

An aerial photograph of the Texas State Capitol building in Austin, Texas, during the "golden hour" of sunset. The large, ornate dome is the central focus, with its intricate architectural details and the Statue of Liberty on top clearly visible. The building's facade is illuminated by the warm, low-angle light. In the background, the city skyline of Austin is visible, with various modern and classical buildings under a sky with soft, wispy clouds. The overall mood is serene and official.

# Texas Appraiser Licensing & Certification Board

## FY2022 Annual Budget

Approved on August 20, 2021

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## **2022-20234 PROPOSED BUDGET**

### **Executive Summary**

The following summary of the 2022-2024 budget proposal for the Texas Appraiser Licensing and Certification Board is respectfully submitted for review and input. Thorough analysis has been performed in order to reasonably project revenue and expenditures of the agency in light of the COVID-19 Pandemic.

This budget proposal is presented as a three-year budget. It is important to note that due to fluctuating circumstances from year to year such as anticipated number of licensees or AMC registrations, the second and third year of the budget is intended to be informative and indicative of planned activity levels and will be refined as necessary during subsequent budget cycles. The first year of the budget, labeled “proposed 2022” is the only year intended to be adopted, while “projected 2023 and 2024” are to be considered as a forecast using a constant active license holder count. This second draft of the 2022 budget proposal is presented to the Board of the Texas Appraiser Licensing & Certification Board (TALCB) for consideration and adoption.

## Budget Highlights

The Texas Appraiser Licensing & Certification Board operates on a lean budget, and there are not many categories where reductions in the budget are feasible. Staff thoroughly reviewed operational costs and made adjustments to the second draft of the FY 2022 Budget to incorporate those costs.

- ❖ Revenue projections were adjusted to reflect the effects of the upcoming fee increase on January 1, 2022.
- ❖ Staff implemented several process efficiencies, which provided us costs savings in FY 2021 that are sustainable, thus operational costs decreased.
- ❖ Agency was awarded a grant from the Appraisal Sub-Committee, originally for \$120,000, for a 3-year period beginning in FFY 2021, but since has been amended. The grant award for FFY 2022 is \$221,640 and FFY 2023 is \$224,689.

## Budget Overview

REVENUE OVERVIEW							
Revenue	Actual	Actual	Approved	Projected	Proposed	Projected	
	2019	2020	2021	Actual 2021	2022	2023	2024
License Fees	\$1,147,547	\$1,274,713	\$1,398,423	\$1,490,091	\$1,458,149	\$1,554,704	\$1,554,703
AMC Fees	\$184,521	\$809,106	\$168,219	\$268,990	\$805,087	\$171,995	\$793,087
Admin Penalties	\$17,750	\$0	\$0	\$0	\$0	\$0	\$0
Examination Fees	\$3,590	\$2,806	\$2,584	\$3,405	\$2,668	\$2,668	\$2,580
Other Miscellaneous Revenue	\$42,552	\$34,130	\$29,299	\$29,669	\$27,456	\$25,456	\$25,331
AMC Revenue Carryforward	\$320,378	(\$247,626)	\$0	\$0	\$0	\$0	\$0
<b>Total:</b>	\$1,716,338	\$1,873,129	\$1,598,525	\$1,792,155	\$2,293,360	\$1,754,823	\$2,375,701

