

Narrative Information for Biennial Agencies—DA 400

Division of the Budget

Agency 543

State of Kansas

Program 01030

September 15, 2024

Mr. Adam Proffitt, Director of the Budget
Room 504 North
Landon State Office Building
900 SW Jackson
Topeka, KS 66603

Re: Agency 543 Budget Submission

Dear Director:

As Executive Director of the Kansas Real Estate Appraisal Board, I hereby submit for your consideration the Fiscal Years 2025, 2026 and 2027 budget documents for this agency. It has been prepared in accordance with the instructions transmitted with your letters and emails. To the best of my knowledge the information and explanations included in this budget request are complete and accurate.

If you have any questions, please feel free to contact me.

Sincerely,

Sally Pritchett
Executive Director

cc: Legislative Research

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Agency Mission

The mission of the Kansas Real Estate Appraisal Board is to protect consumers of real estate services provided by its licensees by assuring that the licensees are sufficiently trained and tested to assure competency and independent judgment. In addition, the Board will protect the public interest by enforcing both Federal and State Law to assure that its licensees act in accordance with professional standards and ethics. These responsibilities will be accomplished through a variety of efforts including testing of potential licensees, pre-license and continuing education requirements, investigation of complaints and disciplinary action taken against licensees as warranted.

Legislation was passed in the 2012 session for the Board to begin registering Appraisal Management Companies (AMC) on October 1, 2012.

Agency Philosophy

The Board will carryout its statutory duties in a timely and efficient manner. This will be accomplished by maintaining the highest degree of professionalism, integrity, trustworthiness, responsibility, and accountability, to assure the citizens of Kansas, the Banking Industry, Appraisers, and other users of the Appraisal Industry of fair and impartial treatment in the Boards implementation of the Kansas State Certified and Licensed Real Property Appraisers Act and the Kansas Appraisal Management Company Registration Act.

Programs Established to Assist with the Agency Mission:

Administration and regulation of appraisers include the following operations:

- Issue new license/certifications to qualified applicants.
- Issue temporary practice permits.
- Renew licenses and certificates.
- Investigating complaints, holding hearings, taking disciplinary action as appropriate.
- Reviewing and approving/denying educational courses for both continuing education and pre-licensing.
- Responding to requests from the public, banks, appraisers, attorneys, and other state agencies.
- Keeping the Kansas Real Property Appraisers Act and Rules and Regulations in Compliance with the Appraisal Subcommittees Requirements.
- Register Appraisal Management Companies.
- Renewal Registrations for Appraisal Management Companies.
- Investigate complaints against Appraisal Management Companies, hold hearings, taking disciplinary actions as appropriate.

Statutory History:

The Kansas State Certified and Licensed Real Property Appraisers Act became effective on April 19, 1990. The act established the Kansas Real Estate Appraisal Board and provided for the licensure and certification of real estate appraisers. Under K.S.A. 58-4121, the act requires all state certified and licensed appraisers to comply with the Uniform Standards of Professional Appraisal Practice promulgated pursuant to federal law.

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The 1993 legislature amended the act to separate the Appraisal Board from the Real Estate Commission on October 1, 1993. This created the establishment of an independent agency.

Legislation was passed in 2008 to require anyone performing appraisals for real estate-related financial transactions be licensed or certified with the Board with certain exceptions as set out in the Act.

The Appraisal Subcommittee (ASC) of the Federal Financial Institutions Examination Council (FFIEC) was created on August 9, 1989, pursuant to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. Title XI's purpose is to provide that federal financial and public policy interests in real estate transactions will be protected by requiring the real estate appraisal utilized in connection with federally related transactions are performed in writing, in accordance with uniform standards, by individuals whose competency has been demonstrated and whose professional conduct will be subject to effective supervision. In general, the ASC oversees the real estate appraisal process as it relates to federally related transactions, as defined in section 1121(4) of Title XI. The ASC is an FFIEC subcommittee. The FFIEC was established pursuant to Title X of the Financial Institutions Regulatory and Interest Rate Control Act of 1978 to create an interagency body empowered to prescribe uniform principles for the Federal examination of regulated financial institutions.

Legislation was passed in 2012 to require Appraisal Management Companies working in Kansas to be registered with the Board effective October 1, 2012. This change was made to comply with enacted Dodd Frank requirements.

