

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 07/23)

Fiscal Year 2024-25	Business Unit Number 2320	Department Department of Real Estate
Hyperion Budget Request Name 2320-001-BCP-2024-GB		Relevant Program or Subprogram 1700010-Department of Real Estate

Budget Request Title
 Addressing Workload Costs and Fund Solvency

Budget Request Summary

The Department of Real Estate (DRE) requests an increase in expenditure authority of \$3,231,000 Real Estate Fund in 2024-25 and 2025-26 and \$2,446,000 in 2026-27 and ongoing to address a funding shortfall across various categories necessary to support the mission of DRE. The Department also requests statutory changes to adjust fees, address the structural fund imbalance of the Real Estate Fund, and to maintain fund solvency.

Requires Legislation (submit required legislation with the BCP) <input checked="" type="checkbox"/> Trailer Bill Language <input type="checkbox"/> Budget Bill Language <input type="checkbox"/> N/A	Code Section(s) to be Added/Amended/Repealed BPC 10072, 10167.3, 10208.5, 10209, 10210, 10213.5, 10213.6, 10215, 10227, 10232.1, 10249.3, 11011, 11018.7, 11022, 11232,	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO N/A	Date N/A

For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), the approval date, and the total project cost.

Project No. N/A **Project Approval Document:** N/A

Approval Date: N/A **Total Project Cost:** N/A

If proposal affects another department, does other department concur with proposal? Yes No

Attach comments of affected department, signed and dated by the department director or designee.

Prepared By Shelly Wilson, Assistant Commissioner, Administration	Date 1/10/2024	Reviewed By Marcus McCarther, Chief Deputy Commissioner	Date 1/10/2024
Department Director Chika Sunquist, Commissioner	Date 1/10/2024	Agency Undersecretary Melinda Grant	Date 1/10/2024

Department of Finance Use Only

Additional Review: Capital Outlay ITCU FSCU OSAE Dept. of Technology

Principal Program Budget Analyst Charlene Manning	Date submitted to the Legislature 1/10/2024
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A. Problem Statement

The Department of Real Estate (DRE) requests \$3.231 million Real Estate Fund in 2024-25 and 2025-26 and \$2.446 million in 2026-27 and ongoing to address a funding shortfall across various categories necessary to support the mission of DRE. DRE also requests statutory changes to adjust fees, address the structural fund imbalance of the Real Estate Fund, and to maintain fund solvency. The structural deficit of the Real Estate fund across multiple expenditure categories has resulted in persistent financial imbalances that hinder the organization's ability to successfully operate, provide long-term sustainability, and fulfil its mission effectively.

Due to high levels of staff retention, increased costs for contracted services, and increased rent costs, DRE has identified significant gaps in both authorized expenditures and the corresponding fees necessary to recover the cost to operate. Over the last two years, DRE conducted a thorough analysis of expenditures, revenues, and fund solvency. Through this process, DRE implemented divisional budgets to identify operational efficiencies and conducted a fee study to determine appropriate fee levels to maintain the stability of the fund.

After conducting a thorough analysis of expenditure patterns, several critical funding deficits have emerged, as outlined below.

Salaries and Benefits for Existing Licensing Positions

For several years DRE has consistently experienced insufficient funding for staff salaries and benefits, specifically associated with reclassifications and a high proportion of employees whose salaries are now over the mid-step of their salary range, which is the step at which the positions are funded. A historical factor that contributed to the funding gap includes DRE's 2018 transition back to a department under the Business, Consumer Services and Housing Agency, pursuant to SB 173 (Statutes 2017). DRE received 18.0 additional positions, however the funding associated was insufficient to support the operating expenses and equipment necessary for these positions.

Since becoming a department again, DRE has evolved and developed a better understanding of its staffing needs. In 2021, DRE hired human resources special consultants to restructure the administrative services division where most of the 18.0 positions were placed. As a part of this restructuring, job requirements have evolved over the years and DRE has reclassified positions to reflect evolving duties and brought in competitive staff with necessary skills. For example, in 2021, DRE reclassified a vacant position to create a new Equal Employment Opportunity (EEO) Officer, which in addition to the standard EEO functions, administers DRE's new Diversity, Equity and Inclusion (DEI) program. This reclassification was in support of a growing movement in government organizations to focus on creating a more diverse, inclusive, and equitable work environment that is reflective of California's population.

While the reclassifications helped DRE serve Californians more effectively, it has caused DRE to shoulder the additional cost of these reclassifications without additional expenditure authority. Since 2018, DRE has reclassified positions totaling approximately \$922,000 in on-going unfunded salary and benefits. These costs were absorbed within existing resources, traditionally through salary savings from other vacant positions. However, over the years, this has not proven to be a sustainable long-term solution as DRE's staff retention rate has increased. Currently, 44 percent of all DRE employees have been with the Department for over 10 years. DRE has seen a reduction in salary savings, an increase in unfunded merit salary adjustments, and an increase in corresponding benefits. DRE's vacancy rate has declined from 17.1 percent to its current vacancy rate at 8.1 percent over 5 years, and 82 percent of DRE's staff are now over the mid-step of their current salary ranges. Combined, these changes necessitate an increase in expenditure authority to support DRE being able to continue to fulfill its mission.

This proposal specifically addresses salary and benefits funding shortfalls pertaining to DRE's Licensing Division, which is the most public facing division of DRE and experiencing the greatest impact of vacancies. Without a \$341,000 augmentation to fully fund salaries and benefits for 14.0 Licensing positions, DRE will be forced to achieve salary savings by holding positions vacant. When positions are held vacant in the Licensing Division, processing timeframes increase which directly impacts the pathway to licensure for those coming into the real estate profession.

