

REAL ESTATE COMMISSION

	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Operating Expenditures:							
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	908,384	1,167,251	1,161,116	1,234,189	1,111,201	1,286,999	1,154,158
TOTAL	\$ 908,384	\$ 1,167,251	\$ 1,161,116	\$ 1,234,189	\$ 1,111,201	\$ 1,286,999	\$ 1,154,158
Capital Improvements:							
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	\$ 908,384	\$ 1,167,251	\$ 1,161,116	\$ 1,234,189	\$ 1,111,201	\$ 1,286,999	\$ 1,154,158

Percentage Change:

Operating Expenditures							
State General Fund	-- %	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	(11.6)	28.5	27.8	5.7	(4.3)	4.3	3.9
FTE Positions	9.2	9.0	9.0	9.0	9.0	9.0	9.0
Non-FTE							
Perm.Uncl.Pos.	3.8	4.0	4.0	4.0	3.0	4.0	3.0
TOTAL	13.0	13.0	13.0	13.0	12.0	13.0	12.0

AGENCY OVERVIEW

The Kansas Real Estate Commission (KREC) is composed of five members who are appointed by the Governor. Members are appointed to staggered four-year terms. One member is chosen from each of the state's four congressional districts and the fifth member is appointed from the state at-large. Kansas law requires that at least three members have experience as real estate brokers for a minimum of five years and at least one member shall never have been engaged in the real estate business. (KSA 74-4201)

The primary purpose of the KREC is to protect the public interest in the real estate marketplace through the regulation of real estate brokers and salespersons. These responsibilities are divided into three main categories.

Licensing. The Commission reviews all applications for real estate salespersons and brokers licensure, license renewal, and processes all requests for license cancellation and reinstatement.

MAJOR ISSUES FROM PRIOR YEARS

The **2004 Legislature** authorized the transfer of remaining balances over \$200,000 from selected biennial budget agency fee funds to the State General Fund in FY 2005. The amount certified by the Director of the Budget on April 19, 2004, for the Real Estate Commission was \$508,438.

The **2007 Legislature** approved an additional \$126,800 in FY 2008 and \$127,756 in FY 2009, all from the Real Estate Fee Fund, and 1.0 FTE position, to allow the Commission to perform national crime history record checks of all new real estate

Education. The Commission is responsible for tracking licensees' continuing education hours required for renewal.

Enforcement of Law. The Commission is also responsible for ensuring that real estate licensed activities comply with state regulations and statutes. The KREC examines the records maintained by real estate brokers and investigates complaints from the public.

In addition, the KREC administers the Real Estate Recovery Revolving Fund, which was created to reimburse persons who suffer monetary damages by reason of certain acts committed in connection with a real estate sales transaction by a licensed broker or salesperson, or by an unlicensed employee of a licensed broker. Damages awarded from the fund are treated as non-reportable expenditures and are not included in the data which follows. Attorney fees associated with defending the fund are reportable and are included in the data.

license applicants, including sending fingerprints to the Kansas Bureau of Investigation and the Federal Bureau of Investigation. The additional 1.0 FTE position allowed the Commission to hire an administrative assistant to process the national criminal history record check application and fees.

The **2009 Legislature** transferred \$200,000 from the Real Estate Recovery Revolving Fund to the Real Estate Fee Fund for the purpose of converting the Commission's licensing system to a Microsoft web-based system. Any excess funding

from the conversion amount returns to the Real Estate Recovery Revolving Fund.

The **2012 Legislature** added \$27,939, all from the Real Estate Fee Fund, to restore expenditures deleted in the Governor's recommendation for the Voluntary Retirement Incentive Program for FY 2013.

The **2013 Legislature** added \$76,885 in FY 2014 and \$87,226 for FY 2015 all from the Real Estate Fee Fund, to hold the agency's operating budget at the FY 2012 level.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency** estimates revised FY 2015 operating expenditures of \$1.2 million, all from special revenue funds, which is an increase of \$35,275, or 3.1 percent, above the amount approved by the 2014 Legislature. The increase is attributable to increased expenditures for background investigations and to increased professional services expenditures and computer equipment expenditures related to the replacement of the agency's electronic records management

FY 2015 Governor Recommendation

The **Governor** recommends FY 2015 operating expenditures of \$1.2 million, all from special revenue funds. The recommendation is a decrease of \$6,135, or 0.5 percent, below the agency estimate. The decrease is attributable to reduced

The **2014 Legislature** approved expenditures of \$27,500 in FY 2014 and \$77,500 for FY 2015, all from the Real Estate Recovery Revolving Fund, for the purpose of replacing the Commission's electronic records management system.

