

ARKANSAS REAL ESTATE COMMISSION

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2018

None

Employment Summary

	Male	Female	Total	%
White Employees	1	7	8	62 %
Black Employees	0	5	5	38 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			5	38 %
Total Employees			13	100 %

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
AR Real Estate Commission Newsletter	ACA 17-42-404 & 17-42-203	N	N	24,000	Education & enforcement: Articles about real estate practice, law, regulations & hearings help licensees comply with AREC requirements, which protects the public.	0	0.00

Department Appropriation Summary

Appropriation	Historical Data						Agency Request and Executive Recommendation							
	2017-2018		2018-2019		2018-2019		2019-2020				2020-2021			
	Actual	Pos	Budget	Pos	Authorized	Pos	Agency	Pos	Executive	Pos	Agency	Pos	Executive	Pos
853 Real Estate – Operations	1,397,183	15	1,810,514	15	1,429,980	15	1,348,389	15	1,348,389	15	1,349,129	15	1,349,129	15
952 Real Estate Recovery	1,611	0	352,500	0	352,500	0	352,500	0	352,500	0	352,500	0	352,500	0
Total	1,398,794	15	2,163,014	15	1,782,480	15	1,700,889	15	1,700,889	15	1,701,629	15	1,701,629	15

Funding Sources		%		%		%		%		%		%	
Fund Balance	4000005	2,069,225	59.3	2,093,239	59.7			1,344,225	48.7	1,344,225	48.7	1,057,336	42.8
Cash Fund	4000045	1,422,808	40.7	1,414,000	40.3			1,414,000	51.3	1,414,000	51.3	1,414,000	57.2
Total Funds		3,492,033	100.0	3,507,239	100.0			2,758,225	100.0	2,758,225	100.0	2,471,336	100.0
Excess Appropriation/(Funding)		(2,093,239)		(1,344,225)				(1,057,336)		(1,057,336)		(769,707)	
Grand Total		1,398,794		2,163,014				1,700,889		1,700,889		1,701,629	

FY19 Budget amount in Real Estate - Operations (853) exceeds the authorized amount due to a transfer from the Cash Fund Holding Account and Salary and Matching rate adjustments during the 2017-2019 Biennium.

Analysis of Budget Request

Appropriation: 853 - Real Estate – Operations

Funding Sources: NRE - Real Estate - Cash in Treasury

The Arkansas Real Estate Commission (AREC) is funded from the receipt of fees it charges for originating and renewing the licenses of real estate brokers and salespersons.

Regular Salaries appropriation includes board member stipend payments.

The Agency is requesting \$1,348,389 in FY20 and \$1,349,129 in FY21 of the 2019-2021 Biennium.

The Agency's request to maintain appropriation above 10% of their FY18 Actual Expenditures includes the following justifications:

- **Operating Expenses:** During FY18, the Commission made a concerted effort to conserve resources due to the on-going Capital Outlay project and the potential \$500,000 expenditure in that Commitment Item. Operating Expenses were deliberately held down wherever necessary to cushion the project's impact to the total fund balance. Moving forward, the Commission will rely on the full authorized amount in this Commitment Item, as operating expenses rise, and the Commission sees an increase in annual IT expenses.
- **Conference and Travel:** In addition to the Commission's effort to conserve agency resources overall, during FY18, the Commission realized cost savings in this Commitment Item when two conferences attended by multiple staff were within driving distance, thus saving on airfare costs. Due to agency's workload, the Commission also made the decision not to send three of the staff to conferences normally attended. The Commission plans to resume sending these staff to conferences in FY19 and beyond.
- **Professional Fees:** This Commitment Item has historically been utilized for the payment of Hearing Officers in conjunction with Formal Hearings; however, in FY18, the Commission was fortunate to procure the services of Hearing Officers at no cost. This Commitment Item is also used to pay education expenses associated with programs and workshops offered to real estate educators and licensees, and those events were held to a minimum in FY18. Several initiatives are already planned in future fiscal years that would require the use of these funds.
- **Refunds/Reimbursements:** This is a licensee-driven Commitment Item, as it is used to refund licensees in certain instances. For example, rather than manually returning incorrect payments to licensees and thus encumbering the licensing process, the Commission has the authority to process overpayments and issue refunds to the licensees. This Commitment Item is also used to refund license fees when an individual has paid their upcoming renewal fee and subsequently passes away. The Commission hopes to continue to budget a healthy amount in this Commitment Item to prevent reaching a point where there is danger of exceeding appropriation and thus no longer being able to issue refunds.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 853 - Real Estate – Operations

