

Fiscal Note Request SB0005, As Introduced

(continued)

5. The new license category will be incorporated into the existing Oracle database with minimal programming changes and updates to the board's web site. The department estimates one time only programming and web site development costs to be \$500 in FY 2006.
6. The department will print and disseminate educational materials to licensees and the public. Estimated printing and mailing costs are \$350 in each year of the biennium.
7. Administrative support for the licensing functions of SB 5 could be provided within the budget contained in the Executive Budget request. However, the department will require one new FTE, pay band 6, to provide professional review of the appraisal reports for the license application. Twenty additional applications will require a standard review of 60 additional appraisal reports. This equates to a minimum of 1,800 additional hours of review. The department estimates costs of the new FTE to be \$49,196 salary, \$2,590 operational costs and \$1,132 indirect costs in each year of the biennium, and one time only employee equipment costs of \$3,500 in FY 2006.
8. Section 4 of SB 5 requires the board to set license and renewal fees commensurate with the costs of administering the program. If the department set fees to cover actual costs, each applicant would pay more than \$3,000 annually. Instead, the department proposes to set new license fees at \$1,000 per applicant, and \$400 for annual renewal fees. Estimated FY 2006 fee revenues are \$20,000 based upon 20 applications. Estimated FY 2007 fee revenues are \$26,000 based upon 15 renewed licenses and 20 new licenses. The department will offset the cost of provisional licenses with cash reserves in the special revenue account. In future biennia, the board may increase all real estate appraiser license renewal fees to support anticipated expenditures.

FISCAL IMPACT:

Department of Labor and Industry

	<u>FY 2006</u> <u>Difference</u>	<u>FY 2007</u> <u>Difference</u>
FTE	1.00	1.00
<u>Expenditures:</u>		
Personal Services	49,196	49,196
Operating Expenses	8,672	4,072
Equipment	<u>3,500</u>	<u>0</u>
TOTAL	\$61,368	\$53,268
<u>Funding of Expenditures:</u>		
State Special Revenue (02)	\$61,368	\$53,268
<u>Revenues:</u>		
State Special Revenue (02)	\$20,000	\$26,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
State Special Revenue (02854)	(\$41,368)	(\$27,268)

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LONG-RANGE IMPACTS:

Due to the limited number of individuals anticipated applying for the provisional license, only \$20,000 revenue from license fees will be generated in FY 2006, and \$26,000 in FY 2007. As a result of limited revenues revenues generated from other types of real estate appraiser licenses will subsidize expenditures. In FY 2006, the department must subsidize the provisional license revenues using \$41,368 of real estate appraiser state special revenue funds, and it must use \$27,268 real estate appraiser state special revenue funds in FY 2007.

TECHNICAL NOTES:

1. Passage of this bill will result in a Montana law not being in conformity with Title XI of the Financial Institutions, Reform, Recovery and Enforcement Act of 1989 (12 U.S.C. 3332), which requires specific documented experience as a real estate appraiser in order for licensure to be granted.
2. In accordance with 12 U.S.C. 3332, SB 5 is in conflict with the qualifications set by the Appraiser Qualification Criteria and Interpretations of the Criteria as set by the Federal Appraiser Qualification Board.
3. Due to the conflict with 12 U.S.C. 3332, federally related transactions (e.g. FHA/FHA, etc.) would not be able to be conducted using provisional appraisers. Federally regulated financial institutions also may express some reluctance to use the provisional appraisers due to the lack of conformity with the appraiser qualification criteria.
4. Federal regulations require that the results of examinations related to real estate appraisal are valid for 24 months. SB 5 validates examination results for 60 months.