EXPENSE OVERVIEW							
Expenses	Actual	Actual	Approved	Projected	Proposed	Projected	
	2019	2020	2021	Actual 2021	2022	2023	2024
Salary & Wages	\$957,740	\$1,163,588	\$1,274,551	\$1,181,257	\$1,173,582	\$1,208,789	\$1,245,053
Other Personnel Costs	\$349,824	\$434,316	\$465,971	\$402,279	\$458,390	\$464,942	\$471,689
Professional Fees & Services	\$39,940	\$33,512	\$77,912	\$68,079	\$49,048	\$49,048	\$49,048
Commercial Appraisal Reviews	\$58,000	\$125,000	\$48,000	\$0	\$14,600	\$14,600	\$14,600
Consumables	\$907	\$80	\$2,000	\$638	\$2,000	\$2,100	\$2,500
Utilities	\$362	\$380	\$1,036	\$36	\$239	\$300	\$300
Travel	\$46,168	\$27,541	\$43,011	\$6,500	\$27,000	\$27,500	\$27,500
Office & Space Rent	\$27,619	\$20,312	\$22,133	\$26,695	\$26,473	\$26,475	\$27,345
Equipment Rental	\$10,244	\$14,228	\$22,203	\$22,203	\$12,096	\$12,701	\$12,850
Other Operating Expenses	\$59,092	\$69,136	\$116,759	\$70,601	\$77,498	\$77,498	\$77,998
Capital Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Statewide Cost Allocation Plan (SWCAP)	\$26,449	\$34,579	\$35,000	\$23,754	\$23,754	\$23,754	\$23,754
Annual General Revenue Contribution	\$25,275	\$22,500	\$22,500	\$22,500	\$22,500	\$22,500	\$22,500
<b>Total:</b>	\$1,601,620	\$1,945,172	\$2,131,076	\$1,824,542	\$1,887,180	\$1,930,207	\$1,975,137

## Second Draft of FY2022 Budget

### FY 2022 Budget as June 30, 2021 (with fee increase)

	Actual 2019	Actual 2020	Budget 2021	Estimated expenditures 2021	Budget 2022	Budget Variance FY21 to FY22	Budget 2023	Budget 2024
Beginning Balance			\$2,259,588	\$2,259,588	2,094,860		2,543,500	2,435,652
Operating Reserves			(\$738,002)	(\$738,002)	(652,638)		(667,697)	(683,423)
Available balance within Texas Treasury Safekeeping Trust account			\$1,521,586	\$1,521,586	1,442,222		1,875,803	1,752,229
<b>Revenues</b>								
License Fees	1,147,547	1,274,713	1,398,423	1,490,091	1,460,149	4.41%	1,579,779	1,579,779
AMC Fees	184,521	809,106	168,219	268,990	805,087	378.59%	171,995	793,087
ACE Program Revenue		17,465	-	11,210	42,460	0.00%	42,460	42,460
Admin Penalties	17,750	-	-	-	-		-	-
Examination Fees	3,590	2,806	\$2,584	3,405	2,668	3.25%	2,668	2,580
Other Miscellaneous Revenue	42,552	34,130	\$29,299	29,669	25,456	-13.12%	25,456	25,330
AMC Revenue Carryforward	320,378	(247,626)			0	0		
<b>Total Revenues</b>	<b>1,716,338</b>	<b>1,890,594</b>	<b>1,598,525</b>	<b>1,803,365</b>	<b>2,335,820</b>	<b>46.12%</b>	<b>1,822,358</b>	<b>2,443,236</b>