The **2014 Legislature** added \$2,718, all from the Real Estate Fee Fund, for FY 2015 for employee bonuses of \$250 for all full-time employees, except elected officials, who were employed on December 6, 2013.

The 2014 Legislature approved \$27,500 in FY 2014 and \$77,500 for FY 2015, all from the Real Estate Recovery Revolving Fund, to replace the agency's electronic records management system. The agency did not expend any funds for this purpose in FY 2014 and has shifted \$22,500 of those funds to FY 2015. The agency requests funding for 9.0 FTE positions, which is the same number approved by the 2014 Legislature.

KPERS employer contributions included in the Governor's allotment plan. The Governor concurs with the agency's estimate of 9.0 FTE positions for FY 2015.

FY 2016 Agency Request

The **agency** requests FY 2016 operating expenditures of \$1.2 million, all from special revenue funds, which is an increase of \$66,938, or 5.7 percent, above the FY 2015 revised estimate. The increase is primarily attributable to increases in building rent (\$7,500), professional fees for consulting, litigation, and programming services (\$21,000), the monumental building surcharge and programming services provided by OITS (\$9,700), and an enhancement request of \$116,351, all from the Real Estate Fee Fund and linked to a proposed \$25 fee increase, for an in-house counsel position and travel-related expenditures, which are partially offset by reductions in

information technology consulting expenditures (\$32,500) and computer equipment expenditures (\$67,500) that were requested in FY 2015 to replace the agency's electronic records management system. The request includes funding for 9.0 FTE positions, which is the same number included in the agency's FY 2015 revised estimate.

Absent the enhancement, the agency requests FY 2016 operating expenditures of \$1.1 million, all from special revenue funds, which is a decrease of \$49,413, or 4.2 percent, below the FY 2015 revised estimate.

FY 2016 Governor Recommendation

The **Governor** recommends FY 2016 operating expenditures of \$1.1 million, all from special revenue funds. The recommendation is a decrease of \$122,988, or 10.0 percent, below the agency's FY 2016 request. The decrease is attributable to the Governor not recommending the agency's enhancement request of \$116,351 linked to a proposed \$25 fee increase, as well as recommending a reduction of \$6,637 to reduce employer contributions for state employee health insurance. The Governor concurs with the agency's request for 9.0 FTE positions for FY 2016.

The Governor also recommends increasing the amount withheld from the agency's fee fund revenue from 10.0 percent or \$100,000, whichever is less, to 20.0 percent or \$200,000, whichever is less, and deposited in the State General Fund to reimburse the State for administrative services described under KSA 75-3170a. For this agency, that amount is estimated at \$100,000 for FY 2016.

FY 2017 Agency Request

The **agency** requests FY 2017 operating expenditures of \$1.3 million, all from special revenue funds, which is an increase of \$52,810, or 4.3 percent, above the FY 2016 request. The increase is primarily attributable to an additional (27th) payroll period in FY 2017 and increases in KPERS employer contributions, travel expenditures, building rent, and the

monumental building surcharge. The request includes funding for 9.0 FTE positions, which is the same number included in the agency's FY 2016 request.

The request includes an enhancement of \$126,071, all from the Real Estate Fee Fund, linked to a proposed \$25 fee

increase. The enhancement includes \$93,436 to fund an in-house counsel position and \$32,635 for travel expenditures related to training and to resuming on-site brokerage audits.

FY 2017 Governor Recommendation

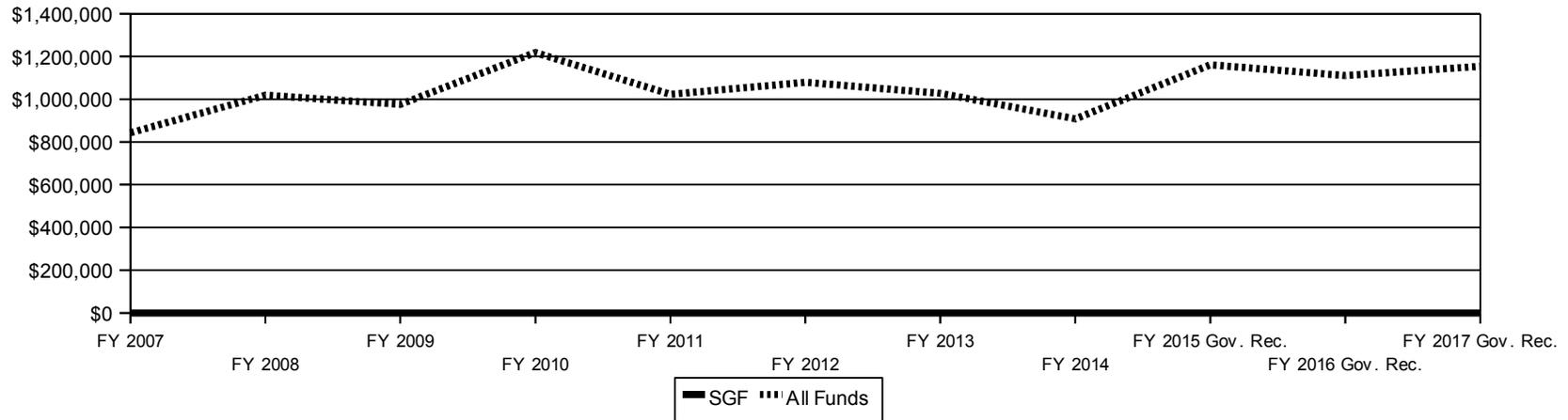
The **Governor** recommends FY 2017 operating expenditures of \$1.2 million, all from special revenue funds. The recommendation is a decrease of \$132,841, or 10.3 percent, below the agency's FY 2017 request. The decrease is attributable to the Governor not recommending the agency's enhancement request of \$126,071 linked to a proposed \$25 fee increase, as well as recommending a reduction of \$6,770 to reduce employer contributions for state employee health insurance. The Governor concurs with the agency's request for 9.0 FTE positions for FY 2017.

