ANNUAL REPORT

YEAR ENDED AUGUST 31, 1999

UNAUDITED

TEXAS REAL ESTATE COMMISSION (329)

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TEXAS REAL ESTATE COMMISSION

Mailing Address: **P.O. BOX 12188 • AUSTIN, TEXAS • 78711-2188**
Phone: **(512) 459-6544** Fax: **(512) 465-3998**

November 19, 1999

Honorable George W. Bush, Governor
Honorable Carol Keeton Rylander, State Comptroller
John Keel, Director, Legislative Budget Board
Lawrence F. Alwin, CPA, State Auditor

Lady and Gentlemen:

We are pleased to submit the Annual Financial Report of the Texas Real Estate Commission for the year ended August 31, 1999, in compliance with the General Provisions of the Appropriations Act, Article IX, and in accordance with the requirements established by the Comptroller of Public Accounts.

The accompanying annual financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Alan R. Waters, Staff Services Division, at 512/465-3921.

Sincerely,

Wayne Thorburn
Administrator

Street Address: **1101 CAMINO LA COSTA • AUSTIN, TEXAS • 78752-3930**

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TEXAS REAL ESTATE COMMISSION

EXHIBIT I
COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS
AND DISCRETELY PRESENTED COMPONENT UNIT
August 31, 1999

	GOVERNMENTAL FUND TYPE	FIDUCIARY FUND TYPE
	GENERAL REVENUE FUND 0001 U/F (1114)	TRUST AND AGENCY (Exh. A-1)
ASSETS		
Cash and Temporary Investments:		
Cash on Hand	$ 500.00	$ 200,188.84
Cash in State Treasury		1,765,584.52
Short-Term Investments		801,406.25
Legislative Appropriations	432,080.32	
Investments (Note 3)		1,113,593.75
Receivables:		
Interest and Dividends Receivable		19,533.91
A/R - Licenses, Fees and Permits	5,382.50	215.00
Consumable Inventories	30,645.05	
Fixed Assets (Note 2):		
Furniture and Equipment		
Other Fixed Assets		
Amounts to be Provided in Future Years For:		
Other Obligations		
TOTAL ASSETS	$ 468,607.87	$ 3,900,522.27
LIABILITIES		
Payables:		
Accounts Payable	$ 371,565.54	$ 564,481.42
Due to Other Funds (Note 7)	83.75	
Employees' Compensable Leave (Note 4)		
Funds Held for Others		347,363.94
TOTAL LIABILITIES	$ 371,649.29	$ 911,845.36

TEXAS REAL ESTATE COMMISSION

ACCOUNT GROUPS			Component Unit	
GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	TOTALS Primary Government 1999	General Revenue Fund (0001) U/F (0001)	TOTALS Memorandum Only Reporting Entity 1999
$	$	$ 200,688.84	$	$ 200,688.84
		1,765,584.52		1,765,584.52
		801,406.25		801,406.25
		432,080.32	60,402.07	492,482.39
		1,113,593.75		1,113,593.75
		19,533.91		19,533.91
		5,597.50		5,597.50
		30,645.05	667.68	31,312.73
831,935.60		831,935.60		831,935.60
73,044.17		73,044.17		73,044.17
	213,024.00	213,024.00		213,024.00
$ 904,979.77	$ 213,024.00	$ 5,487,133.91	$ 61,069.75	$ 5,548,203.66
$	$	$ 936,046.96	$ 27,571.86	$ 963,618.82
		83.75		83.75
	213,024.00	213,024.00		213,024.00
		347,363.94		347,363.94
$ 0.00	$ 213,024.00	$ 1,496,518.65	$ 27,571.86	$ 1,524,090.51

UNAUDITED

TEXAS REAL ESTATE COMMISSION

EXHIBIT I
COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS
AND DISCRETELY PRESENTED COMPONENT UNIT
August 31, 1999
(concluded)

	GOVERNMENTAL FUND TYPE	FIDUCIARY FUND TYPE
	GENERAL REVENUE FUND 0001 U/F (1114)	TRUST AND AGENCY (Exh. A-1)
FUND EQUITY		
Investment in General Fixed Assets	$	$
Fund Balances:		
Reserved For:		
Encumbrances	37,328.60	
Imprest Account	500.00	
Inventories	30,645.05	
Other:		
Real Estate Recovery Fund Claims		2,339,303.39
Real Estate Inspection Recovery Fund Claims		649,373.52
Unreserved:		
Undesignated:	28,484.93	
TOTAL FUND EQUITY	96,958.58	2,988,676.91
TOTAL LIABILITIES AND FUND EQUITY	$ 468,607.87	$ 3,900,522.27

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

TEXAS REAL ESTATE COMMISSION

ACCOUNT GROUPS			Component Unit	
GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	TOTALS Primary Government 1999	General Revenue Fund (0001) U/F (0001)	Totals Memorandum Only Reporting Entity 1999
$ 904,979.77	$	$ 904,979.77	$	$ 904,979.77
		37,328.60	8,666.72	45,995.32
		500.00		500.00
		30,645.05	667.68	31,312.73
		2,339,303.39		2,339,303.39
		649,373.52		649,373.52
		28,484.93	24,163.49	52,648.42
904,979.77	0.00	3,990,615.26	33,497.89	4,024,113.15
$ 904,979.77	$ 213,024.00	$ 5,487,133.91	$ 61,069.75	$ 5,548,203.66

TEXAS REAL ESTATE COMMISSION

EXHIBIT II
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
For the Year Ended August 31, 1999

	GOVERNMENTAL FUND TYPE
	GENERAL REVENUE FUND 0001 U/F (1114)
REVENUES:	
Legislative Appropriations:	$
Original	3,335,795.00
OASI	198,089.56
Group Insurance	307,768.63
Retirement	158,380.17
Benefit Replacement Pay	65,779.06
$100 per Month Salary Increase	98,785.00
Unemployment Compensation	2,767.67
Workers' Compensation	3,477.75
Licenses, Fees and Permits:	
Fees for Expenses of Examinations Conducted	5,382.50
Recovery Fund Fees	
Administrative Penalties	
Interest and Investment Income:	
Depository Interest	
Earnings on Investments	
Net Increase (Decrease) in Fair Value of Investments	
Settlement of Claims	
Sales of Goods and Services:	
Sales of Publications	157,757.73
Other Sales	1,234.24
Other Revenue	50.00
TOTAL REVENUES	4,335,267.31
EXPENDITURES:	
Salaries and Wages	2,651,819.42
Payroll Related Costs:	
Group Insurance-State Contributions	307,768.63
Retirement Contributions	158,380.17
Social Security Matching Contributions	198,089.56
Unemployment Compensation Payments	5,535.36
Professional Fees and Services	8,903.37
Travel	64,226.63
Materials and Supplies	267,099.18

TEXAS REAL ESTATE COMMISSION

FIDUCIARY FUND TYPE		Component Unit	
TRUST AND AGENCY (Exh. A-2)	TOTALS Memorandum Only Primary Government 1999	General Revenue Fund (0001) U/F (0001)	TOTALS Memorandum Only Reporting Entity 1999
$	$	$	$
	3,335,795.00	305,852.00	3,641,647.00
	198,089.56	15,519.01	213,608.57
	307,768.63	18,654.00	326,422.63
	158,380.17	12,353.29	170,733.46
	65,779.06	5,965.76	71,744.82
	98,785.00	7,596.00	106,381.00
	2,767.67		2,767.67
	3,477.75	4,947.14	8,424.89
	5,382.50		5,382.50
172,790.00	172,790.00		172,790.00
20,650.00	20,650.00		20,650.00
32,992.22	32,992.22		32,992.22
129,237.72	129,237.72		129,237.72
(55,101.89)	(55,101.89)		(55,101.89)
46,523.31	46,523.31		46,523.31
	157,757.73	7,294.50	165,052.23
	1,234.24		1,234.24
48,520.83	48,570.83		48,570.83
395,612.19	4,730,879.50	378,181.70	5,109,061.20
	2,651,819.42	211,291.99	2,863,111.41
	307,768.63	18,654.00	326,422.63
	158,380.17	12,353.29	170,733.46
	198,089.56	15,519.01	213,608.57
	5,535.36		5,535.36
	8,903.37	301.25	9,204.62
213.21	64,439.84	17,446.08	81,885.92
	267,099.18	25,968.29	293,067.47

TEXAS REAL ESTATE COMMISSION

EXHIBIT II
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
For the Year Ended August 31, 1999
(concluded)

	GOVERNMENTAL FUND TYPE
	GENERAL REVENUE FUND (0001) U/F (1114)
Communication and Utilities	$ 105,650.58
Repairs and Maintenance	55,341.98
Rentals and Leases	240,333.44
Printing and Reproduction	46,794.73
Claims and Judgments	4,637.00
Other Expenditures	142,026.49
Capital Outlay	120,023.11
TOTAL EXPENDITURES	4,376,629.65
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(41,362.34)
OTHER FINANCING SOURCES (USES):	
Operating Transfers Out:	
Agency 902, Fund 0001 (Note 7)	
TOTAL OTHER FINANCING SOURCES (USES)	0.00
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(41,362.34)
FUND BALANCES - September 1, 1998	170,735.74
Lapsed Appropriations	(9,905.01)
Net Change in Reserve for Inventories	(22,509.81)
FUND BALANCES - August 31, 1999	$ 96,958.58

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

TEXAS REAL ESTATE COMMISSION

FIDUCIARY FUND TYPE		Component Unit	
TRUST AND AGENCY (Exh. A-2)	TOTALS Memorandum Only Primary Government 1999	General Revenue Fund (0001) U/F (0001)	TOTALS Memorandum Only Reporting Entity 1999
$	$ 105,650.58	$ 5,510.08	$ 111,160.66
	55,341.98	5,231.45	60,573.43
	240,333.44	19,908.86	260,242.30
1.00	46,795.73	5,792.08	52,587.81
575,826.88	580,463.88	6,596.18	587,060.06
207.00	142,233.49	9,464.12	151,697.61
	120,023.11	(1,417.58)	118,605.53
576,248.09	4,952,877.74	352,619.10	5,305,496.84
(180,635.90)	(221,998.24)	25,562.60	(196,435.64)
(38,556.34)	(38,556.34)		(38,556.34)
(38,556.34)	(38,556.34)	0.00	(38,556.34)
(219,192.24)	(260,554.58)	25,562.60	(234,991.98)
3,207,869.15	3,378,604.89	24,399.56	3,403,004.45
	(9,905.01)	(16,579.31)	(26,484.32)
	(22,509.81)	115.04	(22,394.77)
$ 2,988,676.91	$ 3,085,635.49	$ 33,497.89	$ 3,119,133.38

TEXAS REAL ESTATE COMMISSION (329)

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended August 31, 1999

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ENTITY

The Texas Real Estate Commission was created in 1939 under the Texas Real Estate Dealer's License Act. Policy direction is provided by the Texas Real Estate Commission, and an Administrator, appointed by the Commission, directs the administration of the agency. Policy direction for the Texas Appraiser Licensing and Certification Board, an independent subdivision of the Texas Real Estate Commission, is provided by the Board, and a Commissioner, appointed by the Board, directs the administration of the subdivision. The functions and responsibilities of the Texas Real Estate Commission and the Texas Appraiser Licensing and Certification Board are described in the Addenda of this report. See Note 18.

