

ARKANSAS REAL ESTATE COMMISSION

Enabling Laws

Act 184 of 2005

AR Code §17-42-101 et seq.

AR Code §17-42-401 et seq.

AR Code §17-42-501 et seq.

AR Code §18-14-101 et seq.

History and Organization

Act 148 of 1929, as amended, created the Arkansas Real Estate Commission (AREC) for the purpose of regulating and licensing real estate brokers and salespersons in accordance with the real estate license law.

The mission of the Arkansas Real Estate Commission is to protect the public interest. That mission charges the Commission with the responsibility of administering the Real Estate License Law (Ark. Code Ann. §17-42-101 et seq.), the Real Estate Recovery Fund (Ark. Code Ann. §17-42-401 et seq.), the Continuing Education Program (Ark. Code Ann. §17-42-501 et seq.), and the Time-Share Law (Ark Code Ann. §18-14-101 et seq.).

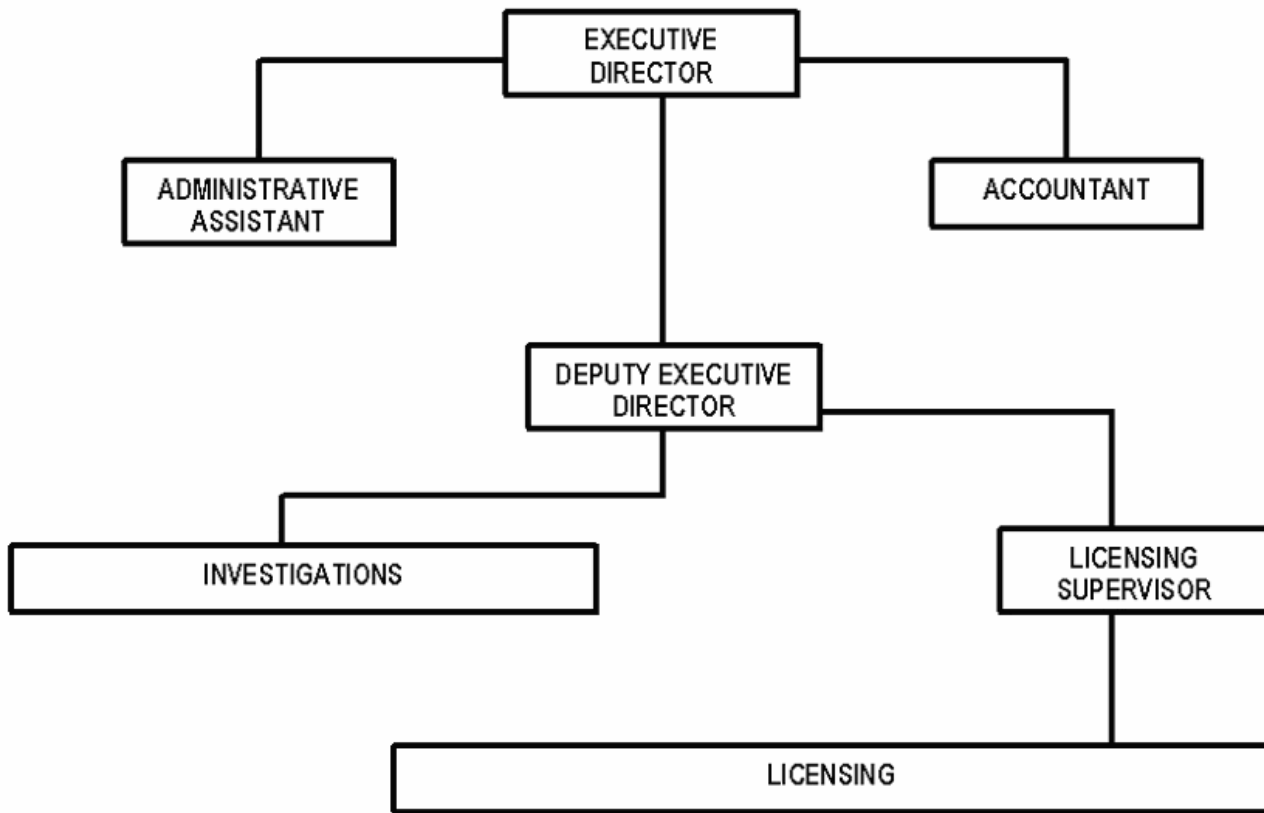
The Real Estate Commission consists of five members appointed by the Governor for three year terms. Three Commission members are from the real estate profession, one Commission member serves as a consumer representative, and one Commission member serves as an elderly representative. Responsibilities are discharged through a staff directed by an Executive Director who is employed by the Commission.

The Agency's primary activities include licensing real estate brokers and salespersons, investigating complaints about real estate transactions, conducting Disciplinary and Recovery Fund hearings, and administering the Continuing Education and the Time-Share programs.