Unrestricted/Undedicated Education Reserve	80,392		37,535	37,535	37,535		37,535	37,535
Reallocation from Fund Balance	187,000	425,000	-	-	-			
<b>Expenditures</b>								
Salaries & Wages	957,740	1,163,588	1,274,551	1,181,257	1,173,582	-7.92%	1,208,789	1,245,053
Employee Benefits	282,120	358,438	374,231	345,482	372,449	-0.48%	379,001	385,748
Retiree Insurance	38,583	38,583	53,579	37,145	46,070	-14.01%	46,070	46,070
Other Personnel Costs	29,121	37,295	38,162	19,652	39,871	4.48%	39,871	39,871
Professional Fees & Services	39,940	158,512	77,912	68,079	49,048	-37.05%	49,048	49,048
Commercial Appraisal Reviews (Experience Audits and Complaints)	58,000	-	48,000	-	14,600	-69.58%	14,600	14,600
Consumables	907	80	2,000	638	2,000	0.00%	2,100	2,500
Utilities	362	380	1,036	36	239	-76.89%	300	300
Travel								
Board Member Travel	23,648	13,770	21,506	5,000	20,000	-7.00%	20,000	20,000
Staff Travel	22,520	13,770	21,506	1,500	7,000	-67.45%	7,500	7,500
Office and Space Rent	27,619	20,312	22,133	26,695	26,473	19.61%	26,475	27,345
Equipment Rental	10,244	14,228	22,203	22,203	12,096	-45.52%	12,701	12,850
Other Expenses								
Registration & Membership	9,289	5,367	7,361	5,006	5,355	-27.25%	5,355	5,855
Maintenance & Repairs	3,400	4,595	4,582	4,582	3,969	-13.37%	3,969	3,969
Reproduction & Printing	74	144	1,600	25	600	-62.50%	600	600
Contract Services	7,894	6,302	31,811	18,696	31,714	-0.30%	31,714	31,714
Postage	2,650	1,658	5,150	-	550	-89.32%	550	550
Supplies & Equipment	3,098	3,399	4,754	2,585	1,800	-62.13%	1,800	1,800
Communication Services	29,370	39,877	53,430	35,865	26,854	-49.74%	26,854	26,854
DPS Criminal History Checks	95	4,151	250	-	250	0.00%	250	250
Other Operating	3,222	3,642	7,821	3,841	6,405	-18.10%	6,405	6,405
Statewide Cost Allocation Plan (SWCAP)	26,449	34,579	35,000	23,754	23,754	-32.13%	23,754	23,754
<b>Total Expenditures</b>	<b>1,576,345</b>	<b>1,922,673</b>	<b>2,108,576</b>	<b>1,802,042</b>	<b>1,864,680</b>	<b>-11.57%</b>	<b>1,907,707</b>	<b>1,952,637</b>
Contribution to General Revenue	25,275	22,500	22,500	22,500	22,500	0.00%	22,500	22,500
<b>Total Expenditures and GR Contribution</b>	<b>\$1,601,620</b>	<b>\$1,945,173</b>	<b>\$2,131,076</b>	<b>\$1,824,542</b>	<b>\$1,887,180</b>	<b>-11.44%</b>	<b>\$1,930,207</b>	<b>\$1,975,137</b>
Revenue Over/(Under) Expenditures (Includes Transfers & Balance carry forward)	382,110	370,421	989,035	1,500,409	1,890,862	91%	1,767,954	2,220,328