Limited-Term Funding Expiration – Call Center

In 2021-22, DRE received 5.0 Program Technician II's (PT II) with three-year limited-term funding to address high licensing call volume and long call wait times, and to meet internal service level standards. DRE is requesting \$444,000 in 2024-25 and 2025-26 to fund the existing 5.0 PT II positions.

During the COVID-19 Pandemic, DRE encountered several recruitment obstacles resulting in unintended delays initially filling these critical front-line positions. DRE was finally able to fill all five positions by June 2022. Due to the amount of time it took to fill these positions, coupled with the fact it takes approximately six months for a Program Technician II to be fully trained, the true impact of these positions to DRE was delayed for several months.

In addition to these positions, DRE has implemented two alternative methods to communicate with licensees to accelerate response times:

- AskDRElicensing is an electronic webform inquiry tool which allows stakeholders to contact the Licensing Division via webform to obtain general licensing information, thus eliminating the need in many instances for a caller to speak with a DRE representative. Applicants, licensees, and consumers are now able to submit an inquiry via webform, and Licensing Division staff provide an electronic response within 2-3 business days. The Licensing Division received, on average, 94 electronic inquiries per day in 2021-22, and 58 electronic inquiries per day in 2022-23.
- DRE's Virtual Contact Center (VCC) provides the ability for callers to leave their number in a virtual queue for a call-back without needing to wait on hold. The call-back feature has significantly improved the user experience and reduced initial complaints from callers about the lengthy hold times which, in turn, had increased the overall call handle/response times.

Even with these efforts, call wait times are not meeting DRE's overall target of five to seven minutes. With continued funding for these five positions, call wait times are expected to be improved to reach the target wait time.

Attorney General and Office of Administrative Hearings Expenditures

In 2018, During DRE's transition from a Bureau under the Department of Consumer Affairs to a Department under the Business, Consumer Services and Housing Agency, it was determined that DRE did not have sufficient funding for Attorney General (AG) and Office of Administrative Hearings (OAH) expenditures. These enforcement expenditures are critical to DRE's mission. DRE currently spends approximately \$1.3 million annually on these services and requires \$257,000 in additional expenditure authority in 2024-25 and ongoing to address this shortfall.

Expenditures	2018-19	2019-20	2020-21	2021-22	2022-23
OAH	1,252,414	1,195,475	1,096,462	920,862	992,718
AG	299,969	385,447	561,301	262,670	189,219

Expenditures	2018-19	2019-20	2020-21	2021-22	2022-23
Total	\$1,552,110	\$1,580,922	\$1,657,763	\$1,183,532	\$1,181,937

External Contracts

In 2021, DRE began utilizing exam proctoring services through a third party (PSI exam proctoring) to assist with the administration of licensing exams, in lieu of using temporary resources. Using exam proctors through a third party has been an effective method of enhancing the services associated with administering exams. Specifically, during the brief period DRE had exam proctors on staff, there were significant challenges and delays associated with proctor recruitment and retention which created instability for administering exams, including canceling exams due to lack of staffing. Upon contracting with the third-party vendor, exam administration services have significantly improved, resulting in the administration of additional exam sessions including evenings and weekends at the three largest exam center locations in Sacramento, Los Angeles, and San Diego. As part of these efforts DRE successfully administered over 63,000 exams in 2021-22, compared to 39,649 in 2020-21. Furthermore, contracting with a third party has resulted in other service improvements including reducing timeframes associated with scheduling ADA examinations. The third-party vendor provides efficient, consistent, and professional proctor staff in order for DRE to administer accessible license examinations across the state. Historically, DRE was able to absorb the third-party contract through salary savings, however this is no longer the case due to the various reasons mentioned. DRE requests \$1.5 million in 2024-25 and ongoing to fully fund the exam proctoring contract.

Information Technology (IT) Equipment

In 2021, DRE hired a new Chief Information Officer (CIO) who identified several technological deficiencies at DRE, which has limited the Department's technological capabilities, impacting productivity, data security, and innovation potential. The CIO identified that DRE is more than 15 years behind in technology updates. DRE has historically absorbed new IT workload without requesting additional resources and funded equipment and services through salary savings.

DRE's current allocation for IT equipment is \$14,000, but DRE's average expenditures are \$542,000 annually. DRE is requesting \$528,000 to cover the shortfall for IT equipment.

Facilities

In October 2022, DRE's San Diego District Office and off-site exam center were consolidated, requiring DRE to vacate its office in an existing state-owned facility. DRE is requesting \$161,000 to cover increased facility costs.

Expenditures	2021-22	2022-23	2023-24*	2024-25*	2025-26*
San Diego Facilities	367,158	460,460	516,660	528,331	540,353

Fund Solvency

DRE is funded by fees charged for real estate exams and licenses, subdivision public reports, and various other permits issued. The last major statutory change to fees occurred in 1997 pursuant to Chapter 342, Statutes of 1996 (AB 2536).

In 2022-23, DRE's financial projections identified a declining fund balance. Revenues are not keeping pace with the cost of operations due to increased costs and lower vacancy rates. DRE utilized a contract for a fee study to evaluate the fee amounts to support the operations

of the department, regulate the profession, and protect consumers. The primary focus of the vendor was to determine the full cost of performing the tasks enumerated on the fee schedule at a point in time. The study provided a tool to understand current service levels and the cost of providing those services.

