016	Commissioner, OAR Executive Committee Members	Meeting
OAR Business Issues Committee	Salem	April 21, 2016	Commissioner, Business Issues Committee Members	Meeting
OAR Board of Directors	Salem	April 22, 2016	Commissioner, Association Board Members	Meeting
Boarding Meeting	Bend	June 6 th , 2016	Commissioner, Agency Management, Board Members, Continuing Education Providers, Licensees, Public	Meeting w/ Public Audience
Hasson Company	Portland	June 3, 2016	Commissioner, President & Chairman	Meeting
OAR	Salem	June 7, 2016	Commissioner, 2017 President-Elect	Meeting

Stakeholder Event	Location	Date	Participants	Format
Corvallis Principal Brokers Group	Corvallis	June 9, 2017	Commissioner, Principal Broker Members	Meeting
OAR	Salem	June 10, 2016	Commissioner, CEO	Meeting
ReMax/Equity Group	Portland	June 15, 2016	Commissioner, President	Meeting
PMAR	Portland	June 24, 2016	Commissioner, 2016 President	Meeting
Boarding Meeting	Pendleton	August 1, 2016	Commissioner, Agency Management, Board Members, Continuing Education Providers, Licensees, Public	Meeting w/ Public Audience
PMAR	Portland	August 5, 2016	Commissioner, CEO	Meeting
PMAR	Portland	September 16, 2016	Commissioner, Risk Management Group Members	Meeting
OAR Executive Committee	Salem	September 28, 2016	Commissioner, Executive Committee Members	Meeting
OAR Business Issues Committee	Salem	September 29, 2016	Commissioner, Business Issues Committee Members	Meeting
OAR Board of Directors	Salem	September 30, 2016	Commissioner, Association Board Members	Meeting

Stakeholder Event	Location	Date	Participants	Format
Board Meeting	Salem	October 3, 2016	Commissioner, Agency Management, Board Members, Continuing Education Providers, Licensees, Public	Meeting
OAR Board of Directors	Salem	October 17, 2016	Commissioner, Association Board Members	Meeting
Board Meeting	Salem	December 5, 2016	Commissioner, Agency Management, Board Members, Continuing Education Providers, Licensees, Public	Meeting
OAR Board of Directors	Salem	January 27, 2017	Commissioner, Association Board Members	Meeting

Legislative Work Session: SB 67 & 68 Development Participant Roster

<u>Board Member</u>	<u>Organization</u>
Jef Farley	Coldwell Banker Whitney & Assoc.
Pat Ihnat	Fidelity National Title
Dave Koch	RE/MAX Equity Group
Alex MacLean	Commercial Realty Advisors NW

<u>State Government</u>	
Rep. Sal Esquivel	State Representative - Medford
Michelle Deister	Oregon State Legislature – Senior Leg. Fiscal Analyst
Robert Otero	DAS Chief Financial Office - Analyst

<u>Industry Leader</u>	<u>Organization</u>
John Wallace	Oregon Association of Realtors
Shawn Cleave	Oregon Association of Realtors
Shaun Jillions	Oregon Association of Realtors
Donald Robertson	Heritage NW Real Estate
Eva Sanders	Meadows Group, Inc.
Vikki Breese-Iverson	Windermere Central OR
Steve Strobe	RE/MAX Equity Group
Debra Gisriel	Fisher Nicholson Realty
George Grabenhorst	Oregon Association of Realtors/Sperry Van Ness Commercial Advisors, LLC
Dave Hamilton	Norris & Stevens
Steve Lucas	Oregon Realty Co.
Bob LeFeber	Commercial Realty Advisors NW
Lynae Forbes	Hasson Company
Deborah DuFresne	RE/MAX EQUITY GROUP WEST HILLS
Richard Caplan	Windermere Stellar

10% Reduction Options (ORS 291.216)

ACTIVITY OR PROGRAM	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
(WHICH PROGRAM OR ACTIVITY WILL NOT BE UNDERTAKEN)	(DESCRIBE THE EFFECTS OF THIS REDUCTION. INCLUDE POSITIONS AND FTE IN 2017-19 AND 2019-21)	(GF, LF, OF, FF. IDENTIFY REVENUE SOURCE FOR OF, FF)	(RANK THE ACTIVITIES OR PROGRAMS NOT UNDERTAKEN IN ORDER OF LOWEST COST FOR BENEFIT OBTAINED)
1. Eliminate two Administrative Services Professional positions: Operations & Policy Analyst 3 and Program Analyst 1.	MANAGEMENT AND REMAINING STAFF WOULD ABSORB DUTIES. WORK PRODUCT AND DELIVERY TIME AT RISK.	\$375,000 OTHER FUNDS	(1)
2. Eliminate one Regulatory Administrative Specialist positions.	EFFECTS LISTED ABOVE WOULD APPLY.	\$120,000 OTHER FUNDS	(2)
3. Eliminate one Financial Investigator 1 positions.	EFFECTS LISTED ABOVE WOULD APPLY.	\$125,000 OTHER FUNDS	(3)
4. Eliminate use of instate and out-of-state travel.	AGENCY WOULD CEASE OR DECREASE OUT-OF-AREA BOARD MEETINGS AND EMPLOYEES WOULD NOT BENEFIT FROM TRAINING OFFERED OUTSIDE OF SALEM AREA.	\$75,000 OTHER FUNDS	(4)
5. Reduce use of the Attorney General for legal advice and enforcement actions.	WITHOUT LEGAL ADVICE, THE AGENCY MIGHT INADVERTENTLY TAKE INCORRECT ACTIONS RESULTING IN COSTLY LITIGATION.	\$94,861.50 OTHER FUNDS	(5)
	TOTAL REDUCTIONS	\$789,861.50 OTHER FUNDS	