

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2014-15</b>		<b>FY 2015-16</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	17,285	23,300	15,765	17,300
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	17,285	23,300	15,765	17,300

**Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.**

LB 685 contains multiple changes to the Real Property Appraiser Act which is administered by the Real Property Appraiser Board. The following is a summary of those provisions which are expected to have a fiscal impact. Unless otherwise noted, the estimates are those provided by the Board (please refer to the Board’s attached fiscal note for more detail).

1. Clarification of the Board’s ability to investigate non-credentialed individuals and to issue cease and desist orders – Expenditures of \$3,420 per year mainly for legal representation.
2. Allow Board members to receive a \$100 per day per diem for travel to and from and attending meetings and conferences of various associations. Currently Board members only receive per diems for attending scheduled board meetings – Expenditures of \$7,500 per year.
3. Adds a new credential of Real Property Associate – Expenditures of \$3,220 in FY14-15 and \$1,700 in FY15-16, mostly for enforcement activity and a criminal history background check. This estimate is \$1,900 higher than the Board’s estimate in FY14-15 and \$380 higher in FY15-16 because the Board’s number did not include the cost of the criminal background checks. These new Real Property Associates will also have to pay the normal credential fees which will generate \$22,500 of revenue in FY14-15 and \$16,500 of revenue in FY15-16.
4. Clarification of the Board’s authority over temporary credential holders – Expenditures of \$2,920 per year mostly due to additional enforcement.
5. Adds a “inactive status” for current credential holders – Increased revenue from applicable fees of \$800 per year.
6. Adds additional acts or omissions that are considered grounds for disciplinary action or denial of an application – Increased enforcement related expenditures of \$225 per year.

In summary, the expenditure impact is estimated to be \$17,285 cash funds in FY14-15 and \$15,765 cash funds in FY15-16. And the revenue impact is estimated to be a positive \$23,300 in FY14-15 and \$17,300 in FY15-16.

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2014

LB<sup>(1)</sup> 685

FISCAL NOTE

State Agency OR Political Subdivision Name: <sup>(2)</sup>

Nebraska Real Property Appraiser Board

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Date Prepared: <sup>(4)</sup> January 21, 2014

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ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2014-15</u>		<u>FY 2015-16</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	\$15,385.00	\$23,300.00	\$15,385.00	\$17,300.00
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>\$15,385.00</u>	<u>\$23,300.00</u>	<u>\$15,385.00</u>	<u>\$17,300.00</u>

Explanation of Estimate:

LB685 addresses a multitude of issues concerning the administration and enforcement of the Real Property Appraiser Act. The primary purpose is to eliminate inconsistencies within the Act, and inconsistencies between the Act and the Uniform Standards of Professional Appraisal Practice (USPAP), the standards recognized by the Appraisal Subcommittee through Title XI of the Financial Institutions reform, Recovery, and Enforcement Act of 1989. Another intent of LB685 is to provide clarity for administrative issues recently faced by the Nebraska Real Property Appraiser Board. Many of the changes shown in LB685 would have no impact on the Board's expenditures and revenues.

LB685 clarifies the Real Property Appraiser Board's ability investigate non-credentialed individuals and to issue cease and desist orders related to uncredentialed appraisal practice (section 28, section 43). This change will have a negative effect on the agency's overall workload, but not to the extent that additional staffing is needed (staff processes 5 additional grievances @ 20 hours per grievances = 100 additional hours for staff per fiscal year). In addition, this change will result in an increase to operating expenditures as additional communications and the potential for additional enforcement may be needed. The following estimates are related to this change:

- 15% increase in legal services expenditures (541500) due to the additional orders that will be issued by the agency through its Special Assistant Attorney General = \$3,375.00
- Postage increase (521100) - \$10.00 per fiscal year
- Voice/data communications (521200) - \$10.00 per fiscal year
- Office supplies (531100) - \$25.00 per fiscal year

Total increase to expenditures related to this change is \$3,420.00 per fiscal year.

LB685 adds automated valuation models to the exempted activities (p. 14, line 25). This change will have positive effect on the agency's overall workload, but not to the extent that a staff reduction is needed (estimated reduction of 10 hours for staff per fiscal year).

LB685 expands activities that qualify for per diem payments, and limits the amount each board member may receive in per diem payments within a fiscal year (p. 16, lines 6-20). This change will have a negative effect on the agency's workload (estimated 100 additional hours for staff to process additional per diem payments per fiscal year). In addition, this change is expected to result in a \$7,500.00 increase in per diem payment

expenditures (511600) – (Maximum of 15 submissions per board member = 75 submissions x \$100.00 per submission = \$7,500.00).