It was determined that in 2022-23, DRE was only recovering 86 percent of its costs to operate. Without a change in fees, current projections estimate the Real Estate Fund will have a negative fund balance of \$15,946,000 in 2025-26, growing to \$35,445,000 in 2026-27. DRE's current fees are set at their statutory maximum, therefore, fees need to be increased through legislation.

DRE requests statutory changes to adjust fees, address the structural fund imbalance of the Real Estate Fund, and to maintain fund solvency.

Resource History
(Dollars in thousands)

Program Budget	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Authorized Expenditures	52,995	55,883	52,117	57,015	60,110	62,037
Actual Expenditures	46,273	51,392	50,950	55,623	60,086	62,037
Revenues	48,227	50,930	54,235	61,909	54,054	56,678 ¹
Authorized Positions	354.0	369.0	369.0	376.0	380.0	380.0
Filled Positions	293.3	317.3	327.1	336.6	344.4	329.0 ²
Vacancies	60.7	51.7	41.9	39.4	35.6	51.0

¹Projected

²As of January 10, 2024

Workload History

Workload Measure	2018-19	2019-20	2020-21	2021-22	2022-23
Licensing Call Volume	208,926	187,890	266,113 ³	234,232	191,850 ⁴
License Population	423,810	425,721	421,625	435,267	434,401
Examination Applications	32,716	29,800	40,624	39,418	35,765
Original License Applications	28,267	21,307	25,806	35,339	26,717
Renewal Applications	82,064	78,020	82,186	87,621	81,767
Call Wait Times	24 minutes ¹	27 minutes	57 minutes ³	58 minutes	49 minutes
Call Handle/Response Times	5 min 57 sec	5 min 15 sec	5 min 49 sec	6 min 40 sec	5 min 42 sec
AskDRElicensing Emails	N/A ²	4,435 ²	39,784	34,701	20,852
Exams Scheduled	55,382	39,295	52,590	83,667	57,295
Licenses Issued	28,294	21,307	25,806	35,339	26,717

¹ These are the estimated average call wait times as the Virtual Contact Center was deployed in mid-December of 2018.

² AskDRElicensing was initiated in March 2020, therefore there are no statistics for 2018-19 and there is minimal data for 2019-20.

³ The high call volume was due to increased licensing workload resulting in processing delays and examination cancelations associated with the COVID-19 Pandemic.

⁴ The reduction in calls in 2021-22 and 2022-23 can be attributed to the improving processing time frames, regularly scheduled examination administrations, as well as the implementation of AskDRElicensing, and the call-back feature in September 2022.

B. Justification

DRE requests an increase in expenditure authority of \$3,231,000 in 2024-25 and 2025-26 and \$2,446,000 in 2026-27 and ongoing to address several funding deficits in the areas of salaries, expiring limited term funding for 5.0 Licensing Division positions, facilities, administrative costs from outside agencies, external contracts for mission critical functions, and information technology equipment. Without an augmentation, DRE will be unable to fill mission critical vacancies, thus compromising DRE's consumer protection efforts.

Addressing these critical funding deficits is paramount to executing long-term organizational success, sustainability, and the ability to fulfil DRE's mission effectively. A comprehensive budget augmentation that strategically tackles these deficits is necessary to address immediate challenges and position DRE for future growth and resilience.

To combat this deficit in the short-term, DRE is holding positions vacant and reducing expenditures to avoid a negative fund balance. This is not a long-term solution, as having an adequate amount of expenditure authority to support DRE's positions is critical to maintaining operations, issuing licenses, and protecting the public.

After analyzing the baseline funding need, DRE realigned the line-item budget within existing resources and determined there were significant gaps in salaries, contracts, equipment, and facilities. Without a permanent solution to DRE's funding shortfall, DRE will have to make difficult decisions to reduce costs that will have an impact on the services and oversight DRE will be able to provide. Additionally, DRE's priority of consumer protection would be impacted; DRE would experience lengthy investigative and prosecutorial timeframes resulting in lack of timely notice of disciplinary actions and DRE's potential inability to file disciplinary action within the statutory timeframes allowed (also known as statute of limitations). DRE may also miss statutory deadlines in issuing public reports, causing delays in the availability of new housing in California. Additionally, timeframes associated with processing exam and license applications will be extended, thus delaying those who are otherwise qualified from taking the real estate exam and procuring gainful employment. These drastic solutions impact DRE's ability to meet its strategic plan goal of building a healthy organization in support of Governor Newsom's Executive Order N-16-22 which requires state agencies to embed policies and practices into their strategic plans to advance equity and address disparities in access and outcomes.

Salaries and Benefits for Licensing Positions

DRE currently has 14.0 vacancies in the Licensing Division that are being held open to achieve the necessary savings to remain within the approved budget authority. This significantly impacts the ability to process applications for examinations, licensure, and renewals as well as conduct background investigations.

DRE has identified a \$341,000 budget shortfall because of long-term staff retention and the reclassification of vacant positions for operational efficiency.

California's robust real estate market requires DRE to continually develop a dynamic and diverse workforce. One of DRE's primary functions is to make certain Californians have access to the profession. In 2022-23, DRE scheduled 57,295 license exams and issued 26,717 new licenses. Without adequate funding, DRE is not able to effectively complete mission critical functions such as qualifying applicants for real estate exams, administering exams, or issuing licenses without significant delays. In 2022-23, DRE had to cancel most exam administrations for the last six weeks of the year due to insufficient budget authority. Postponed or cancelled exam administrations delay thousands of Californians from entering the real estate workforce.

