

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 older buildings under a sky with soft, wispy clouds. The overall mood is serene and majestic.

Texas Real Estate Commission

FY 2022 Annual Budget

Approved on August 9, 2021

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2022-2024 PROPOSED BUDGET

Executive Summary

The following summary of the 2022-2024 budget proposal for the Texas Real Estate Commission is respectfully submitted for adoption. 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, 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. The second draft of the 2022 budget proposal is presented to the Commissioners of the Texas Real Estate Commission (TREC) for consideration.

Budget Highlights

The Texas Real Estate Commission operates on a lean budget, and there are not many categories where reductions in the budget are feasible. Staff thoroughly reviewed operational costs and new FTE requests and have made adjustments to the second draft of the FY 2022 Budget to incorporate those costs.

The adjustments are as follows:

- ❖ Revenue projections were adjusted to be based on a 3-year weighted average instead of a 5-year average. Including 5 years of history in our projections was skewing the data and did not accurately reflect our current environment, thus causing us to report an overly conservative revenue projection.
- ❖ Increase in salary and wages to account for seven new full-time equivalent positions.
- ❖ As a result, in the increased salary and wages, employee benefits increased.
- ❖ The Versa database replacement project is underway and you will notice a projected expenditure of \$2M for the project in FY2022 and \$1.75M in FY2023. As a reminder, this project was approved in FY2019 to be an estimated \$4M project over a three year period.
- ❖ Utility costs increased to account for usage of some hot-spots. The previous draft assumed that usage of all hot-spots would be discontinued.
- ❖ Commission travel increased to accommodate the additional workshops that may be added to each quarterly commission meeting.
- ❖ Equipment rental increased to incorporate the cost of the leased laptops for the seven new employees as well as the PC refresh of 51 laptops.
- ❖ Several items under the “other expenses” category decreased (registrations, memberships, maintenance & repairs, and supplies & equipment).
- ❖ The DPS criminal history contract decreased, the new inter-agency contract will be for \$10,000 each year and the cost is split between TREC and TALCB.

Budget Overview

REVENUE OVERVIEW

Revenue	Actual	Actual	Approved	Projected Actual	Proposed	Projected	
	2019	2020	2021	2021	2022	2023	2024
License Fees	\$12,167,409	\$11,392,401	\$10,338,009	\$14,101,416	\$13,696,875	\$13,063,564	\$13,620,617
Education Fees	\$620,203	\$378,105	\$400,772	\$367,513	\$368,150	\$371,256	\$368,973
Examination Fees	\$368,982	\$309,608	\$369,894	\$461,354	\$458,910	\$409,957	\$443,407
Other Miscellaneous Revenue	\$223,178	\$249,390	\$241,888	\$266,632	\$294,217	\$270,080	\$276,976
Total:	\$13,379,772	\$12,329,504	\$11,350,563	\$15,196,915	\$14,818,152	\$14,114,857	\$14,709,973

EXPENSES OVERVIEW

Expenses	Actual	Actual	Approved	Projected Actual	Proposed	Projected	
	2019	2020	2021	2021	2022	2023	2024
Salary & Wages	\$6,054,271	\$7,876,258	\$8,284,693	\$7,946,775	\$8,759,738	\$9,007,253	\$9,277,468
Employee Benefits	\$1,875,180	\$2,402,262	\$2,440,254	\$2,304,624	\$2,592,201	\$2,638,363	\$2,688,758
Retiree Insurance	\$511,411	\$585,489	\$633,998	\$591,417	\$634,209	\$634,209	\$634,209
Other Personnel Costs	\$307,666	\$271,034	\$272,634	\$197,491	\$297,430	\$297,430	\$297,430
Professional Fees & Services	\$874,892	\$605,199	\$1,819,616	\$465,323	\$2,907,336	\$2,326,336	\$657,336
Consumables	\$17,152	\$11,361	\$12,000	\$2,099	\$10,000	\$10,000	\$10,000
Utilities	\$2,961	\$4,923	\$12,882	\$8,347	\$7,947	\$7,947	\$7,947
Travel	\$51,848	\$33,939	\$73,784	\$5,011	\$55,500	\$55,500	\$55,500
Office & Space Rent	\$198,057	\$148,638	\$171,695	\$185,412	\$188,991	\$188,991	\$188,991
Equipment Rental	\$71,668	\$99,089	\$116,200	\$115,715	\$137,798	\$137,798	\$137,798
Other Operating Expenses	\$609,299	\$1,119,628	\$811,980	\$516,461	\$592,085	\$552,935	\$466,435
Capital Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Statewide Cost Allocation Plan (SWCAP)	\$188,582	\$215,993	\$215,993	\$164,769	\$164,769	\$164,769	\$164,769
Annual General Revenue Contribution	\$724,725	\$727,500	\$727,500	\$727,500	\$727,500	\$727,500	\$727,500
Total:	\$11,487,712	\$14,101,313	\$15,593,229	\$13,230,944	\$17,075,504	\$16,749,031	\$15,314,141

