

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4817-02
Bill No.: HB 2152
Subject: Property, Real and Personal; Licenses - Professional; Boards, Commissions, Committees, Councils
Type: Original
Date: March 30, 2010

Bill Summary: Establishes the Missouri Appraisal Management Company Registration and Regulation Act to regulate real estate appraisal management companies.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Missouri Real Estate Appraisers	\$0	\$9,584	\$9,867
PR Fees	(\$18,607)	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	(\$18,607)	\$9,584	\$9,867

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Courts Administrator** assume the proposal will have no fiscal impact on their organization.

Officials from the **Office of Administration - Administrative Hearing Commission** assume the legislation will not significantly alter its caseload.

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal is less than \$2,500. The SOS does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the SOS can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the costs of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

Officials from the **Office of Attorney General (AGO)** state it is not clear from the legislation whether the AGO would represent the Division of Finance in the discipline of appraisal management companies. Therefore, the AGO assumes that any potential costs arising from this proposal can be absorbed with existing resources. If multiple cases arise, the AGO may seek additional appropriations to cover the increase in case load.

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration (DIFP)** state based on a projection from the Missouri Advisory Council for Real Estate Appraisers, it is estimated that 150 individuals in the state of Missouri will be required to be licensed in FY 12. FY 12 licensing revenue is estimated at \$23,250 (150 individuals X \$155 licensing fee). Licenses are to be renewed annually at \$155 per licensee. A 3% growth rate is estimated.

It is assumed that all fees collected will be deposited into a fund for the Missouri Real Estate Appraisers Commission and that all expenses would be paid out of that fund. It is also assumed that no revenue will be generated by the Missouri Real Estate Appraisers in FY 11; therefore, expenses incurred by the commission will be paid back to the PR Fees Fund by a lending board within the division, pursuant to section 324.016, RSMo. It is estimated payback of any outstanding loans would be made in FY 14. However, should the number of licensees vary significantly from the number estimated, the licensure fees will be adjusted accordingly.

ASSUMPTION (continued)

As the Missouri Real Estate Appraisers Commission is already established, the DIFP assumes the Commission will require two (2) additional commission meetings to draft rules for the licensing of real estate appraisal management companies. Additional committee meeting expense for FY 11 is estimated to be \$3,542. No additional meetings will be required in subsequent years.

Printing and postage expenses for the first year include printing rules, applications, letterhead and envelopes, as well as costs associated with mailings associated with initial licensure. Subsequent year's printing and postage is based on a board of similar size. The DIFP estimates FY 11 printing and postage expenses of \$1,875; subsequent years' expenses are estimated to be \$57 annually.

During the first year of implementation, costs are calculated for the design, program and implementation of the licensure program for new boards. Licensure system costs are estimated to be \$540.

A contract auditor would conduct examinations of books and records. The cost per exam is based on the per contract cost incurred by other boards within the division. It is estimated that 3% of licensees will have an examination of their books and records each year. The DIFP estimates \$12,500 in annual examination of books and records expense.

Based on a board of similar size, it is estimated that the board will receive 3 complaints annually. The division does not anticipate receiving any complaints until FY 12. It is estimated that 30% (3 X 30% = 0.9 complaints or rounded to 1 complaint annually) of the complaints filed would require field investigations and that 50% of the complaints investigated would require an investigator to incur overnight expenses. Therefore, the DIFP estimates \$142 in annual investigative expenses.

Boards within the division incur division-wide expenses based on specific board licensee averages in addition to the department and Office of Administration cost allocation plans. Based on boards of similar size, the Missouri Real Estate Appraisers Commission will have an additional \$601 allocated to it that will be considered in calculating the anticipated license and renewal fees.

Costs are calculated for services provided to the division by the Attorney General's Office (AGO) and the Administrative Hearing Commission (AHC). It is anticipated \$300 in annual costs will be incurred from the AGO and AHC beginning in FY 12. These costs are based on a board of similar size.

Oversight assumes the division-wide expenses allocated to the Missouri Real Estate Appraisers Commission will result in an equal reduction in expenses allocated to other Boards within the Division of Professional Registration.

<u>FISCAL IMPACT - State Government</u>	FY 2011	FY 2012	FY 2013
MISSOURI REAL ESTATE APPRAISERS FUND			
<u>Transfer-In - from PR Fees Fund</u>	\$18,607	\$0	\$0
<u>Revenue - DIFP</u>			
Licensing/renewal fees	\$0	\$23,250	\$23,948
<u>Costs - DIFP</u>			
Commission meeting expense	(\$3,542)	\$0	\$0
Expense and equipment	<u>(\$15,065)</u>	<u>(\$13,666)</u>	<u>(\$14,081)</u>
Total <u>Costs</u> - DIFP	<u>(\$18,607)</u>	<u>(\$13,666)</u>	<u>(\$14,081)</u>
ESTIMATED NET EFFECT ON MISSOURI REAL ESTATE APPRAISERS FUND			
	<u>\$0</u>	<u>\$9,584</u>	<u>\$9,867</u>
PR FEES FUND			
<u>Transfer-Out - to Missouri Real Estate Appraisers Fund</u>	<u>(\$18,607)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON MISSOURI REAL ESTATE APPRAISERS FUND			
	<u>(\$18,607)</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>			
	FY 2011	FY 2012	FY 2013
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

The proposal will impact small business real estate appraisal management companies and individuals as they will be required to be licensed.

FISCAL DESCRIPTION

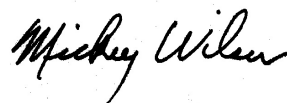
This proposal establishes the Missouri Appraisal Management Company Registration and Regulation Act to regulate real estate appraisal management companies. In its main provisions, the proposal: (1) Makes it unlawful for any person to act as a real estate appraisal management company, to directly or indirectly engage or assume to engage in the business of real estate appraisal management, or to advertise or hold himself or herself out as engaging in or conducting the business of real estate appraisal management without being registered with the Missouri Real Estate Appraisers Commission within the Department of Insurance, Financial Institutions and Professional Registration; (2) Allows the commission to adopt rules necessary to implement, administer, and enforce the provisions of the proposal and to: (a) Prescribe forms and procedures for submitting information to the commission; (b) Prescribe standards of practice for registered companies; and (c) Prescribe standards for the operation of real estate appraisal management companies; (3) Requires an appraisal management company to make written application to the commission for the registration of the company with the required fee as established by rule; and (4) Specifies that a registration will expire June 30 of every year and become invalid unless renewed by filing an application and paying a renewal fee as established by rule. Additional fees will be charged if the application is late, except that any registrant failing to reinstate within six months will be required to file a new application for registration. Reinstatement will not be retroactive.

The proposal contains an emergency clause.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Attorney General
Office of Administration -
 Administrative Hearing Commission
Office of State Courts Administrator
Department of Insurance, Financial Institutions, and Professional Registration
Office of Secretary of State



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Director
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