Most recently, due to these vacancies, DRE has seen an increase in the number of unprocessed applications for both exams and licensure, leading to a backlog and delay over DRE's normal processing timeframes. This past September the current processing time increased to 10-12 weeks, and the backlog was approximately 7,000 applications. For comparison purposes, a year prior there were less than 5,000 applications in the queue to be processed, and the processing timeframe was 5-6 weeks. Without additional budget authority to fund Licensing Division positions, the increase in unprocessed applications, as well as the corresponding processing timeframes, will continue to grow and impede applicants' entrance into the real estate profession.

Limited-Term Funding Expiration – Call Center

DRE currently has 5.0 Program Technician IIs positions with \$444,000 of funding expiring at the end of 2023-24. These positions were authorized to address increased call volume and call wait times.

Call volume is complex and driven by many factors. The two biggest factors are the size of the licensing population and processing application timeframes. When application volume is high and processing timeframes are lengthy, call volumes correspondingly increase due to people calling to inquire about the status of their application. This issue is compounded when DRE has to pull other Program Technicians from processing applications to help with calls, thereby

reducing the number of staff available to process applications. As with most licensing entities, the volume of applications fluctuates. For instance, exam applications go through high and low seasons annually (January is high, as is late-spring/early-summer). Application volume is also impacted by how the current real estate market sparks interest in obtaining a license, renewing a license, or obtaining a Nationwide Multistate Licensing System endorsement. Therefore, the number of applications, processing timelines, and call volumes are interdependent.

Prior to filling the 5.0 Program Technician II positions, and due to lengthy call wait times, approximately 20-25 Licensing Division technician processing staff were called upon to assist with answering calls, for an average of 2.5 hours per day. Upon filling all 5.0 positions by June 2022, the need for additional Licensing Division staff to assist with phone calls was significantly reduced, and in some instances discontinued, as the number of exam applications received by DRE significantly increased. For example, between 2018-19 and 2019-20, DRE received an average of 31,258 exam applications, and 198,408 phone calls each year. Those numbers increased in 2020-21 and 2021-22 when DRE received an average of just over 40,000 exam applications, and 250,000 phone calls, resulting in longer phone wait times. The number of exam applications, 35,765, and phone calls, 191,850, dropped in 2022-23, and corresponding with this drop, wait times fell approximately 8 minutes when compared to 2021-22. This reduction in wait times is expected to continue with a target wait time of 41 minutes in 2023-24.

Attorney General and Office of Administrative Hearings Expenditures

While DRE has been underfunded for AG and OAH expenditures, there has not been an interruption in service because DRE has been able to redirect funding from other areas, most notably from salary savings. As staffing levels stabilize, there will not be sufficient funding to redirect to this mission-critical function.

DRE spends an average of \$1 million annually with the OAH. These charges are reflective of DRE's operations in administrative prosecutions by its Legal Division. Unlike most state departments that use the AG's Office to take disciplinary action against their licensees, DRE has its own division of prosecutorial attorneys and is, in turn, charged by OAH for these administrative hearings. DRE does spend an average of \$300,000 annually for AG expenditures, however these are related to representation on appeals.

With baseline funding of \$732,000, and after the line-item realignment discussed earlier in this proposal, DRE is still deficient in the amount of \$257,000. Without a budget augmentation, DRE will be faced with discontinuing enforcement actions or making other mission critical cuts, which places consumers at risk, since annual expenditures approach exhausting the budget authority.

External Contracts

In 2021, DRE's budget for external contracts was just under \$1.4 million. Large ongoing contracts for exam proctoring completely exhaust this funding, leaving no room for other essential contracts such as credit card processing and enforcement related resources, among others. DRE requires an additional \$1.5 million to fully fund the exam proctoring contract.

Exam Proctoring Services

DRE administers the real estate broker and salesperson license exams from five different locations across California, including Fresno, Oakland, La Palma (Orange County), Sacramento, and San Diego. In DRE's history of administering licensing exams, it has used both temporary and contracted staff to operate these facilities.

During the pandemic, there were staffing limitations, especially in hard hit areas like Los Angeles and Oakland. The staffing issues caused difficulties in recruitment, retention, and daily attendance of the proctor staff. This caused exam capacity to be lowered and even resulted in exams being cancelled. Furthermore, there was an inability to timely meet Americans with Disabilities Act accommodation requests.

Ultimately, DRE determined that contracting with a vendor for proctoring services was the most effective way to maintain the continuity of exam administrations so that Californians could enter the real estate profession. In 2021, DRE contracted with a company called PSI for proctoring services. Currently, DRE is paying approximately \$1.5 million annually to maintain this contract.

Equipment

DRE's current allocation for IT and non-IT equipment is \$14,000, when costs for all types of equipment purchases on average are \$542,000 a year for the Department. Not having a baseline budget to purchase equipment to support DRE's operations annually not only limits new purchases but impacts critical IT equipment refreshes that are needed to stay compliant with security standards. Even if hardware continues to function, security standards and newer more secure versions of existing software are designed with the current hardware technologies in mind. As new standards arise, old equipment is not supported by software and cannot comply with security standards. When appropriate, DRE refreshes equipment to combat the security risks which come with that obsolescence. Non-IT equipment allocation is critical to maintain the operational needs of DRE staff and services including general office supplies, replacement of broken and outdated equipment, and procurement of ergonomic equipment.

To have the baseline funding necessary for equipment purchases, DRE requires \$528,000 on an ongoing basis.

Facilities

DRE began paying rent for its new San Diego location in October 2022. The current lease states the total annual rent for the San Diego Office will be \$528,000 beginning in 2024-25. This is an increase of \$161,000 above the annual rent of the previous San Diego offices. Additionally, the San Diego Office lease has a scheduled 5.3 percent increase in rent in 2025 and 2.4 percent increase in 2026.