## Revenue Analysis

### FY2018-FY2022 Revenue Analysis and Projection

TALCB Revenue	Projected	Actual as of August 31 of each year	Actual (under) over Projected
FY18	1,833,357.00	2,017,679.00	10.05%
FY19	1,633,496.00	1,716,338.00	5.07%
FY20	2,022,262.00	2,138,219.97	5.73%
Projected FY21	1,598,525.00	1,803,365.00	12.81%
Projected FY22 (with fee increase)	2,335,820.00	2,335,820.00	0.00%

Apps & Renewal Counts	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Projected	FY22 Projected	Trends
Certified General Appraiser App	82	68	64	66	65	
Certified Residential App	111	112	117	108	89	
Residential App	53	42	66	70	62	
Trainee App	365	250	400	528	324	
AMC App	13	8	15	22	13	
Reciprocal Apps	98	80	99	132	106	
Non-Resident Apps	286	235	196	202	238	
Certified General Appraiser Renewal	1,029	1,195	998	1,220	953	
Certified Residential Renewal	1,133	1,117	1,122	1,276	1,157	
Residential Renewal	181	180	164	268	189	
Trainee Renewal	252	227	301	272	285	
AMC Renewal	124	25	115	30	127	

App and Renewal Fees	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Projected	FY2022 Projected	Revenue Trend
Certified General Appraiser App	32,800	27,200	27,640	29,440	34,023	
Certified Residential App	38,850	39,200	43,887	40,425	38,802	
Residential App	17,225	13,650	22,270	23,115	20,915	
Trainee App	109,523	74,998	105,550	140,300	80,900	
AMC App	42,900	26,400	49,619	72,600	41,800	
Reciprocal Apps	36,800	30,950	40,580	53,600	45,979	
Non-Resident Apps	71,500	58,750	49,000	50,500	59,500	
Certified General Appraiser Renewal	370,433	430,132	427,012	515,660	501,780	
Certified Residential Renewal	351,223	346,270	404,194	455,840	503,352	
Residential Renewal	52,490	52,200	53,280	86,940	71,948	
Trainee Renewal	62,993	56,748	75,300	68,000	71,219	
AMC Renewal	372,000	75,000	345,110	90,000	381,000	
AMC Panelists Revenue	384,605	81,780	407,377	105,490	373,757	
Administrative Penalties	18,301	17,750	12,500	-	-	
Test Administration Fee	2,540	3,590	2,806	3,405	2,668	

## Budgeted Staff Positions

BUDGETED FULL-TIME EQUIVALENT (FTEs)						
Functional Divisions	Authorized 2021	Currently Filled 2021	Vacant FTE 2021	Contractors 2021	Proposed 2022	New FTEs 2022
Executive	1.200	1.200	0.000	0.000	1.200	0.00
Consumer Relations	0.700	0.700	0.000	0.000	0.700	0.00
Education	0.500	0.500	0.000	0.000	0.500	0.00
Licensing**	2.000	0.000	0.000	0.000	0.000	0.00
TALCB**	15.000	13.000	4.000	0.000	14.000	-3.00
<b>Total TALCBFunded Employees</b>	<b>19.400</b>	<b>15.400</b>	<b>4.000</b>	<b>0.000</b>	<b>16.400</b>	<b>-3.00</b>

\*\* 2 FTEs formerly assigned to Licensing were transferred to TALCB Enforcement during the internal restructuring. These two FTEs were already funded by TALCB and did not increase the salary costs or FTE allotment. In addition, there are three positions that the agency does not plan on backfilling; the restructuring allowed the duties to be redistributed.

BUDGETED BASE SALARY REQUIREMENT						
Functional Divisions	Authorized 2021	Currently Filled 2021	Vacant FTE 2021	Contractors 2021	Proposed 2022	New FTEs 2022
Executive	\$ 140,020	\$ 140,600	\$ -	\$ -	\$ 141,900	\$ -
Consumer Relations	\$ 30,870	\$ 27,500	\$ -	\$ -	\$ 27,400	\$ -
Education	\$ 20,700	\$ 20,100	\$ -	\$ -	\$ 20,100	\$ -
Licensing	\$ 94,200	\$ -	\$ -	\$ -	\$ -	\$ -
TALCB	\$ 968,325	\$ 941,256	\$ 123,500	\$ -	\$ 950,000	\$ -
<b>Total:</b>	<b>\$ 1,254,115</b>	<b>\$ 1,129,456</b>	<b>\$ 123,500</b>	<b>\$ -</b>	<b>\$ 1,139,400</b>	<b>\$ -</b>

### Texas Appraiser Licensing and Certification Board Budget and Financial Administration Policy

*The financial integrity of the Board is of vital importance. Written financial policies assist the Board and staff in the financial management of the agency, save time and energy when discussing financial matters, engender public confidence, and provide continuity over time as Board and staff changes occur.*

#### **Section 1.01 Fiscal Year.**

The fiscal year of the Texas Appraiser Licensing and Certification Board (TALCB) shall begin on the first day of September and end on the last day of August.

#### **Section 1.02 Public Record.**

The budget shall be a public record and copies shall be made available to the public upon request.

#### **Section 1.03 Budget Committee.**

The Chair appoints the Budget Committee and its Chair in February of each year. The Budget Committee is composed of a chair and two other Board Members. By interpreting and detailing the Board's policies, the Budget Committee provides direction to agency staff.

#### **Section 1.04 Annual Budget.**

- (a) **Content:** The budget shall provide a complete financial plan of the TALCB Operating Fund-3056, and activities and, except as required by law, shall be in a form that the Director of Finance deems desirable or that the Board may require. An Executive Summary explaining the budget both in fiscal terms and in terms of agency programming shall be submitted with the budget. The summary shall (1) outline the proposed financial policies of the agency for the coming fiscal year, (2) describe the important features of the budget, (3) indicate any major changes from the current year in financial policies, expenditures, and revenues, with reasons for such changes, (4) include other material, as the director deems necessary or desirable.

