

AR REAL ESTATE COMMISSION

Enabling Laws

Act 74 of 2003

AR Code §17-42-101 et seq.

AR Code §17-42-401 et seq.

AR Code §17-42-501 et seq.

AR Code §18-14-101 et seq.

History and Organization

Act 148 of 1929, as amended, created the Arkansas Real Estate Commission for the purpose of regulating and licensing real estate brokers and salespersons in accordance with the real estate license law.

The mission of the Arkansas Real Estate Commission is to protect the public interest. That mission charges the Commission with the responsibility of administering the Real Estate License Law (Ark. Code Ann. §17-42-101 et seq.), the Real Estate Recovery Fund (Ark. Code Ann. §17-42-401 et seq.), the Continuing Education Program (Ark. Code Ann. §17-42-501 et seq.), and the Time-Share Law (Ark. Code Ann. §18-14-101 et seq.).

The Real Estate Commission consists of five members appointed by the Governor for three year terms. Three Commission members are from the real estate profession, one Commission member serves as a consumer representative, and one Commission member serves as an elderly representative. Responsibilities are discharged through a staff directed by an Executive Director who is employed by the Commission.

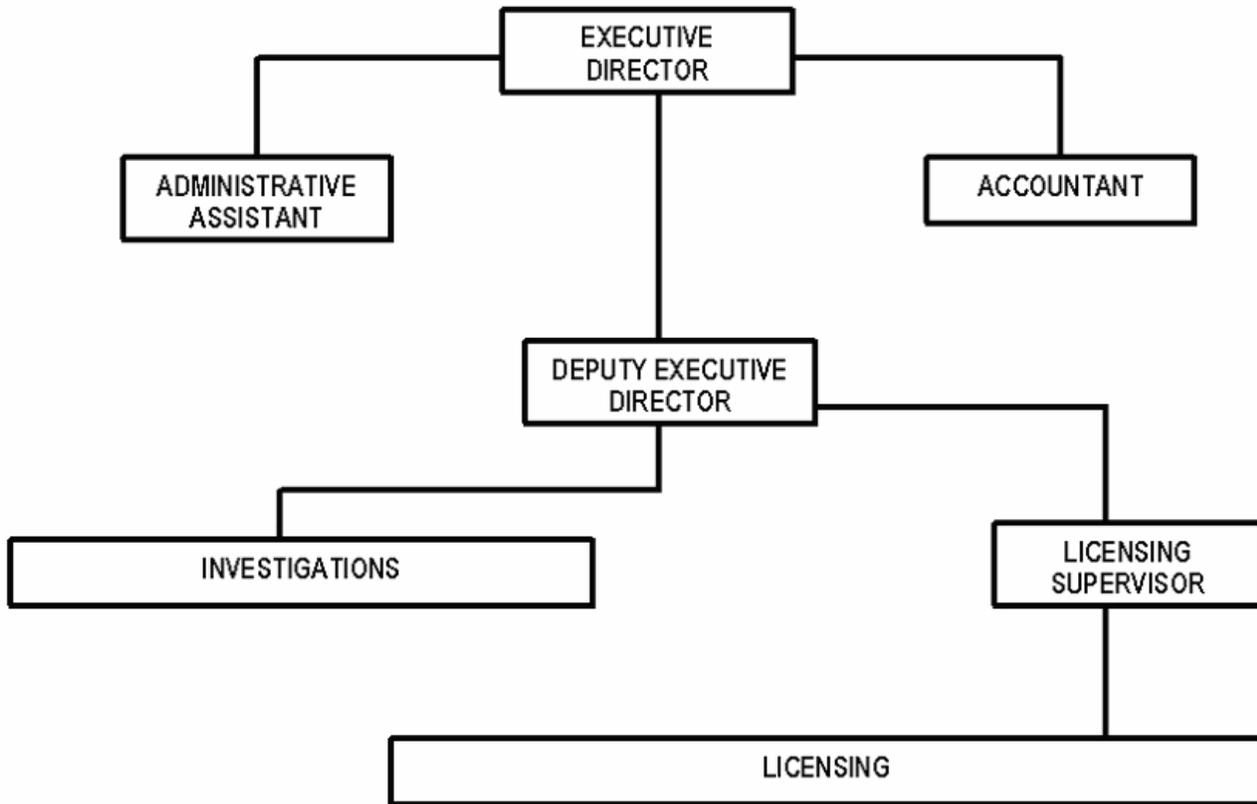
The Agency's primary activities include licensing real estate brokers and salespersons, investigating complaints about real estate transactions, conducting Disciplinary and Recovery Fund hearings, and administering the Continuing Education and the Time-Share programs.