DRE requires an additional \$161,000 annually to fund these rent increases.

Fund Solvency

Based on the contracted fee study, DRE's efforts to realign its budget, and the funding requested in this proposal, it is critical to increase fee levels to maintain the solvency of the Real Estate Fund. Fee levels were determined by examining the calculated cost of recovery data from the point-in-time 2022 fee study, as well as by what percentage a fee would increase to reflect cost recovery. In some instances, the calculated cost recovery level was well beyond a 250 percent increase of the current fee. In many cases, these are fees that have not been raised since initial enactment or are charged far less often than typical licensing and renewal fees. In some cases, DRE determined that such a steep increase would not be reasonable and a lesser amount is proposed for the fee.

In addition to the proposed fee levels, DRE is also proposing that a statutory cap be placed on these fees approximately 50 percent higher than the current level needed. This will allow DRE to modify fees through the regulatory process as expenditures change incrementally. Attachment A includes a proposed fee schedule and statutory changes to increase fees are forthcoming.

C. Departmentwide and Statewide Considerations

The mission of DRE is to safeguard and promote the public interests in real estate matters through the protection of buyers of subdivided lands and in real estate matters through the licensure, regulation, education, and enforcement of the Real Estate Law. Real Estate and home construction have a significant impact on the state's economy, and therefore, it is essential that

DRE be funded appropriately to make certain mission critical operations are met, which creates a fair and just marketplace for the consumers of California.

One of DRE's primary functions is to make certain Californians have access to the profession. In support of the Governor's California For All initiative, California should have a workforce that reflects the diversity of its people. With appropriate funding, DRE can efficiently execute mission critical functions such as qualifying applicants for real estate exams, administering exams, or issuing licenses within internal service level standards. This will permit Californians to enter the real estate workforce at a time California's robust real estate market is in need of a dynamic and diverse workforce.

This funding will help DRE meet service timelines in issuing public reports for new subdivisions in line with Governor Newsom's prioritization of the development of new and affordable housing. The issuance of public reports for new developments is one of the first steps in the process of building the 2.5 million homes needed over the next eight years as identified in the 2022 Statewide Housing Plan.

DRE is a Special Fund agency and fees are paid by license holders, which are capped at levels established in statute in 1997.

D. Outcomes and Accountability

DRE anticipates that the growth in real estate sales and housing prices will result in more individuals seeking to obtain a real estate license. Funding in the area of external contracts will be measured by the number exams administered and licenses issued.

DRE has established a critical goal for the Licensing Division to meet specific timeframes regarding scheduling of examination dates, issuance of an original licenses, and call wait times. DRE has a responsibility to confirm that it does not create delays in obtaining licensure, and subsequent gainful employment, for Californians who wish to pursue a profession in real estate. Lengthy processing timeframes delay an applicant's ability to enter the real estate profession and are contrary to the state's goal of reducing unemployment and growing the economy. DRE's service guidelines are identified below.

1. Examination Date – Examination date within 23 days of exam application scheduling.
2. Original License Issuance – Licenses issued within 10 days of passing the exam and completing all licensing requirements.
3. Answer Public Calls – Call hold time not to exceed five to seven minutes.

This will provide DRE with the necessary ongoing funding authority to be able to meet its mission and service guidelines by responding to telephone inquiries in a timely manner. An assessment of the outcomes will be completed through a measurement of the following:

- The reduction in call wait times and handle/response times compared to the current wait and handle/response times. This is achieved by monitoring call volume and call wait time through the DRE's VCC system.
- Continued low vacancy rates and higher retention rates within the Licensing Division, Information Section Program Technician II's.

Projected Outcomes

Workload Measure	2023-24	2024-25	2025-26	2026-27	2027-28
Licensing Call Volume	202,321	198,618	194,914	191,210	187,506
License Population	441,788	442,140	449,571	449,923	457,354
Examination Applications	41,873	43,703	45,533	47,363	49,192
Original License Applications	29,142	29,670	30,198	30,726	31,254
Renewal Applications	88,436	93,477	92,769	97,810	97,102
Call Wait Times	40 min 54 sec	35 min 23 sec	28 min 18 sec	21 min 08 sec	14 min 52 sec
Call Handle Times	5 min 30 sec	5 min 19 sec	5 min 08 sec	4 min 57 sec	4 min 46 sec
AskDRElicensing Emails	25,445	26,109	26,773	27,437	28,101

E. Implementation Plan

Upon approval and effective July 1, 2024, DRE would begin recruitment of the 14.0 vacancies and continue to fund 5.0 previously approved limited-term Program Technician II's.

Fee Changes

Stakeholder Engagement and Communication:

- Identify all relevant stakeholders, such as customers, staff, regulatory bodies, and community members.
- Create a communication strategy to inform stakeholders about the proposed fee changes, including the reasons that necessitate the changes, and potential benefits.

Regulatory and Statutory Compliance:

- Draft and submit regulatory packages to gain official approval for the fee changes governed by regulations.

Internal Training and Process Adjustments:

- Train staff and relevant departments on the new fee structure and any associated changes in processes or systems.
- Update internal documentation and procedures to reflect the fee adjustments.