The budget shall begin with a clear general summary of its contents and shall show in detail all estimated income, based on the proposed fees and all proposed expenditures for the coming fiscal year. The proposed budget expenditures shall not exceed the total of estimated income and any fund balances available from prior years. The adopted budget must include an unencumbered general fund balance in reserves that is at least sufficient to cover six months of the agency's budgeted general fund operation and maintenance expenses. The budget shall be arranged to show five-year comparative figures for the current fiscal year's actual and estimated income and expenditures, the two immediate preceding fiscal year's actual income and expenditures, the estimate of income and expenditures for the budgeted year, and the fiscal year to follow. It shall include in separate sections:

1. An itemized, estimate of the expenses.
  2. Reasons for proposed increases or decreases in specific expenditures, compared with the current fiscal year.
  3. A statement of the total probable income of the agency from fees for the period covered by the estimate.
  4. Fee collections for the preceding five years.
  5. All anticipated revenue from other sources Anticipated net surplus or deficit for the coming fiscal year.
  6. Other information required by the Board.
- (b) **Submission:** Not later than March 31, staff provides the Budget Committee with a first draft budget. The Budget Committee then provides recommendations to staff. At the May Board meeting, the Budget Committee Chair presents the Committee's report on its activities. Staff prepares a second

budget draft with updated revenue and expenditure for presentation at the August meeting, incorporating recommendations and guidance from the Budget Committee. The Budget Committee will meet as needed and will approve the final budget draft to be presented at the August meeting. The Budget Chair presents the Committee's report and proposed budget to the Board at the August Board meeting before review and possible approval of the budget by the full Board.

- (c) **Adoption:** Adoption of the budget shall require an affirmative vote of at least a majority of all members of the Board. Adoption of the budget shall constitute appropriations of the amounts specified as expenditures from the funds indicated. The budget shall be adopted not later than August 31 of each year; but in the event the budget is not adopted, the budget for personnel and essential operating supplies and services made in the previous fiscal year shall be extended until the new budget is adopted. The Commissioner, along with agency staff, implements the directives and policies of the Board outlined in the approved budget. The Board may direct specific actions, amendments, or variances to the budget at any time by majority vote.

#### **Section 1.05 Amendments After Adoption.**

- (a) **Supplemental appropriations:** If, during the fiscal year, the director certifies that there are revenues available for appropriation in excess of those estimated in the budget, the Board may make supplemental appropriations for the year up to the amount of the excess.
- (b) **Reduction of appropriations:** If at any time during the fiscal year it appears probable to the director that the revenues available will be insufficient to meet the amount appropriated, she shall report to the board immediately, indicating the estimated amount of the deficit, any remedial action taken, and recommendations for any other steps to be taken. The Board shall take further action as it deems necessary to prevent or minimize any deficit and, for that purpose, it may reduce one or more appropriations.
- (c) **Transfer of appropriations:** At any time during the fiscal year, the director may recommend to the board to transfer part or all of any unencumbered appropriation balance among current expense categories as long as there is a bona-fide need and the overall appropriated budget is not exceeded. The board shall review the recommendation and approve/reject the recommendation by majority vote.
- (d) **Effective date:** Supplemental appropriations and reduction or transfer of appropriations authorized by this section may be made effective immediately upon adoption of the Board by vote.
- (e) **Budget Revision:** A revised budget shall be presented to the Board for approval after the adoption of any amendments.