Absent the enhancement, the agency requests FY 2017 operating expenditures of \$1.2 million, all from special revenue funds, which is an increase of \$43,090, or 3.9 percent, above the FY 2016 request less enhancements.

The Governor also recommends increasing the amount withheld from the agency's fee fund revenue from 10.0 percent or \$100,000, whichever is less, to 20.0 percent or \$200,000, whichever is less, and deposited in the State General Fund to reimburse the State for administrative services described under KSA 75-3170a. For this agency, that amount is estimated at \$100,000 for FY 2017.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2007 – FY 2017



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	\$ 0	-- %	\$ 843,273	0.5%	14.0
2008	0	--	1,018,701	20.8	15.0
2009	0	--	976,178	(4.2)	15.0
2010	0	--	1,218,489	24.8	15.0
2011	0	--	1,023,114	(16.0)	15.0
2012	0	--	1,079,230	5.5	13.0
2013	0	--	1,027,623	(4.8)	11.0
2014	0	--	908,384	(11.6)	9.2
2015 Gov. Rec.	0	--	1,161,116	27.8	9.0
2016 Gov. Rec.	0	--	1,111,201	(4.3)	9.0
2017 Gov. Rec.	0	--	1,154,158	3.9	9.0
Eleven-Year Change	\$ 0	-- %	\$ 310,885	36.9 %	(5.0)

Summary of Operating Budget FY 2014 - FY 2016

	Actual 2014	Agency Estimate				Governor's Recommendation			
		Estimate FY 2015	Request FY 2016	Dollar Change from FY 15	Percent Change from FY 15	Rec. FY 2015	Rec. FY 2016	Dollar Change from FY 15	Percent Change from FY 15
By Program:									
Administration	\$ 908,384	\$ 1,167,251	\$ 1,234,189	\$ 66,938	5.7 %	\$ 1,161,116	\$ 1,111,201	\$ (49,915)	(4.3)%
By Major Object of Expenditure:									
Salaries and Wages	\$ 630,216	\$ 655,356	\$ 744,329	\$ 88,973	13.6 %	\$ 649,221	\$ 648,331	\$ (890)	(0.1)%
Contractual Services	252,371	407,770	448,810	41,040	10.1	407,770	424,220	16,450	4.0
Commodities	7,645	10,625	16,050	5,425	51.1	10,625	13,650	3,025	28.5
Capital Outlay	18,152	93,500	25,000	(68,500)	(73.3)	93,500	25,000	(68,500)	(73.3)
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	\$ 908,384	\$ 1,167,251	\$ 1,234,189	\$ 66,938	5.7 %	\$ 1,161,116	\$ 1,111,201	\$ (49,915)	(4.3)%
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	0	--	0	0	0	--
TOTAL	\$ 908,384	\$ 1,167,251	\$ 1,234,189	\$ 66,938	5.7 %	\$ 1,161,116	\$ 1,111,201	\$ (49,915)	(4.3)%
Financing:									
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	-- %	\$ 0	\$ 0	\$ 0	-- %
Real Estate Fee Fund	822,501	972,851	1,134,989	162,138	16.7	966,716	1,012,001	45,285	4.7
Background Investigation Fee Fund	85,883	94,400	99,200	4,800	5.1	94,400	99,200	4,800	5.1
Real Estate Recovery Fund	0	100,000	0	(100,000)	(100.0)	100,000	0	(100,000)	(100.0)
TOTAL	\$ 908,384	\$ 1,167,251	\$ 1,234,189	\$ 66,938	5.7 %	\$ 1,161,116	\$ 1,111,201	\$ (49,915)	(4.3)%