Second Draft-Line Item Budget Detail

Second Draft-FY2022 Budget as of June 30, 2021

	Budget 2019	Actual 2019	Budget 2020	Actual 2020	Amended Budget 2021	FY2021 Estimated revenue/ expenditures	Budget FY2022	Budget Variance from FY22 to FY21	Projected Budget 2023	Projected Budget 2024
Beginning Balance					19,732,109		20,509,927		18,252,575	15,618,401
Operating Reserves					(7,432,904)		(8,174,002)		(8,010,766)	(7,293,321)
Available balance within Texas Treasury Safekeeping Trust Account					\$ 12,299,205		12,335,925		10,241,810	8,325,081
Revenues										
License Fees	9,763,045	12,167,409	\$9,911,294	11,392,401	10,338,009	14,101,416	13,696,875	32.49%	13,063,564	13,620,618
Education Fees	497,906	620,203	\$338,742	378,105	400,772	367,513	368,150	-8.14%	371,256	368,973
Examination Fees	333,935	368,982	\$354,938	309,608	369,894	461,354	458,910	24.07%	409,957	443,407
Other Miscellaneous Revenue	171,460	223,178	\$200,000	249,390	241,888	266,632	294,217	21.63%	270,080	276,976
Total Revenues	\$10,766,346	\$13,379,772	\$10,804,974	\$12,329,504	\$11,350,563	\$15,196,915	\$14,818,152	30.55%	\$14,114,857	\$14,709,975
Reallocation from Fund Balance	1,740,460	1,740,460	\$3,750,000	\$3,750,000						
Expenditures										
Salaries & Wages	6,742,800	6,054,271	7,186,666	7,876,258	8,284,693	7,946,775	8,759,738	5.73%	9,007,253	9,277,468
Employee Benefits	2,166,921	1,875,180	2,120,964	2,402,262	2,440,254	2,304,624	2,592,201	6.23%	2,638,363	2,688,758
Retiree Insurance	665,055	511,411	710,042	585,489	633,998	591,417	634,209	0.03%	634,209	634,209
Other Personnel Costs	274,428	307,666	290,418	271,034	272,634	197,491	297,430	9.10%	297,430	297,430
Professional Fees & Services	907,594	874,892	1,661,398	605,199	1,319,696	265,323	887,336	-32.76%	576,336	657,336
VERSA Replacement over 3 years					500,000	230,000	2,020,000	304.00%	1,750,000	0
Consumables	12,000	17,152	14,000	11,361	12,000	2,099	10,000	-16.67%	10,000	10,000
Utilities	13,212	2,961	14,579	4,923	12,882	8,347	7,947	-38.31%	7,947	7,947
Travel	61,400	51,848		33,939						
Commission Travel			22,000		40,000	5,000	35,000	-12.50%	35,000	35,000
Staff Travel			35,000		33,784	11	20,500	-39.32%	20,500	20,500
Office and Space Rent	177,838	198,057	175,178	148,638	171,695	185,412	188,991	10.07%	188,991	188,991
Equipment Rental	64,794	71,668	76,284	99,089	116,200	115,715	137,798	18.59%	137,798	137,798
Other Expenses										
Registration & Membership	84,905	28,757	88,565	23,169	29,200	20,856	41,200	41.10%	41,700	41,200
Maintenance & Repairs	184,128	167,878	286,757	192,433	276,794	220,963	169,600	-38.73%	132,600	46,600
Reproduction & Printing	2,600	1,612	4,600	3,997	5,050	110	4,500	-10.89%	4,500	4,500
Contract Services	33,008	34,809	46,847	63,595	60,101	56,706	53,680	-10.68%	53,680	53,680
Postage	21,700	17,326	23,600	12,328	28,000	16,000	17,600	-37.14%	17,600	17,600
Supplies & Equipment	80,440	189,769	633,739	328,825	125,705	74,922	34,400	-72.63%	31,600	31,600
Communication Services	138,415	141,874	192,111	140,331	230,402	96,579	238,160	3.37%	238,310	238,310
DPS Criminal History Checks	2,000	3,491	19,716	95,007	22,416	0	8,740	-61.01%	8,740	8,740
Other Operating	25,000	23,783	30,180	259,943	34,312	30,325	24,205	-29.46%	24,205	24,205
Capital Expenditures	-					0	-	0.00%	0	0
Statewide Cost Allocation Plan (SWCAP)	180,000	188,582	188,582	215,993	215,993	164,769	164,769	-23.72%	164,769	164,769
Total Expenditures	11,838,238	10,762,989	13,821,224	13,373,812	14,865,808	12,533,445	16,348,004	9.97%	16,021,531	14,586,641
Contribution to General Revenue	724,725	724,725	727,500	727,500	727,500	727,500	727,500	0.00%	727,500	727,500
Total Expenditures and GR Contribution	\$12,562,963	\$11,487,714	\$14,548,724	\$14,101,312	\$15,593,308	\$13,260,945	\$17,075,504	9.51%	\$16,749,031	\$15,314,141
Revenue Over/(Under) Expenditures (Includes Transfers & Balance carry forward)	(\$56,157)	\$3,632,519	\$6,251	\$1,978,192	\$8,056,459	\$1,935,970	10,078,573	25.10%	7,607,636	7,720,915