#### **Section 1.06. Administration of Budget.**

- (a) **Payments and obligations prohibited:** No payment shall be made or obligation incurred against any allotment or appropriation unless the director or her designee certifies there is a sufficient unencumbered balance in the allotment or appropriation and that sufficient funds are or will be available to cover the claim or meet the obligation when it becomes due and payable. Making unauthorized payments or obligations may be cause for removal of any employee who knowingly authorized or made such a payment or incurred such an obligation. Furthermore, the person making the payment shall also be liable to the agency for any amount illegally paid.
- (b) **Financial reports:** The director of finance shall submit a status report each month that describes the financial condition of the agency by budget item, and shows budgeted and actual income and expenditures for the preceding month and the fiscal year to date. The staff also provides a status report to the Board at its regular quarterly meetings. The status reports include aggregate expenses and revenue within budget categories with explanations noted for variances between actual and budgeted greater than 10 percent over targeted expenditure in any category. The financial records of the agency will be maintained on a basis consistent with generally accepted accounting procedures.

- (c) **Budget Variances.** As noted above, budget variances up to 10 percent in any category are noted in status reports. Any expenditure that would create a variance greater than 10 percent in a budget category must be approved by the Board before the variance amount is expended. Such approval, however, is not required in instances in which the 10 percent variance is less than \$20,000. Additionally, where a variance greater than 10 percent is necessary to address an emergent agency need in which approval by the full Board is not practical, approval may be sought in writing by the Budget Committee chair.
- (d) **Budget Control.** The Board shall develop appropriate controls and procedures and insure that established control limits are not exceeded.
- (e) **Revenue.** Generally, projected revenues available to balance a fiscal year budget will be determined solely from the operating fees generated as stated in the agency fee schedule as outlined by Texas Occupation Code Sections 1103 and 1104.
- (f) **Revenue Estimates.** The Agency will submit revenue estimates annually to the Board. Revenues should be estimated using a conservative approach to avoid any budget shortfalls during the fiscal year.
- (g) **Fees.** The Agency is self-supporting; therefore, fees must be established at a level ensuring, at a minimum, the recovery of the full cost of operating the agency. The agency will review all fees and recommend changes based on factors such as the impact of inflation, indirect cost adjustments, and any other related expenses that influence the cost of providing services.
- (h) **Collections.** The agency will monitor revenue collection throughout the fiscal year. When revenue is less than estimated, the Director of Finance shall initiate action consistent with prudent financial management and notify the Commissioner and the Board of such action.
- (i) **Unexpended Funds/Excess Revenue.** Unobligated and unexpended funds in the budget and any revenue collected in excess of budgeted expenditures will be retained in the interest-bearing deposit account in the Texas Treasury Safekeeping Trust Company (TTSTC) for future use as determined by the Board.
- (j) **Limitation on Use of Funds.** The agency may only expend funds for items set out in the expenditure classifications of the Comptroller's Manual of Accounts.
- (k) **Reimbursements.** Any reimbursement or refund of expenditures received by the agency for an authorized program or service will be credited back to the budget items or accounts from which the expenditures were originally made.
- (l) **Position Classification Plan.** Chapter 654, Government Code, Chapter 659, Government Code and Article IX, Section 2.01 of the Appropriations Act will govern expenditures for the salaries of staff for the current biennium.
- (m) **Salary Limits.** Staff will be paid salaries at rates within the applicable salary schedules provided in Article IX of the Appropriations Act for the current biennium.
- (n) **Travel Expenses.** All requests for payment or reimbursement of travel related expenses will comply with Chapter 660, Government Code, and Article IX of the Appropriations Act for the current biennium, and the Comptroller's Rules.
- (o) **Reimbursement Rate.** Board Members and staff traveling on official state business will be reimbursed at rates that will not exceed the rates announced by the Comptroller for other State employees.

- (p) **Retired Employees.** The Board's annual budget shall provide sufficient funding to pay the Board's share of retired employee health care cost.
- (q) **Gifts or Grants.** Any gifts or grants approved by the Board will be separate authority to expend funds for the purpose indicated, and will be accounted for separately from the budget.

