

Individual State Agency Fiscal Note

Bill Number: 1897 S HB	Title: Real estate appraisers	Agency: 240-Department of Licensing
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

FUND	FY 2004	FY 2005	2003-05	2005-07	2007-09
Real Estate Appraiser Commission Account-State 06G-1	168,000	49,700	217,700	186,900	186,900
Total \$	168,000	49,700	217,700	186,900	186,900

Estimated Expenditures from:

	FY 2004	FY 2005	2003-05	2005-07	2007-09
FTE Staff Years	0.8	1.5	1.2	1.5	1.5
Fund					
Real Estate Appraiser Commission Account-State 06G-1	79,548	91,691	171,239	183,302	183,382
Total \$	79,548	91,691	171,239	183,302	183,382

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

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Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

see attachment

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

see attachment

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2004	FY 2005	2003-05	2005-07	2007-09
FTE Staff Years	0.8	1.50	1.2	1.5	1.5
A-Salaries & Wages	24,548	48,396	72,944	96,792	96,792
B-Employee Benefits	6,697	13,339	20,036	26,678	26,678
C-Personal Serv Contr					
E-Goods and Services	44,656	27,576	72,232	55,072	55,152
G-Travel	3,647	2,380	6,027	4,760	4,760
J-Capital Outlays					
M-Inter Agency Fund Transfers					
N-Grants, Benefits Services					
P-Debt Service					
S-Interagency Reimburesement					
T-Intra-Agency Reimbursement					
Total:	\$79,548	\$91,691	\$171,239	\$183,302	\$183,382

III. B - Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2004	FY 2005	2003-05	2005-07	2007-09
Investigator	41,520	0.3	0.5	0.4	0.5	0.5
Office Assistant	27,636	0.5	1.0	0.8	1.0	1.0
Total FTE's		0.8	1.5	1.2	1.5	1.5

III. C - Expenditures By Program (optional)

Program	FY 2004	FY 2005	2003-05	2005-07	2007-09
Mgmt & Support Services (100)	4,972	5,731	10,703	11,457	11,462
Information Services (200)	3,551	4,093	7,644	8,183	8,186
Vehicle Services (300)					
Driver Services (600)					
Business and Professions (700)	71,025	81,867	152,892	163,662	163,734
Total \$	79,548	91,691	171,239	183,302	183,382

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Part II: Explanation

The Real Estate Appraiser Act, chapter 18.140 RCW is amended to provide for the implementation of the state-registered appraiser trainee classification.

Section 4 is amended to require DOL to consider recommendations by the Real Estate Appraiser Commission when establishing the educational requirements for an appraiser trainee.

Section 6 is amended to establish the category of "state registered appraiser trainees."

Section 10 is amended to establish the registration, valid period and requirement for fee payment for trainees.

Section 15 is amended to give DOL the authority to investigate the actions of trainees.

Section 20 caps the registration period at a maximum of two years and allows trainees to receive a maximum of two renewals of their registration within a seven year period.

Section 21 declares section 4 of the bill effective as of July 1, 2003 and sections 6, 10 and 15 effective April 1, 2004.

II. A – Brief Description of What the Measure Does that Has Fiscal Impact

The Department of Licensing (DOL) will require additional staff to process, register, monitor and enforce a new category of professional licensing. Licensure administration and investigation activities will be required of the agency for an additional 1,200 appraiser trainees.

Assumptions

Industry sponsors have advised that there are approximately 1,200 appraiser trainees in the process of gaining the required education and experience to apply for the regular appraiser examination by working with state-licensed or state-certified appraisers. DOL assumes the following;

- All 1,200 appraiser trainees will register with DOL when the program is implemented.
- There will be approximately 110 new applications for registration each year (based on the current number of new applications for certification and licensing).
- Registrations for all applicants will expire on the applicant's second birthday after registration and since the registrations can not be renewed (section 20) DOL assumes a trainee will have either become a fully certified appraiser or dropped out of the industry within that time.
- DOL will receive approximately 25 complaints per year involving trainees for the initial two year period (based upon current and past complaint activity)
- Of the 25 complaints, 22 will require investigation.
- There will be three administrative hearings in each of the first two years.
- After the initial two year period, there will be approximately 220 registered trainees and a substantial drop in complaints to five per year and a drop in investigations to three per year.

DOL cannot fully implement the provisions of this bill by the effective date from the emergency clause. Due to the date of implementation, DOL will require only half of the estimated FTEs in the first fiscal year.

<u>Workload Indicator</u>	<u>FY 04</u>	<u>FY 05</u>	<u>03-05 Total</u>	<u>05-07 Total</u>	<u>07-09 Total</u>
Application for Registration	1,200	110	1,310	220	220
Complaints	8	25	33	50	50
Investigations	5	22	27	44	44
Administrative Hearings	-	3	3	6	6

Based upon current and past complaint activity it is estimated that DOL will receive approximately 25 complaints per year involving trainees for the initial 2-year period. Of the 25 complaints, 22 will require investigation. After the initial 2-year period, a drop in activity is assumed to 110 trainees registering with a corresponding drop in complaints to five per year and three investigations per year.

II. B – Cash Receipt Impact

DOL estimates that 1,200 appraiser trainees will be registered in Fiscal Year 2004. It is estimated that the fee will be set at \$140. There will be approximately 110 new applications for registration each year thereafter. Section 20 effectively prohibits the initial set of 1,200 trainees from applying for a renewal within the 2003-05, 2005-07 and the 2007-09 Biennia.