Funding Sources: NRE - Real Estate - Cash in Treasury

Historical Data

Agency Request and Executive Recommendation

Commitment Item		2017-2018	2018-2019	2018-2019	2019-2020		2020-2021	
		Actual	Budget	Authorized	Agency	Executive	Agency	Executive
Regular Salaries	5010000	589,974	665,369	576,733	655,220	655,220	655,820	655,820
#Positions		15	15	15	15	15	15	15
Extra Help	5010001	7,989	8,000	8,000	8,000	8,000	8,000	8,000
#Extra Help		1	2	2	2	2	2	2
Personal Services Matching	5010003	211,152	229,810	212,912	227,834	227,834	227,974	227,974
Operating Expenses	5020002	348,161	397,744	397,744	397,744	397,744	397,744	397,744
Conference & Travel Expenses	5050009	17,117	26,662	26,662	26,662	26,662	26,662	26,662
Professional Fees	5060010	7,996	22,929	22,929	22,929	22,929	22,929	22,929
Data Processing	5090012	0	0	0	0	0	0	0
Refunds/Reimbursements	5110014	1,986	10,000	10,000	10,000	10,000	10,000	10,000
Capital Outlay	5120011	212,808	450,000	175,000	0	0	0	0
Total		1,397,183	1,810,514	1,429,980	1,348,389	1,348,389	1,349,129	1,349,129

Funding Sources								
Fund Balance	4000005	1,408,416	1,379,639		929,125	929,125	940,736	940,736
Cash Fund	4000045	1,368,406	1,360,000		1,360,000	1,360,000	1,360,000	1,360,000
Total Funding		2,776,822	2,739,639		2,289,125	2,289,125	2,300,736	2,300,736
Excess Appropriation/(Funding)		(1,379,639)	(929,125)		(940,736)	(940,736)	(951,607)	(951,607)
Grand Total		1,397,183	1,810,514		1,348,389	1,348,389	1,349,129	1,349,129

FY19 Budget amount in Regular Salaries and Personal Services Matching exceeds the authorized amount due to salary and matching rate adjustments during the 2017-2019 Biennium.
 Budget exceeds Authorized Appropriation in Capital Outlay due to a transfer from the Cash Fund Holding Account.
 Expenditure of appropriation is contingent upon available funding.

Analysis of Budget Request

Appropriation: 952 - Real Estate Recovery

Funding Sources: NRE - Real Estate - 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.

The Agency Request is requesting \$352,500 in each year of the 2019-2021 Biennium.

The Agency's request to maintain appropriation above 10% of their FY18 Actual Expenditures includes the following justifications:

- **Damage Payment:** Damage payments are awarded to consumers on a case-by-case basis. While it is not possible to know the total amount of awards that will be disbursed in a given year, budgeting is based on a worst-case scenario where either multiple cases result in smaller awards or a few cases result in the maximum awards allowed by law. The Commission has seen years when very close to the full amount of appropriation was needed. While FY18 had no damage payments, FY17 had awards of \$52,700, and FY16 had awards totaling \$74,871. Therefore, it is necessary to continue to budget at the authorized level to ensure the Commission's ability to award damage payments to consumers.
- **Education:** The Education line item can be utilized for a variety of expenses, all geared toward funding educational opportunities which benefit licensees. Often, this line item is used to fund programs which address areas of concern arising from current market trends and changes within the industry and profession. Due to the amount of damage payments awarded in prior years, the Commission has closely monitored the Recovery Fund's total fund balance to ensure the availability of damage payments to consumers; the Commission has reduced its educational initiatives and paid most education expenses from the General Fund. As the balance has improved and the licensee population expands, the Commission finds it necessary to shift focus to providing more thorough educational initiatives funded by the Recovery Fund. Budgeting at the authorized amount will ensure the Commission's ability to do so.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 952 - Real Estate Recovery

Funding Sources: NRE - Real Estate - Cash in Treasury

Historical Data

Agency Request and Executive Recommendation

Commitment Item		2017-2018	2018-2019	2018-2019	2019-2020		2020-2021	
		Actual	Budget	Authorized	Agency	Executive	Agency	Executive
Damage Payment	5900046	0	250,000	250,000	250,000	250,000	250,000	250,000
Education	5900047	1,611	102,500	102,500	102,500	102,500	102,500	102,500
Total		1,611	352,500	352,500	352,500	352,500	352,500	352,500
Funding Sources								
Fund Balance	4000005	660,809	713,600		415,100	415,100	116,600	116,600
Cash Fund	4000045	54,402	54,000		54,000	54,000	54,000	54,000
Total Funding		715,211	767,600		469,100	469,100	170,600	170,600
Excess Appropriation/(Funding)		(713,600)	(415,100)		(116,600)	(116,600)	181,900	181,900
Grand Total		1,611	352,500		352,500	352,500	352,500	352,500

Expenditure of appropriation is contingent upon available funding.