FTEs

134.48

134.48

134.48

FY19-FY22 Revenue Analysis

TREC Revenue	Projected	Actual as of August 31 of each year	Actual over Projected
FY19	10,891,346.00	13,379,772.00	22.85%
FY20	10,804,974.00	12,329,504.00	14.11%
Projected FY21	11,350,563.00	15,196,915.25	33.89%
Projected FY22	14,818,152.00	14,818,152.00	0.00%

Apps & Renewal Counts	FY19 Actual	FY20 Actual	FY21 Projected	FY22 Projected	FY19 - FY22 Trends
Broker Original Ind Apps	1,315	1,420	1,689	1,683	
Sales Agent Original Apps	22,815	23,777	34,979	34,745	
Inspector Apps	549	652	1,250	1,237	
Broker Renewals	16,513	15,776	16,561	16,553	
Sales Renewals	56,413	57,298	60,503	60,430	
Inspector Renewals	1,677	1,495	1,885	1,879	

	FY2019	FY2020	FY2021	FY2022	FY19 - FY21	FY19 - FY22 Trends
App and Renewal Fees	Actual	Actual	Projected	Projected	Weighted Average	Trends
Broker Original Ind Apps	197,249.00	212,944.00	253,350.00	248,524.65	248,524.65	
Sales Agent Original Apps	3,422,246.00	3,566,549.00	5,246,850.00	5,071,604.75	5,071,604.75	
Inspector Apps	60,800.00	73,000.00	142,040.00	134,526.00	134,526.00	
Broker Renewals	1,188,917.00	1,135,858.00	1,192,394.00	1,189,393.35	1,189,393.35	
Sales Renewals	3,723,237.00	3,781,635.00	3,993,161.00	3,969,088.50	3,969,088.50	
Inspector Renewals	99,110.00	88,741.00	111,470.00	109,715.55	109,715.55	
Test Administration Fee	368,982.00	309,608.00	346,014.00	370,056.00	345,342.10	
Education Fees	620,203.00	378,105.00	275,863.00	459,767.00	298,192.10	