<u>Cash Receipts</u>	<u>FY 04</u>	<u>FY 05</u>	<u>03-05 Total</u>	<u>05-07 Total</u>	<u>07-09 Total</u>
Real Estate Appraiser Commission Account	168,000	49,700	217,700	186,900	186,900
Total Revenue	168,000	49,700	217,700	186,900	186,900

II. C – Expenditures

Additional staffing is needed as follows;

0.5 Office Assistant FTE to process applications for the initial registration, advise customers of rights, regulations and services available, correspond with customers relating to deficiencies in their application, and process registration fees;

0.3 Investigator FTE to investigate complaints involving trainees in Fiscal Year 2004.

There is a need for an estimated 145 hours of contracted programmer time that will span the anticipated project schedule of 4/1/04 through 6/30/04. This cost will be \$14,442. Ongoing system maintenance costs will be absorbed by DOL.

In addition to the cost of salary and benefits, other costs have been added which include workstations and furniture, personal computers (including software and licenses), facility rent/lease and utility costs, telephone equipment and line charges, desktop support, employee training and other standard goods and services associated with adding new staff.

Section (4) gives the Director rule making authority with advice and approval of the Real Estate Appraiser Commission. DOL will host one additional commission meeting in Fiscal year 2004 to develop rules necessary to implement this legislation (seven members will receive a mileage allowance, two members will receive per diem). These costs will be \$550 in Fiscal Year 2004.

Investigator travel of 4,000 miles per year with 10 days per diem expenses will total \$6,427 for the 2003-05 Biennium.

Additional expenses of \$972 are included for printing and postage of new rules and other departmental correspondence.

Current appropriations are sufficient to absorb the impact of legal assistance for additional rule making.

In addition to the direct costs associated with this fiscal note, DOL included funding to cover agency wide indirect costs. Based on the cost allocation methodology adopted by DOL in 1999 (with funding realignment approved in the 2000 and 2002 Supplemental budgets as well as funding realignment requested in the 2004 Supplemental budget) administrative support is provided to the agency at a rate of 12 percent of the direct program costs proposed in this decision package. This 12 percent is split 7 percent for Management and Support Services functions and 5 percent for Information Services functions. These costs are allocated in object E to cover agency wide handling and processing of vendor payments; equipment purchase, delivery, storage and set-up; technical assistance to employees; desktop support; contract administration; security; handling of mail; and other indirect support services functions as needed. Thus, the total cost for the decision package is: direct program cost \$152,892 + administrative support \$10,703 + information services \$7,644 = \$171,239.

The amount received in either Management Support Services or Information Services may not be sufficient to actually hire a new staff person. However, depending on the needs of the division this indirect funding could be used to pay current staff for overtime or extending or increasing the use of temporary and seasonal employees. Expenditures of these types are reflected as FTE usage in the statewide AFRS reports.

Support services functions covered by the indirect FTEs include the handling and processing of vendor payments; equipment purchase, delivery, inventory, storage and set-up; technical assistance to employees; desk-top support; contract administration; handling of mail; personnel and payroll related tasks; and, other indirect support services functions.

Part III: Expenditure Detail

III. A – Expenditures by Object or Purpose

	FY 04	FY 05	03-05 Total	05-07 Total	07-09 Total
FTE Staff Years	0.8	1.5	1.2	1.5	1.5
Salaries and Wages	24,548	48,396	72,944	96,792	96,792
Employee Benefits	6,697	13,339	20,036	26,678	26,678
Goods and Services	44,656	27,576	72,232	55,072	55,152
Travel	3,647	2,380	6,027	4,760	4,760
Total	79,548	91,691	171,239	183,302	183,382

III. A (1) – Detail of Expenditures by Sub-Object for Goods & Services

Object E Breakdown:	FY 04	FY 05	03-05 Total	05-07 Total	07-09 Total
EA Office Supplies	394	787	1,181	1,574	1,574
EN Personnel Services	147	290	437	580	580
EB Postage	925		925		
EF Printing	47	1	48	2	2
EB Phone/Fax Install	600		600		
EK Facilities Costs	4,150	8,300	12,450	16,600	16,600
EZ Other Goods & Svcs	9,525	11,019	20,544	21,958	22,038
EQ Equipment - Under \$5,000	13,346	1,041	14,387	2,082	2,082
Total Goods & Svcs	44,656	27,576	72,232	55,072	55,152

III. A (2) – Detail of Expenditures by Fund

Additional information about assumptions and impacts is available directly from the Department of Licensing at 902-3633.

III. B – FTE Detail**EXPENDITURE DETAIL – STAFF**

Job Classification	Salary	FY 04	FY 05	03-05 Total	05-07 Total	07-09 Total
Office Assistant	27,636	0.5	1.0	0.8	1.0	1.0
Investigator	41,520	0.3	0.5	0.4	0.5	0.5
Total FTEs		0.8	1.5	1.2	1.5	1.5

III. B – Expenditures by Program (optional)

Program	FY 04	FY 05	03-05 Total	05-07 Total	07-09 Total
100 - Mgmt & Support Services	4,972	5,731	10,703	11,457	11,462
200 - Information Services	3,551	4,093	7,644	8,183	8,186
700 - Business & Professions	71,025	81,867	152,892	163,662	163,734
Total	79,548	91,691	171,239	183,302	183,382

Part IV: Capital Budget Impact

None

Part V: New Rule Making Required

New rules will be needed regarding the administration and enforcement of professional licensing of real estate appraiser trainees.