

Revised for the 2018 Session.

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates) | | | | |
|---|-------------------|----------|-------------------|-----------|
| | FY 2018-19 | | FY 2019-20 | |
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | | | | |
| CASH FUNDS | 240 | (22,400) | 600 | See below |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | 240 | (22,400) | 600 | See below |

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

LB 17 contains numerous changes to the Nebraska Appraisal Management Act.

The Nebraska Real Property Appraiser Board estimates that their operating expenses (postage, data processing, office supplies, etc.) could increase \$240 in FY18-19 and \$600 in FY19-20 due to the bill's provisions. There is no basis to disagree with this estimate but given the relatively small dollar amount this cost can be absorbed without an increase in their cash fund appropriation.

The Board also projects additional cash fund revenue of \$100 per year from a processing fee allowed as reimbursement for the collection and transmission of certain information.

Changing the Appraisal Management Company registration period from the current two years to one year will have the following impact on cash fund revenue. This is based on 30 renewals in FY18-19 and 69 renewals in FY19-20 under the current two year registration.

In FY18-19, there will be a loss of revenue of \$22,500, since the estimated 30 renewals will pay \$750 for a one year registration instead of \$1,500 for a two year.

In FY19-20, there will be a revenue loss of \$29,250, but this will be cancelled out the following year (FY20-21) as a \$29,250 revenue gain, so that over this two year period the net impact on revenues is zero. Once past the revenue loss in the first year (FY18-19) changing the registration period from the current two years to one year will change the cash flow of registration fees received, but will not impact the overall amount of registration fees received over a two year period.

| | | | |
|--|--------------|--|-----------------------|
| ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE | | | |
| LB: 17 | AM: | AGENCY/POLT. SUB: Nebraska Real Property Appraiser Board | |
| REVIEWED BY: | Ann Linneman | DATE: 12-13-17 | PHONE: (402) 471-4180 |
| COMMENTS: The Real Property Appraiser Board's estimate of fiscal impact appears to be reasonable given the assumptions used. Assumes decline in revenue will be made up in FY20-21 after renewal transition is complete. | | | |

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2018

LB⁽¹⁾ 17 REVISION 2

FISCAL NOTE

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

Prepared by: ⁽³⁾ Tyler Kohtz Date Prepared: ⁽⁴⁾ 12/11/2017 Phone: ⁽⁵⁾ 402-471-9015

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

| | FY 2018-19 | | FY 2019-20 | |
|---------------|--------------|---------------|--------------|---------------|
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | | | | |
| CASH FUNDS | 240.00 | - \$22,400.00 | 600.00 | - \$29,150.00 |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | 240.00 | - \$22,400.00 | 600.00 | - \$29,150.00 |

Explanation of Estimate:

The purpose of LB17 is to update the Nebraska Appraisal Management Company Registration Act (“AMC Act”) for compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (“Title XI”); the AMC Final Rule adopted by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the National Credit Union Administration, the Consumer Financial Protection Bureau, and the Federal Housing Finance Agency; and the requirements of the Appraisal Subcommittee of the Federal Financial Institutions Examination Council (“ASC”). The Final Rule was adopted on June 9, 2015, with an effective date of August 10, 2015, to implement the minimum requirements in the Dodd-Frank Wall Street Reform and Consumer Protection Act, which added a new Section 1124 to Title XI, to be applied by participating States in the registration and supervision of appraisal management companies (“AMC”). The Final Rule also implements the minimum requirements in the Dodd-Frank Act for AMCs that are subsidiaries owned and controlled by an insured depository institution and regulated by a Federal financial institutions regulatory agency, and implements the requirement for States to report to the ASC the information required by the ASC to administer the new national registry of AMCs. This bill also includes minor changes to address administration of the AMC Act, and to harmonize the AMC Act with the Nebraska Real Property Appraiser Act.

In addition, LB17 includes a change to the Real Property Appraiser Act to maintain compliance with Title XI, and the Real Property Appraiser Qualifications Criteria as promulgated by Appraiser Qualifications Board (“AQB”) of the The Appraisal Foundation; the source of appraisal standards and qualifications as authorized by the U.S. Congress. Effective on July 1, 2016, the AQB adopted changes to the three-year supervisory appraiser jurisdictional requirement found in the Real Property Appraiser Qualifications Criteria. While Supervisory Appraisers must still be certified appraisers in good standing for a minimum of three years prior to supervising, they no longer need to be certified and in good standing in the jurisdiction in which the trainee real property appraiser practices for a minimum period of time.

LB17 amends Neb. Rev. Stat. § 76-2228.02 ensure that a person credentialed as a certified real property appraiser in Nebraska or that holds the equivalent in another jurisdiction for a period of three years is eligible for approval as a supervisory appraiser (section 1). This change has no fiscal impact on the Nebraska Real Property Appraiser Board.