The accompanying financial statements of the Texas Real Estate Commission have been prepared to conform with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

B. FUND STRUCTURE

The accounts of the Agency are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a complete set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses. The funds and account groups used to reflect the Commission's transactions are as follows:

GOVERNMENTAL FUND TYPES

General Fund

The general fund is used to account for all financial resources of the state except those required to be accounted for in another fund.

FIDUCIARY FUND TYPES

Expendable Trust Funds

Expendable trust funds are used to account for trust funds whose principal and interest may be expended in the course of their designated operations. Principal and revenue of the Expendable Trust Fund, the Real Estate Recovery Fund, may be expended when recovery is ordered by a court of competent jurisdiction against a broker or salesperson or when authorized by appropriative rider to recover travel and related expenses incurred for collection of court judgments affecting the fund. Principal and revenue of the Expendable Trust Fund, the Real Estate Inspection Recovery Fund, may be expended when recovery is ordered by a court of competent jurisdiction against a licensed inspector or when authorized by appropriative rider to recover travel and related expenses incurred for collection of court judgments affecting the fund. .

Agency Funds

Agency funds are used to account for assets held as an agent for individuals, other government entities and/or other funds. These funds are custodial in nature and do not involve measurement of results of operations.

ACCOUNT GROUPS

General Fixed Assets Account Group

Fixed assets used by the Agency are accounted for in the General Fixed Assets Account Group.

General Long-Term Debt Account Group

This account group is used to account for long-term debt to be financed in future periods from governmental funds.

COMPONENT UNITS

Discrete Component Unit

The Texas Appraiser Licensing and Certification Board (TALCB), an independent subdivision of the Texas Real Estate Commission, has been determined to be a component unit as defined by GASB Statement No. 14. The financial statements of TALCB are presented in discrete columns on Exhibits I and II.

C. MEMORANDUM TOTALS

The total columns on the financial statements are captioned "Memorandum Only" to indicate that they are for informational purposes only. Data in these columns does not present the financial position, results of operations, or changes in financial position in conformity with GAAP, nor is such data comparable to a consolidation.

D. BASIS OF ACCOUNTING

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. All governmental fund types, expendable trust funds and agency funds are accounted for on the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Expenditures are generally recognized when the related fund liability is incurred. Exceptions are unpaid employee compensable leave, and the unmatured debt service (principal and interest) on general long-term debt, long-term capital leases, and long-term claims and judgments, which are not recognized until actual payment is made. The principal of these long-term liabilities is reported in the General Long-Term Debt Account Group.

E. BUDGETS AND BUDGETARY ACCOUNTING

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act). Encumbrance accounting is employed for budgetary control purposes. Unencumbered appropriations are subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

F. ASSETS, LIABILITIES AND FUND EQUITY

ASSETS

Investments

Investments are stated at fair value as of the balance sheet date.

TEXAS REAL ESTATE COMMISSION (329)

Inventories

Consumable inventories represent the amount of supplies and postage held to be used in the next fiscal year.

Fixed Assets

Purchases of fixed assets by governmental or similar trust funds are reported as expenditures. They are capitalized at cost or, if not purchased, at appraised value on the date of acquisition. There is no provision for depreciation or obsolescence of these fixed assets since replacements are financed from current resources.

LIABILITIES

Accounts Payable

Accounts Payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

Employees' Compensable Leave

Employees' Compensable Leave Balances represents the liability that the Agency will be required to liquidate in the future for employee vacation time.

RESERVATIONS/DESIGNATIONS OF FUND EQUITY

Reserved for Encumbrances

This represents commitments of the value of contracts awarded or assets ordered prior to year-end but not received as of that date. Encumbrances are not included with expenditures or liabilities. They represent current resources designated for specific expenditures in subsequent operating periods.

Reserved for Consumable Inventories

This represents the amount of supplies and postage held to be used in the next fiscal year.

Unreserved/Undesignated:

Other represents any remaining fund balance after reservations and designations have been presented.

INTERFUND TRANSACTIONS AND BALANCES

The agency has the following types of transactions among funds:

Operating Transfers

According to the Real Estate License Act (Article 6573a, V.T.C.S.) an operating transfer shall be made "if on December 31 of any year the balance remaining in the real estate inspection recovery fund is greater than $600,000." The amount in excess of $600,000 is transferred from Fund 0988 "to a separate account in the general revenue fund to be known as the real estate inspector regulation account." The separate account in the general revenue fund lost its dedication as a result of the funds consolidation act. Excess amounts are transferred to the general revenue fund. The amount of this transfer for FY 99 was $ 38,556.34 and is reported in Exhibit A-2 and Exhibit II.

TEXAS REAL ESTATE COMMISSION (329)

Quasi-external Transactions

Quasi-external transactions are transactions between agencies that would be treated as revenues, expenditures or expenses if they involved organizations external to state government. They are accounted for as revenues by the recipient fund and as expenditures or expenses by the disbursing fund.

The Real Estate Inspection Recovery Fund (Fund 0988) has cash on deposit at the State Treasury which draws statutory interest. The interest is credited monthly to the fund. This transaction is classified as a quasi-external transaction and is included in Exhibit II as Interest and Investment Income.

The Real Estate Commission had expenditures from Fund 0001 during fiscal year 1999 which resulted from quasi-external transactions. The goods and services acquired from other agencies include long-distance telephone service (Tex-An), internet access services, records storage services, human rights service, purchases of software, supplies, equipment and furniture, office machine repairs, printing and reproduction services, and risk management services. These expenditures are reported in Exhibit II in the appropriate expenditure categories.

NOTE 2: FIXED ASSETS

A Summary of changes in General Fixed Assets for the ended year August 31, 1999, is presented below:

Asset Type	Balance 09-01-98	Adjustments	Additions	Deletions	(Exh. I) Balance 08-31-99
Furniture and Equipment	864,089.69	(10,307.17)	104,269.41	(126,116.33)	831,935.60
Other Fixed Assets	27,227.00	10,307.17	41,810.00	(6,300.00)	73,044.17
TOTAL	$891,316.69	$0.00	$146,079.41	($132,416.33)	$904,979.77

During fiscal year 1999, inventory items classified as “Furniture and Equipment”, in the amount of $10,307.17, were deducted in error from “Other Fixed Assets”, when disposed of.

NOTE 3: INVESTMENTS

Effective May 19, 1975, the Real Estate Recovery Fund was established by an amendment to The Real Estate License Act. The Commission was directed to use the fund for reimbursing aggrieved persons who suffer monetary damages by reason of certain acts committed by a duly licensed real estate broker or salesperson, or by an unlicensed employee or agent of a broker or salesperson.

A $10.00 Recovery Fund fee is collected from each new applicant for a license in addition to the regular license filing fee. If on December 31 of any year the balance remaining in the Real Estate Recovery Fund is less than $1 million, each broker and salesperson will be required to pay an additional fee of $10.00 or a pro rata share of the amount necessary to bring the Recovery Fund to $1.7 million dollars, whichever is less.

As set forth in The Real Estate License Act, as amended, the deposits to the Recovery Fund may be invested and reinvested in the same manner as funds of the Employees Retirement System of Texas. There were no violations of legal provisions during the period. All investment transactions are conducted through the State Treasury.

The fair value of investments as of the balance sheet date are shown below. Investments are categorized to give an indication of the level of risk assumed by the agency at year end. The three categories are:

Category 1: Investments that are insured or registered or for which the securities are held by the agency or its agent in the agency's name.

Category 2: Uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the agency's name.

Category 3: Uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the agency's name.

Type of Security	Category			Fair Value
	1	2	3	
U.S. Gov't Securities (U.S. Treasury Notes)	$1,915,000.00			$1,915,000.00
Totals	$1,915,000.00			$1,915,000.00

Consisting of the following:

Short Term Investments	$ 801,406.25
Long Term Investments	1,113,593.75
Total Investments	$1,915,000.00

NOTE 4: GENERAL LONG TERM DEBT

Changes In General Long-Term Debt
During the year ended August 31, 1999, the following changes occurred in liabilities reported in the general long-term debt account.

	Balance 09-01-98	Additions	Deletions	Balance 08-31-99
Compensable Leave	$225,388	$236,438	$248,802	$213,024
Total	$225,388	$236,438	$248,802	$213,024

Employee's Compensable Leave
A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the General Long-Term Debt Account Group with a corresponding account designated "Amounts To Be Provided in Future Years". No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

NOTE 5: CAPITAL LEASES

Not applicable to the Texas Real Estate Commission.

NOTE 6: OPERATING LEASE OBLIGATIONS

The Texas Real Estate Commission and the Texas Appraiser Licensing and Certification Board lease office space through the General Services Commission for offices at 1101 Camino La Costa, Austin, Texas. Lease No. 303-3073-E7B AUSTIN provides for payments to be made to the Camino La Costa Limited Partnership and will expire August 31, 2001. See Schedule 5: Space Occupied for details. Included in the expenditures or expenses reported in the financial statements are the following amounts of office rent paid or due under this operating lease:

Fund Type	TREC Fund Type 01 Governmental	TALCB Fund Type 14 Component Unit	TOTAL
General Fund	$174,320	$15,496	$189,816
Totals - Memorandum Only	$174,320	$15,496	$189,816

Future minimum lease rental payments under noncancellable operating leases having an initial term in excess of one year are as follows:

Year Ended August 31,	TREC	TALCB	TOTAL
2000	$175,148	$15,569	$190,717
2001	$175,148	$15,569	$190,717
2002	0	0	0
2003	0	0	0
2004 and beyond	0	0	0
Total Minimum Future Lease Rental Payments	$350,296	$31,138	$381,434

NOTE 7: INTERFUND BALANCES/ACTIVITY

As explained in Note 1 on Interfund Transactions and Balances there are numerous transactions between funds and agencies. At year-end amounts to be received or paid are reported as Interfund Receivable or Interfund Payable, Advances From or Advances To, Due From or Due To Other Funds, Transfers In or Transfers Out. Individual balances and activity at August 31, 1999, were as follows:

Other Interfund Transactions	DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS
GENERAL REVENUE		
(Agency 479, Fund 0001)		83.75
Total Due From/Due To (Exh 1)		83.75

TEXAS REAL ESTATE COMMISSION (329)

Operating Transfers In/Out	TRANSFERS OUT	TRANSFERS IN
Fund 0988:		
(Agency 902, Fund 0001)	38,556.34	
Operating Transfers (Exh. A-2)		
Total Operating Transfers In/Out, Exh. II	38,556.34	

NOTE 8: EMPLOYEES' RETIREMENT PLAN

The State has joint contributory retirement plans for substantially all its employees. The Agency participates in the plans administered by the Employees Retirement System of Texas. Future pension costs are the liabilities of the Retirement System. The System does not account for each State agency separately. Annual financial reports prepared by the System include audited financial statements and actuarial assumptions and conclusions.

Total payments by the State, related to this Agency for the year ended August 31, 1999, were $170,733.46 as shown in Exhibit II.

NOTE 9: DEFERRED COMPENSATION

State employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in TEX. GOV'T. CODE ANN., Sec 609.001. Two plans are available for employees' deferred compensation plan. Both plans are administered by the Employees Retirement System.