The Licensing Section is responsible for reviewing applications of individuals who are applying to take the Arkansas real estate exam, issuing licenses to persons who enter the profession, and annually renewing licenses issued to real estate brokers and salespersons.

The Investigative Section is responsible for investigating complaints received from members of the public concerning alleged violations of the Real Estate License Law or Time-Share Law. Each complaint investigated is either dismissed or scheduled for a disciplinary hearing before the Commission.

The Commission is responsible for administering the Recovery Fund which was established to pay damage claims to members of the public who have suffered monetary loss specifically attributable to real estate brokers and/or salespersons who have been found, in disciplinary actions before the Commission, to have violated the Real Estate License Law or Regulations. The Recovery Fund is also

used for real estate educational purposes.



Agency Commentary

For the Arkansas Real Estate Commission, the budget requests contained herein, the information, and the explanation of changes affect each of the operating programs, Cash Operations, supported by the general cash fund, and the Real Estate Recovery Program, funded by the Recovery Fund. Funding for the biennial budget request will be provided from fund balances and fees to be collected. Base level in each program is satisfactory for anticipated expenditure needs, with the following exceptions:

In the Cash Operations Program, resources are requested in the Data Processing line item to employ the Department of Information Systems to provide hosting support and server management of the Commission's license system and database.

Also, increases are requested in Operating Expenses to cover the costs of conducting criminal background checks on applicants for real estate licenses. A request to increase new licensee application fees is included to provide additional revenues to offset costs of background checks.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS REAL ESTATE COMMISSION
FOR THE YEAR ENDED JUNE 30, 2002

| Findings | Recommendations |
|----------|-----------------|
| None | None |

Employment Summary

| | Male | Female | Total | % |
|-------------------------|------|--------|-------|-------|
| White Employees | 4 | 7 | 11 | 73 % |
| Black Employees | 1 | 3 | 4 | 27 % |
| Other Racial Minorities | 0 | 0 | 0 | 0 % |
| Total Minorities | | | 4 | 27% |
| Total Employees | | | 15 | 100 % |

Publications

A.C.A 25-1-204

| Name | Statutory Authorization | Required for | | # Of Copies | Reason (s) for Continued Publication and Distribution |
|--------------------------------------|---------------------------|--------------|------------------|-------------|--|
| | | Governor | General Assembly | | |
| AR Real Estate Commission Newsletter | ACA 17-42-404 & 17-42-203 | N | N | 48,000 | Education & enforcement: Articles about real estate practice, law, regulations & hearings help licensees comply with AREC requirements, which protects the public. |

Change in Fee Schedule

| CURRENT FEE STRUCTURE | | | | PROPOSED CHANGE | | | |
|-----------------------|------------|------------------------------|----------------------------|-----------------|--------------------|-----------|---|
| Description | Fee Amount | Estimated Receipts 2004-2005 | Authorizing Act or AR Code | Fee Amount | Estimated Receipts | | Reason for Change |
| | | | | | 2005-2006 | 2006-2007 | |
| Application Fee | \$50.00 | \$120,000 | ACA § 17-42-304 | \$72.00 | \$159,600 | \$159,600 | To cover cost of State Criminal Conviction checks of Applicants |

ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM

Department Appropriation / Program Summary

| Appropriation / Program | Historical Data | | | | | | Agency Request and Executive Recommendation | | | | | | | |
|---------------------------------------|------------------|-----------|------------------|-----------|------------------|-----------|---|-----------|------------------|-----------|------------------|-----------|------------------|-----------|
| | 2003-2004 | | 2004-2005 | | 2004-2005 | | 2005-2006 | | | | 2006-2007 | | | |
| | Actual | Pos | Budget | Pos | Authorized | Pos | Agency | Pos | Executive | Pos | Agency | Pos | Executive | Pos |
| 853 Real Estate – Cash Operations | 909,871 | 15 | 977,359 | 15 | 998,673 | 15 | 1,055,712 | 15 | 1,055,712 | 15 | 1,074,931 | 15 | 1,074,931 | 15 |
| 952 Real Estate Recovery – Cash in Tr | 129,695 | 0 | 352,500 | 0 | 352,500 | 0 | 352,500 | 0 | 352,500 | 0 | 352,500 | 0 | 352,500 | 0 |
| Total | 1,039,566 | 15 | 1,329,859 | 15 | 1,351,173 | 15 | 1,408,212 | 15 | 1,408,212 | 15 | 1,427,431 | 15 | 1,427,431 | 15 |

| Funding Sources | | % | % | | % | % | % | % | % | % | | | | |
|--------------------------------|---------|------------------|--------------|------------------|--------------|---|------------------|--------------|------------------|--------------|------------------|--------------|------------------|--------------|
| Fund Balance | 4000005 | 1,588,162 | 59.2 | 1,642,246 | 60.3 | | 1,394,387 | 55.4 | 1,394,387 | 55.4 | 1,107,775 | 49.7 | 1,107,775 | 49.7 |
| Cash Fund | 4000045 | 1,093,650 | 40.8 | 1,082,000 | 39.7 | | 1,121,600 | 44.6 | 1,121,600 | 44.6 | 1,121,600 | 50.3 | 1,121,600 | 50.3 |
| Total Funds | | 2,681,812 | 100.0 | 2,724,246 | 100.0 | | 2,515,987 | 100.0 | 2,515,987 | 100.0 | 2,229,375 | 100.0 | 2,229,375 | 100.0 |
| Excess Appropriation/(Funding) | | (1,642,246) | | (1,394,387) | | | (1,107,775) | | (1,107,775) | | (801,944) | | (801,944) | |
| Grand Total | | 1,039,566 | | 1,329,859 | | | 1,408,212 | | 1,408,212 | | 1,427,431 | | 1,427,431 | |

AFTER FEE INCREASE

Analysis of Budget Request

Appropriation / Program: 853 - Real Estate – Cash Operations

Funding Sources: NRE-Cash in Treasury

The Arkansas Real Estate Commission is funded from the receipt of fees it charges for originating and renewing the licenses of real estate brokers and salespersons. Base Level for this appropriation includes graduated salary increases of 3% to 1.5% each year over FY05 salary levels, along with related Personal Services Matching costs for 15 Base Level positions. Included in Personal Services Matching is a \$40 increase in the monthly contribution for State employee's health insurance for a total State match of \$320 per month. Changes are requested as follows:

Additions in Operating Expenses of \$39,600 each year to continue purchasing criminal background checks on all first-time applicants for a real estate license. A change in the initial application fee charged to first-time applicants from \$50 to \$72 is requested to provide funding for this request.

\$15,000 each year in Data Processing to reimburse the Department of Information Systems for providing hosting support and server management of the Commission's license system and database.

The Executive Recommendation provides for Agency Request. Expenditure of appropriation is contingent upon available funding. The Executive does not make recommendations on requests for fee increases.