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 Division	11.800	11.800	0.000	0.000	11.800	0.00
Financial Services Division	12.675	11.675	1.000	0.000	12.675	0.00
Information & Technology Services Division	16.000	15.000	1.000	0.000	16.000	0.00
Customer Relations Division	26.300	25.300	1.000	0.000	29.300	3.00
Education & Examination Services Division	12.100	10.100	2.000	0.000	13.100	1.00
Licensing Division	19.000	18.000	1.000	0.000	21.000	2.00
Enforcements Division	29.600	28.600	1.000	0.000	30.600	1.00
TALCB	0.000	0.000	0.000	0.000	0.000	0.00
Total:	127.475	120.475	7.000	0.000	134.475	7.00
TREC	127.475	120.475	7.000	0.000	134.475	0.00
TALCB	0.000	0.000	0.000	0.000	0.000	0.00

BUDGETED SALARY REQUIREMENT						
Functional Divisions	Authorized 2021	Currently Filled 2021	Vacant FTE 2021	Contractors 2021	Proposed 2022	New FTEs 2022
Executive Division	\$ 1,230,160	\$ 1,137,580	\$ -	\$ -	\$ 1,202,900	\$ -
Financial Services Division	\$ 883,687	\$ 812,816	\$ 60,000	\$ -	\$ 889,600	\$ -
Information & Technology Services Division	\$ 1,344,787	\$ 1,279,660	\$ 90,300	\$ -	\$ 1,344,500	\$ -
Customer Relations Division	\$ 1,204,204	\$ 1,174,443	\$ 37,200	\$ -	\$ 1,322,500	\$ 115,600
Education & Examination Services Division	\$ 695,456	\$ 642,280	\$ 49,400	\$ -	\$ 725,400	\$ 40,200
Licensing Division	\$ 955,968	\$ 855,049	\$ 89,600	\$ -	\$ 988,400	\$ 79,200
Enforcements Division	\$ 1,970,431	\$ 1,874,195	\$ 75,600	\$ -	\$ 2,031,300	\$ 45,000
TALCB	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total:	\$ 8,284,693	\$ 7,776,024	\$ 402,100	\$ -	\$ 8,504,600	\$ 280,000

Additional FTE Narrative

Staff submitted requests and pertinent justification to the Executive Director for review and approval. After careful review and analyzing business needs, the Executive Director has deemed that seven additional FTEs are required to ensure that the Texas Real Estate Commission continues to provide the highest level of service to the citizens of Texas. Information regarding the additional staff positions is below.

Customer Relations Division:

The Customer Relations Division is in the process of creating a Total Performance Management team that will focus on quality assurance, training, and forecasting call volumes. In order to facilitate this transition, additional staff are needed. The proposed solution includes one Customer Service Representative III, with an annual salary of \$37,200; and one Quality Assurance Specialist I, with an annual salary of \$46,800. In addition, as a result of several SFA Building tenant meetings, TREC will begin staffing the first floor front desk with a Customer Service Representative. TREC is exploring whether some of the funding for this position may be reimbursed by other tenant agencies. Previously, the General Land Office, who discontinued the position, funded the position wholly. The first floor staff member would receive members of the public and direct them to the appropriate floor for the office they are visiting. This would be a rotating assignment for the Customer Relations Division staff. To ensure that we continue to offer optimal customer service and minimize hold times, we would staff this rotating position with a Customer Service Representative I, with an annual salary of \$32,400. The three proposed FTEs would increase salary costs by approximately \$115,600 for this division.