F. Supplemental Information

Attachment A – Proposed Fee Schedule

Attachment B – Current and Proposed Fund Condition Statements

BCP Fiscal Detail Sheet

BCP Title: Addressing Workload Costs and Fund Solvency

BR Name: 2320-001-BCP-2024-GB

Budget Request Summary

Personal Services

Personal Services	FY24 Current Year	FY24 Budget Year	FY24 BY+1	FY24 BY+2	FY24 BY+3	FY24 BY+4
Salaries and Wages Earnings - Temporary Help	0	577	577	0	0	0
Total Salaries and Wages	\$0	\$577	\$577	\$0	\$0	\$0
Total Staff Benefits	0	118	118	0	0	0
Total Personal Services	\$0	\$695	\$695	\$0	\$0	\$0

Operating Expenses and Equipment

Operating Expenses and Equipment	FY24 Current Year	FY24 Budget Year	FY24 BY+1	FY24 BY+2	FY24 BY+3	FY24 BY+4
5301 - General Expense	0	25	25	0	0	0
5302 - Printing	0	10	10	0	0	0
5304 - Communications	0	10	10	0	0	0
5306 - Postage	0	5	5	0	0	0
5320 - Travel: In-State	0	15	15	0	0	0
5322 - Training	0	5	5	0	0	0
5324 - Facilities Operation	0	161	161	161	161	161
5340 - Consulting and Professional Services - External	0	1,500	1,500	1,500	1,500	1,500
5340 - Consulting and Professional Services - Interdepartmental	0	257	257	257	257	257
5344 - Consolidated Data Centers	0	20	20	0	0	0
5368 - Non-Capital Asset Purchases - Equipment	0	528	528	528	528	528
Total Operating Expenses and Equipment	\$0	\$2,536	\$2,536	\$2,446	\$2,446	\$2,446

Total Budget Request

Total Budget Request	FY24 Current Year	FY24 Budget Year	FY24 BY+1	FY24 BY+2	FY24 BY+3	FY24 BY+4
Total Budget Request	\$0	\$3,231	\$3,231	\$2,446	\$2,446	\$2,446

Fund Summary

Fund Source

Fund Source	FY24 Current Year	FY24 Budget Year	FY24 BY+1	FY24 BY+2	FY24 BY+3	FY24 BY+4
State Operations - 0317 - Real Estate Fund	0	3,231	3,231	2,446	2,446	2,446
Total State Operations Expenditures	\$0	\$3,231	\$3,231	\$2,446	\$2,446	\$2,446
Total All Funds	\$0	\$3,231	\$3,231	\$2,446	\$2,446	\$2,446

Program Summary

Program Funding

Program Funding	FY24 Current Year	FY24 Budget Year	FY24 BY+1	FY24 BY+2	FY24 BY+3	FY24 BY+4
1700010 - Department of Real Estate - Support	0	3,231	3,231	2,446	2,446	2,446
Total All Programs	\$0	\$3,231	\$3,231	\$2,446	\$2,446	\$2,446

Personal Services Details

Staff Benefits

Staff Benefits	FY24 Current Year	FY24 Budget Year	FY24 BY+1	FY24 BY+2	FY24 BY+3	FY24 BY+4
5150900 - Staff Benefits - Other	0	118	118	0	0	0

Total Staff Benefits	\$0	\$118	\$118	\$0	\$0	\$0
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Total Personal Services

Total Personal Services	FY24 Current Year	FY24 Budget Year	FY24 BY+1	FY24 BY+2	FY24 BY+3	FY24 BY+4
Total Personal Services	\$0	\$118	\$118	\$0	\$0	\$0

Attachment A – Proposed Fee Schedule

Fee Type	Fee Name	Current Fee	Proposed Fee	Statutory Cap
EDUCATION	Statutory / Pre-License Course Application	\$150	\$500	\$750
EDUCATION	Continuing Education Course Application 1-2 hours	\$350	\$500	\$750
EDUCATION	Continuing Education Course Application 3 hours	\$500	\$750	\$1,125
EDUCATION	Continuing Education Course Application Each Additional Hour	New	\$100	\$150
EDUCATION	Renewal Application 1-2 hours	\$350	\$500	\$750
EDUCATION	Renewal Application 3 hours	\$500	\$750	\$1,125
EDUCATION	Renewal Application -Each Additional Hour	New	\$100	\$150
EDUCATION	Continuing Education Equivalent Activity Petition Application (1 item)	\$60	\$130	\$195
EDUCATION	Continuing Education Equivalent Activity Petition Application (unit cost per additional item)	New	\$130	\$195
EXAMINATION	Salesperson Original Examination (Exam Only)	\$60	\$100	\$150
EXAMINATION	Salesperson Re-Examination	\$60	\$100	\$150
EXAMINATION	Salesperson First Rescheduled Exam	\$15	\$40	\$60
EXAMINATION	Salesperson Subsequent Rescheduled Exam	\$30	\$40	\$60
EXAMINATION	Salesperson Professional Responsibility Exam	\$60	\$100	\$150
EXAMINATION	Salesperson Professional Responsibility Re-Exam	\$60	\$100	\$150
EXAMINATION	Broker Original Examination (Exam Only)	\$95	\$150	\$225
EXAMINATION	Broker Re-Examination	\$95	\$150	\$225
EXAMINATION	Broker First Rescheduled Exam	\$20	\$45	\$68
EXAMINATION	Broker Subsequent Rescheduled Exam	\$30	\$45	\$68
EXAMINATION	Broker Professional Responsibility Exam	\$95	\$150	\$225
EXAMINATION	Broker Professional Responsibility Re-Exam	\$95	\$150	\$225
ORIGINAL LICENSE	Salesperson License Fee	\$245	\$350	\$525
ORIGINAL LICENSE	Broker License Fee	\$300	\$450	\$675
COMBINATION LICENSE	Salesperson License & Exam Fee	\$305	\$450	\$675
COMBINATION LICENSE	Broker License & Exam Fee	\$395	\$600	\$900
LICENSE RENEWAL	Salesperson On Time Renewal	\$245	\$350	\$525
LICENSE RENEWAL	Salesperson Late Renewal (within 2 years after license exp. Date)	\$367	\$525	\$788
LICENSE RENEWAL	Broker On Time Renewal	\$300	\$450	\$675

