Dave Heineman
Governor

STATE OF NEBRASKA

NEBRASKA REAL PROPERTY APPRAISER BOARD
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14 January 2009

Sen. Lavon Heidemann, Chairperson
Appropriations Committee
State Capitol Building
Lincoln, Nebraska 68509

Dear Senator Heidemann:

The following adjustments were made to the budget for Agency 53, the Nebraska Real Property Appraiser Board as a result of the special session of the One Hundred First Legislature to meet the challenging position as posed by current economic conditions. Although the burden of debt must be shared by all, the acquisition of cash funds paid by the appraiser community has been controversial at the least. There is a fund balance but that balance has been intentionally saved to plan for the drop in our level of receivables by the statutory elimination of a credential.

The following reductions were made to the budget of Agency 53:

09-10 Budget Appropriation reduction by 2.5% or	$ 7,168.00
10-11 Budget Appropriation reduction by 5% or	$ 14,559.00
Total reduction of appropriation	**$ 21,727.00**
09 Reappropriation Reduction (from carryover)	**$ 56,400.00**
Specific Fund Transfer (cash fund)	**$ 28,273.00**
Total funding taken from Agency 53:	**$106,400.00**

It is only evident that the amount taken from such a small agency is debilitating. As we implement these cuts, we are constantly reminded of our statutory obligations.

The Real Property Appraiser Board supports five (5) credentials. The "Registered" credential is not a federally recognized credential and cannot be used for federally-related transactions. The Appraiser Board, by statute, will eliminate the "Registered" credential by December 31, 2011. The "Registered" credentials issued until that date are active for three years or until December 31, 2014. The "Registered" credential occupied the second largest credentialing category but with the implementation of new federal criteria on January 1, 2008, every effort was made on the part of the Board, this office, and the appraisers, to upgrade each credential that qualified to a federally recognized credential. We processed hundreds of applicants as federal guidelines permitted an appraiser holding

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a valid credential to meet the experience and examination obligations to upgrade prior to the January 1, 2008 deadline and the new qualifying obligations.

Under the newly generated biennium budget projections, the Appropriations Committee granted a reduction in an earmark of legal fees from $55,000 to $25,000 which will free up appropriation that will be used for other budgetary items. The biggest reduction will come from other contractual services or the review process for applicants and enforcement. We cannot deny the rights of due process and will not be able to take funding from investigations but will most effectively spend the review fees as needed. The review fees from applicants have been increased and more funding has been generated but what we generate and what authority for spending is granted is not synonymous. A small adjustment was made to or legal related expenses. These are costs incurred by the cost of a hearing or the cost of a court reporter service. We cannot know what the projected costs will be but are an estimate from prior expenses history.

The funding to replace our computer system has been eliminated. Enough funding has been retained to purchase additional filing cabinets and a workstation. This agency will have to wait to replace its aging system as well as purchase and replace electronic equipment for meetings and teaching. A total of $7,000.00 was removed from funding for capital outlay, leaving only the $1,500.00 balance.

Although travel costs were reduced, it is imperative that the members of this Board attend the federal meeting to update requirements as well as discuss the future of the appraisal profession. The Real Property Appraiser Board is established as a result of congressional mandate. Title XI of FIRREA requires that the Nebraska Real Property Appraiser Board comply with provisions of the 1989 Congressional Act. The Congressional Act dictated the establishment of the Appraisal Subcommittee of the Federal Financial Institutions Examination Council (FFIEC) whose members are representative of the FDIC, Office of Thrift Supervision, Federal Reserve, and Comptroller of the Currency. Cuts have been made to send only three members of the Board to the annual meeting. The cuts include registration costs as well as the cost to travel and lodging to Washington, D.C. for a meeting usually consuming the Friday prior for the Appraisal Foundation meeting and the weekend as well as two working days dedicated to the regulatory meeting. This is an extremely valuable participation for Nebraska or any regulator of the appraisal profession.

The next biggest cuts were made to the publication and print expense. By statute, the Appraiser Board is obligated to post a copy of the current *Uniform Standards of Professional Appraisal Practice* (USPAP) to each individual who is a resident and who holds a valid credential. The cost for the 2010-11 USPAP was set at $30.00 each to post. The USPAP book was published each year until 2008. The Appraisal Foundation decided to publish alternate years and make the USPAP applicable for two years to assist in statutory as well as regulatory applications. The biennial USPAP will not be due until the

year 2012. We are obligated by statute to distribute the statutes and the rules and regulations. The Board recently adopted a procedure to distribute materials electronically to include the statutes and rules for a substantial savings.
Because it is impossible to use a crystal ball and predict the future, we have always depended on the carryover and encumbrances. The larger carryover amount is intentional because we can better predict in a secure manner without jeopardizing obligations. We scrimp and save and carryover and spend the last half of the biennium because now we have a better idea of where we stand in the financial arena and hold off ordering expensive items such as laser printer cartridges until we know there is enough funding to pay legal obligations; the cost of enforcement cases; or the oversight obligations of the federal regulators.

This is a two-person agency. The budget request had already been cut to the point where there was only enough funding to meet the obligations for support staff in an amount as dictated by union negotiation for a pay increase. I did not receive an increase in salary for 2009 to date.

This agency does not plan on increasing fees for services as they are almost maxed under the rules and regulations. We are a cash funded agency with statutory as well as legal obligations to the appraiser, the appraiser profession and to the public. We have to be able to meet our monthly obligations. We have not spent monies frivolously or without accountability.

In conclusion, this office will put forth every effort to make the adjustments necessary to continue the services to the appraiser community as well as to the public. We appreciate your concern in asking for an accounting of the budget adjustments.

Regards,

Katherine "Kitty" Policky
Executive Director