The state's 457 plan complies with the Internal Revenue Code Sec. 457. GASB Statment No. 32, effective for financial statements for periods beginning after December 31, 1998, rescinds GASB Statement No. 2 and amends GASB Statement No. 31. GASB Statement No. 2, Financial Reporting of Deferred Compensation Plans Adopted under the Provisions of Internal Revenue Code Section 457, established reporting requirements for IRC Section 457 plans. Based on the laws in effect at the time of its passage, that Statement required that all amounts deferred by the plan participants be reported as assets of the employer until made available to the participants or their beneficiaries. The laws governing these plans were changed to state that, as of August 20, 1996, new plans will be considered eligible plans “unless all assets and income of the plan described in subsection (b)(6) are held in trust for the exclusive benefit of the participants and their beneficiares.” Existing plans are also required to comply with this requirement by January 1, 1999.

The state also administers another plan: ‘TexaSaver’ created in accordance with Internal Revenue Code Sec. 401(k). The assets of this plan do not belong to the state. The state has no liability related to this plan.

NOTE 10: CONTINGENT LIABILITIES

Sick leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and is paid to the employee only in case of illness or to the employee's estate in the event of his/her death while employed by the Commission. The maximum sick leave that may be paid an employee's estate is one-half of the employee's accumulated hours or 336 hours, whichever is less. The Commission recognizes the cost of any sick leave when paid. No liability is recorded in the General Long-Term Debt Account Group since experience indicates the probability of a material effect on any given year's operation as a result of death or abnormally high rate of illness is minimal.

NOTE 11: CONTINUANCE SUBJECT TO REVIEW

Under Section 5(n) of the Real Estate License Act (Article 6573a, Vernon's Texas Civil Statutes), the Agency will be abolished effective September 1, 2003, unless continued in existence by the 78th Legislature. If abolished, the agency may continue until September 1, 2004 to close out its operations.

Section 6(l) of the Texas Appraiser Licensing and Certification Act (Article 6573a.2, Vernon's Texas Civil Statutes), makes the Texas Appraiser Licensing and Certification Board (TALCB) subject to the Sunset Act in the legislative session following federal action removing the requirement for the preparation and use of an appraisal by federally-regulated institutions. Unless continued in existence by that legislature, the TALCB is abolished 90 days after the last day of the regular session of that legislature.

NOTE 12: RISK FINANCING AND RELATED INSURANCE

Not applicable to the Texas Real Estate Commission.

NOTE 13: SEGMENT INFORMATION

Not applicable to the Texas Real Estate Commission.

NOTE 14: BONDED INDEBTEDNESS

Not applicable to the Texas Real Estate Commission.

NOTE 15: SUBSEQUENT EVENTS

Not applicable to the Texas Real Estate Commission.

NOTE 16: RELATED PARTIES

Not applicable to the Texas Real Estate Commission.

NOTE 17: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Not applicable to the Texas Real Estate Commission.

NOTE 18: THE FINANCIAL REPORTING ENTITY AND JOINT VENTURES

The annual financial report of the Texas Real Estate Commission includes one component unit, the Texas Appraiser Licensing and Certification Board (TALCB). The TALCB was statutorily created as an independent subdivision of the Texas Real Estate Commission and is a legally separate entity from the primary government. The members of the TALCB are appointed by the Governor. The Texas Real Estate Commission provides administrative support to TALCB, through a memorandum of understanding, but has no authority to approve or modify the TALCB budget or to set their fees. Although TREC is not financially accountable for TALCB, the agency does feel that excluding them would result in presentation of incomplete financial statements. Discrete presentation of the TALCB financial statements is included in Exhibit I (Combined Balance Sheet) and Exhibit II (Combined Statement of Revenues, Expenditures and Changes in Fund Balances).

TEXAS REAL ESTATE COMMISSION (329)

NOTE 19: RESTATEMENT OF FUND BALANCES / RETAINED EARNINGS

Not applicable to the Texas Real Estate Commission.

UNAUDITED

TEXAS REAL ESTATE COMMISSION

EXHIBIT A-1
COMBINING BALANCE SHEET
FIDUCIARY FUND TYPES
August 31, 1999

	EXPENDABLE TRUST FUNDS		
	Real Estate Recovery Fund (0971) U/F (0971)	Real Estate Inspection Recovery Fund (0988) U/F (0988)	Totals
ASSETS			
Cash and Temporary Investments:			
Cash on Hand	$ 1,200.00	$ 200.00	$ 1,400.00
Cash in State Treasury	406,414.18	646,242.74	1,052,656.92
Short-Term Investments	801,406.25		801,406.25
Investments (Note 3)	1,113,593.75		1,113,593.75
Receivables:			
Interest and Dividends Receivable	16,703.13	2,830.78	19,533.91
A/R - Licenses, Fees and Permits		100.00	100.00
TOTAL ASSETS	$ 2,339,317.31	$ 649,373.52	$ 2,988,690.83
LIABILITIES			
Payables:			
Accounts Payable	$ 13.92	$	$ 13.92
Funds Held for Others			
TOTAL LIABILITIES	13.92	0.00	13.92
FUND EQUITY			
Fund Balances:			
Reserved for:			
Other:			
Real Estate Recovery Fund Claims	2,339,303.39		2,339,303.39
Real Estate Inspection Recovery Fund Claims		649,373.52	649,373.52
TOTAL FUND EQUITY	2,339,303.39	649,373.52	2,988,676.91
TOTAL LIABILITIES AND FUND EQUITY	$ 2,339,317.31	$ 649,373.52	$ 2,988,690.83

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

UNAUDITED

TEXAS REAL ESTATE COMMISSION

AGENCY FUNDS (Exh. B-1)	TOTALS August 31, 1999 (Exh. I)
$ 198,788.84	$ 200,188.84
712,927.60	1,765,584.52
	801,406.25
	1,113,593.75
	19,533.91
115.00	215.00
$ 911,831.44	$ 3,900,522.27
$ 564,467.50	$ 564,481.42
347,363.94	347,363.94
911,831.44	911,845.36
	2,339,303.39
	649,373.52
0.00	2,988,676.91
$ 911,831.44	$ 3,900,522.27

TEXAS REAL ESTATE COMMISSION

EXHIBIT A-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-ALL EXPENDABLE TRUST FUNDS
For the Year Ended August 31, 1999

	REAL ESTATE RECOVERY FUND (0971) U/F (0971)	REAL ESTATE INSPECTION RECOVERY FUND (0988) U/F (0988)	Totals 1999 (Exh. II)
REVENUES:			
Licenses, Fees and Permits:			
Recovery Fund Fees	$ 139,190.00	$ 33,600.00	$ 172,790.00
Administrative Penalties	20,650.00		20,650.00
Interest and Investment Income:			
Depository Interest		32,992.22	32,992.22
Earnings on Investments	129,237.72		129,237.72
Net Increase (Decrease) in Fair Value of Investments	(55,101.89)		(55,101.89)
Settlement of Claims	46,523.31		46,523.31
Other Revenue	48,520.83		48,520.83
TOTAL REVENUES	329,019.97	66,592.22	395,612.19
EXPENDITURES:			
Travel	202.83	10.38	213.21
Printing and Reproduction	1.00		1.00
Claims and Judgments:			
Payment of Recovery Fund Claims	568,326.88	7,500.00	575,826.88
Other Expenditures:			
Other	192.00	15.00	207.00
TOTAL EXPENDITURES	568,722.71	7,525.38	576,248.09
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(239,702.74)	59,066.84	(180,635.90)
OTHER FINANCING SOURCES (USES):			
Operating Transfers Out:			
Agency 902, Fund 0001 (Note 7)		(38,556.34)	(38,556.34)
TOTAL OTHER FINANCING SOURCES (USES)	0.00	(38,556.34)	(38,556.34)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(239,702.74)	20,510.50	(219,192.24)
FUND BALANCES - September 1, 1998	2,579,006.13	628,863.02	3,207,869.15
FUND BALANCES - August 31, 1999	$ 2,339,303.39	$ 649,373.52	$ 2,988,676.91

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

TEXAS REAL ESTATE COMMISSION

EXHIBIT B-1
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES - ALL AGENCY FUNDS
For the Year Ended August 31, 1999

	Balances September 1, 1998	Additions	Deductions	Balances August 31, 1999
UNAPPROPRIATED RECEIPTS				
General Revenue Fund (0001) U/F (1000)				
Assets:				
Cash on Hand	$ 165,769.03	$ 166,209.87	$ 165,769.03	$ 166,209.87
A/R-Licenses, Fees and Permits	65.00	115.00	65.00	115.00
Total Assets	$ 165,834.03	$ 166,324.87	$ 165,834.03	$ 166,324.87
Liabilities:				
Funds Held for Others	$ 165,834.03	$ 166,324.87	$ 165,834.03	$ 166,324.87
OTHER AGENCY FUNDS				
Suspense Fund (0900) U/F (0900)				
Assets:				
Cash on Hand	$ 2,749.59	$ 2,698.97	$ 2,749.59	$ 2,698.97
Cash in State Treasury	99,873.03	420,228.00	409,403.43	110,697.60
Total Assets	$ 102,622.62	$ 422,926.97	$ 412,153.02	$ 113,396.57
Liabilities:				
Funds Held for Others	$ 102,622.62	$ 422,926.97	$ 412,153.02	$ 113,396.57
Employees' Savings Bond Account (0901) U/F (0901)				
Assets:				
Cash in State Treasury	$ 268.75	$ 8,787.50	$ 8,818.75	$ 237.50
Liabilities:				
Funds Held for Others	$ 268.75	$ 8,787.50	$ 8,818.75	$ 237.50

TEXAS REAL ESTATE COMMISSION

EXHIBIT B-1
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES - ALL AGENCY FUNDS
For the Year Ended August 31, 1999

	Balances September 1, 1998	Additions	Deductions	Balances August 31, 1999
Real Estate Fee Trust Account (0969) U/F (0969)				
Assets:				
Cash on Hand	$ 29,860.00	$ 29,405.00	$ 29,860.00	$ 29,405.00
Cash in State Treasury	583,525.00	2,620,583.92	2,639,641.42	564,467.50
A/R-Licenses, Fees and Permits	17.50	0.00	17.50	0.00
Total Assets	$ 613,402.50	$ 2,649,988.92	$ 2,669,518.92	$ 593,872.50
Liabilities:				
Accounts Payable	$ 0.00	$ 564,467.50	$ 0.00	$ 564,467.50
Due to Other Funds	583,525.00	0.00	583,525.00	0.00
Funds Held for Others	29,877.50	2,085,521.42	2,085,993.92	29,405.00
Total Liabilities	$ 613,402.50	$ 2,649,988.92	$ 2,669,518.92	$ 593,872.50
Appraiser Registry Fee Account (0028) U/F (0028)				
Assets:				
Cash on Hand	$ 850.00	$ 475.00	$ 850.00	$ 475.00
Cash in State Treasury	28,000.00	118,850.00	109,325.00	37,525.00
Total Assets	$ 28,850.00	$ 119,325.00	$ 110,175.00	$ 38,000.00
Liabilities:				
Funds Held for Others	$ 28,850.00	$ 119,325.00	$ 110,175.00	$ 38,000.00
TOTAL - ALL AGENCY FUNDS				
Assets:				
Cash on Hand	$ 199,228.62	$ 198,788.84	$ 199,228.62	$ 198,788.84
Cash in State Treasury	711,666.78	3,168,449.42	3,167,188.60	712,927.60
A/R-Licenses, Fees and Permits	82.50	115.00	82.50	115.00
Total Assets	$ 910,977.90	$ 3,367,353.26	$ 3,366,499.72	$ 911,831.44
Liabilities:				
Accounts Payable	$ 0.00	$ 564,467.50	$ 0.00	$ 564,467.50
Due to Other Funds	583,525.00	0.00	583,525.00	0.00
Funds Held for Others	327,452.90	2,802,885.76	2,782,974.72	347,363.94
Total Liabilities	$ 910,977.90	$ 3,367,353.26	$ 3,366,499.72	$ 911,831.44

