Individual State Agency Fiscal Note

Bill Number: 1797 E HB	Title: Real estate appraisers/eval.	Agency: 240-Department of Licensing

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

ACCOUNT	FY 2024	FY 2025	2023-25	2025-27	2027-29
Real Estate Commission Account-State 026-1	231,000	77,000	308,000		
Total $	231,000	77,000	308,000		

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.0	0.5	0.8	0.0	0.0
Account					
Real Estate Commission Account-State 026-1	231,000	77,000	308,000	0	0
Total $	231,000	77,000	308,000	0	0

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☒ Requires new rule making, complete Part V.

Legislative Contact:	Clinton McCarthy	Phone: 360-786-7319	Date: 03/01/2023
Agency Preparation:	Gina Rogers	Phone: 360-634-5036	Date: 03/08/2023
Agency Approval:	Gerrit Eades	Phone: (360)902-3863	Date: 03/08/2023
OFM Review:	Kyle Siefering	Phone: (360) 995-3825	Date: 03/08/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Please see attached fiscal note.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

Please see attached fiscal note.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Please see attached fiscal note.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
026-1	Real Estate Commission Account	State	231,000	77,000	308,000	0	0
		Total $	231,000	77,000	308,000	0	0

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.0	0.5	0.8		
A-Salaries and Wages	83,000	41,000	124,000		
B-Employee Benefits	29,000	14,000	43,000		
C-Professional Service Contracts					
E-Goods and Other Services	119,000	22,000	141,000		
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	231,000	77,000	308,000	0	0

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Management Analyst 4	82,896	1.0	0.5	0.8		
Total FTEs		1.0	0.5	0.8		0.0

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

See attached fiscal note

Individual State Agency Fiscal Note

Agency 240 – Department of Licensing

Bill Number: EHB 1797 Bill Title: Concerning residential real estate appraisers being allowed to complete real property evaluations

Part 1: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts:

Revenue	Fund	FY 24	FY 25	23-25 Total	25-27 Total	27-29 Total
Real Estate Commission	026	231,000	77,000	308,000	-	-
Account Totals		**231,000**	**77,000**	**308,000**	**-**	**-**

Estimated Expenditures:

		FY 24	FY 25	23-25 Total	25-27 Total	27-29 Total
FTE Staff Years		1.0	0.5	0.8	-	-
Operating Expenditures	**Fund**	**FY 24**	**FY 25**	**23-25 Total**	**25-27 Total**	**27-29 Total**
Real Estate Commission	026	231,000	77,000	308,000	-	-
Account Totals		**231,000**	**77,000**	**308,000**	**-**	**-**

The revenue and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions.

☐ If the fiscal impact is **less than $50,000** per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☒ If fiscal impact is **greater than $50,000** per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ Capital budget impact, complete Part IV.

☒ Requires new rule making, complete Part V.

Legislative Contact: Clinton McCarthy	Phone: (360) 786-7319	Date:
Agency Preparation: Gina Rogers	Phone: (360) 634-5036	Date: 3-6-2023
Agency Approval: Gerrit Eades	Phone: (360) 902-3931	Date:

Request #	1
Bill #	1971 EHB

Part 2 – Explanation

This bill allows appraisers to conduct real property evaluations and sets new education requirements.

2.A – Brief Description Of What The Measure Does That Has Fiscal Impact

Sec. 1 – Adds a new section to chapter 18.140 RCW

- Allows state-licensed or certified appraiser to perform evaluations for financial institutions
  - These are not considered appraisal activity when a disclaimer is included
  - These are not subject to DOL or Appraiser Commission regulation
  - Appraisers may choose to comply with USPAP
- The disclaimer should include the following language:
  - "I am a state-licensed appraiser or a state-certified appraiser. This evaluation was not prepared in my capacity as a real estate appraiser and might not comply with the uniform standards of professional appraisal practice."
- "Evaluation" means an opinon of real property or real estate market value, provided to a financial institution that conforms with the interagency appraisal and evaluation guidelines adopted by the federal financial institution's regulatory agencies for use in real estate-related financial transactions that don't require an appraisal

Sec. 2 – Amends RCW 18.140.030

- (15) updates exceptions

Sec. 3 – Adds a new section to chapter 18.140 RCW

- Requires DOL to adopt the following rules:
  - Beginning 1/1/2024 require all initial applicants to complete a 7 hour qualifying course with an exam that includes valuation bias and fair housing laws and regulations as part of the core modules required for licensure
    - Applies to state-registered appraiser trainees, state-licensed real estate appraisers, state-certified residential real estate appraisers, and state-certified general real estate appraiser certifications
  - Before 1/1/2025 require all holders of an active or inactive certification, license, or registration to complete a 7-hour course (described above)
  - Beginning 1/1/2026 require all holders of an active or inactive certification, license, or registration to complete a 4-hour continued education course on the topics above

Sec. 4 – New Section

- Provides an effective date based on adoption of administrative rules by DOL
- Requires DOL to provide written notice of the effective date to affected parties and the legislature

Effective Date: This act takes effect upon the adoption of the administrative rules. A start date of July 1, 2023, is needed to prepare the requirements and complete rulemaking prior to the January 1, 2024, when applicants are required to have completed a seven-hour qualifying course that includes valuation bias and fair housing laws and regulations for licensure.

2.B - Cash receipts Impact

To implement this legislation, a one-time assessment would need to be added to licenses that are funded with dedicated funds, equal to the costs contained in the expenditure section of this fiscal note. The cost allocation model applied to current expenditures is used to establish the revenue breakdown. For efficiency purposes, the department will add inclusion of this one-time assessment per license, to a planned fee rulemaking process in the spring of 2024, with any fee proposed increases to go into effect in June 2024.