Appropriation / Program Summary

Appropriation / Program: 853 Real Estate – Cash Operations
Funding Sources: NRE-Cash in Treasury

| Commitment Item | Historical Data | | | Agency Request and Executive Recommendation | | | | | |
|--|---------------------|---------------------|-------------------------|---|------------------|------------------|------------------|------------------|------------------|
| | 2003-2004 Actual | 2004-2005 Budget | 2004-2005 Authorized | 2005-2006 | | | 2006-2007 | | |
| | | | | Base Level | Agency | Executive | Base Level | Agency | Executive |
| Regular Salaries 5010000 | 533,457 | 536,948 | 560,084 | 554,305 | 554,305 | 554,305 | 570,482 | 570,482 | 570,482 |
| #Positions | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Extra Help 5010001 | 10,216 | 16,000 | 16,000 | 16,000 | 16,000 | 16,000 | 16,000 | 16,000 | 16,000 |
| #Extra Help | 3 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Personal Services Matching 5010003 | 133,630 | 152,646 | 150,824 | 163,042 | 163,042 | 163,042 | 166,084 | 166,084 | 166,084 |
| Operating Expenses 5020002 | 205,413 | 211,174 | 211,174 | 211,174 | 250,774 | 250,774 | 211,174 | 250,774 | 250,774 |
| Travel-Conference Fees 5050009 | 13,341 | 13,662 | 13,662 | 13,662 | 13,662 | 13,662 | 13,662 | 13,662 | 13,662 |
| Professional Fees and Services 5060010 | 7,702 | 32,929 | 32,929 | 32,929 | 32,929 | 32,929 | 32,929 | 32,929 | 32,929 |
| Data Processing 5090012 | 0 | 0 | 0 | 0 | 15,000 | 15,000 | 0 | 15,000 | 15,000 |
| Refund/Reimbursements 5110014 | 6,112 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Capital Outlay 5120011 | 0 | 4,000 | 4,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 909,871 | 977,359 | 998,673 | 1,001,112 | 1,055,712 | 1,055,712 | 1,020,331 | 1,074,931 | 1,074,931 |
| Funding Sources | | | | | | | | | |
| Fund Balance 4000005 | 524,324 | 656,182 | | 708,823 | 708,823 | 708,823 | 737,711 | 722,711 | 722,711 |
| Cash Fund 4000045 | 1,041,729 | 1,030,000 | | 1,030,000 | 1,069,600 | 1,069,600 | 1,030,000 | 1,069,600 | 1,069,600 |
| Total Funding | 1,566,053 | 1,686,182 | | 1,738,823 | 1,778,423 | 1,778,423 | 1,767,711 | 1,792,311 | 1,792,311 |
| Excess Appropriation/(Funding) | (656,182) | (708,823) | | (737,711) | (722,711) | (722,711) | (747,380) | (717,380) | (717,380) |
| Grand Total | 909,871 | 977,359 | | 1,001,112 | 1,055,712 | 1,055,712 | 1,020,331 | 1,074,931 | 1,074,931 |

AFTER FEE INCREASE - Funding increase is \$39,600 each year to be collected from first-time license applicants by changing the first-time application fee from \$50 to \$72. An appropriation increase of \$39,600 each year in Operating Expenses is requested to apply this additional funding to the purchase of criminal background checks on first-time applicants.

The FY05 Budgeted amount in Personal Services Matching exceeds Authorized due to matching rate adjustments during the 2003-05 Biennium.