#### **Section 1.07 Reserves.**

- (a) **Objective.** The Board recognizes that maintaining sufficient reserves will ensure adequate funding for the needs and obligations of the agency including:
  - 1. Sustaining the agency through an unexpected financial crisis.
  - 2. Financing contingencies or emergencies as defined by the Board.
  - 3. Purchasing equipment and repairing and maintaining facilities to assist staff in meeting the mission of the agency.
  - 4. Funding required lump sum payments of accrued vacation and sick leave
- (b) **Operations and Contingencies Reserve.** The Board will accumulate and maintain an Operations and Contingencies Reserve totaling not less than three months of current budget's estimated operating expenses, excluding all "pass through" expense items. Once the target Operations & Contingencies Reserve is achieved, any other specifically approved reserves are funded at specific levels approved by the Board, as needed to provide for planned projects. Staff must provide a three-year expenditure plan for large projects to better estimate total project expense.
- (c) **Adjustment to Reserve Level.** The Operations and Contingency reserve account level will be set each year in conjunction with the preparation of the Board's annual budget. The Board must minimize excess fund balances. When year-end fund balances exceed the total of Operations & Contingencies Reserve by more than 20 percent, staff must offer recommendations for sustainable fee reductions. In the event that the reserve account fall below the prescribed level, the Board will propose strategies to replenish the account balance over a period not to exceed two years. The strategies for replenishing the account may include reducing expenses, increasing fees, or any combination of those strategies.

# **Texas Appraiser Licensing and Certification Board**

## **Investment Policy**

### **Section 2.00 Policy Statement.**

It is the policy of the Texas Appraiser Licensing and Certification Board that the administration of its funds and the investment of those funds shall be handled in a manner which will provide the maximum security of principal invested through limitations and diversification while meeting the daily cash flow needs of the Board and conforming to all applicable state statutes governing the investment of public funds. The receipt of a market rate of return will be secondary to the requirements for safety and liquidity. It is the intent of the Board to be in complete compliance with the Texas Public Funds Investment Act, Chapter 2256 of the Texas Government Code, as amended.

### **Section 2.01 Scope.**

The Board will endeavor to earn a return on funds invested at the optimum investment return after taking into account the primary goals of preservation of principal and liquidity of funds invested. A separate portfolio of investments may be created for each investment strategy and each portfolio will be managed in a manner consistent with the policy and applicable strategy objectives described below. This investment policy applies to all financial assets and funds held by the Board and include:

Educational Development Reserve; and Current  
Operations and Contingencies Reserve.

### **Section 2.02 Prudence.**

Investments shall be made with judgment and care under circumstances then prevailing that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of prudence to be used by Investment Officers shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment Officers acting in accordance with written procedures, this Investment Policy, any applicable investment strategies, and exercising due diligence, shall be relieved of personal responsibility for an individual instrument’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments. In determining whether an Investment Officer has exercised prudence with respect to an investment decision; the determination shall be made taking into consideration the investment of all funds over which the Officer had responsibility rather than consideration as to the prudence of a single investment; and whether the investment decision was consistent with this Investment Policy, the applicable Investment Strategy and written investment procedures.

### **Section 2.03 Objectives.**

The Educational Development Reserve and Current Operations and Contingency Reserve funds shall be managed and invested with three primary objectives, listed in order of their priority: safety, liquidity, and yield. These objectives encompass:

#### **Preservation and Safety of Principal**

Safety of principal is the foremost objective of the Board. Investments of the Board shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio. To obtain this goal, diversification is required in the portfolio’s composition in order to minimize potential losses on the portfolio.

#### **Liquidity**

The Board’s investment portfolio will remain sufficiently liquid to enable it to meet all operating requirements that might be reasonably anticipated.

#### **Yield**

The Board’s investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, commensurate with the Board’s investment risk constraints

and the cash flow characteristics of the portfolio. It is recognized that in diversifying the portfolio, occasional measured losses due to market volatility are inevitable, and must be considered within the context of the overall portfolio's investment return, if adequate diversification has been implemented.