Fee Type	Fee Name	Current Fee	Proposed Fee	Statutory Cap
LICENSE RENEWAL	Broker Late Renewal (within 2 years after license exp. Date)	\$450	\$675	\$1,013
LICENSE RENEWAL	Officer On Time Renewal	\$300	\$450	\$675
LICENSE RENEWAL	Officer Late Renewal (within 2 years after license exp. Date)	\$450	\$675	\$1,013
CORPORATION LICENSE	Corporation license or Additional Officer	\$300	\$450	\$675
RESTRICTED LICENSE	Salesperson License Fee	\$245	\$350	\$525
RESTRICTED LICENSE	Broker License Fee	\$300	\$450	\$675
RESTRICTED LICENSE	Additional Officer License Fee	\$300	\$450	\$675
RESTRICTED LICENSE	Corporation License Fee	\$300	\$450	\$675
PETITION APPLICATION	Petition Application Fees Reinstate Revoked / Surrendered License	\$800	\$1,600	\$2,400
PETITION APPLICATION	Petition Application Fees Removal of Discipline from License Information	\$1,275	\$2,500	\$3,750
PREPAID RENTAL LISTING SERVICE	Individual License Fee	\$125	\$175	\$263
PREPAID RENTAL LISTING SERVICE	Individual Renewal Application	\$125	\$175	\$263
PREPAID RENTAL LISTING SERVICE	Individual Each Additional Location	\$50	\$90	\$135
PREPAID RENTAL LISTING SERVICE	Corporate License Fee	\$125	\$175	\$263
PREPAID RENTAL LISTING SERVICE	Corporate Renewal of Location	\$50	\$90	\$135
PREPAID RENTAL LISTING SERVICE	Corporate Addition of Location	\$50	\$90	\$135
PREPAID RENTAL LISTING SERVICE	Corporate Designated Agent Application	\$125	\$175	\$263
PREPAID RENTAL LISTING SERVICE	Corporate Officer Renewal Application	\$125	\$175	\$263
PREPAID RENTAL LISTING SERVICE =	Corporate Duplicate PRLS License Certificate	\$15	\$50	\$75
MORTGAGE LOAN ORIGINATOR	Corporation Original	\$300	\$300	\$450
MORTGAGE LOAN ORIGINATOR	Corporation Renewal	\$300	\$300	\$450
MORTGAGE LOAN ORIGINATOR	Salesperson Original	\$300	\$300	\$450
MORTGAGE LOAN ORIGINATOR	Salesperson Renewal	\$300	\$300	\$450
MORTGAGE LOAN ORIGINATOR	Broker Original	\$300	\$300	\$450
MORTGAGE LOAN ORIGINATOR	Broker Renewal	\$300	\$300	\$450
MORTGAGE LOAN ORIGINATOR	Mortgage Loan Advertising Submittal	\$40	\$100	\$150
SUBDIVISION FILING	Basic (Final Public Report) Standard Subdivision	\$600	\$1,500	\$2,250

Fee Type	Fee Name	Current Fee	Proposed Fee	Statutory Cap
SUBDIVISION FILING	Basic (Final Public Report) Common Interest Subdivision	\$1,700	\$3,000	\$4,500
SUBDIVISION FILING	Time-share Filings In-state	\$1,700	\$2,500	\$3,750
SUBDIVISION FILING	Time-share Filings Out-of-State	\$1,700	\$2,500	\$3,750
SUBDIVISION FILING	Out-of-State Registrations (Non-Timeshare)	\$100	\$100	\$150
SUBDIVISION FILING	Preliminary Public Report Original	\$500	\$500	\$750
SUBDIVISION FILING	Preliminary Public Report Amended	\$500	\$500	\$750
SUBDIVISION FILING	Preliminary Public Report Renewal	\$600	\$600	\$900
SUBDIVISION FILING	Preliminary Public Report Timeshare	\$500	\$500	\$750
SUBDIVISION FILING	Conditional Public Report / Permit Original	\$500	\$1,000	\$1,500
SUBDIVISION FILING	Conditional Public Report / Permit Amended	\$500	\$1,000	\$1,500
SUBDIVISION FILING	Conditional Public Report / Permit Renewal	\$600	\$1,000	\$1,500
SUBDIVISION FILING	Conditional Public Report / Permit Timeshare	\$500	\$1,000	\$1,500
SUBDIVISION FILING	Amended Fees Standard	\$500	\$1,000	\$1,500
SUBDIVISION FILING	Amended Fees Common Interest Subdivision	\$500	\$1,500	\$2,250
SUBDIVISION FILING	Amended Fees Time-share Filings	\$500	\$1,500	\$2,250
SUBDIVISION FILING	Amended Fees Out-of-State Registrations	\$100	\$100	\$150
SUBDIVISION FILING	Amended Fees Subdivider name change or other non-substantive and recurring changes	\$125	\$300	\$450
SUBDIVISION FILING	Amended Fees Additional applications submitted concurrently	\$60	\$100	\$150
SUBDIVISION FILING	Renewal Fees Standard	\$600	\$1,000	\$1,500
SUBDIVISION FILING	Renewal Fees Common Interest Subdivision	\$600	\$1,500	\$2,250
SUBDIVISION FILING	Renewal Fees Time-share Filings	\$600	\$1,500	\$2,250
SUBDIVISION FILING	Renewal Fees Out-of-State Registrations	\$100	\$100	\$150
SUBDIVISION FILING	Miscellaneous Fees Filing fee for Notice of Intention without a completed subdivision questionnaire	\$150	\$300	\$450
SUBDIVISION FILING	Miscellaneous Fees Filing fee for Application to Amend Documents	\$20	\$50	\$75
SUBDIVISION FILING	Miscellaneous Fees Interest Fees	\$10	\$15	\$23
SUBDIVISION FILING	Miscellaneous Fees Filing Fee to review a declaration	\$200	\$500	\$750
SUBDIVISION FILING	Miscellaneous Fees Advertising Review Fee	\$75	\$200	\$300
MISCELLANEOUS	Duplicate Pocket Card (will be deleted as DRE no longer provides this)	\$15	\$0	\$0
MISCELLANEOUS	Certified License History	\$20	\$50	\$75
MISCELLANEOUS	Child Support Obligor	\$95	\$95	\$143