LB17 reduces the registration period from two years to one year to meet the registration period specified in the AMC Final Rule (section 4). This change will have a negative effect on the agency’s overall workload as registrations would

be renewed annually instead of biannually (FY 18-19 - no change; FY 19-20 - estimated 2 hours per renewal application (based on current application process) x 30 additional applications = 60 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 (FY 19-20)
- Data Processing (communications) (521200) - \$50.00 per fiscal year (FY 19-20)
- Office supplies (531100) - \$50.00 per fiscal year (FY 19-20)
- Legal services expenses (541500)– 5% increase in attorney fees due to additional enforcement requirements = \$180.00 per fiscal year (FY 19-20)
- Legal related services expenses (541700)– 5% increase due to additional enforcement requirements = \$10.00 per fiscal year (FY 19-20)

Total increase to expenditures related to this change is \$340.00 for FY 19-20.

LB17 expands the AMC registration renewal requirements to include the agency's collection and transmission of information required by Title XI, the AMC Final Rule, or any policy or rule established by the ASC (section 4). This change will have a negative effect on the agency's overall workload as more staff time is required to process renewal applications (FY 18-19 – no change; FY 19-20 - estimated additional .5 hour per additional renewal application (based on current application process) x 30 applications = 15 hours). Finally, this change will result in the following slight increase to operating expenditures related to this change:

- Data Processing (communications) (521200) - \$20.00 per fiscal year (FY 19-20)

Total increase to expenditures related to this change is \$20.00 for FY 19-20.

AMC Registration renewal revenues will decline significantly during FY 18-19 as the registration period is transitioned from two years to one year for renewals. Any decline in renewal revenues shown for FY 19-20 will be made up in FY 20-21 when all registration periods are one year for AMCs. Projected revenues as of November 20, 2017 are as follows:

FY 18-19 (current two year renewal – 30 renewals @ \$1500.00 per renewal): \$45,000.00
FY 18-19 (AMC Final Rule renewal – 30 renewals @ \$750.00 per renewal): \$22,500.00
FY 18-19 Difference: - \$22,500.00

FY 19-20 (current two year renewal – 69 renewals @ \$1,500.00 per renewal): \$103,500.00
FY 19-20 (AMC Final Rule renewal – 99 renewals @ \$750.00 per renewal): \$74,250.00
FY 19-20 Difference: - \$29,250.00

LB17 establishes the reporting requirements for Federally Regulated AMCs, and grants authority to the Board to collect and transmit information and fees required by Title XI, the AMC Final Rule, or any policy or rule established by the Appraisal Subcommittee (section 6). In addition, LB17 establishes authority for the Board to collect fees as deemed

appropriate for service provided as related to a Federally Regulated AMC's operation in this state. This change will have a negative effect on the agency's overall workload as this information was not previously required to be collected and transmitted (FY 18-19 - estimated 2 hours per application x 2 applications (number of known Federally Regulated AMCs operating in Nebraska) x 2 applications = 4 hours; FY 19-20 - estimated 2 hours per application x 2 applications (number of known Federally Regulated AMCs operating in Nebraska) = 4 hours). Finally, the following increases to operating expenses are related to this change:

- Postage increase (521100) - \$5.00 per fiscal year
- Data Processing (communications) (521200) - \$10.00 per fiscal year
- Office supplies (531100) - \$10.00 per fiscal year

Total increase to expenditures related to this change is \$25.00 per fiscal year.

A Federally Regulated AMC Information Collection and Transmission Processing Fee will be charged for the collection and transmission of information pertaining to a Federally Regulated AMC as required by Title XI, the AMC Final Rule, or any policy or rule established by the Appraisal Subcommittee. The fee is to cover the staff workload requirements, along with any operating expenses for providing this service. Two fees collected each fiscal year at \$50.00 per application results in an increase in revenues of \$100.00 per fiscal year.

LB17 clarifies the agency's authority to issue cease and desist orders for persons directly or indirectly engaging in or attempting to engage in business as AMCs, or advertising as engaging in or conducting business as AMCs, without first obtaining registration issued by the Board or by meeting the requirements as a Federally Regulated AMC (section 17). This change will have a negative effect on the agency's overall workload (staff processes 1 additional grievances @ 20 hours per grievances). 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:

- 5% increase in legal services expenditures (541500) due to the additional orders that will be issued by the agency through its Special Assistant Attorney General = \$180.00
- Postage increase (521100) - \$20.00 per fiscal year
- Data Processing (communications) (521400) - \$5.00 per fiscal year
- Office supplies (531100) - \$10.00 per fiscal year

Total increase to expenditures related to this change is \$215.00 per fiscal year.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

| <u>POSITION TITLE</u> | <u>NUMBER OF POSITIONS</u> | | <u>2018-19 EXPENDITURES</u> | <u>2019-20 EXPENDITURES</u> |
|----------------------------------|----------------------------|--------------|---------------------------------|---------------------------------|
| | <u>18-19</u> | <u>19-20</u> | | |
| <u>Benefits.....</u> | | | | |
| <u>Operating.....</u> | | | 240.00 | 600.00 |
| <u>Travel.....</u> | | | | |
| <u>Capital outlay.....</u> | | | | |
| <u>Aid.....</u> | | | | |
| <u>Capital improvements.....</u> | | | | |
| <u>TOTAL.....</u> | | | 240.00 | 600.00 |