Summary of Operating Budget FY 2016 - FY 2017

	Agency Estimate				Governor 's Recommendation			
	Request FY 2016	Request FY 2017	Dollar Change from FY 16	Percent Change from FY 16	Rec. FY 2016	Rec. FY 2017	Dollar Change from FY 16	Percent Change from FY 16
By Program:								
Administration	\$ 1,234,189	\$ 1,286,999	\$ 52,810	4.3 %	\$ 1,111,201	\$ 1,154,158	\$ 42,957	3.9 %
By Major Object of Expenditure:								
Salaries and Wages	\$ 744,329	\$ 778,219	\$ 33,890	4.6 %	\$ 648,331	\$ 678,013	\$ 29,682	4.6 %
Contractual Services	448,810	466,930	18,120	4.0	424,220	436,945	12,725	3.0
Commodities	16,050	16,850	800	5.0	13,650	14,200	550	4.0
Capital Outlay	25,000	25,000	0	0.0	25,000	25,000	0	0.0
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	\$ 1,234,189	\$ 1,286,999	\$ 52,810	4.3 %	\$ 1,111,201	\$ 1,154,158	\$ 42,957	3.9 %
Aid to Local Units	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	--	0	0	0	--
TOTAL	\$ 1,234,189	\$ 1,286,999	\$ 52,810	4.3 %	\$ 1,111,201	\$ 1,154,158	\$ 42,957	3.9 %
Financing:								
State General Fund	\$ 0	\$ 0	\$ 0	-- %	\$ 0	\$ 0	\$ 0	-- %
Real Estate Fee Fund	1,134,989	1,184,599	49,610	4.4	1,012,001	1,051,758	39,757	3.9
Background Investigation Fee Fund	99,200	102,400	3,200	3.2	99,200	102,400	3,200	3.2
Real Estate Recovery Fund	0	0	0	--	0	0	0	--
TOTAL	\$ 1,234,189	\$ 1,286,999	\$ 52,810	4.3 %	\$ 1,111,201	\$ 1,154,158	\$ 42,957	3.9 %

BUDGET OVERVIEW

A. FY 2015 – Current Year

Adjustments to Approved State General Fund Budget

The agency receives no funding from the State General Fund.

	CHANGE FROM APPROVED BUDGET				
	Legislative Approved FY 2015	Agency Estimate FY 2015	Agency Change from Approved	Governor Rec. FY 2015	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	1,131,976	1,167,251	35,275	1,161,116	29,140
TOTAL	\$ 1,131,976	\$ 1,167,251	\$ 35,275	\$ 1,161,116	\$ 29,140
FTE Positions	9.0	9.0	0.0	9.0	0.0

The **agency** estimates revised FY 2015 operating expenditures of \$1.2 million, all from special revenue funds, which is an increase of \$35,275, or 3.1 percent, above the amount approved by the 2014 Legislature. The increase is attributable to increased expenditures for background investigations and to increased professional services expenditures and computer equipment expenditures related to the replacement of the agency's electronic records management system. The 2014 Legislature approved \$27,500 in FY 2014 and \$77,500 for FY 2015, all from the Real Estate Recovery Revolving Fund, to replace the agency's electronic records management system. The agency did not expend any funds for this purpose in FY 2014 and has shifted \$22,500 of those funds

to FY 2015. The agency requests funding for 9.0 FTE positions, which is the same number approved by the 2014 Legislature.

The **Governor** recommends FY 2015 operating expenditures of \$1.2 million, all from special revenue funds. The recommendation is a decrease of \$6,135, or 0.1 percent, below the agency estimate. The decrease is attributable to a reduction of \$6,135 as a result of the Governor's allotment reducing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 11.27 percent to 8.65 percent in FY 2015. The Governor concurs with the agency's estimate of 9.0 FTE positions for FY 2015.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY			
	Agency Request	Governor 's Recommendation	Difference
Total Request/Recommendation	\$ 1,234,189	\$ 1,111,201	\$ (122,988)
FTE Positions	9.0	9.0	0.0
Change from FY 2015:			
<i>Dollar Change:</i>			
State General Fund	\$ 0	\$ 0	
All Other Funds	66,938	(49,915)	
TOTAL	<u>\$ 66,938</u>	<u>\$ (49,915)</u>	
<i>Percent Change:</i>			
State General Fund	-- %	0.0 %	
All Other Funds	5.7	(4.3)	
TOTAL	<u>5.7 %</u>	<u>(4.3) %</u>	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2016 operating expenditures of \$1.2 million, all from special revenue funds, which is an increase of \$66,938, or 5.7 percent, above the FY 2015 revised estimate. The request includes an enhancement of \$116,351, all from the Real Estate Fee Fund, to fund an in-house counsel position and travel-related expenditures. The request includes funding for 9.0 FTE positions, which is the same number included in the agency's FY 2015 revised estimate.