The ASC has six members, each designated respectively by the heads of the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the Office of Thrift Supervision (OTS), and the National Credit Union Administration (NCUA), collectively, the Federal financial institutions regulatory agencies, and the U.S. Department of Housing and Urban Development (HUD).

Section 1103 of Title XI sets out the ASC's general responsibilities:

- Monitor the requirements established by States, territories, and the District of Columbia (States) and their appraiser regulatory agencies for the certification and licensing of appraisers every two years. The ASC reviews each State's compliance with the requirements of Title XI and is authorized by Title XI to take action against non-complying states.
- Monitor the requirements established by the states regarding appraisal standards for federally related transactions and determines which federally related transactions will require the services of State Licensed or State certified appraisers.
- Maintain a national registry of State licensed and certified appraisers (Registry) who may perform appraisals in connection with federally related transactions.
- Monitor and review the practices, procedures, activities, and organizational structure of the Appraisal Foundation (Foundation); and
- Transmit an annual report to Congress regarding the activities of the ASC during the preceding year.

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During FY-2025 the ASC will again audit the Kansas Real Estate Appraisal Board on enforcement procedures and the procedures for processing appraisal related complaints within a one-year time frame. The audit will also review the Board's requirements for licensure, national examinations, education approved, and other areas required by the agency to be compliance with Title XI. In three out of four of the previous reviews the Board received ratings of excellent as far as complying with the ASC requirements. The ASC did their first compliance audit on the Appraisal Management Company program in 2019 and the Board received an excellent on that review.

In FY-2023 the Board increased the renewal fee for appraisers to \$200 and the renewal fee for AMCs to \$1,100.

Operations Program 2732

Goals

1. Maintaining and/or processing any changes to statutes or regulations to ensure that the Kansas appraisal program complies with Appraisal Subcommittee (ASC) requirements.
2. Continue to work diligently to get complaints processed in the one-year timeframe mandated by the ASC.
3. Completing the transition to new data base and work with Appraisers, AMCs, and Education Providers to assist them with using it.
4. Continue to maintain excellent reviews conducted by the ASC.

Goal 1

The ASC was given the responsibility of setting out guidelines for incorporation of all changes and amend Title XI as needed. This agency must monitor and be aware of any changes to ASC policy statements and work closely with the ASC to make appropriate changes. The Board will work diligently to comply with all Federal requirements to ensure the KREAB is in compliance with the minimum standard.

Objectives

Communicate with Policy Managers and other staff of the ASC to fully understand and make changes to the program when needed. The Board will work with members of the Association of Appraisal Regulatory Officials (AARO) to keep informed of changes and the impact these changes may have to the state's licensure act.

Strategies for Objectives

1. This will be accomplished by attending AARO conferences and interaction with other state's appraiser regulatory agencies to fully understand and implement all necessary changes.
2. This will be accomplished by reviewing and responding to all exposure drafts and policy statements when changes are made by the ASC and The Appraisal Foundation.

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Outcome

Fall of 2024: Receive an Excellent Review after program compliance review conducted by ASC Policy Managers.

Output

FY-2025 - The Board will continue monitoring both the ASC and Appraisal Foundation in getting guidelines in place for changes that will need to be made to Title XI and determining exactly how these changes will impact the states.

FY-2026 - The Board will continue monitoring both the ASC and Appraisal Foundation in getting guidelines in place for changes that will need to be made to Title XI and determining exactly how these changes will impact the states.

FY-20275 - The Board will continue monitoring both the ASC and Appraisal Foundation in getting guidelines in place for changes that will need to be made to Title XI and determining exactly how these changes will impact the states.

Goal 2

Continue to be sure the Board is processing, investigating, and closing complaints in the one-year time frame set out by the ASC.

Objectives

Continue to work with both the Attorney General's office and contracted attorneys to expedite the settlement of complaints.

Strategies

Hold Investigative Committee meetings by conference call as necessary. Once it is determined that a complaint will only settle by hearing, immediately begin the process of getting the Petition or Summary Order filed and the matter set for hearing.

