

PREPARED BY: Mike Lovelace
 DATE PREPARED: February 18, 2011
 PHONE: 471-0050

LB 410

Revision: 02

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised to reflect amendments adopted through 2/17/11.

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2011-12		FY 2012-13	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	36,450	56,400	31,700	11,750
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	36,450	56,400	31,700	11,750

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 410, as amended, creates the Nebraska Appraisal Management Company Registration Act. The act is operative on January 1, 2012.

The Real Property Appraiser Board is charged with the responsibility to register Appraisal Management Companies (AMCs) and to enforce the provisions of the act. The Board is given the authority to charge an application fee of no more than \$350, an initial registration fee of no more than \$2,000, and a renewal registration fee of no more than \$1,500. The registration is valid for two years.

The Board has estimated their expenditures to implement LB 410 to total \$36,450 in FY11-12 and \$31,700 in FY 12-13. These expenditures are broken down as follows and are based on the registration of 24 AMCs initially and 5 additional in FY2012-13.

	<u>FY2011-12</u>	<u>FY2012-13</u>
Program Manager	28,000	28,000
Criminal background checks for AMCs	7,200	1,500
Internet accessibility	1,000	1,000
Form development and production	250	0
Enforcement investigations	0	1,200
Total expenses	<u>36,450</u>	<u>31,700</u>

The cost of the Program Manager in FY11-12 may be lower than estimated by the agency given the January 1, 2012 operative date, but without knowing the amount of work that will need to be done prior to January 1 to be ready for the bill to become operational no adjustment has been made to the agency's estimate.

To fund expenditures at this level the Board indicates the application and registration fees will be set at the maximum amount allowed. Based on this assumption the following revenue can be expected and will more than cover anticipated expenditures.

	<u>FY2011-12</u>	<u>FY2012-13</u>	<u>FY2013-14</u>
FY12 initial application fee (\$350 X 24)	8,400		
FY12 initial registration fee (\$2,000 X 24)	48,000		
FY14 renewal fee (\$1,500 X 24)			36,000
FY13 initial application fee (\$350 X 5)		1,750	
FY13 initial registration (\$2,000 X 5)		10,000	
FY14 initial application fee (\$350 X 5)			1,750
FY14 initial registration fee (\$2,000 X 5)			10,000
Total revenue	<u>56,400</u>	<u>11,750</u>	<u>47,750</u>

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Gary Bush	2/14/11	PHONE 471-2526
COMMENTS REAL PROPERTY APPRAISER BOARD – No basis to disagree. Estimates appear to be reasonable.			

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LEGISLATIVE FISCAL

Please complete ALL (5) blanks in the first three lines.

LB⁽¹⁾ 410 FISCAL NOTE (AM197)

State Agency OR Political Subdivision Name: ⁽²⁾ Real Property Appraiser Board

Prepared by: ⁽³⁾ Kitty Policky Date Prepared: ⁽⁴⁾ 2/7/2011 Phone: ⁽⁵⁾ 402-471-9015

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2011-2012</u>		<u>FY 2012-2013</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS	\$36,450.00	\$56,400.00	\$31,700.00	\$11,750.00
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	<u>\$36,450.00</u>	<u>\$56,400.00</u>	<u>\$31,700.00</u>	<u>\$11,750.00</u>

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

Federal legislation under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 is a massive piece of financial reform legislation (HR4173) that President Obama signed into law on July 21, 2010. Title XIV, Subtitle F, entitled Appraisal Activities, amends the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, referred to as FIRREA. FIRREA created such regulatory agencies as the Appraisal Subcommittee (ASC) which is part of the Federal Financial Institutions Examination Council (FFIEC) created in under Title XI of FIRREA to: oversee state appraiser regulatory programs; oversee the registration and supervision of Appraisal Management Companies (AMC) by states; and create a national registry of Appraisal Management Companies.

Section 1473 of the act requires that states, in addition to an existing mandate to regulate appraisers, must also regulate appraisal management companies. States must now require that AMCs doing business in their state register with and be supervised by the appraiser regulatory program or the Real Property Appraiser Board in Nebraska. LB410 is introduced to meet the federal law requiring that an AMC registration program be under a state appraiser certifying and licensing agency. The proposed bill is for the Legislature's consideration to effectuate compliance with federal mandate.