Absent the enhancement, the agency requests FY 2016 operating expenditures of \$1.1 million, all from special revenue funds, which is a decrease of \$49,413, or 4.2 percent, below the FY 2015 revised estimate.

The agency request includes the following items.

- **Salaries and wages** expenditures of \$744,329, which is an increase of \$88,973, or 13.6 percent, above the FY 2015 revised estimate. The increase is due to an enhancement request of \$89,361 to fund an in-house counsel position, which includes 1.0 non-FTE unclassified permanent position. **Absent the enhancement**, the agency requests \$654,968 for salaries and wages. The request is a decrease of \$388, or 0.1 percent, below the FY 2015 revised estimate.
- **Contractual services** expenditures of \$448,810, which is an increase of \$41,040, or 10.1 percent, above the FY 2015 revised estimate. The increase is primarily due to an enhancement request of \$24,590 for travel expenditures related to training and on-site brokerage audits, as well as increases in building rent (\$7,500), the monumental building surcharge and programming services provided by OITS (\$9,700), and professional fees for consulting, litigation, and programming services (\$21,000). The increases are partially offset by a \$32,500 decrease in information systems consulting related to the replacement of the agency's electronic records management system in FY 2015. **Absent the enhancement**, the agency requests \$424,220 for contractual services. The request is an increase of \$16,450, or 4.0 percent, above the FY 2015 revised estimate.
- **Commodities** expenditures of \$16,050, which is an increase of \$5,425, or 51.1 percent, above the FY 2015 revised estimate. The increase is due to

an enhancement request of \$2,400 for gasoline expenditures related to on-site brokerage audits, as well as increases in supplies (\$3,025). **Absent the enhancement**, the agency requests \$13,650 for commodities. The request is an increase of \$3,025, or 28.5 percent, above the FY 2015 revised estimate.

- **Capital outlay** expenditures of \$25,000, which is a decrease of \$68,500, or 73.3 percent, below the FY 2015 revised estimate. The decrease is due to a reduction in computer equipment expenditures, which were requested in FY 2015 to replace the agency's electronic records management system.

The **Governor** recommends FY 2016 operating expenditures of \$1.1 million, all from special revenue funds. The recommendation is a decrease of \$122,988, or 10.0 percent, below the agency's FY 2016 request. The decrease is attributable to the Governor not recommending the agency's enhancement request of \$116,351 linked to a proposed \$25 fee increase, as well as recommending a reduction of \$6,637 to reduce employer contributions for state employee health insurance. The Governor concurs with the agency's request for 9.0 FTE positions for FY 2016.

The Governor also recommends increasing the amount withheld from the agency's fee fund revenue from 10.0 percent or \$100,000, whichever is less, to 20.0 percent or \$200,000, whichever is less, and deposited in the State General Fund to reimburse the State for administrative services described under KSA 75-3170a. For this agency, that amount is estimated at \$100,000 for FY 2016.

Enhancements Detail

Enhancements	FY 2016 ENHANCEMENTS					
	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
In-house counsel position and travel-related expenditures	\$ 0	\$ 116,351	0.0	\$ 0	\$ 0	0.0

The **agency** requests an enhancement of \$116,351, all from the Real Estate Fee Fund, for FY 2016. The enhancement request includes \$89,361 to fund an in-house counsel position, which includes 1.0 non-FTE unclassified permanent position, and \$26,990 for travel expenditures related to training and to resuming on-site brokerage audits. The agency states that significant legal order backlogs may occur if the in-house counsel position is not filled.

The agency has linked the enhancement request to a regulatory fee increase of \$25, including an overall statutory increase of \$50, for original and renewal licenses for brokers and salespersons. This would raise the current two-year broker's license fee from \$150 to \$175 and the current two-year salesperson's fee from \$125 to \$150.

The **Governor** does not recommend funding the agency's enhancement request.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY			
	Agency Request	Governor 's Recommendation	Difference
Total Request/Recommendation	\$ 1,286,999	\$ 1,154,158	\$ (132,841)
FTE Positions	9.0	9.0	0.0
Change from FY 2016:			
<i>Dollar Change:</i>			
State General Fund	\$ 0	\$ 0	
All Other Funds	52,810	42,957	
TOTAL	\$ 52,810	\$ 42,957	
<i>Percent Change:</i>			
State General Fund	-- %	0.0 %	
All Other Funds	4.3	3.9	
TOTAL	4.3 %	3.9 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2017 operating expenditures of \$1.3 million, all from special revenue funds, which is an increase of \$52,810, or 4.3 percent, above the FY 2016 request. The request includes an enhancement of \$126,071, all from the Real Estate Fee Fund, to fund an in-house counsel position and travel-related expenditures. The request includes funding for 9.0 FTE positions, which is the same number included in the agency's FY 2016 request.