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

TEXAS REAL ESTATE COMMISSION (329)

SCHEDULE 1 - APPROPRIATION ITEM TRANSFERS*

For the Fiscal Year Ended August 31, 1999

ITEM OF APPROPRIATION	Transfers-In	Transfers-Out	Net Transfers
A. Goal: Ensure Standards			
Strategies:			
A.1.1 Real Estate Licensing	$ 0.00	$ 62,000.00	$ -62,000.00
Total Goal A: Ensure Standards	0.00	62,000.00	-62,000.00
B. Goal: Enforce Regulations			
Strategies:			
B.1.1 Real Estate Enforcement	30,000.00	0.00	30,000.00
B.2.1 Real Estate Hearings	0.00	0.00	0.00
Total Goal B: Enforce Regulations	30,000.00	0.00	30,000.00
C. Goal: Provide Education			
Strategies:			
C.1.1 Real Estate Public Education	0.00	5,000.00	-5,000.00
Total Goal C: Provide Education	0.00	5,000.00	-5,000.00
D. Goal: Protect/Inform Public			
Strategies:			
D.1.1 Appraiser Licensing	0.00	0.00	0.00
D.2.1 Appraiser Enforcement	0.00	0.00	0.00
Total Goal D: Protect/Inform Public	0.00	0.00	0.00
E. Goal: Real Estate Indirect Adm. & Supp. Costs			
Strategies:			
E.1.1 Indirect Administration	37,000.00	0.00	37,000.00
Total Goal E: Real Estate Indirect Adm. & Supp. Costs	37,000.00	0.00	37,000.00
NET APPROPRIATION ITEM TRANSFERS	$ 67,000.00	$ 67,000.00	$ 0.00

* This schedule does not include Benefit Replacement Pay Transfers or Rider Reduction Transfers.

TEXAS REAL ESTATE COMMISSION (329)

SCHEDULE 2 - HUB STRATEGIC PLAN PROGRESS REPORT

For the Fiscal Year Ended August 31, 1999

(Source: Texas Government Code, Title 10, Subtitle D, Section 2161.124)

Goal = Strategic Plan HUB Goal Actual = % Spent with HUBs from HUB Report	Actual for FY '98	Actual for FY '99	Goal for FY 2000
Heavy Construction other than building contracts	N/A	N/A	N/A
Building construction, including general contractors and operative building contracts	N/A	N/A	N/A
Special trade construction contracts	0%[1]	0%[1]	57.2%
Professional services contracts	0%[2]	0%[3]	20.0%
Other services contracts	13.8%	19.0%	33.0%
Commodities contracts	64.9%	63.6%	12.6%

Prepared by: _____

Approved: _____
(Signature Required)

Printed Name: Sandy Jones

Phone Number: 512.465-3922

Printed Name: Alan R. Waters

1. These expenditures were for remodeling of TRECs leased office space and were made with the lessor's vendor.

2. Total expenditure for this category was $435.00 (TALCB) which was spent with a non-HUB.

3. No expenditures for this category.

TEXAS REAL ESTATE COMMISSION (329)

SCHEDULE 3 - INDIRECT COSTS

For the Fiscal Year Ended August 31, 1999

a.	**Payroll Related Costs**		
	FICA Employer Matching Contribution	$ 213,609	
	Group Health Insurance	326,423	
	Retirement	170,733	
	Unemployment	2,768	
	FICA Employee Share Paid by State	0	
	Total Payroll Related Costs		$ 713,533
	Workers' Compensation	8,425	
	$100 Salary Increase	106,381	
	Benefit Replacement Pay (BRP)	71,745	
	Total Workers' Compensation and BRP		$ 186,551
b.	**Indirect Costs**		
	Bond Debt Service Payments	0	
	GSC	0	
	TPFA	0	
	Other	0	
	Total Indirect Costs		$ 0
c.	**Indirect Costs - Statewide Full Cost Allocation Plan**		
	USAS Deprec.	13,655	
	Comptroller	59,086	
	Workers' Comp Admin	4,562	
	State Library	907	
	Information Resources	4,110	
	Budget & Planning	207	
	GSC Purchasing	1,823	
	GSC Interagency Services	3,231	
	GSC Design, Construction & Leasing	537	
	State Senate	228	
	House of Representatives	230	
	Legislative Council	242	
	Legislative Budget Board	1,117	
	Legislative Reference Library	151	
	Sunset Advisory Commission	279	
	Total Indirect Costs - Statewide Full Cost Allocation Plan		$ 90,365
	TOTAL INDIRECT COSTS		$ **990,449**

TEXAS REAL ESTATE COMMISSION (329)

SCHEDULE 4 - PROFESSIONAL/CONSULTING FEES AND LEGAL SERVICES

For the Fiscal Year Ended August 31, 1999

Expenditures by the Commission (TREC) and Texas Appraiser Licensing and Certification Board (TALCB) during fiscal year 1999 for professional fees included the following:

Name	Type of Service Rendered	Amount
Professional/Consulting Fees		
Unisys Corporation (TREC)	Computer Programming Services	$ 615
Workers Assistance Program (TREC)	Employee Assistance Program	1,284
Workers Assistance Program (TALCB)	Employee Assistance Program	106
Future Protocol, Inc. (TALCB)	Computer Programming Services	195
State Office of Risk Management (TREC)	Risk Management Services	192
KPMG Peat Marwick LLP (TREC)	Internal Audit	6,500
RFD & Associates (TREC)	Training Services	3,000
Adjustments to AY 97 Expenditures:		
Texas Commission on Human Rights (TREC)	Review of Personnel Policies	(2,687)
Total Professional/Consulting Fees		$ 9,205
Legal Service Fees		
(none)		$ 0
Total Professional/Consulting Fees and Legal Service Fees (See Exhibit II)		$ 9,205

TEXAS REAL ESTATE COMMISSION (329)

SCHEDULE 5 - SPACE OCCUPIED

For the Fiscal Year Ended August 31, 1999

At August 31, 1999 the Texas Real Estate Commission (TREC) and Texas Appraiser Licensing and Certification Board (TALCB) had leased office space in the same building. Pertinent information regarding this lease is summarized below:

Address	Lessor	Square Footage	Cost Per Sq. Ft.	Monthly Rental	Annual Rental
TREC Headquarters* 1101 Camino La Costa Austin, Texas	Camino La Costa Limited Partnership	27,079	$ .5364	$14,526.63	$174,319.56
TALCB* 1101 Camino La Costa Austin, Texas	Camino La Costa Limited Partnership	2,236	$ .5775	$ 1,291.30	$ 15,495.60

* Rate per square foot increased to .5390 (TREC) and .5802 (TALCB) effective September 1, 1999.

TEXAS REAL ESTATE COMMISSION (329)

SCHEDULE 6 - TRANSFER TO THE REAL ESTATE RESEARCH CENTER

For the Fiscal Year Ended August 31, 1999

Article 6573a, V.A.C.S., the Real Estate License Act, Section 5.(m) provides "The commission shall charge and collect as a condition of issuance and for renewal of a real estate broker license the fee under Section 11(a)(14) of this Act. The commission shall charge and collect as a condition for issuance and for renewal of a real estate salesperson license the fee under Section 11(a)(15) of this Act. The commission shall transmit the fees under this subsection quarterly to Texas A&M University for deposit in a separate banking account. The money in the separate account shall be expended for the support and maintenance of the Texas Real Estate Research Center and for carrying out the purposes, objectives, and duties of the center. However, all money expended from the separate account shall be determined by legislative appropriation."

Article 6573a, V.A.C.S., the Real Estate License Act, Section (a)(14) provides “an annual fee of $20 from each real estate broker to be transmitted to Texas A&M University for the Texas Real Estate Research Center as provided by Section 5(m) of this Act.”

Article 6573a, V.A.C.S., the Real Estate License Act, Section (a)(15) provides “an annual fee of $17.50 from each real estate salesperson to be transmitted to Texas A&M University for the Texas Real Estate Research Center as provided by Section 5(m) of this Act.”

House Bill No. 1 (General Appropriations Act), 75th Legislature, Regular Session, Article VIII, page 69, Rider 3 states:” **Reporting Requirement.** In its annual report, the Real Estate Commission shall provide a schedule showing a breakdown of the number of broker and salesman license renewals and the amount of funds transferred to the Real Estate Research Center." The following schedules are provided in response to that requirement:

Fee Type	Number	Amount
Broker Renewals	18,512	$ 740,480.00
Broker Applications/Late Renewals	2,544	50,880.00
Total Broker Fees	21,056	791,360.00
Salesperson Renewals	33,955	999,110.00
Salesperson Applications/Late Renewals	12,708	222,390.00
Total Salesperson Fees	46,663	1,221,500.00
Easement or Right-of-Way Registrations	1,030	20,600.00
Total Easement or Right-of-Way Registrations	1,030	20,600.00
Total	68,749	$ 2,033,460.00

The commission made the following transfers to the Real Estate Research Center for fiscal year 1999:

Period	Date of Transfer	Amount of Transfer
September 1, 1998 - November 30, 1998	12/16/98	494,775.00
December 1, 1998 - February 28, 1999	03/11/99	414,757.50
March 1, 1999 - May 31, 1999	06/17/99	559,460.00
June 1, 1999 - August 31, 1999	09/16/99	564,467.50
Total		$ 2,033,460.00

TEXAS REAL ESTATE COMMISSION (329)

SCHEDULE 7 - GENERAL INFORMATION

For the Fiscal Year Ended August 31, 1999

Commission administrators regularly review and destroy records in accordance with their Records Retention Schedule which has been approved by the Texas State Library and the State Auditor's Office.

