

**Form Number 500**

**Agency Adjustment Summary**

State of Nebraska - Administrative Services - Budget Division

	PAGE NUMBER
	CODE & DESCRIPTION
AGENCY	053 Real Property Appraiser Board

EXPENDITURE ACCOUNT	ADJUSTMENTS	
	2007-2008	2008-2009
Permanent F.T.E. Positions		
511100 Permanent Salaries - Wages		
511200 Temporary Salaries - Wages		
511600 Per Diem Payments		
511900 Supplemental (One-time payments)		
All Other Salaries		
<b>Sub-Total Salaries</b>	0	0
515100 Retirement Plans Expense		
515200 OASDI Expense		
515400 Life and Accident Insurance Expense		
515500 Health Insurance Expense		
All Other Personal Services		
<b>Sub-Total Benefits</b>	0	0
510000 Personal Services	0	0
520000 Operating Expenses		
554900 Contractual Services	51,500	
570000 Travel Expenses		
580000 Capital Outlay		
590000 Government Aid		
<b>Total Expense</b>	51,500	0
Means of Financing		
General Fund		
x Cash Fund	51,500	
Federal Fund		
Revolving Fund		
<b>Total Funding</b>	51,500	0

Note: In the blank lines under Operating Expenses, itemize individual line items that comprise a significant portion of the Total Operating Expenses.

# Program Adjustment Narrative

State of Nebraska – Administrative Services – Budget Division

		Page Number
	CODE	DESCRIPTION
AGENCY	53	Real Property Appraiser
PROGRAM	079	Appraiser Licensing
REQUEST	1	Contract Services

Provide the following information: A) Description of Request; B) Rationale for Request; C) Impact of Request; and, D) Statutory Change if Required.

**A. Description of Request:**

The request is to increase budgetary line item 554900 – Contractual Services. The contractual services line item essentially generates the payment to qualified USPAP reviewers to review the demonstration reports for each candidate for each credential under the guidelines of Standard 3. The individuals qualified for the review process are limited by their credentialing designation and knowledge of the applicable USPAP rules and standards. Submitting three demonstration reports with varying parameters is a requirement of the application process for each credential. The application process is subject to federal audit guidelines and will be a consideration for Nebraska’s next federal audit.

**B. Rationale for Request:**

The changes to the Nebraska Administrative Code Title 298 is subsequent to the authority of the Appraisal Standards Board (ASB) and the Appraiser Qualifications Board (AQB) to establish criteria for the state regulation and regulator of real property appraisal and comes through Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIERRA). Compliance with all requirements is mandatory for a state to continue to perform federally-related transactions in any state. Title XI created a symbiotic relationship between the States, the private sector, and the Federal government. Title XI recognized that the States were in the best administrative position to credential real property appraisers and to supervise and regulate their appraisal-related activities. Title XI authorizes the private sector, The Appraisal Foundation (and its two independent Boards, the Appraiser Qualifications Board and the Appraisal Standards Board) to establish uniform appraiser qualifications and uniform standards of professional appraisal practice. It also created the Appraisal Subcommittee (ASC) as the regulator means to oversee the activities of the State. Although The Appraisal Foundation is a non-profit educational organization dedicated to the advancement of professionalism in appraising, understanding the hierarchy of compliance is essential to understanding the requirements that have been imposed upon the State of Nebraska, the Real Property Appraiser Board and current and potential credentials. The Nebraska Real Property Appraiser Board has no alternative but to meet federal compliance. Effective July 2006, the revised Real Property Appraiser Act, Sections 76-2201 to 76-2250 were adopted and in effect. The proposed changes to the Rules and Regulations, Title 298, NAC were signed by the Governor and went into effect July 17, 2007. The adoption of the federally mandated changes for criteria brought this credentialing board into compliance with the 2008 Criteria. Essentially the adoption of the 2008 criteria nullifies all education prior to those pre-requisite offerings that meet the new Appraiser Qualifications Board criteria. It is understandable that a candidate who has invested both time and money for a number of years to complete the education requirements for each credential would be in a panic. Beginning January 1, 2008, each candidate will essentially start over on their investment in education and will meet the requirements as outlined in Chapter 5 of Title 298, NAC, Nebraska Rules and Regulations.

Probably one the greatest impact to the Real Estate Appraiser Act and this Board will be made by LB778 which eliminates the Registered credential by 2012 and adds the “Appraiser Trainee” category. The Real Property Appraiser Board credentials 274 Registered real property appraisers. The only alternative is to upgrade as there will be no Registered category beginning January 2012 and prior to January 1, 2008 to retain all completed pre-requisite education.

The Appraiser Qualifications Board developed two options for state appraiser regulators to implement the 2008 criteria changes:

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“Firm Date” Scenario: Any credential issued by a state appraiser regulatory body on or after January 1, 2008, must be in compliance with all components of the new AQB Real Property Appraiser Qualification criteria. Under this scenario, it would not matter when an applicant completed his or her education, examination, and experience; if the credential is issued by January 1, 2008.

“Segmented” Scenario: The requirements are broken down into three segments (or components): Education, Experience, and Examination. An applicant must meet the new Criteria in effect at the time she or he completed a particular component or segment. Any component completed prior to January 1, 2008, would satisfy the current Criteria, while any component not completed by January 1, 2008, would have to conform to the new criteria. The Nebraska Appraiser Board voted at the November 15, 2005 meeting of the Board: “ To rescind the October 15, 2005 decision to implement a “firm date” scenario and adopt the “segmented scenario” requiring all existing education and testing criteria to be met by December 31, 2007, with the experience component being extended to December 31, 2008. It will be the Board’s position that applicants will only be allowed to complete the existing examination once all current education criteria are met. If the education component is not met by December 31, 2007, the applicant will be held responsible for all new AQB criteria. It is further the intent of the Board that the segmented scenario be adopted in conjunction with the modifications made in the Nebraska Real Property Appraiser Act.”