Absent the enhancement, the agency requests FY 2017 operating expenditures of \$1.2 million, all from special revenue funds, which is an increase of \$43,090, or 3.9 percent, above the FY 2016 request less enhancements.

The agency request includes the following items.

- **Salaries and wages** expenditures of \$778,219, which is an increase of \$33,890, or 4.6 percent, above the FY 2016 request. The increase is primarily due to an additional (27th) payroll period in FY 2017 and increased KPERS employer contributions. The request includes an enhancement of \$93,436 to fund the in-house counsel position. **Absent the enhancement**, the agency requests \$684,783 for salaries and wages. The request is an increase of \$29,815, or 4.6 percent, above the FY 2016 request less the enhancement.
- **Contractual services** expenditures of \$466,930, which is an increase of \$18,120, or 4.0 percent, above the FY 2016 request. The increase is primarily due to an enhancement for travel expenditures related to training and on-site brokerage audits greater than the FY 2016 enhancement (\$5,395) and increases in building rent (\$4,000) and the monumental building surcharge (\$4,800). **Absent the enhancement**, the agency requests \$436,935 for contractual services. The request is an increase of \$12,725, or 3.0 percent, above the FY 2016 request less the enhancement.
- **Commodities** expenditures of \$16,850, which is an increase of \$800, or 5.0 percent, above the

FY 2016 request. The request includes an enhancement of \$2,650 for gasoline expenditures related to on-site brokerage audits. **Absent the enhancement**, the agency requests \$14,200 for commodities. The request is an increase of \$550, or 4.0 percent, above the FY 2016 request less the enhancement.

- **Capital outlay** expenditures of \$25,000, which is the same amount included in the FY 2016 request.

The **Governor** recommends FY 2017 operating expenditures of \$1.2 million, all from special revenue funds. The recommendation is a decrease of \$132,841, or 10.3 percent, below the agency's FY 2017 request. The decrease is attributable to the Governor not recommending the agency's enhancement request of \$126,071 linked to a proposed \$25 fee increase, as well as recommending a reduction of \$6,770 to reduce employer contributions for state employee health insurance. The Governor concurs with the agency's request for 9.0 FTE positions for FY 2017.

The Governor also recommends increasing the amount withheld from the agency's fee fund revenue from 10.0 percent or \$100,000, whichever is less, to 20.0 percent or \$200,000, whichever is less, and deposited in the State General Fund to reimburse the State for administrative services described under KSA 75-3170a. For this agency, that amount is estimated at \$100,000 for FY 2017.

Enhancements Detail

Enhancements	FY 2017 ENHANCEMENTS						
	Agency Request			Governor's Recommendation			
	SGF	All Funds	FTE	SGF	All Funds	FTE	
In-house counsel position and travel-related expenditures	\$ 0	\$ 126,071	0.0	\$ 0	\$ 0	0.0	0.0

The **agency** requests an enhancement of \$126,071, all from the Real Estate Fee Fund, for FY 2017. The enhancement request includes \$93,436 to fund an in-house counsel position, which includes 1.0 non-FTE unclassified permanent position, and \$32,635 for travel expenditures related to training and to resuming on-site brokerage audits. The agency states that significant legal order backlogs may occur if the in-house counsel position is not filled.

The agency has linked the enhancement request to a regulatory fee increase of \$25, including an overall statutory increase of \$50, for original and renewal licenses for brokers and salespersons. This would raise the current two-year broker's license fee from \$150 to \$175 and the current two-year salesperson's fee from \$125 to \$150.

The **Governor** does not recommend funding the agency's enhancement request.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The 2014 Legislature approved funding of \$11.3 million, including \$4.5 million from the State General Fund, in FY 2015 for a \$250 bonus for all full-time employees except elected officials who were employed on December 6, 2013, and which was paid December 6, 2014. **For this agency, the FY 2015 bonus totals \$2,718, all from special revenue funds, and affects nine employees.**

Longevity Bonus Payments. For FY 2016 and FY 2017, the Governor recommends funding longevity bonus payments for eligible state employees at the statutory rate of \$40 per year of service, with a 10-year minimum (\$400), and a 25-year maximum (\$1,000). Classified employees hired after June 15, 2008 are not eligible for longevity bonus payments. The estimated cost for the recommended FY 2016 payments is \$7.2 million, including \$2.8 million from the State General Fund. For FY 2017, the estimated cost for the payments is \$7.7 million, including \$3.0 million from the State General Fund. **For this agency, FY 2016 longevity payments total \$3,960, all from special revenue funds, and FY 2017 longevity payments total \$4,440, all from special revenue funds.**