Each employee of the Commission is bonded to the extent of $10,000.00 by public employee dishonesty policy number 68672521 written by the Western Surety Company, South Dakota. Information concerning the Commissioners' bonds and premiums is presented below:

Type of Policy	Policy Period	Name of the Insurance Company	Annual Premium	Coverage Limit
Official Bond	09/20/99-02	EMC Insurance Company	42.66	$10,000
Official Bond and Oath	09/21/99-00	Western Surety Company	50.01	$10,000
Official Bond and Oath	03/01/97-00	State Farm	70.00	$10,000
Official Bond and Oath	04/18/97-00	RLI Surety Division	59.17	$10,000
Official Bond and Oath	04/01/97-00	Western Surety Company	45.00	$10,000
Public Official Bond	09/14/99-02	Old Republic Surety	45.00	$10,000
Official Bond and Oath	05/15/98-01	Universal Surety of Amer.	45.00	$10,000
Official Bond and Oath	05/01/98-01	Western Surety Company	45.00	$10,000
Official Bond and Oath	05/01/98-01	Western Surety Company	45.00	$10,000

TEXAS REAL ESTATE COMMISSION (329)

SCHEDULE 8 - PAY STATION TELEPHONES

For the Fiscal Year Ended August 31, 1999

There is one pay station telephone located in the office building at 1101 Camino La Costa. During the fiscal year ended August 31, 1999, the Texas Real Estate Commission received commissions totaling $91.74 which were deposited to agency fund 1114 as appropriated monies.

TEXAS REAL ESTATE COMMISSION (329)

ADDENDUM I - ORGANIZATION AND FUNCTIONS

For the Fiscal Year Ended August 31, 1999

In 1939, the Forty-sixth Legislature enacted The Real Estate Dealer's License Act (called The Real Estate License Act since 1955) requiring that those who would act as real estate agents in Texas must first obtain licensure.

The Act was administered by the Secretary of State until 1949 when it was amended to provide for a six-member Real Estate Commission charged with the administration thereof.

The purpose of Articles 6573a and b is the protection of the public through regulation of licensed real estate brokerage practitioners, real estate inspectors and residential service companies in Texas. The purpose of Chapter 221, Texas Property Code, is the protection of the public by registering entities which offer timesharing interests in Texas. The main objectives of the Commission are:

maintaining procedures to ensure that the public is served by competent and honest real estate practitioners, residential service companies, inspectors and easement or right-of-way agents;

registering timeshare interests which have met statutory requirements;

maintaining procedures for withdrawing licensure and registration privileges when warranted;

establishing rules and procedures to implement Mandatory Continuing Education;

maintaining liaison with other state licensing jurisdictions for the purpose of learning administrative and enforcement procedures employed in the various states and for developing information concerning real estate operations in other jurisdictions;

maintaining standards for schools--other than accredited institutions of higher learning--which offer real estate and inspection courses for credit;

serving the licensed clientele by making sure that the application and licensing processes are practical and expedient. Such is attainable by data processing procedures and systems;

serving as a deterrent to violations of the statutes by the dissemination of information and advice. Such is accomplished in writings and public appearances.

Please see Addendum IV for information concerning the Residential Service Company Act, Addendum V for Texas Timeshare Act information, and Addendum VII for information concerning Real Estate Appraisers. The Commission currently provides administrative support through a memorandum of understanding to the Texas Appraiser Licensing and Certification Board, an independent subdivision of the Commission.

TEXAS REAL ESTATE COMMISSION (329)

ADDENDUM I - ORGANIZATION AND FUNCTIONS (continued)

For the Fiscal Year Ended August 31, 1999

The number of Commissioners was increased from six to nine in 1979. Commission members are appointed by the Governor and confirmed by the Senate to overlapping six-year terms, or until successors are appointed and qualified. The Act states that each Commission member must be a Texas citizen and a qualified voter. Six members must have been engaged in the real estate brokerage business as licensed real estate brokers as their major occupations for at least five years preceding their appointments. Three members must be representatives of the general public who are not licensed under The Real Estate License Act and do not have, other than as consumers, a financial interest in the practice of a real estate broker and real estate salesperson. Commission members receive a per diem allowance of $75.00. Members are also reimbursed for their expenses incurred up to $80.00 per day for meals and lodging while attending Commission meetings. The Chairman of the Commission is appointed by the Governor and the Vice Chairperson and Secretary are elected annually by the membership. Members serving as of August 31, 1999 were:

Name	Residence (Texas)	Term Expires	Type
Jay C. Brummett, Chairman	Austin	01/31/01	Broker
Deanna Mayfield, Vice Chairperson	San Angelo	01/31/01	Public
Christine T. Folmer, Secretary	El Paso	01/31/01	Broker
Charles Michael Brodie	Dallas	01/31/03	Broker
Pete Cantu, Sr.*	San Antonio	01/31/99	Broker
Maria Gonzalez-Gil	San Antonio	01/31/03	Public
Mitchell Katine**	Houston	01/31/99	Public
Hazel W. Lewis#	Arlington	01/31/99	Broker
Kay Sutton	Midland	01/31/03	Broker

The Commission had 82.9 full-time equivalent employees for fiscal year 1999. The Texas Appraiser Licensing and Certification Board had 6.3 full-time equivalent employees for fiscal year 1999.

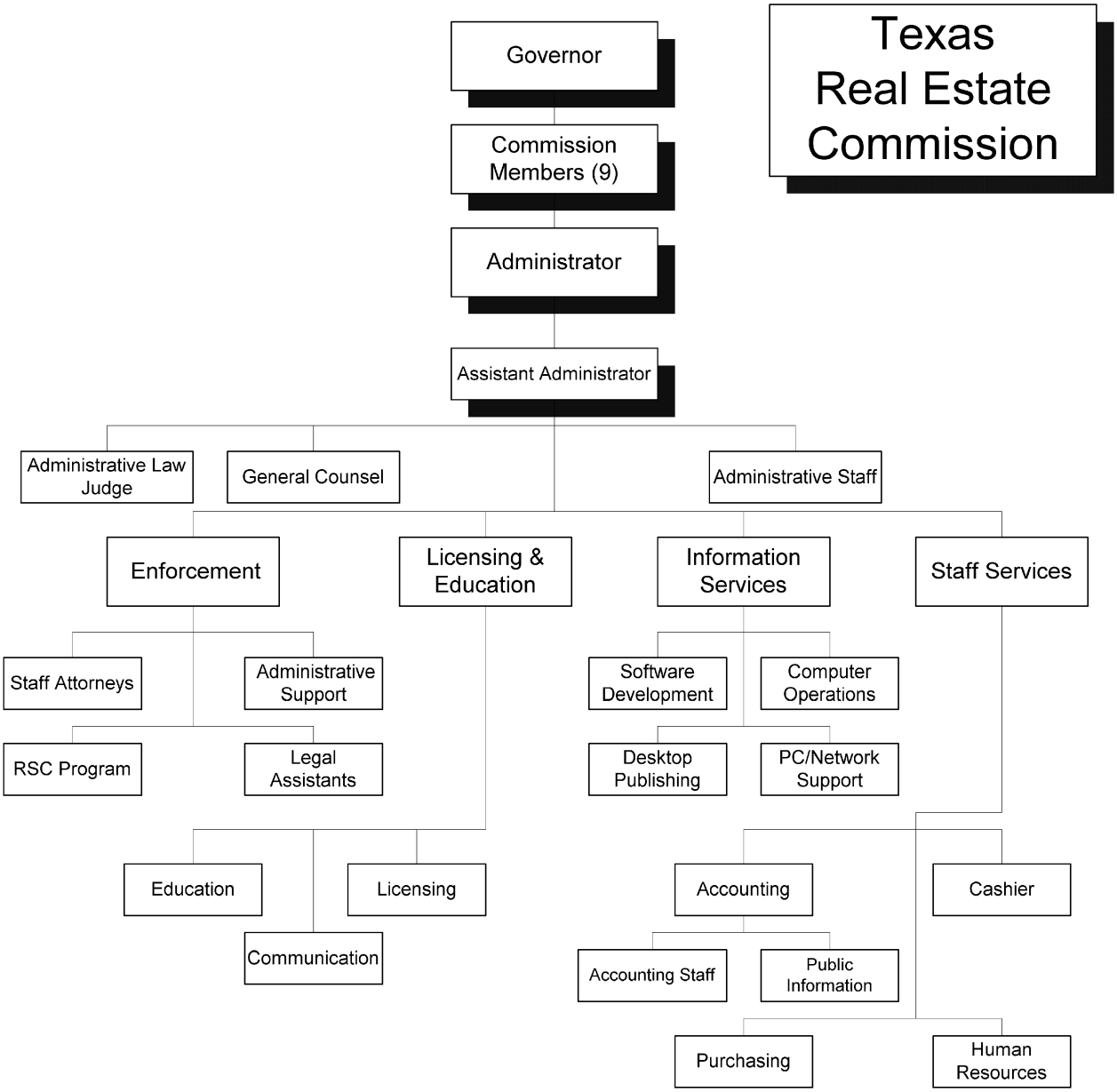
* Pete Cantu, Sr. was replaced by Lawrence D. Jokl, Brownsville, effective September 17, 1999.
** Mitchell Katine was replaced by Ramon M. Cantu, Houston, effective September 21, 1999.
# Hazel W. Lewis was replaced by James N. Austin, Fort Worth, effective September 20, 1999.

TEXAS REAL ESTATE COMMISSION (329)

ADDENDUM I - ORGANIZATION AND FUNCTIONS (concluded)

For the Fiscal Year Ended August 31, 1999

The organizational chart of the Commission is presented below:



TEXAS REAL ESTATE COMMISSION (329)

ADDENDUM II - COMMENTS ON OPERATIONS

For the Fiscal Year Ended August 31, 1999

The appropriations request submitted to the 76th Legislature by the Texas Real Estate Commission (TREC) sought funding for three additional employees in the enforcement division. The increase in the number of FTE's was sought to address the number of complaints the Agency was experiencing. Funding was granted tor two additional employees. The funding was contingent on additional revenue being collected.

The appropriations request submitted to the 76th Legislature by TREC additionally sought funding for an upgrade to the current computer system running the Texas Real Estate Licensing Information System (TRELIS). The final lease payments on the current computer system will be made in fiscal year 2000. The legislature granted funding for the upgraded computer system to be purchased via a lump sum payment in fiscal year 2001.

TREC's current headquarters lease expires August 31, 2001. TREC has begun work on lease specifications that incorporate the legislatively mandated 153 square feet per employee.

Fees in effect during FY 1999 were:

Type of Fee	
Original Application Filing Fee for Broker License*	$295.00 A
Annual Renewal Fee for Broker License*	248.00 B
Original Application Filing Fee for Salesperson License	67.50 A
Annual Renewal Fee for Salesperson License	45.50 C
License for Additional Place of Business (Branch Office)	20.00
License for Change of Sponsoring Broker	20.00
License for Change of Address	20.00
Replacement of License Lost or Destroyed (Duplicate License)	20.00
License Examination Fee	25.00 D
Transcript Evaluation Fee	15.00
Moral Character Determination Fee	25.00
Original Application Filing Fee for Professional Real Estate Inspector	50.00
Renewal Application Fee for Professional Real Estate Inspector	15.00
Original Application Filing Fee for Real Estate Inspector	35.00
Renewal Application Fee for Real Estate Inspector	15.00
Original Application Filing Fee for Apprentice Real Estate Inspector	25.00
Renewal Application Fee for Apprentice Real Estate Inspector	10.00
Change Fee for Real Estate Inspector	10.00
License Examination Fee for Real Estate Inspector	25.00 D
Mandatory Continuing Education Provider Fee	400.00
Mandatory Continuing Education Course Fee (2 year)	100.00
Mandatory Continuing Education Course Fee (1 year)	50.00
Original Application Fee for Proprietary School	400.00
Renewal Fee for Proprietary School	200.00
Easement or Right-of-Way Agent	150.00 E

Note A: The Real Estate Research Center at Texas A&M University receives the amount of $20.00 for brokers and $17.50 for salespersons from original applications filed.