#### **Section 2.04 Delegation of Authority.**

Authority to manage the investment program is derived from the Act, specifically, Section 2256.005(f)-(h). Management responsibility for the investment program is hereby delegated to the Director of Finance, Accounting Manager, and Senior Budget Analyst of the Texas Real Estate Commission/Texas Appraiser Licensing and Certification Board, who for purposes of this Investment Policy, shall be referred to herein as the Investment Officers. The Investment Officers will be responsible for all transactions undertaken under this Investment Policy.

#### **Section 2.05 Public Funds Investment Act Training.**

In order to ensure qualified and capable investment management, each member of the Board and the Investment Officers shall attend at least one training session relating to the person's responsibilities under the Act within six months after taking office or assuming duties. The Investment Officers shall attend an investment training session not less than once each state fiscal biennium and may receive training from any independent source approved by the Board. Training to be received by the Investment Officers must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio assets, and compliance with the Act.

#### **Section 2.06 Public Funds Investment Act Reporting.**

The Investment Officers shall prepare and submit to each member of the Board and the Commissioner an investment report no less frequently than quarterly. In addition to the information required by the Act, the report shall contain sufficient information to provide for a comprehensive review of investment activity, current investment instruments and performance for that period, and shall include, at a minimum:

*(For each individual investment)*

- a. The book value at the end of the reporting period;
- b. The market value at the end of the reporting period;
- c. The maturity date of each investment,
- d. A statement of intent if some or all securities are intended to be held to maturity;
- e. Any variations from the Texas PFIA, this investment policy or the investment strategy of the Board; and
- f. Any recommended amendments to current specific investment strategies.

The investment report shall be prepared jointly and signed by all Investment Officers.

At least once every two years, the Board shall perform a compliance audit of management controls on investments and adherence to the established investment policies as set forth in this document.

#### **Section 2.07 Safekeeping.**

All securities purchased by the Board under this Investment Policy shall be designated as assets of the Board, shall be conducted on a delivery-versus-payment (DVP) basis, and shall be protected by a third-party custodian/safekeeping agent. As required by law, cash is held in the Texas Treasury Safekeeping Trust Company (Trust Company).

#### **Section 2.08 Investment Strategy.**

The investment strategy for the funds is to maintain a laddered approach to portfolio management. Having a relatively even distribution of securities maturing each year helps eliminate extreme interest rate exposure. Investments will be set to mature on a quarterly basis when possible. The maximum allowable stated maturity of investments is 10 years.

As required by law, cash is held in the Texas Treasury Safekeeping Trust Company (Trust Company). Cash is fully invested at all times and reinvested by the Trust Company in those investments authorized for state funds. Interest is compounded daily with earnings credited daily.

### **Section 2.09 Authorized Investments.**

Authorized investments include primarily, Direct Obligations of the United States Treasury (i.e., Treasury Bills, Notes, and bonds). Occasionally, Indirect Obligations of the Treasury or Agency Securities may be considered an appropriate investment (example, Federal National Mortgage Association - FNMA). This is considered on a case-by-case basis. All investment transactions must be settled on a delivery versus payment basis. The securities are held by the Trust Company as trustee. The Trust Company monitors the market price of investments and updates them daily. The Trust Company invests cash as described by Sections 404.024 and 404.106, Texas Government Code using prudent investment standards.

### **Section 2.10 Account Balances and Expenses.**

#### **a. Current Operations and Contingency Reserves Account Balances**

The Board will accumulate and maintain an Operations and Contingencies Reserve totaling not less than three months of current budget's estimated operating expenses, excluding all "pass through" expense items. These Reserves will be held in highly liquid overnight repurchase agreement (Repo). This type of repurchase agreement mature nightly and the instrument turns back into cash the next day. Once the target Operations & Contingencies Reserve is achieved, any other specifically approved reserves are funded at specific levels approved by the Board, as needed to provide for planned projects.

#### **b. Education Development Reserve Account Balances**

The balance of this reserve will include Administrative Penalties collected from January 1, 2016 to August 31, 2019 that have not been expended. Effective September 1, 2019 all future Administrative Penalties collected by TALCB will be transferred to General Revenue. The purpose of this fund is to apply administrative penalties towards the improvement of educational materials and outreach to license holders.