Adoption of the “segmented scenario” essentially means that a potential candidate must meet two of the three requirements for credentialing prior to December 31, 2007. The education requirement for each credential, as currently established under the present criteria, must be met and a candidate must pass the appropriate examination prior to December 31, 2007. The third requirement of the credentialing process is submitting three demonstration reports with varying criteria depending on the credential for which a candidate is applying. The cost to this Board to initially review three demonstration reports for each credential is as follows: for a license candidate \$450 or \$150 for each single family report; for a certified residential candidate \$550 or \$150 for each single family report and \$250 for the 2-4 family report; for a certified general candidate \$900 or \$300 for each demonstration report.

The impact of the “segmented scenario” was something this office could not anticipate. Never could we have imagined that there would be over 200 applicants to move to a new credential considering at the present time there are only 536 credentials that would qualify to even consider an upgrade. Unfortunately, the impact has depleted our authority to spend under current appropriations.

The Nebraska Real Property Appraiser Board will share the cost of upgrading over 200 candidates by reviewing the single family reports during meetings and reviewing all other reports to determine if they are adequately completed and qualify for review. Adjustments will be made to the resubmission costs for each candidate under the Rules and Regulations, Title 298, NAC, Chapter 6. A spreadsheet of all candidates for each credential has been presented to the Budget Office. The request for additional funds is as follows on October 23, 2007:

- Certified General:

48 candidates with 23 required to submit reports to date

23 x \$900 = \$20,700

10 x \$900 = \$ 9,000 applicants process

- Certified Residential:

101 candidates with 29 required to submit reports to date

29 x \$550 = \$15,950

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10 x \$550 = \$ 5,500 – applicants process

●License:

24 candidates – Real Property Appraiser Board members perform appraisal report reviews

**Total Request of \$51,150.00 for category 554900**

C. Impact of Request:

Non-compliance with federal criteria would required Nebraska to downgrade the federally recognized credentials (License, Certified Residential and Certified General) to a non-certified level. Such appraisers would not be listed on the National Registry and would not be permitted to perform federally related transactions. Non-compliance would negatively impact all users of certified appraisers and such appraisers would not be permitted to conduct business in a professional and competitive manner in the states where reciprocity credentials are sought. Obviously Nebraska has no alternative but to meet the new federally mandated criteria to be implemented January 1, 2008. For specific criteria changes please refer to a copy of the adopted rules and regulations outlining the new 2008 criteria. A copy of Title 298, NAC, Nebraska Rules and Regulations can be found on our website @ [www.appraiser.ne.gov](http://www.appraiser.ne.gov). The banking and mortgage industry would find itself in particular need by halting lending for federally related transactions. There is no alternative to meeting the requirements of the federal guidelines. Without additional funding, the application and for that matter, enforcement process, will virtually come to a halt. We cannot displace the public trust in both the enforcement and administration of the appraiser licensing procedures.

D. Statutory Change if Required. No statutory change is required.

Thank-you for your time and consideration.

Sincerely,

Katherine “Kitty” Policky  
Director

**Form Number 520**

**Program Adjustment Request**

State of Nebraska - Administrative Services - Budget Division

PAGE NUMBER

CODE & DESCRIPTION

AGENCY	53 Real Property Appraiser Board
PROGRAM	79 Appraiser Licensing
REQUEST	1 Contract Services

EXPENDITURE ACCOUNT	APPROPRIATIONS		ADJUSTMENTS	
	2007-2008	2008-2009	2007-2008	2008-2009
Permanent F.T.E. Positions				
511100 Permanent Salaries - Wages	103,964	106,611		
511200 Temporary Salaries - Wages	2,000	2,000		
511600 Per Diem Payments	8,000	8,000		
511900 Supplemental (One-time payments)	0	0		
All Other Salaries	0	0		
<b>Sub-Total Salaries</b>	<b>113,964</b>	<b>116,611</b>	<b>0</b>	<b>0</b>
515100 Retirement Plans Expense	7,059	7,059		
515200 OASDI Expense	7,200	7,200		
515400 Life and Accident Insurance Expense	46	46		
515500 Health Insurance Expense	9,500	9,500		
All Other Personal Services	1,097	1,097		
<b>Sub-Total Benefits</b>	<b>24,902</b>	<b>24,902</b>	<b>0</b>	<b>0</b>
510000 Personal Services	138,866	141,513	0	0
520000 Operating Expenses	86,407	88,226		
554900 Contract Services	32,990	32,990	51,150	
570000 Travel Expenses	26,428	26,428		
580000 Capital Outlay	3,150	3,150		
590000 Government Aid	0	0		
<b>Total Expense</b>	<b>287,841</b>	<b>292,307</b>	<b>51,150</b>	<b>0</b>
Means of Financing				
General Fund				
Cash Fund	287,841	292,307	51,150	
Federal Fund				
Revolving Fund				
<b>Total Funding</b>	<b>287,841</b>	<b>292,307</b>	<b>51,150</b>	<b>0</b>

Note: In the blank lines under Operating Expenses, itemize individual line items that comprise a significant portion of the Total Operating Expenses.