Group Health Insurance. The Governor recommends Group Health and Hospitalization employer contributions of \$282.8 million, including \$108.2 million from the State General Fund, for FY 2016 and \$289.2 million, including \$110.7 million from the State General Fund, for FY 2017. For FY 2016 and FY 2017, the Governor recommends reducing the employer contributions for group health insurance by 8.5 percent. **For this agency, this is a reduction of \$6,637, all from special revenue funds, for FY 2016. This is a reduction of \$6,770, all from special revenue funds, for FY 2017.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2015 employer retirement contribution for KPERs regular and school members was scheduled to be 11.27 percent, an increase of 1.0 percent from 10.27 in FY 2014. The Governor reduced the employer contribution rate from 11.27 percent to 8.65 percent for the second half of FY 2015, for an effective contribution rate of 9.96 percent as part of the Governor's allotment plan. For FY 2016, the Governor recommends the retirement rate increase by 2.41 percent from 9.96 percent to 12.37 percent. For FY 2017, the Governor recommends the retirement rate increase by 1.2 percent from 12.37 percent to 13.57 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund.

In addition, the employer contribution for the KPERs death and disability insurance rate will be increased to 1.0 percent, from 0.85 percent, for FY 2016 and for FY 2017.

The Governor further proposes offering \$1.5 billion in Pension Obligation Bonds, backed by the State General Fund, to be paid back over 30 years and extending the amortization on the current bonds by ten years to 2043. The proceeds of the bonds would be used to help reduce the future employer contribution rates of the State/School Group. The Kansas Public Employee Retirement System estimates this plan could reduce employer contributions by \$68.43 million in FY 2016 and \$132.85 in FY 2017. The Kansas Development Finance Authority estimates that the bond service would be \$90.3 million in FY 2016 through FY 2017, assuming the Kansas credit ratings are not downgraded.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2016	Gov. Rec. Percent of Total FY 2016	Agency Req. Percent of Total FY 2017	Gov. Rec. Percent of Total FY 2017
State General Fund	0.0 %	0.0 %	0.0 %	0.0 %
Real Estate Fee Fund	92.0	91.1	92.0	91.1
Background Invest FF	8.0	8.9	8.0	8.9
TOTAL	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

Note: Percentages may not add due to rounding.

Real Estate Fee Fund Analysis

The KREC is a fee-funded agency. The revenue received provides financing for all agency operations with 90.0 percent being retained by the agency and 10.0 percent being deposited into the State General Fund. The agency generates fee revenues from four primary sources: Application fees are \$15; Broker fees are \$150; Salesperson fees are \$100; and Original course approvals are \$50. Licenses are issued for a two-year period. Original and renewal fees for salespersons and brokers are at the statutory cap. (KSA 58-3063 and KAR 86-1-5)

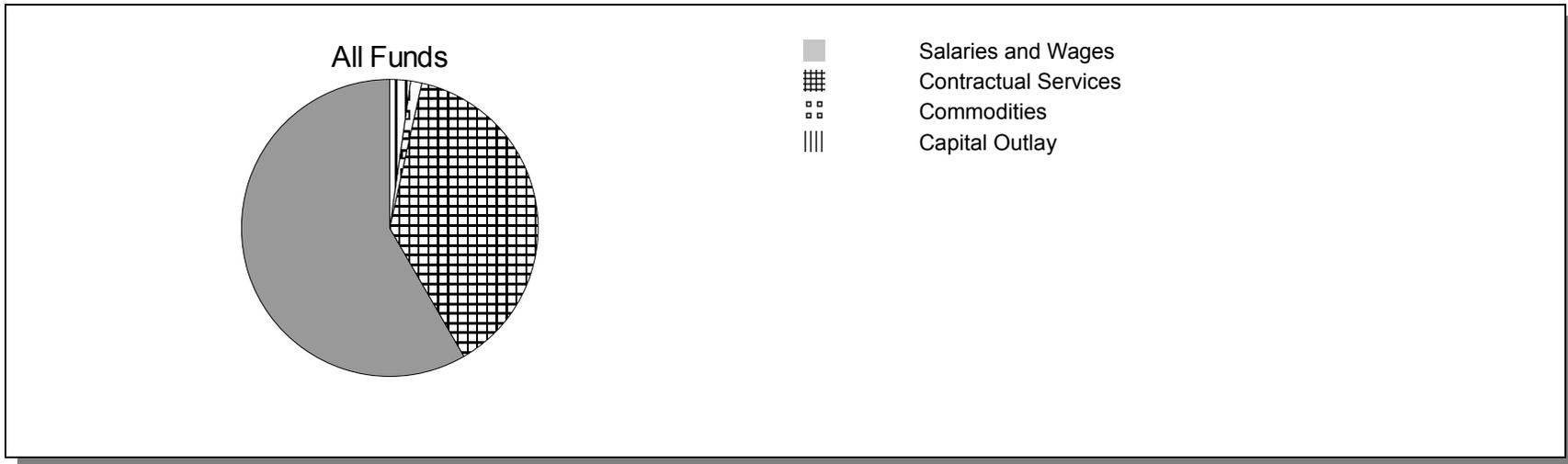
According to the agency, a fee increase is needed to perform core agency operations and ensure long-term continuity of services. The agency proposes a \$25 fee increase, and an overall statutory increase of \$50, for brokers and salespersons commencing in FY 2016. This would raise the current fee from \$150 to \$175 for brokers and from \$100 to \$125 for salespersons. Below is the agency's Real Estate Fee Fund analysis with its **projected fee increase** revenues. **Absent a fee increase**, revenues for FY 2016 and FY 2017 are projected to be \$976,222 and \$926,497, respectively.