Note B: The Real Estate Research Center at Texas A&M University receives $20.00 of this fee or $40.00 for the two year renewal.

Note C: The Real Estate Research Center at Texas A&M University receives $17.50 of this fee or $35.00 for the two year renewal.

Note D: The examination fee is collected by the examination testing service contracted with by the commission effective July 1, 1996.

Note E: The Real Estate Research Center at Texas A&M University receives $20.00 of this fee.

* This fee includes the House Bill 11 (First Called Session, Seventy-second Legislature) increase of $200.00 effective September 1, 1991.

TEXAS REAL ESTATE COMMISSION (329)

ADDENDUM III - RESIDENTIAL SERVICE COMPANY ACT

For the Fiscal Year Ended August 31, 1999

The Residential Service Company Act (Article 6573b of Vernon's Texas Civil Statutes) was originally passed by the Sixty-sixth Legislature and became effective August 27, 1979. The Act provides for the licensing, regulation and financial examination of companies who offer to repair or replace (for a specified fee and for a specified period of time) all or any part of the electrical, plumbing, heating or air conditioning systems, appliances or structural components within a residential property that become inoperable due to normal wear and tear.

For the 1982-1983 biennium, a rider attached to the Commission's appropriation bill expressly prohibited use of funds from the Real Estate License Fund for the administration of the Residential Service Company Act. Only fees and amounts collected pursuant to the Residential Service Company Act could be appropriated to administer the Act. The following amendment to The Real Estate License Act [Tex. Rev. Civ. Stat. Ann. Art. 6573a, Sec. 5.(i)] effective August 29, 1983 states:

"In the event that fees collected under the Residential Service Company Act (Article 6573b, Vernon's Texas Civil Statutes), are insufficient to fund the legislative appropriation for that activity, funds from the real estate license fund are hereby authorized to be used for the administration of that Act. In no event, however, will the total expenditures for that activity exceed the legislative appropriation therefor."

A rider attached to the Commission's appropriation bill for the 1998-1999 biennium allows the appropriation of Residential Service Company examination fees. "All monies collected pursuant to Section 24(c), Article 6573b, V.T.C.S., are hereby appropriated to the Texas Real Estate Commission for the purposes of conducting examinations and related activities included within Strategy A.1.1., Real Estate Licensing and Strategy C.1.1., Real Estate Public Education."

During fiscal year 1999 the residential service company program reviewed 28 evidences of coverage and schedules of charges, and performed three comprehensive field examinations to determine the financial condition and statutory compliance of these licensees.

Current licensees and fees in effect for fiscal year ended August 31, 1999, are:

A. Licensed Companies:

A.B. Warranty Company
American Home Shield of Texas, Inc.
AON Home Warranty Services, Inc.
Best Home Warranty Company
Broward Factory Service, Inc.
First American Homebuyers Protection Corp.
General Electric Company
Home Buyers Resale Warranty Corp.
HomeSure of America, Inc.
Home Security of America, Inc.
Nations Preferred Home Warranty Company
Old Republic Home Protection Co.
Southwest Warranty Corp.

B. Type of Fee:

	Amount
Original Application or Renewal	$3,500.00
Review of an Evidence of Coverage	500.00
Review of a Schedule of Charges	500.00
Expense of Examinations (Audits)	Actual Expense

TEXAS REAL ESTATE COMMISSION (329)

ADDENDUM IV - THE TEXAS TIMESHARE ACT

For the Fiscal Year Ended August 31, 1999

Regulation of the timeshare industry was begun in Texas by the Sixty-ninth Legislature with the adoption of the Texas Timeshare Act, Article 6573c, Texas Civil Statutes, effective August 26, 1985. During the Seventieth legislative session (1987), the Act was codified in Title 11 of the Texas Property Code. The Texas Timeshare Act was recodified in Title 12, Section 221.001, et seq., Texas Property Code, by the Seventy-first Legislature in 1989. The Seventy-first session (1989) provided, for the first time, all purchasers with an automatic 5-day right to rescind a timeshare transaction. Previously a purchaser's right to rescind was limited to transactions where the purchaser had not visited the property or seen an condominium unit. A nondisturbance clause from the lender was also added to the registration requirements in 1989.

Two changes were made by the Seventy-third legislature in 1993: 1) The 5-day right to rescind does not begin until the purchaser receives a copy of the purchase contract; and 2) a managing entity for each timeshare project must prepare a yearly Timeshare Fee and Expense Statement that will be available to any owner upon written request.

The Texas Timeshare Act includes the following provisions:

1) The definition of real property was expanded to include right to use interests such as leases, rental agreements and licenses.

2) A sales agent must be licensed as real estate salesperson or broker unless otherwise exempt from licensure under the provisions of the Real Estate License Act.

3) A timeshare project must be registered with the Commission if timeshare interests are sold or offered for sale to Texas residents.

4) Developers wishing to sell timeshare interests must make application to the Commission to register the project. Documents submitted include copies of contract forms, disclosure statements and timeshare instruments.

5) A developer is responsible for all the activities of its sales and marketing personnel.

6) Timeshare solicitations and advertisements must contain certain disclosures.

7) A purchaser must receive a Timeshare Disclosure Statement containing information on a timeshare project prior to signing a contract.

8) An unconditional 5-day recission period for a purchaser of a timeshare interest that begins when the purchaser receives a copy of the contract.

9) Fifty percent of the deposit received from a purchaser must be escrowed by the developer.

10) A developer must obtain property and liability insurance on a project before any timeshare interest can be sold.

11) The Commission is authorized to suspend or revoke a timeshare registration for violations of the Texas Timeshare Act, the Deceptive Trade Practices Act and the Contest and Gift Giveaway Act.

The fees in effect during fiscal year 1999 are:	Original Application	$500.00 - $2,500.00
	Application to Amend	$100.00 - $1,000.00

TEXAS REAL ESTATE COMMISSION (329)

ADDENDUM V - HISTORY OF THE REAL ESTATE LICENSE ACT

For the Fiscal Year Ending August 31, 1999

The Legislature's continuing desire to provide protection for the public in its dealings with real estate agents is evidenced by amendments to The Real Estate License Act in 1955, 1963, 1967, 1971, 1975, 1979, 1981, 1983, 1985, 1987, 1989, 1991, 1993, 1995, 1997 and 1999 providing the following:

The 1955 amendments required applicants for original licensure to pass a written examination as one step in qualifying for licensure and required each licensee to post a bond for the protection of the public.

The 1963 amendments required applicants for broker licensure either to have been a licensed salesman for one year or to have successfully completed 30 classroom hours of study in basic real estate courses approved by the Commission.

The 1967 amendments increased the prerequisites for applying for broker licensure to one year of licensure and 90 classroom hours of study in courses approved by the Commission or certified by accredited institutions of higher education. It also provided that after one has been licensed as a salesman for one full year, as a prerequisite to that licensure renewal, he must have completed 30 classroom hours of study in courses as aforesaid.

The 1971 amendments provided for the establishment of a Real Estate Research Center in the Department of Agriculture at Texas A&M University.

The 1975 amendments rearranged the License Act to aid in its administration. In addition, the following substantive changes were made:

1.) The definition of "real estate broker" was expanded to include salesmen for subdividers and "advance fee" operators.

2.) The broad "regular employee" exemption was removed.

3.) Commissioners' per diem was increased.

4.) Residency requirements to establish eligibility to apply for licensure were increased to six months.

5.) The prerequisites for applying for broker licensure were increased to two years of licensure and 180 class hours of study in courses approved by the Commission or certified by accredited institutions of higher education. Also, as a prerequisite to applying for salesman licensure, the applicant must have completed 30 classroom hours of study in courses accepted by the Commission and on the second and third certification of salesman licensure privileges the applicant/licensee must show evidence of completion of an additional 30 classroom hours of study in connection with each certification. Beginning January 1, 1977, an applicant for salesman licensure must have completed 90 classroom hours of study or six semester hours.

6.) Real Estate Recovery Fund provisions were put into the Act to replace surety bond requirements. The monies have been invested as reflected in Note 3.

7.) Changes were made in the section of the Act concerning violations with a view to raising the level of responsibility required of the licensee when dealing with the public.

Effective September 1, 1979, amendments to the Act made the following changes:

1.) The number of Commissioners was increased to nine; the additional three members must be representatives of the general public who are not licensed as brokers or salesmen and have no financial interest in a real estate practice.

2.) Terms of appointees named to replace incumbents will expire on January 31 of odd-numbered years; officers will be elected in February of each year.

3.) Commission Rules opposed by standing committees in both houses of the legislature will not take effect or be repealed on receipt of opposing statements.

4.) Persons required by law to register as lobbyists are prohibited from serving as the Commission's general counsel and Commission members.

5.) The Commission is expressly subject to the Open Meeting Law and the Administrative Procedure and Texas Register Act.

6.) Lawfully admitted aliens may apply for licensure; the residency requirement was reduced to 60 days.

7.) Nonresidents licensed as brokers by other states and Texas residents may apply for broker licensure if they:

   a.) Meet the requirements of Section 7(c); or

   b.) Satisfy requirements effective on or after January 1, 1985; or

   c.) Satisfy current educational requirements and furnish proof of broker licensure in another state with not less than two years active experience in the other state as a salesman or broker during the 36-month period preceding the filing of the application; or

   d.) Have been licensed within the previous year as a broker by the Commission.

8.) Salesman applicants who have been licensed within the preceding year are not held to current educational requirements although continuing educational requirements must be met.

9.) The Commission is obligated to provide examination results within 30 days of the completion of an examination.

10.) Applicants for original licensure must complete at least three classroom hours of course work on federal, state, and local laws governing housing discrimination, housing credit discrimination, and community reinvestment or at least three semester hours of course work on constitutional law.

11.) Procedures for obtaining payment from the Real Estate Recovery Fund were streamlined, and the limit for a single transaction was increased to $20,000.00; the aggregate limit per licensee was increased to $50,000.00.

12.) Sponsoring brokers are no longer indispensable parties to an appeal from a disapproved salesman application.

13.) The Commission was given the authority to charge and collect fees not to exceed certain amounts.

14.) Rehearings of license revocations, suspensions, or denials may be heard by the Commission members.

15.) The Commission is prohibited from issuing another license for one year following the revocation of a license previously held.

16.) Complaint procedures were set out.

17.) Discrimination was made an express cause for suspension or revocation of licensure.

18.) Persons requesting a determination of their moral character may obtain such prior to filing an application.

In addition, the Residential Service Company Act vested authority in the Commission, effective August 27, 1979, to license and regulate persons providing services of a residential service company as defined in the Act.

Effective April 23, 1981, August 31, 1981 and September 1, 1981, amendments to the Act made the following changes:

1.) The delegation of authority to the Administrator and his agents was replaced by a requirement of specific assignment of duties by the Commission to its employees.

2.) Moneys annually transmitted to Texas A&M University for the support and maintenance of the Texas Real Estate Research Center were made subject to legislative appropriation.