Although there seems to be no consensus on the number of Appraisal Management Companies, it has been duly noted in most reports that there are 200 to 350 AMCs nationwide. No AMC that will be affected by regulation is physically located in Nebraska at this time. The projected cost of administration is based on the registration of 24 AMCs.

The act requires a criminal background check for application to be factored in the cost.

The Real Property Appraiser Board projects costs very conservatively. The Board will need to hire a program manager to implement and oversee the requirements of the AMC legislation. A program manager, costing approximately \$28,000, will become a part of the overall regulatory program but the cost to initially implement the program will change the regulatory environment in requiring a modification of the administration. Costs are assessed as follows: a fee of approximately \$1,000 to develop and maintain internet accessibility; approximately \$7,200 for applicants in meeting the requirement of a criminal background check, and approximately \$250.00 for development of forms as prescribed by the Board. The investment for approximately 24 AMCs would initially cost each AMC approximately \$2,350.00 each with a renewal fee set at \$1,500 and a late fee set at \$25.00 per month. Credentialing rates are projected on biennial basis. There maybe more than 24 AMCs who register in Nebraska but there is no way of predicting which AMC will do business in Nebraska. Statutory obligations under §76-2220 requires . . . "except as provided in section 76-2221, it shall be unlawful for anyone to act as a real property appraiser in this state without first obtaining proper credentialing as required under the Real Property Appraiser Act." AMCs doing business in Nebraska will be obligated to register under the law.

The final long term cost to be assessed is the enforcement process initiated by public complaints and cases of damage by real property appraisers in all appraisals connected with federally related transactions. All appraisers must comply with the Uniform Standards of Professional Appraisal Practice but the economic and financial environments as well as the price of doing business triggers complaints. The Board is obligated first and foremost to protect the public and consumer. All complaints filed assume an initial cost of \$300.00 for filing by the Board. The Appraiser Board processes approximately 30 cases each year for an initial cost of \$9,000 to implement

disciplinary action for the appraiser profession. The \$300 is simply an initial cost for filing a complaint and does not take into account the cost of litigation and disposition. At this time, there is no estimate of legal costs which may be incurred for a new program, but it would be prudent to estimate approximately the same number of cases as they are related in scope and product.

The description of the FTE was adjusted to "1/2". The position necessary to administer the AMC program would replace an existing FTE. The Appraiser Board plans on upgrading the responsibilities of a full-time FTE to handle the additional requirements and duties to administer the AMC program with an emphasis on accounting and regulation. The total dollar request includes an increase to an existing FTE to include FICA and retirement as well as benefits. The FTE will be shared between the AMC program and the Appraiser Board.

LB410 does not go into effect until January 1, 2012 but the initial costs remain constant.

11-12 Revenue:

Application fee:

Estimated 24 AMCs @ \$350.00 = \$8,400

Initial credentialing / Biennial assessment

Estimated 24 AMCs @ \$2,000.00 = \$48,000.00

Total 11-12 Revenue: \$56,400.00

11-12 Expenditures:

Program Manager approximately \$28,000.00

Required criminal background check for 24 AMCs (3 per AMC) = \$7,200.00

Internet accessibility = \$1,000.00

Form development and production = \$250.00

Total 11-12 Expenditures: \$36,450.00

12-13 Revenue:

Application fee:

Estimated 5 new AMCs for 2012-13 @ \$350.00 = \$1,750.00

Initial credentialing

Estimated 5 additional AMC initial applications @ \$2,000.00 = \$10,000.00

Total 12-13 Revenue: \$11,750.00

12-13 Expenditures:

Program Manager approximately \$28,000.00

Required criminal background check for 5 AMCs = \$1,500.00

Internet accessibility = \$1,000.00

Enforcement filing @ \$300.00 ea. x 4 = \$1,200

Total 12-13 Expenses = \$31,700.00

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2011-2012 EXPENDITURES	2012-2013 EXPENDITURES
	11-12	12-13		
Program Manager	1/2	1/2	\$28,000.00	\$28,000.00
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				