Resource Estimate	Actual FY 2014	Agency Estimate FY 2015	Governor Rec. FY 2015	Agency Request FY 2016	Gov. Rec. FY 2016	Agency Request FY 2017	Gov. Rec. FY 2017
Beginning Balance	\$ 258,279	\$ 291,771	\$ 291,771	\$ 186,837	\$ 192,972	\$ 196,923	\$ 57,193
Revenue	855,993	867,917	867,917	1,145,075	876,222	1,080,525	826,497
Transfers in	0	0	0	0	0	0	0
Total Funds Available	\$ 1,114,272	\$ 1,159,688	\$ 1,159,688	\$ 1,331,912	\$ 1,069,194	\$ 1,277,448	\$ 883,690
Less: Expenditures	822,501	972,851	966,716	1,134,989	1,012,001	1,184,599	1,051,758
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	<u>\$ 291,771</u>	<u>\$ 186,837</u>	<u>\$ 192,972</u>	<u>\$ 196,923</u>	<u>\$ 57,193</u>	<u>\$ 92,849</u>	<u>\$ (168,068)</u>
Ending Balance as Percent of Expenditures	35.5%	19.2%	20.0%	17.4%	5.7%	7.8%	(16.0%)
Month Highest Ending Balance	May \$ 318,486	July \$ 298,201	July \$ 298,604	May \$ 236,897	July \$ 197,504	July \$ 206,672	July \$ 55,086
Month Lowest Ending Balance	August \$ 218,936	June \$ 186,837	June \$ 192,972	August \$ 126,763	June \$ 57,193	June \$ 92,849	June \$ (168,068)

Real Estate Commission Fees		
	Current Fee	Statutory Limit
Real Estate Broker Application Fee	\$15	\$50
Real Estate Broker License Fee (original and renewal)	150	150
Real Estate Salesperson Application Fee	15	25
Real Estate Salesperson License Fee (original and renewal)	100	100
Duplicate License Fee	10	10
Temporary Salesperson's License Fee	25	25

PROGRAM DETAIL

EXPENDITURES BY OBJECT-- GOVERNOR'S FY 2016 RECOMMENDATION



Object	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Salaries and Wages	\$ 648,331	58.3 %	\$ 0	-- %
Contractual Services	424,220	38.2	0	--
Commodities	13,650	1.2	0	--
Capital Outlay	25,000	2.2	0	--
TOTAL	\$ 1,111,201	100.0 %	\$ 0	-- %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

<u>Program</u>	<u>Actual FY 2014</u>	<u>Agency Est. FY 2015</u>	<u>Gov. Rec. FY 2015</u>	<u>Agency Req. FY 2016</u>	<u>Gov. Rec. FY 2016</u>	<u>Agency Req. FY 2017</u>	<u>Gov. Rec. FY 2017</u>
Administration	9.2	9.0	9.0	9.0	9.0	9.0	9.0

PERFORMANCE MEASURES

<u>Measure</u>	<u>Gov. Rec. for FY 2014</u>	<u>Actual FY 2014</u>	<u>Gov. Rec. FY 2015</u>	<u>Gov. Rec. FY 2016</u>	<u>Gov. Rec. FY 2017</u>
Number of real estate licenses	13,650	13,461	13,500	13,600	13,750
Number of real estate licenses renewed	6,850	6,642	6,275	6,830	6,450
Number of complaints	200	113	120	115	120