

Department of Planning and Budget 2010 Fiscal Impact Statement

1. Bill Number: HB408

House of Origin X Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Oder

3. Committee: General Laws

4. Title: **Real Estate Appraiser Board; regulation of appraisal management companies.**

5. Summary: This bill provides for the regulation of real estate appraisal management companies by the Real Estate Appraiser Board.

6. Fiscal Impact Estimates:

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2010-11	0	0.00	NGF
2011-12	170,728	2.00	NGF
2012-13	157,036	2.00	NGF
2013-14	157,036	2.00	NGF
2014-15	157,036	2.00	NGF
2015-16	157,036	2.00	NGF

6b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2010-11	0	NGF
2011-12	275,000	NGF
2012-13	165,000	NGF
2013-14	165,000	NGF
2014-15	165,000	NGF
2015-16	164,000	NGF

7. Budget Amendment Necessary: Yes, Item 113.

8. Fiscal Implications: This bill increases the administrative and regulatory responsibilities of the Department of Professional and Occupational Regulation (DPOR) by implementing and administering a new regulatory program for the licensure of Appraisal Management Companies (AMC) under the authority of the Real Estate Appraiser Board. The new program would require AMC's to become licensed by July 1, 2012. The bill proposes that the Department conduct regulatory activities for this new program, including application and forms processing, promulgations of regulations, issuing licenses and related licensing activities, complaint processing, and disciplinary actions. It includes a requirement for the Appraiser Board to conduct criminal records checks as permitted by Section 54.1-204 to

determine that any person or entity who owns 10 percent or more of the Appraisal Management Company has never had a criminal conviction involving a felony or moral turpitude in Virginia or any other state. It also includes a provision requiring licensed appraisers to file a complaint against other licensed appraisers if they have a good faith belief that the regulant violated the law or the Uniform Standards of Professional Appraisal Practice, or engaged in unethical conduct. This provision is expected to increase the volume of complaints, investigations, and cases for the Board.

There are approximately 1,500 Appraisal Management Companies nationwide, with about 250 currently operating in Virginia.

Personal Service Costs: This legislation will require one classified Band 3 position to process applications for initial licensure, correspond with applicants, licensees, and the public, maintain licensee records, and respond to emails and telephone calls. The cost of salary and benefits for this position, based on the mid-point of the band range, is expected to be \$56,621 in FY 2012 (assuming 23 pay periods) and \$59,082 in future years. These are recurring costs that will continue into future biennia.

This legislation also requires one classified Band 4 position to investigate complaints filed against licensees of the board. DPOR expects an increase in cases related to the provision for complaints against licensed appraisers who fail to file a complaint against another licensee if they have a good faith belief that the appraiser violated the law or the Uniform Standards of Professional Appraisal Practice, or engaged in unethical conduct. The Board also expects to receive complaints related to regulants of the new program for Appraisal Management Companies. The Board is reviewed by the Appraisal Subcommittee to ensure compliance with Financial Institutions Reform Recovery and Enforcement Act (FIRREA). The Board is currently in compliance, but could be cited if complaints are not resolved and cases completed within one year of initial filing. This position will help ensure that the Board remains in compliance. The cost of salary and benefits for this investigator position, based on the mid-point of the band range, is expected to be \$69,711 in FY 2012 (assuming 23 pay periods) and \$72,743 in future years. These are recurring costs that will continue into future biennia.

The total cost of personal services will be \$126,332 in FY 2012 and 131,825 in future years.

Operating Costs: In FY2012, DPOR will need to purchase furniture and equipment for the two new positions at an estimated total cost of \$14,000. This is a one-time expenditure that will not continue into future years. Other operating costs beginning in FY2012 include telephone, employee development, computer operating support, postage, printing, rent, and supplies, and are estimated at a total of \$23,000 each year for the two requested positions. These are recurring costs that will continue into future years.

Board regulations must be revised to reflect the new requirements. Board member travel and per diem for four members to attend five additional meetings will be \$4,570. Postage costs for mailings and notifications will be \$615 in FY2012 only.

Travel costs for the new investigator position are expected to be \$2,211 annually.

Total costs are projected to be \$170,728 in FY2012, and \$157,036 in future years.

Revenue: In accordance with the provisions of Section 54.1-113 (Callahan Act) of the Code of Virginia, licensing fees are established at rates adequate to cover a program's operating costs and a proportionate share of agency support costs. Most of the costs associated with this bill are related to the new Appraisal Management Company program, and fees from that program would be expected to cover the program's costs.

Cost to Regulants: The cost for an initial or renewal license for an Appraisal Management Company is expected to be approximately \$1,100. The license would be valid for a two year period.

The Board is expected to need to increase its fees for current appraiser licensees in the next biennium so that cash and revenue will continue to be adequate to cover ongoing operating costs. In accordance with this legislation, a portion of the costs of the new investigator position would be related to complaints against licensees in the current Appraiser program, and so could impact the fees for those regulants by adding approximately \$10 to the fee for a two year license.

9. Specific Agency or Political Subdivisions Affected: Department of Professional and Occupational Regulation.

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: 2/9/2010 dpbbrb

Document: <http://dpb.virginia.gov/efis/fistemplate.doc>