Outcome and Output

	FY 2022	FY 2023	FY 2024	FY 2025	FY-2026	FY-2027
Complaints Received	19	27	9	12	16	16
Settled in 3-6 months	6	9	3	1	2	2
Settled in 6-9 months	10	13		8	9	9
Settled in 9-12 months	3	4		3	5	5
Longer than 1 year	0	1		0	0	0

This would include all complaints received. Adjudicated by dismissal, no jurisdiction, probable cause letters, consent orders, warning letters, hearings.

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Goal 3

Work to get new database finished and implemented. This would eliminate the need for sending hard copies of renewal letter to Appraisers, Appraisal Management Companies and Education Providers. It will also allow us to send new licenses, certificates, temporary practice, etc. through emails rather than mailing.

Objectives

We will work with entities to assist them in updating their own records and change their own address, print duplicate licenses/registration etc. This would be very beneficial to staff and licensees.

Strategies for Objectives

Continue to work with database provider and developers to update information being stored in Database.
Reviewing letters and other information necessary to email to Licensees/AMC's and Education Providers.

Outcome and Output

	FY 22	FY 23	FY 24	FY-25	FY-26	FY-27
Number of Appraiser Renewals emailed:	1063	1080	1080	1080	1080	1080
Number of AMC Renewals emailed:	116	116	114	110	110	110
Number of Education Renewals Mailed Out:	25	25	25	25	25	25

Approximate Cost to Mail

Appraiser Renewals	\$530	\$530	\$0	\$0	\$0	\$0
AMC Renewals	\$116	\$116	\$0	\$0	\$0	\$0
Education Renewal	\$25	\$25	\$25	\$25	\$25	\$25

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OVERVIEW OF AGENCY BUDGET REQUEST

FY-2024. \$366,264, this is a Budget request at current service level with increases outlined by the cost indices provided by the Division of the Budget.

FY-2025. \$371,842, this is a Budget request at current service level with an increase in the change package for salary adjustment.

EXPENDITURE JUSTIFICATION BY INDEX

2732 – Appraiser Fee Fund

OBJECT CODE 100 SALARIES AND WAGES

This agency has 2 FTE positions, including the Executive Director and Public Service Executive.

FY-2025 \$220,743. This represents the amount needed to maintain the existing staff salary and benefit package with increases as instructed by the Division of Budget cost indices.

FY-2026 \$268,801. This represents the amount needed to maintain the existing staff salary and benefit package with increases as instructed by the Division of Budget cost indices. Enhancement this goes up in 2026 due to executive director retiring, and additional \$50,000 was added so time can be spent training

FY-2027 \$227,703. This represents the amount needed to maintain the existing staff salary and benefit package with increases as instructed by the Division of Budget cost indices.

OBJECT CODE 200-290 CONTRACTUAL SERVICES

The agency's major expenditures in the contractual services category are communications, rent, travel and professional fees.

DATABASE

Communications includes central mail, voice mail, internet access/e-mail, conference call.

FY-2025. \$15,000.

FY-2026. \$1,5000.

FY-2027. \$15,000

RENTS

FY-2025: \$19,054. This amount represents the actual annual cost of the copier rental, office space rental and escalator fee. I have also increased actuals as instructed by cost indices.

FY-2026: \$21,000. This amount represents the actual annual cost of the copier rental, office space rental and escalator fee. I have also increased actuals as instructed by cost indices.

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FY-2027: \$21,800. This amount represents the actual annual cost of the copier rental, office space rental and escalator fee. I have also increased actuals as instructed by cost indices.

PROFESSIONAL FEES

FY-2025 \$94,342. This amount represents actual fees paid for contracted reviewers, quality assurance consultant, contracted attorneys, and court reporter services.

FY-2026 \$100,000. This amount represents actual fees paid for contracted reviewers, quality assurance consultant, contracted attorneys, and court reporter services.

FY-2027 \$99,000. This amount represents actual fees paid for contracted reviewers, quality assurance consultant, contracted attorneys, and court reporter services

Would like authority to again transfer up to \$20,000 at end of FY if we have to the special litigation fund.

OBJECT CODE 300-390 COMMODITIES

The agency has expenditures in this category for supplies related to the operation of the agency.

COMMODITIES

FY-2025. \$7,500. This amount reflects that of the current year with increases as provided by cost indices.

FY-2026. \$7,900. This amount reflects that of the current year with increases as provided by cost indices.

FY-2027. \$8,300This amount reflects that of the current year with increases as provided by cost indices.