The Licensing Section is responsible for reviewing applications of individuals who are applying to take the Arkansas real estate exam, issuing licenses to persons who enter the profession, and annually renewing licenses issued to real estate brokers and salespersons.

The Investigative Section is responsible for investigating complaints received from members of the public concerning alleged violations of the Real Estate License Law or Time-Share Law. Each complaint investigated is either dismissed or scheduled for a disciplinary hearing before the Commission.

The Commission is responsible for administering the Recovery Fund which was established to pay damage claims to members of the public who have suffered monetary loss specifically attributable to real estate brokers and/or salespersons who have been found, in disciplinary actions before the Commission, to have violated the Real Estate License Law or Regulations. The Recovery Fund is also used for real estate educational purposes.



Agency Commentary

For the Arkansas Real Estate Commission, the budget requests contained herein, the information, and the explanation of changes affect each of the operating programs, Cash Operations, supported by the general cash fund, and the Real Estate Recovery Program, funded by the Recovery Fund. Funding for the biennial budget request will be provided from fund balances and fees to be collected. Base level in each program is satisfactory for anticipated expenditure needs, with the following exceptions:

In the Cash Operations Program, resources are requested the first year in the Capital Outlay line item to replace a 1993 Dodge Spirit Sedan and a 1994 Ford Taurus Station Wagon used by staff to travel the state for investigations of complainants, to attend real estate meetings, and other official business.

Increases are also requested in Operating Expenses to cover the costs of conducting criminal background checks due to the increase in applications for real estate licenses.

Increases are also requested in Operating Expenses to cover the increased cost of maintaining the AREC building and grounds.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS REAL ESTATE COMMISSION
FOR THE YEAR ENDED JUNE 30, 2004

| Findings | Recommendations |
|----------|-----------------|
| None | None |

Employment Summary

| | Male | Female | Total | % |
|-------------------------|------|--------|-------|-------|
| White Employees | 4 | 7 | 11 | 79 % |
| Black Employees | 1 | 2 | 3 | 21 % |
| Other Racial Minorities | 0 | 0 | 0 | 0 % |
| Total Minorities | | | 3 | 21 % |
| Total Employees | | | 14 | 100 % |

Publications

A.C.A 25-1-204

| Name | Statutory Authorization | Required for | | # Of Copies | Reason (s) for Continued Publication and Distribution |
|--------------------------------------|---------------------------|--------------|------------------|-------------|--|
| | | Governor | General Assembly | | |
| AR Real Estate Commission Newsletter | ACA 17-42-404 & 17-42-203 | N | N | 48,000 | Education & enforcement: Articles about real estate practice, law, regulations & hearings help licensees comply with AREC requirements, which protects the public. |

Department Appropriation

| Historical Data | | | | | | Agency Request and Executive Recommendation | | | | | | | | |
|-------------------------------|------------------|-----------|------------------|-----------|------------------|---|------------------|-----------|------------------|-----------|------------------|-----------|------------------|-----------|
| Appropriation | 2005-2006 | | 2006-2007 | | 2006-2007 | | 2007-2008 | | | | 2008-2009 | | | |
| | Actual | Pos | Budget | Pos | Authorized | Pos | Agency | Pos | Executive | Pos | Agency | Pos | Executive | Pos |
| 853 Real Estate -- Operations | 1,014,646 | 15 | 1,043,782 | 15 | 1,074,931 | 15 | 1,134,767 | 15 | 1,134,767 | 15 | 1,100,767 | 15 | 1,100,767 | 15 |
| 952 Real Estate Recovery | 116,325 | 0 | 352,500 | 0 | 352,500 | 0 | 352,500 | 0 | 352,500 | 0 | 352,500 | 0 | 352,500 | 0 |
| Total | 1,130,971 | 15 | 1,396,282 | 15 | 1,427,431 | 15 | 1,487,267 | 15 | 1,487,267 | 15 | 1,453,267 | 15 | 1,453,267 | 15 |

| Funding Sources | | | % | | % | | % | | % | | % | | % | | |
|--------------------------------|---------|-------------|-------|-------------|-------|--|---|-------------|-------|-------------|-------|-------------|-------|-------------|-------|
| Fund Balance | 4000005 | 1,878,972 | 57.1 | 2,161,602 | 62.7 | | | 2,050,320 | 61.5 | 2,050,320 | 61.5 | 1,848,053 | 59.0 | 1,848,053 | 59.0 |
| Cash Fund | 4000045 | 1,413,601 | 42.9 | 1,285,000 | 37.3 | | | 1,285,000 | 38.5 | 1,285,000 | 38.5 | 1,285,000 | 41.0 | 1,285,000 | 41.0 |
| Total Funds | | 3,292,573 | 100.0 | 3,446,602 | 100.0 | | | 3,335,320 | 100.0 | 3,335,320 | 100.0 | 3,133,053 | 100.0 | 3,133,053 | 100.0 |
| Excess Appropriation/(Funding) | | (2,161,602) | | (2,050,320) | | | | (1,848,053) | | (1,848,053) | | (1,679,786) | | (1,679,786) | |
| Grand Total | | 1,130,971 | | 1,396,282 | | | | 1,487,267 | | 1,487,267 | | 1,453,267 | | 1,453,267 | |