3.) The content of real estate courses required for licensure applicants was made specific in nine courses of study, called "core" real estate courses.

4.) The number of semester hours of required coursework for salesman applicants was set at twelve, six hours of which must be in core real estate courses. Annual certification of salesman licensure for the first three years for persons applying and licensed on or after April 23, 1981, was made conditional upon specific annual educational requirements being satisfied.

5.) The provision permitting an applicant for broker licensure to qualify without two years' experience as a salesman was removed.

6.) The provision requiring the Commission to accept only applications for broker licensure after January 1, 1985 was removed.

7.) The Commission was authorized to issue licenses valid for periods not to exceed twenty-four months.

8.) Requirements for investigations of complaints against licensees were clarified; the Commission was authorized to probate orders revoking or suspending a license.

9.) The Commission was required to register real estate inspectors upon the inspector's providing the Commission with basic information about the inspector, payment of a fee not to exceed $100, and filing of a $25,000 surety bond.

Effective August 29, 1983, amendments to the Act made the following changes:

1.) Real estate salesmen were permitted to be paid by a former sponsoring broker for work done while under that broker's sponsorship.

2.) The Act was declared substantive in nature.

3.) The provisions of the Act prohibiting public members of the Commission from serving because of a relationship by consanguinity or affinity to a licensee were removed.

4.) The amount of per diem for Commission members was increased to $75.00.

5.) The Commission was authorized to expend funds from the real estate license fund to administer the Residential Service Company Act, dependent upon the existence of certain conditions.

6.) Salesmen subject to annual education requirements must complete the annual education requirements before applying for broker licensure.

7.) The effective date of the 1975 amendments was specified in those revisions of the Act effective on that date.

8.) Language concerning prior requirements for licensure was removed.

9.) Claimants against the Recovery Fund must now give notice to the licensee debtor.

10.) Use of the Recovery Fund to pay a commission is prohibited.

11.) The Commission, rather than the courts, is charged with the duty of revoking a license for a payment from the Fund.

12.) The fees authorized by the Act were amended.

13.) The Commission is no longer required to issue a new license for each salesman associated with a broker when the broker changes his place of business.

14.) Inactive salesman licenses may be activated if a request and fee is received at any time before the license expires.

15.) The Commission was given jurisdiction over licensees buying property when the licensees engage in misrepresentation or dishonest or fraudulent action.

16.) The Commission is authorized to discipline a licensee who fails to replace a check returned to the Commission.

17.) Section 15 of the Act was recodified.

18.) The definition of unauthorized practice of law by a licensee was clarified and the Texas Real Estate Broker-Lawyer Committee was recreated in Section 16 of the Act. The Commission was authorized to require the use of approved contract forms.

Effective September 1, 1985, amendments to the Act made the following changes:

1.) The Commission was required to collect a fee of $15 for a transcript evaluation.

2.) The registration of real estate inspectors was replaced with a licensing process calling for the following:

a.) Successful completion of not less than ninety classroom hours of core real estate inspection courses;

b.) Payment of fees not to exceed amounts set forth in the Act;

c.) Passing of an appropriate licensing examination.

3.) The Commission was authorized to take disciplinary action against inspector licensees and to administer a real estate inspection recovery fund.

4.) Persons registered under the previous inspector law were given until January 1, 1986 to comply with the new Act.

Effective September 1, 1987, amendments to the Act made the following changes:

1.) The fees for filing an original application for real estate broker licensure and for annual certification of real estate broker licensure status were increased by $110 on a temporary basis, ending August 31, 1989.

2.) The Commission was required to deposit $27.50 of the temporary fee increase to the credit of the Foundation School Fund (193) and $82.50 to the credit of the General Revenue Fund (001).

Effective September 1, 1989, amendments to the Act made the following changes:

1.) A licensed auctioneer need not have a real estate license for the purpose of auctioning real property.

2.) An expired licensed salesman may now apply for late renewal without a broker.

3.) The examination and all licensing requirements must be satisfied within six (6) months from the date the application is filed (previously was one year).

4.) Brokers and salesmen must provide evidence of at least 15 hours of approved continuing education courses during the term of the current license. Applies to licenses expiring after 8/31/91.

5.) Attorneys are still exempt from the Act. However, licensees can no longer share their compensation with an attorney. Attorneys may receive compensation directly from the seller or buyer.

6.) Section 15(1)(B) allowing the Commission to institute disciplinary action in the case where a licensee failed to satisfy a final money judgment for contractual obligations incurred in the pursuit of his real estate business was repealed.

7.) A licensee does not incur civil or criminal liability for failing to inquire about, make disclosure related to, or release information to whether a previous owner or occupant had, may have had, has or may have AIDS or HIV. However, a licensee who has actual knowledge that a previous occupant had or has AIDS or HIV shall provide that information to a prospect upon receiving a specific request for such information.

8.) Explicit language is now in the Act stating that the Act does not prohibit a licensee from acting as agent for more than one party if the representation is disclosed to the parties and the parties consent.

9.) A licensee may disclose information about sales prices or terms for the purpose of facilitating the listing, selling, leasing, financing, or appraising of real property without liability unless such a disclosure is otherwise specifically prohibited by statute or written contract.

10.) The $110 temporary fee increase adopted by the legislature in 1987 was not renewed.

11.) The Commission will begin a program of voluntary certification of appraisers. Brokers and salesmen may still perform appraisals, but certain licensees may seek to be certified in the field of appraising.

Effective July 1, 1991, the authority to certify real estate appraisers was transferred from the Commission to the Texas Appraiser Licensing and Certification Board, an independent subdivision of the Commission. Section 22 of the Act was repealed. The Commission provides administrative support and assistance to the new board which has sole responsibility for the licensing and certification of appraisers for federally-related transactions.

Effective September 1, 1991, amendments to the Act made the following changes:

1.) An exemption for licensed auctioneers was modified to make it clearer that the exemption does not permit the auctioneer to provide brokerage services other than the calling of the auction.

2.) Provisions of Section 5 relating to the composition and qualifications of Commission members were rewritten in current language recommended by the Sunset Advisory Commission, and the Commission's existence was continued to September 1, 2003.

3.) The Administrator is required to prepare and maintain a written policy statement regarding equal employment opportunity, including personnel policies, an analysis of the Commission work force and methods to address areas of significant underutilization.

4.) The Commission is obligated to inform its members and employees of necessary information concerning qualifications for office or employment and standards of conduct.

5.) The Commission is required to prepare a written plan to provide access to its programs to the disabled or persons who do not speak English.

6.) The Commission is prohibited from adopting rules restricting competitive bidding or advertising by its licensees.

7.) A provision creating a legislative veto over the Commission's rulemaking was deleted.

8.) Section 7(a) was amended to clarify that applicants are not required to have completed all nine core real estate courses.

9.) Section 7 was reorganized, and a provision was added to provide for notification of examination results if the examination is graded or reviewed by a national testing service.

10.) Section 7A was amended to permit the Commission to accept relevant educational experience or supervised video instruction for mandatory continuing education (MCE) requirements and to approve core real estate courses for MCE credit. The Commission is required to approve real estate related courses approved by the State Bar of Texas for minimum continuing legal education.

11.) An exemption from MCE requirements was provided for certain brokers who had been licensed for at least 10 years and who requested the exemption and paid a fee prior to October 31, 1991, pursuant to a notice sent by the Commission.

12.) Section 8 was amended to increase the minimum amount in the Real Estate Recovery Fund to $1 million and to transfer any excess over $3.5 million, or over the total amount paid from the Fund during the previous four fiscal years, whichever is greater, to the general revenue fund. The limit on a single claim was increased from $20,000 to $50,000, and the aggregate claim limit was increased from $50,000 to $100,000. Brokers are required to give consumers information about the availability of the Fund.

13.) Broker annual renewal and original application fees were increased by $200; $50 shall be deposited to the credit of the Foundation School Fund; $150 shall be deposited to the credit of the general revenue fund.

14.) A inactive broker status was provided in new Section 13A, subject to mandatory continuing education (MCE) for return to active status within 36 months. Return to active status after 36 months requires satisfaction of current education for original licensing and successful completion of an examination.

15.) The requirement for complaints to be under oath (verified) was removed.

16.) The provision in Section 15(c) requiring disclosure of certain information related to AIDS or HIV-related illnesses was removed.

17.) The Commission is prohibited from investigating complaints filed more than four years after the date of the incident.

18.) Provisions of Sections 17 and 18 relating to hearings were deleted, and hearings are made subject to the Administrative Procedure and Texas Register Act, Article 6252-13a, Texas Civil Statutes.

19.) The licensing of real estate inspectors provided in Section 18C was replaced with a three-level licensing program in new Section 23. A nine-member advisory committee of inspectors known as the Texas Real Estate Inspector Committee is created to recommend rules relating to applications, experience, education, examinations, standards and other issues involving the registration and licensing of inspectors. Existing inspectors are required to provide proof of completion of 75 inspections and an additional 38 hours of core real estate inspection courses in order to obtain a license under the new law. The new advisory committee is required to conduct hearings and recommend the entry of final orders in contested cases involving inspectors. Any excess above $600,000 in the Real Estate Inspection Recovery Fund shall be transferred to the real estate inspector regulation account for use by the Commission in regulation of real estate inspectors.

20.) The Commission is authorized to assess administrative penalties not to exceed $1,000 for each violation under procedures set out in new Section 19A.

Effective August 30, 1993, an amendment to the Act limited the $200 fee increase for applying for or renewing a real estate broker license to individuals only.

Effective September 1, 1993, amendments to the Act made the following changes:

1.) The definition of the term "real estate" was narrowed to exclude an interest given as security for the performance of an obligation.

2.) The Commission was authorized to employ a general counsel, attorneys, investigators and support staff.

3.) Limited liability companies became subject to licensing requirements if the companies provide real estate brokerage services.

4.) A new core real estate course , Law of Agency, was established; the course becomes mandatory for new salesman applicants beginning September 1, 1994.

5.) The Commission was authorized to accredit courses of study in real estate inspection.

6.) The Commission was authorized to collect a fee for filing a request for a license due to a change of name or return to active status, or for a license history.

7.) Requirements for an inactive broker to return to active status were reduced to 15 hours of MCE courses.

8.) A 60-day residency requirement for applicants was deleted, and nonresidents who were previously licensed as a Texas real estate salesman or broker are eligible to apply if the application is filed within one year of the expiration of the previous license.

9.) The Commission was authorized to issue investigative subpoenas.

10.) Specific guidelines were provided for licensees representing more than one party in the same transaction.

11.) A provision was added excusing licensees from inquiring about or disclosing death occurring on a property by natural causes, suicide, or accident unrelated to the condition of the property.

12.) Section 23 of the Act relating to real estate inspectors was largely rewritten to establish a new three-level licensing program, to provide guidelines for the relative roles of the Commission and the Texas Real Estate Inspector Committee, and to permit previously licensed inspectors to be relicensed without meeting current requirements.

Effective September 1, 1995, an amendment to the Act increased the fees collected by the Commission for the Texas Real Estate Research Center from $15 to $20 for broker renewals and original applications and from $7.50 to $17.50 for salesman renewals and original applications. The amendment separated these fees from the filing fees collected by the Commission and required the Commission to transmit the fees to the Research Center quarterly.