Revenue	Fund	FY 24	FY 25	23-25 Total	25-27 Total	27-29 Total
Real Estate Commission	026	231,000	77,000	308,000	-	-
Account Totals		**231,000**	**77,000**	**308,000**	**-**	**-**

2.C – Expenditures

1 Management Analyst 4 (MA4) to coordinate and conduct rulemaking to implement new changes; support stakeholder outreach; and assist with process and policy development (18-month project starting July 1, 2023.)

DOL estimates printing and mailing costs to send written notices= $3500

Information Services:

The agency will use appropriated funds to hire contract programmers to accomplish this work or to support current staff implementing this legislation within the required timeline. Appropriated funds may also be used to hire agency temporary staff to support permanent staff assigned to this legislative effort.

Any change requires a process to ensure changes are correctly applied to the system. This involves Project Managers that manage the team that completes the update, business analyst that documents and reviews the system changes, architect services that analyzes how the update could have an effect on other systems or DOL processes, developers who create the change, and testers and quality assurance teams that ensure the update is working correctly.

Cost Category	Description	Rate	2024	2025	2026	2027	2028	2029	Total Cost
TESTER	Test to verify individual components meet requirements; ensure that other business transactions have not been impacted.	$ 22,620	18,100	-	-	-	-	-	18,100
BUSINESS ANALYST	Determine business requirements; translate requirements into what changes are needed to various systems including account codes, inventory codes, testing considerations, etc.	$ 16,530	5,000	-	-	-	-	-	5,000
PROJECT MANAGER	Manage schedule and contracts	$ 28,710	5,700	-	-	-	-	-	5,700
SECURITY AND ARCHITECT SERVICES	Create the conceptual model that defines the structure, behavior and framework of a computerized system including a breakdown of the system into components, the component interactions and interfaces (including with the environment, especially the user), and the technologies and resources to be used in the design.	$ 16,530	3,300	-	-	-	-	-	3,300
Trainer	Trains business partners and employees in new system processes and capabilities.	$ 22,620	6,800	-	-	-	-	-	6,800
Project Contingency	Office of the Chief Information Officer designated rate of 10%	$ 25,474	3,900	-	-	-	-	-	3,900
Totals			**42,800**	**-**	**-**	**-**	**-**	**-**	**42,800**

What IS Will Implement:

- Update system to allow staff to approve valuation bias and fair housing law course curricula.
- Include new courses in standard notifications, letter templates, and reports.
- Modify Appraiser Course Search on the public portal to include valuation bias and fair housing law courses.
- Add ability for applicants and licensees to upload proof of course completion document.

Assumptions:

- No fees will be collected for Appraiser Course approval.
- DOL will not be approving Fair Housing appraiser course providers.
- Fair Housing Continuing Education will need to be included in any future state inactive renewal processes.
- Licensees will be required to provide completed courses at renewal.
- Fair Housing Courses must be approved and available at least four months prior to implementation date of January 1, 2024, to allow enough time for applicants to complete courses.
- IT work can begin prior to completion of rulemaking.

***Project Duration*:** 3 months

Support Services:

Agency Administrative Overhead is included at a rate of 23.4 percent of the direct program costs. This funding received covers agency-wide functions such as vendor payments, contract administration, financial management, mail processing, equipment management, help desk support, and technical assistance to DOL employees.

Part 3 – Expenditure Detail

3.A – Operating Budget Expenditures

Operating Expenditures	Fund	FY 24	FY 25	23-25 Total	25-27 Total	27-29 Total
Real Estate Commission	026	231,000	77,000	308,000	-	-
Account Totals		**231,000**	**77,000**	**308,000**	**-**	**-**

3.B – Expenditures by Object or Purpose

Object of Expenditure		FY 24	FY 25	23-25 Total	25-27 Total	27-29 Total
FTE Staff Years		1.0	0.5	0.8	0.0	0.0
Salaries and Wages		83,000	41,000	124,000	-	-
Employee Benefits		29,000	14,000	43,000	-	-
Goods and Services		119,000	22,000	141,000	-	-
Total By Object Type		**231,000**	**77,000**	**308,000**	**-**	**-**

3.C – FTE Detail

Staffing	Salary	FY 24	FY 25	23-25 Total	25-27 Total	27-29 Total
Management Analyst 4	82,896	1.0	0.5	0.8	0.0	0.0
Total FTE		**1.0**	**0.5**	**0.8**	**0.0**	**0.0**

Part 4 – Capital Budget Impact

None.

Part 5 – New Rule Making Required

Possible rule revisions:

- 308-125-025 Application process to register as a real estate appraiser trainee.
- 308-125-030 Examination prerequisite general classification.
- 308-125-040 Examination prerequisite state-certified residential classification.
- 308-125-045 Examination prerequisite state-licensed classification.
- 308-125-050 Educational courses—Preexamination.
- 308-125-075 Allowed credits for appraisal experience.
- 308-125-090 Continuing education required.
- 308-125-250 Inactive licenses.

To implement this legislation, a one-time assessment would need to be added to licenses that are funded with dedicated funds, equal to the costs contained in the expenditure section of this fiscal note. The cost allocation model applied to current expenditures is used to establish the revenue breakdown. For efficiency purposes, the department will add inclusion of this one-time assessment per license, to a planned fee rulemaking process in the spring of 2024, with any fee proposed increases to go into effect in June 2024.