Agency Position Usage Report

| FY2004-2005 | | | | | | FY2005-2006 | | | | | | FY2006-2007 | | | | | |
|-------------------|----------|----------|-------|------------|------------------------|-------------------|----------|----------|-------|------------|------------------------|-------------------|----------|----------|-------|------------|------------------------|
| Authorized in Act | Budgeted | | | Unbudgeted | % of Authorized Unused | Authorized in Act | Budgeted | | | Unbudgeted | % of Authorized Unused | Authorized in Act | Budgeted | | | Unbudgeted | % of Authorized Unused |
| | Filled | Unfilled | Total | Total | | | Filled | Unfilled | Total | Total | | | Filled | Unfilled | Total | Total | |
| 15 | 13 | 2 | 15 | 0 | 13.33% | 15 | 15 | 0 | 15 | 0 | 0.00% | 15 | 14 | 1 | 15 | 0 | 6.67% |

Analysis of Budget Request

Appropriation: 853 - Real Estate – Operations

Funding Sources: NRE-Cash in Treasury

The Arkansas Real Estate Commission is funded from the receipt of fees it charges for originating and renewing the licenses of real estate brokers and salespersons. A cost of living increase is not incorporated in Base Level pending the outcome of the Classification and Compensation Study.

The Base Level request of \$552,513 each year for Regular Salaries does include board member Stipend payments. FY07 salary levels have been held flat each year for all incumbents. Personal Services Matching may reflect increases in the Base Level due to the Social Security Tax maximum income limit and certain increases in Worker's Compensation and Unemployment Tax rates. Personal Services Matching also includes a \$30 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$350 per month. Changes are requested as follows:

Additions in Operating Expenses of \$20,000 each year to purchase criminal background checks on an increasing number of first-time applicants for a real estate license and \$15,000 each year for maintenance and repairs to the Real Estate Commission Building.

Capital Outlay of \$34,000 in the first year to replace 2 vehicles that are over 12 years old.

The Executive Recommendation provides for Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation

Appropriation: 853 Real Estate – Operations
Funding Sources: NRE-Cash in Treasury

Historical Data

Agency Request and Executive Recommendation

| Commitment Item | 2005-2006 | 2006-2007 | 2006-2007 | 2007-2008 | | | 2008-2009 | | |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Actual | Budget | Authorized | Base Level | Agency | Executive | Base Level | Agency | Executive |
| Regular Salaries 5010000 | 538,502 | 552,513 | 570,482 | 552,513 | 552,513 | 552,513 | 552,513 | 552,513 | 552,513 |
| #Positions | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Extra Help 5010001 | 4,906 | 16,000 | 16,000 | 16,000 | 16,000 | 16,000 | 16,000 | 16,000 | 16,000 |
| #Extra Help | 2 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Personal Services Matching 5010003 | 147,666 | 152,904 | 166,084 | 174,889 | 174,889 | 174,889 | 174,889 | 174,889 | 174,889 |
| Operating Expenses 5020002 | 275,109 | 250,774 | 250,774 | 250,774 | 285,774 | 285,774 | 250,774 | 285,774 | 285,774 |
| Conference & Travel Expenses 5050009 | 12,915 | 13,662 | 13,662 | 13,662 | 13,662 | 13,662 | 13,662 | 13,662 | 13,662 |
| Professional Fees 5060010 | 32,641 | 32,929 | 32,929 | 32,929 | 32,929 | 32,929 | 32,929 | 32,929 | 32,929 |
| Data Processing 5090012 | 1,277 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| Refunds/Reimbursements 5110014 | 1,630 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Capital Outlay 5120011 | 0 | 0 | 0 | 0 | 34,000 | 34,000 | 0 | 0 | 0 |
| Total | 1,014,646 | 1,043,782 | 1,074,931 | 1,065,767 | 1,134,767 | 1,134,767 | 1,065,767 | 1,100,767 | 1,100,767 |
| Funding Sources | | | | | | | | | |
| Fund Balance 4000005 | 881,619 | 1,195,133 | | 1,351,351 | 1,351,351 | 1,351,351 | 1,416,584 | 1,416,584 | 1,416,584 |
| Cash Fund 4000045 | 1,328,160 | 1,200,000 | | 1,131,000 | 1,200,000 | 1,200,000 | 1,165,000 | 1,200,000 | 1,200,000 |
| Total Funding | 2,209,779 | 2,395,133 | | 2,482,351 | 2,551,351 | 2,551,351 | 2,581,584 | 2,616,584 | 2,616,584 |
| Excess Appropriation/(Funding) | (1,195,133) | (1,351,351) | | (1,416,584) | (1,416,584) | (1,416,584) | (1,515,817) | (1,515,817) | (1,515,817) |
| Grand Total | 1,014,646 | 1,043,782 | | 1,065,767 | 1,134,767 | 1,134,767 | 1,065,767 | 1,100,767 | 1,100,767 |