Effective January 1, 1996, amendments to the Act will make the following changes:

1.) Mandatory continuing education (MCE) requirements for renewal of an active real estate license will be standardized at 15 hours, eliminating an 8 hour requirement for licenses issued for one year.

2.) Additional legal topics will be added to the statutory list of acceptable MCE course topics, and the Commission will be authorized to require a final examination for MCE courses conducted by alternative delivery systems such as computers.

3.) A definite termination date will be required in all contracts in which real estate licensees agree to perform services for which a license is required.

4.) Negotiating with a buyer or tenant represented on an exclusive basis by another broker will be prohibited.

5.) Real estate licensees will be required to disclose their representation of a party to another party or a licensee representing another party at the first contact regarding a transaction. The disclosure may be made orally or in writing. Licensees will be required to provide a party a copy of statutory information concerning the duties of a broker and agency relationships. Brokers may act as intermediaries and appoint licensees associated with the broker to work with the parties with the written consent of the parties. Intermediaries are required to act so as not to favor one party over the other.

6.) Residential rental locators will be required to be licensed as a real estate broker or salesman, and the Commission will be required to adopt regulations and establish standards relating to permissible forms of advertising by residential rental locators.

7.) The Commission will be authorized by rule to provide a waiver of some or all of the requirements for obtaining a real estate license if the applicant was previously licensed in this state within the five-year period prior to the filing of the application.

Effective September 1, 1997, amendments to the Act made the following changes:

1.) The definition of “person” was broadened to include individuals and any other entity.

2.) Exemptions were provided for partnerships or limited liability partnerships acting through a partner who is a real estate broker or for persons registered under new Section 9A.

3.) A new core real estate course, Law of Contracts, will be required for salesperson applications filed on or after January 1, 1998.

4.) The minimum length of a MCE course was shorted from three hours to one hour.

5.) Persons acting as agents selling, buying, leasing or transferring an easement or right-of-way for use in connection with telecommunication, utility, railroad, or pipeline service are required to be registered with the Commission after January 1, 1998. Registrants will pay annual fees totaling $150 (filing fee of $80, $20 to the Research Center, and $80 to the Real Estate Recovery Fund).

6.) The Commission was authorized to adopt rules, conduct investigations and take disciplinary action regarding easement or right-of-way agents.

7.) The Act was clarified to permit any person to file a complaint.

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8.) The Commission was permitted to authorize staff to file complaints and conduct investigations concerning judgments paid from a recovery fund, conviction of a criminal offense or failure to make good a check issued to the Commission.

9.) The Commission was required to adopt prior to October 1, 1997, rules requiring licensed inspectors to use standard inspection report forms.

10.) Three members of the Inspector Committee may be licensed real estate brokers as well as licensed professional inspectors.

11.) The Commission was required to adopt rules permitting inspector applicants to substitute additional education or experience in lieu of statutory requirements of having held a license under sponsorship and performing inspections under supervision of another inspector.

12.) The term “salesman” was replaced by the term “salesperson” and the Commission was required to use the term “salesperson” in documents and rules no later than January 1, 1999.

13.) A definite termination date is no longer required for property management agreements.

14.) Written memorandums will not be required to enforce agreements between real estate licensees for payment of a commission.

15.) The Commission was authorized to extend education, experience and examination waivers for prior real estate licensees from five years to six years.

Effective June 19, 1999, amendments to the Act made the following changes:

1.) The legislature increased the penalty for violating the Act or an order of the Commission to a Class A misdemeanor, punishable by a fine of up to $4,000 and up to one year of confinement in the county jail.

2.) The Commission's exclusive authority to enforce the Residential Service Company Act, Article 6573b, by brining an injunctive action was also clarified.

TEXAS REAL ESTATE COMMISSION (329)

ADDENDUM VI - TEXAS APPRAISER LICENSING AND CERTIFICATION BOARD

For the Fiscal Year Ended August 31, 1999

Since 1939, those who appraise real property for a fee in Texas have been required to have a real estate license from the Texas Real Estate Commission (TREC). Since July 1, 1991, a person holding an appraiser certification or license issued by the Texas Appraiser Licensing and Certification Board (TALCB) is not required to be licensed by TREC to perform real property appraisals.

S.B. 1256, 71st Legislature, 1989

In 1989, the Seventy-first Legislature enacted S.B. 1256, which became Section 22 of the Real Estate License Act (TRELA), Article 6573a, V.T.C.S., and provided for the certification of real estate appraisers in Texas in anticipation of the federal Title XI, Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA). FIRREA is also known as "the savings and loan bailout bill," and requires the use of state certified or licensed appraisers in "federally related transactions" after July 1, 1991, later extended to December 31, 1992.

Section 22 provided for the Texas Real Estate Appraiser Certification Committee (TREACC) appointed by the Texas Real Estate Commission (TREC). All nine members of TREACC were real estate appraisers. TREACC held its first meeting in November 1989. The requirements for appraiser certification included education, experience and passing a competency examination. Title XI specifically prohibits "grandfathering."

In August 1990, the Appraisal Subcommittee of the Federal Financial Institutions Examination Council (FFIEC), the federal agency charged with overseeing the various states' appraiser certification programs, provided a written review of the Texas program and noted a number of concerns, including requiring a real estate license for certification, the selection and composition of TREACC, etc. The Texas program, however, was not disapproved by the Appraisal Subcommittee.

Rules (22 TAC § § 544.1-544.9) were adopted in September 1990. The TREACC contracted to have an examination question bank developed, and TREACC staff prepared and administered the competency examinations. In January 1991, Texas was the first state or entity to have its examination and question bank approved by the Appraiser Qualifications Board (AQB) of the Appraisal Foundation as required by Title XI. The first examinations were administered in February 1991. In April 1991, the Appraisal Subcommittee extended the deadline for the use of the state certified or licensed appraisers in "federally related transactions" until December 31, 1991. Later they extended the deadline until December 31, 1992.

Under the auspices of TREACC and prior to July 1, 1991, a total of 1,421 persons became state certified appraisers.

H.B. 270, 72nd Legislature, 1991.

Because of the concerns of the Appraisal Subcommittee and of the appraiser and financial industries, the Seventy-second Legislature enacted the Texas Appraiser Licensing and Certification Act (Art. 6573a.2, V.T.C.S.) with an effective date of July 1, 1991. The act was intended to bring Texas into full compliance with Title XI. The act provided for the Texas Appraiser Licensing and Certification Board (TALCB) as an "independent subdivision" of the Texas Real Estate Commission, and repealed Section 22, TRELA. The nine-person Board is composed of four appraisers and four public members appointed by the governor for two-year terms, and the Executive Secretary of the Texas Veterans Land Board.

The new TALCB first met on July 30, 1991, after a quorum had been appointed. At the August 27-28, 1991, meeting the TALCB adopted emergency rules (22 TAC § 151, § 153, and § 155) which became effective September 4, 1991, and the first examinations under TALCB were administered on September 30, 1991. Permanent rules were adopted in January 1992.

H.B. 2644, 73rd Legislature, 1993.

During the Seventy-third Legislature, 1993, amendments were made to the Act by H.B. 2644. The amendments provided for licensure or certification by reciprocity, allowed experience to be claimed by affidavit, provided for multiple sponsors of Appraiser Trainees, limited those sponsors to certified appraisers, allowed a contracted testing service to collect exam fees directly from an applicant, and allowed the Board to set other necessary fees.

S.B. 634, 74th Legislature, 1995.

The Texas Appraiser Licensing and Certification Act was again amended during the Seventy-fourth Legislature. Amendments were necessary to meet the federal Appraisal Subcommittee's concerns as addressed in a letter to the TALCB dated August 11, 1994. The definition of "appraiser" was amended to remove the words "federally related transaction" thereby allowing certified and licensed appraisers to perform real property appraisals for both federally related and non-federally related transactions. This also allows the Board to regulate its certified and licensed appraisers in all their real estate appraisal activities. Amendments also allowed the Board to verify appraisal experience claimed by applicants, provide for an alternate method of licensing (Provisional License), allows and defines "evaluations," and specifically incorporates the *Uniform Standards of Professional Appraisal Practice* (USPAP) as the appraisal standard.

The Appraisal Subcommittee (ASC) of the FFIEC, the federal agency charged with oversight of the States' appraiser regulatory agencies under Title XI, FIRREA, reviewed the TALCB program in April 1997. The ASC focused particularly on the enforcement functions, practices, procedures and results. Their findings were reported by letter on May 23, 1997. One of their findings was that the TALCB lacked a trained professional investigator. By rider to HB-1, General Appropriations Act, 75th Legislature, the TALCB was allotted one additional FTE for an enforcement investigator position for the 1998-99 biennium.

Because of travel reductions for FY-98 and FY-99, the TALCB now meets on a quarterly basis. The processing of renewals and new applications, in conformity with Texas law, TALCB rules, and federal guidelines, continues to consume a significant portion of the clerical time. Board emphasis, however, is continuing to shift from initial and renewal licensing and certification of appraisers to the regulatory and enforcement functions. As of August 31, 1999, the TALCB has 4,047 active appraiser licenses and certifications. An additional 1,082 individuals are authorized by the Board as appraiser trainees.

Members of the Texas Appraiser Licensing and Certification Board:

Debra S. Runyan, Chair, appraiser member, San Antonio *(term expires 1/31/2000*

James M. Synatzske, Vice-Chair, appraiser member, Stephenville *((term expires 1/31/2001)*

Jacqueline G. Humphrey, Secretary, public member, Amarillo *(term expires 1/31/2000*

Benjamin E. Barnett, appraiser member, Dallas *(term expires 1/31/2000)*

David Gloier, ex officio member, Executive Secretary, Texas Veterans Land Board, Austin

Eduardo A. Lopez, public member, Corpus Christi *(term expires 1/31/2001)*

L. W. (Wayne) Mayo, appraiser member, Richardson *(term expires 1/31/2001)*

Robert A. "Pete" Seale, public member, Houston *(term expires 1/31/2001*

Angie V. White, public member, El Paso *(term expires 1/31/2000)*

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Fees for the TALCB in effect during FY-99:

General Certification original application	$200.00
Residential Certification original application	$150.00
State License original application	$125.00
Provisional License original application	$125.00
Appraiser Trainee original application	$ 50.00
Renewal of General Certification (2 years)	$200.00
Renewal of Residential Certification (2 years)	$150.00
Renewal of State License (2 years)	$100.00
Renewal of Provisional License (2 years)	$100.00
Renewal of Trainee Approval (1 year)	$ 50.00
Non-Resident Temporary Registration (60 days)	$ 75.00
Appraiser Change of Address Fee	(none)
Licensure History	$ 10.00
Addition or Termination of Sponsorship	$ 20.00
Replacing License or Certificate	$ 15.00

Additionally, an annual $25.00 national registry fee is collected for each certified or licensed appraiser and forwarded to the Appraiser Subcommittee of the Federal Financial Institutions Examination Council as specified and required by the federal Title XI, Financial Institution Reform, Recovery and Enforcement Act of 1989 (12 U.S.C. Section 3331 et seq.). The national registry fee is collected with the original application($50 for two years) and with each renewal ($50 for two years). Appraiser trainees do not pay a national registry fee.