Attachment B – Fund Condition of the Real Estate Fund

Current Fund Condition

0317 - Real Estate Fund	2022-23	2023-24	2024-25
BEGINNING BALANCE	\$37,409	\$27,953	\$18,096
Prior year adjustments	647	-	-
Adjusted Beginning Balance	\$38,056	\$27,953	\$18,096
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS	-	-	-
Revenues: ¹	-	-	-
4127000 Real Estate - Examination Fees	4,480	4,698	4,929
4127200 Real Estate - License Fees	39,879	40,625	41,248
4128000 Subdivision Filing Fees	6,485	8,264	8,279
4129400 Other Regulatory Licenses and Permits	180	134	126
4140000 Document Sales	4	9	10
4143500 Miscellaneous Services to the Public	82	100	95
4163000 Investment Income - Surplus Money Investments	733	211	219
4171100 Cost Recoveries - Other	1,249	1,677	1,654
4171400 Escheat - Unclaimed Checks, Warrants, Bonds, and Coupons	14	14	12
4172500 Miscellaneous Revenue	8	33	31
4173000 Penalty Assessments - Other	940	913	889
Revenue Subtotal	54,054	56,678	57,492
Total Resources	\$ 92,110	\$84,631	\$75,588
EXPENDITURES AND EXPENDITURE ADJUSTMENTS	-	-	-
Expenditures:	-	-	-
0515 Secretary for Business, Consumer Services and Housing Agency (State Operations)	259	360	316
2320 Department of Real Estate (State Operations) ²	60,086	62,037	61,982
DRE BCP Expenditures	-	-	3,231
Projected Rent Increase ³	-	-	2,552
Expenditures (Pro Rata) (State Operations)	3,812	4,138	5,366
Total Expenditures and Expenditure Adjustments	\$64,157	\$66,535	\$73,447
FUND BALANCE	\$27,953	\$18,096	\$2,141
Reserve for economic uncertainties	\$27,953	\$18,096	\$2,141
Fund Balance Reserve in Months	5.04	2.96	0.34

¹ Projected using a three-year average.

Assumptions:

² 3 percent annual increase in employee compensation

³ Increased rental costs for RBOC.

Projected Fund Condition

0317 - Real Estate Fund	2022-23	2023-24	2024-25
BEGINNING BALANCE	\$37,409	\$27,953	\$18,096
Prior year adjustments	647	-	-
Adjusted Beginning Balance	\$38,056	\$27,953	\$18,096
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS	-	-	-
Revenues: ¹	-	-	-
4127000 Real Estate - Examination Fees	4,480	4,698	4,929
4127200 Real Estate - License Fees	39,879	40,625	41,248
4128000 Subdivision Filing Fees	6,485	8,264	8,279
4129400 Other Regulatory Licenses and Permits	180	134	126
Proposed Fee Increase Revenue ²	-	-	12,119
4140000 Document Sales	4	9	10
4143500 Miscellaneous Services to the Public	82	100	95
4163000 Investment Income - Surplus Money Investments	733	211	219
4171100 Cost Recoveries - Other	1,249	1,677	1,654
4171400 Escheat - Unclaimed Checks, Warrants, Bonds, and Coupons	14	14	12
4172500 Miscellaneous Revenue	8	33	31
4173000 Penalty Assessments - Other	940	913	889
Revenue Subtotal	54,054	56,678	69,611
Total Resources	\$ 92,110	\$84,631	\$87,708
EXPENDITURES AND EXPENDITURE ADJUSTMENTS	-	-	-
Expenditures:	-	-	-
0515 Secretary for Business, Consumer Services and Housing Agency (State Operations)	259	360	316
2320 Department of Real Estate (State Operations) ³	60,086	62,037	61,982
DRE BCP Expenditures	-	-	3,231
Projected Rent Increase ⁴	-	-	2,552
9900 Statewide General Administrative Expenditures (Pro Rata) (State Operations)	3,812	4,138	5,366
Total Expenditures and Expenditure Adjustments	\$64,157	\$66,535	\$73,447
FUND BALANCE	\$27,953	\$18,096	\$14,261
Reserve for economic uncertainties	\$27,953	\$18,096	\$14,261
Fund Balance Reserve in Months	5.04	2.96	2.26

¹ Projected using a three-year average.

Assumptions:

² Proposed fee increase effective date of 1/1/25.

³ 3 percent annual increase in employee compensation.

⁴ Increased rental costs for RBOC.