Actual expenditures exceed Authorized Appropriation in Operating Expenses due to a transfer from the Cash Fund Holding Account during FY06.

Change Level by Appropriation

Appropriation: 853-Real Estate – Operations

Funding Sources: NRE-Cash in Treasury

Agency Request

| Change Level | | 2007-2008 | Pos | Cumulative | % of BL | 2008-2009 | Pos | Cumulative | % of BL |
|--------------|-------------------|------------------|-----------|------------------|--------------|------------------|-----------|------------------|--------------|
| BL | Base Level | 1,065,767 | 15 | 1,065,767 | 100.0 | 1,065,767 | 15 | 1,065,767 | 100.0 |
| C01 | Existing Program | 69,000 | 0 | 1,134,767 | 106.4 | 35,000 | 0 | 1,100,767 | 103.2 |

Executive Recommendation

| Change Level | | 2007-2008 | Pos | Cumulative | % of BL | 2008-2009 | Pos | Cumulative | % of BL |
|--------------|-------------------|------------------|-----------|------------------|--------------|------------------|-----------|------------------|--------------|
| BL | Base Level | 1,065,767 | 15 | 1,065,767 | 100.0 | 1,065,767 | 15 | 1,065,767 | 100.0 |
| C01 | Existing Program | 69,000 | 0 | 1,134,767 | 106.4 | 35,000 | 0 | 1,100,767 | 103.2 |

Justification

| | |
|-----|--|
| C01 | Capital Outlay of \$34,000 is requested the first year to replace a 1993 Dodge Spirit Sedan and a 1994 Ford Taurus Station Wagon. Increase in Operating Expenses of \$15,000 each year is requested to cover the increased cost of maintaining the AREC building and grounds. Also an increase of \$20,000 is requested each year to provide additional appropriation to obtain criminal background checks due to an increase in applications. |
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Analysis of Budget Request

Appropriation: 952 - Real Estate Recovery

Funding Sources: NRE-Cash in Treasury

The Arkansas Real Estate Commission's Recovery Fund cash appropriation is supported by a one-time fee of \$25 charged to each new license applicant and also includes interest earned from investing the Fund's balances. If damages are assessed against any licensee who is insolvent, the Commission covers the claim from fees collected in this fund. Earned interest is applied toward support of the Commission's educational efforts to keep its licensees and the general public informed of changes in regulations, market conditions, and illegal practices. Base Level is \$352,500 each year and is the Agency Request.

The Executive Recommendation provides for Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation

Appropriation: 952 Real Estate Recovery
Funding Sources: NRE-Cash in Treasury

Historical Data

Agency Request and Executive Recommendation

| Commitment Item | | 2005-2006 | 2006-2007 | 2006-2007 | 2007-2008 | | | 2008-2009 | | |
|--------------------------------|---------|------------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | | Actual | Budget | Authorized | Base Level | Agency | Executive | Base Level | Agency | Executive |
| Damage Payment | 5900046 | 41,420 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 |
| Education | 5900047 | 74,905 | 102,500 | 102,500 | 102,500 | 102,500 | 102,500 | 102,500 | 102,500 | 102,500 |
| Total | | 116,325 | 352,500 | 352,500 | 352,500 | 352,500 | 352,500 | 352,500 | 352,500 | 352,500 |
| Funding Sources | | | | | | | | | | |
| Fund Balance | 4000005 | 997,353 | 966,469 | | 698,969 | 698,969 | 698,969 | 431,469 | 431,469 | 431,469 |
| Cash Fund | 4000045 | 85,441 | 85,000 | | 85,000 | 85,000 | 85,000 | 85,000 | 85,000 | 85,000 |
| Total Funding | | 1,082,794 | 1,051,469 | | 783,969 | 783,969 | 783,969 | 516,469 | 516,469 | 516,469 |
| Excess Appropriation/(Funding) | | (966,469) | (698,969) | | (431,469) | (431,469) | (431,469) | (163,969) | (163,969) | (163,969) |
| Grand Total | | 116,325 | 352,500 | | 352,500 | 352,500 | 352,500 | 352,500 | 352,500 | 352,500 |