Change Level by Appropriation

Appropriation / Program: 853-Real Estate – Cash Operations
Funding Sources: NRE-Cash in Treasury

Agency Request

| Change Level | | 2005-2006 | Pos | Cumulative | % of BL | 2006-2007 | Pos | Cumulative | % of BL |
|--------------|-------------------|------------------|-----------|------------------|--------------|------------------|-----------|------------------|--------------|
| BL | Base Level | 1,001,112 | 15 | 1,001,112 | 100.0 | 1,020,331 | 15 | 1,020,331 | 100.0 |
| C01 | Existing Program | 39,600 | 0 | 1,040,712 | 103.9 | 39,600 | 0 | 1,059,931 | 103.8 |
| C08 | Technology | 15,000 | 0 | 1,055,712 | 105.4 | 15,000 | 0 | 1,074,931 | 105.3 |

Executive Recommendation

| Change Level | | 2005-2006 | Pos | Cumulative | % of BL | 2006-2007 | Pos | Cumulative | % of BL |
|--------------|-------------------|------------------|-----------|------------------|--------------|------------------|-----------|------------------|--------------|
| BL | Base Level | 1,001,112 | 15 | 1,001,112 | 100.0 | 1,020,331 | 15 | 1,020,331 | 100.0 |
| C01 | Existing Program | 39,600 | 0 | 1,040,712 | 103.9 | 39,600 | 0 | 1,059,931 | 103.8 |
| C08 | Technology | 15,000 | 0 | 1,055,712 | 105.4 | 15,000 | 0 | 1,074,931 | 105.3 |

Justification

| | |
|-----|--|
| C01 | Increases of \$39,600 each year are requested to provide resources to continue purchasing criminal background checks on all new, first-time applicants for real estate license. |
| C08 | \$15,000 each year is requested in Data Processing to employ the Department of Information Systems to provide hosting support and server management of the Commission's license system and database. |

Analysis of Budget Request

Appropriation / Program: 952 - Real Estate Recovery – Cash in Treasury

Funding Sources: NRE-Cash in Treasury

The Arkansas Real Estate Commission's Recovery Fund cash appropriation is supported by a one-time fee of \$25 charged to each new license applicant and also includes interest earned from investing the Fund's balances. If damages are assessed against any licensee who is insolvent, the Commission covers the claim from fees collected in this fund. Earned interest is applied toward support of the Commission's educational efforts to keep its licensees and the general public informed of changes in regulations, market conditions, and illegal practices. Base Level is \$352,500 each year and is the Agency Request.

The Executive Recommendation provides for Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation / Program Summary

Appropriation / Program: 952 Real Estate Recovery – Cash in Treasury
Funding Sources: NRE-Cash in Treasury

| Commitment Item | Historical Data | | | Agency Request and Executive Recommendation | | | | | |
|--------------------------------|---------------------|---------------------|-------------------------|---|----------------|----------------|----------------|----------------|----------------|
| | 2003-2004 Actual | 2004-2005 Budget | 2004-2005 Authorized | 2005-2006 | | | 2006-2007 | | |
| | | | | Base Level | Agency | Executive | Base Level | Agency | Executive |
| Damage Payment 5900046 | 47,084 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 |
| Education 5900047 | 82,611 | 102,500 | 102,500 | 102,500 | 102,500 | 102,500 | 102,500 | 102,500 | 102,500 |
| Total | 129,695 | 352,500 | 352,500 | 352,500 | 352,500 | 352,500 | 352,500 | 352,500 | 352,500 |
| Funding Sources | | | | | | | | | |
| Fund Balance 4000005 | 1,063,838 | 986,064 | | 685,564 | 685,564 | 685,564 | 385,064 | 385,064 | 385,064 |
| Cash Fund 4000045 | 51,921 | 52,000 | | 52,000 | 52,000 | 52,000 | 52,000 | 52,000 | 52,000 |
| Total Funding | 1,115,759 | 1,038,064 | | 737,564 | 737,564 | 737,564 | 437,064 | 437,064 | 437,064 |
| Excess Appropriation/(Funding) | (986,064) | (685,564) | | (385,064) | (385,064) | (385,064) | (84,564) | (84,564) | (84,564) |
| Grand Total | 129,695 | 352,500 | | 352,500 | 352,500 | 352,500 | 352,500 | 352,500 | 352,500 |