LB685 adds a real property associate credential for those wishing to be recognized within the appraiser community with a professional designation, but not become a licensed, certified residential, or certified general real property appraiser. This credential may be utilized by county assessor's offices, banks, attorneys, and those in the real estate profession (Section 33). This change will have a negative effect on the agency's overall workload, but not to the extent that additional staffing is needed (FY 14-15 - estimated 5 hours per initial application (based on current application process) x 50 applications = 250 hours; FY 15-16 - estimated 5 hours per initial application (based on current application process) x 10 applications = 50 hours 1 hour per renewal application (based on current renewal process) x 40 applications = 40 hours) Finally, this change will result in a slight increase to operating expenditures as additional communications and the potential for additional enforcement may be needed. The following estimates are related to this change:

- Postage increase (521100) - \$50.00 per fiscal year
- Voice/data communications (521200) - \$50.00 per fiscal year
- Office supplies (531100) - \$50.00 per fiscal year
- Legal services expenses (541500)– 5% increase in attorney fees due to additional enforcement requirements = \$1125.00 per fiscal year
- Legal related services expenses (541700)– 2.5% increase due to additional enforcement requirements = \$45.00 per fiscal year

Total increase to expenditures related to this change is \$1,320.00 per fiscal year.

Credentialing fees will be charged for this credential the same as the current credentialing fee for the licensed, certified residential, and certified general appraisers, which will result in an increase of revenue (FY 14-15 – estimated 50 new real property associates = \$300.00 credentialing fee x 50 new associates = \$15,000.00, \$150.00 application fee x 50 new associates = \$7,500.00; FY15-16 - estimated 10 new real property associates = \$300.00 credentialing fee x 10 new associates = \$3,000.00, \$150.00 application fee x 10 new associates = \$1,500.00, \$300.00 renewal fee x 40 renewed real property associates = \$12,000.00 ).

Total increase in revenue related to this change for FY 14-15 is \$22,500.00.

Total increase in revenue related to this change for FY 15-16 is \$16,500.00.

LB685 clarifies the board's authority over temporary permit holders. Currently, the board's authority is unclear after the assignment is completed and a complaint is filed against the temporary permit holder (p. 33, line 25-p. 34, line 9). This change will have a negative effect on the agency's overall workload, but not to the extent that additional staffing is needed (Staff time spent on investigation = approximately 25 hours per investigation, estimate 2 new grievances per fiscal year as a result of this clarification = 50 additional hours for staff per fiscal year). this change will also result in an increase to operating expenditures related to enforcement. The following estimates are related to this change:

- Legal services expenses (541500)– 5% increase in attorney fees due to additional enforcement requirements = \$1125.00 per fiscal year
- Legal related services expenses (541700)– 2.5% increase due to additional enforcement requirements = \$45.00 per fiscal year
- Other contractual services (554900) – Increase for Standard 3 review contractors to review appraisal reports for compliance with USPAP (all reports likely to be commercial properties, current rate is \$875.00 per review for commercial property x 2 grievances per fiscal year = \$1,750.00

Total increase to expenditures related to this change is \$2,920.00 per fiscal year.

LB685 adds inactive status for currently credentialed appraisers (Section 38). Instead of having to let a credential lapse, an appraiser would have a set period in which he or she could continue to meet continuing education requirements, but not have an active credential. This ability would prevent an appraiser from being required to reapply and meet the current requirements for credentialing if he or she was unable to practice for a short amount of time. This change will have a minimal effect on the agency's overall workload (1 hour process time per applicant x estimated 2 applicants per year = 2 additional staff hours per fiscal year). Estimated revenues include 2 \$100.00 application fees each fiscal year (\$200.00), and 2 \$300.00 inactive status fees for each fiscal year (\$600.00).

Total increase in revenue related to this change for each fiscal year is \$800.00.

LB685 adds additional acts or omissions that shall be considered grounds for disciplinary action or denial of application by the board (p. 44, line 23 – p. 45, line 6; lines 15-23). This change will have a negative effect on the agency's overall workload, but not to the extent that additional staffing is needed (staff processes 2 additional grievances @ 20 hours per grievances = 40 additional hours for staff per fiscal year). In addition, this change will result in an increase to operating expenditures as additional communications and the potential for additional enforcement may be needed. The following estimates are related to this change:

- 1% increase in legal services expenditures (541500) due to the additional orders that will be issued by the agency through its Special Assistant Attorney General = \$225.00

Total increase to expenditures related to this change is \$225.00 per fiscal year.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2014-15</u>	<u>2015-16</u>
	<u>14-15</u>	<u>15-16</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....			\$15,385.00	\$15,385.00
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
<b>TOTAL.....</b>			<b>\$15,385.00</b>	<b>\$15,385.00</b>