Licensing Division:

The Licensing Division has demonstrated a need to increase its staffing by two FTEs. The increase in staff is based on the increased number of applications received and the total license holder count. In addition, as we begin requirements gathering and user acceptance testing of the new licensing database, several veteran licensing specialists will be pulled from their normal duties to devote the time and attention needed to ensure the new product meets our needs. The proposed solution is to hire one License & Permit Specialist I, with a starting salary of \$37,200 and one License & Permit Specialist III, with a starting salary of \$42,000. Two additional FTEs would increase salary cost by approximately \$79,200 for this division.

Education & Exam Division:

The Education Division demonstrated a need to hire one additional FTE. As the compliance section of the Education Division continues to develop, there is an increase need for employees to complete education audits. To ensure that our base level of support does not diminish as we redirect staff towards education audits, one additional entry level Education Specialist I with a salary of \$40,200 is required.

Enforcements Division:

The Enforcement Division demonstrated a need to have one additional FTE to support and assist with the background review team. We are striving to decrease the time that it takes to go through this process and feel that an additional staff member could help improve our ability to complete this task. This position would be a Program Specialist I, with a salary of \$45,000.

Texas Real Estate Commission Budget and Financial Administration Policy

The financial integrity of the Commission is of vital importance. Written financial policies assist the Commission 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 Commission and staff changes occur.

Section 1.01 Fiscal Year.

The fiscal year of the Texas Real Estate Commission (TREC) 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 Commissioners. By interpreting and detailing the Commission'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 TREC Operating Fund-3055, and activities and, except as required by law, shall be in a form that the Director of Finance deems desirable or that the Commission 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 Commission.

- (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 Commission 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 Commission at the August Commission meeting before review and possible approval of the budget by the full Commission.
- (c) **Adoption:** Adoption of the budget shall require an affirmative vote of at least a majority of all members of the Commission. 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 Executive Director, along with agency staff, implements the directives and policies of the Commission outlined in the approved budget. The Commission 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 Commission 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 commission without delay, indicating the estimated amount of the deficit, any remedial action taken, and recommendations for any other steps to be taken. The commission 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 commission 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 commission 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 commission by vote.
- (e) **Budget Revision:** A revised budget shall be presented to the commission 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 Commission 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 Commission 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 Commission is not practical, approval may be sought in writing by the Budget Committee chair.
- (d) **Budget Control:** The Commission 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 1101 and 1102.
- (f) **Revenue Estimates:** The Agency will submit revenue estimates annually to the Commission. 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 impact 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 Executive Director and Commission 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 Commission.
- (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:** Expenditures for the salaries of staff will be governed by Chapter 654, Government Code, Chapter 659, Government Code and Article IX, Section 2.01 of the Appropriations Act 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 the agency's internal policy, which uses Chapter 660, Government Code, Article IX of the Appropriations Act for the current biennium, and the Comptroller's Rules as its guidelines.
- (o) **Reimbursement Rate:** Commission 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 Commission's annual budget shall provide sufficient funding to pay the Commission's share of retired employee health care cost.
- (q) **Gifts or Grants:** Any gifts or grants approved by the Commission 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 Commission 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 Commission.
 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 Commission will accumulate and maintain an Operations and Contingencies Reserve totaling not less than six 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 Commission, 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 Commission's annual budget. The Commission 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 Commission 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 Real Estate Commission

Investment Policy

Section 2.00 Policy Statement.

It is the policy of the Texas Real Estate Commission 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 Commission 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 Commission 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 Commission 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 Commission and include:

- Real Estate Recovery Trust Account;
- Real Estate Inspection Recovery Fund; 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 Real Estate Recovery Trust Account, Real Estate Inspection Recovery Fund, and 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 Commission. Investments of the Commission 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 Commission’s investment portfolio will remain sufficiently liquid to enable it to meet all operating requirements which might be reasonably anticipated.

Yield

The Commission’s investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, commensurate with the Commission’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, provided that 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, 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 Commission 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 Commission. 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 Commission and the Executive Director 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 Commission;
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 Commission 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 Commission under this Investment Policy shall be designated as assets of the Commission, shall be conducted on a delivery-versus-payment (DVP) basis, and shall be protected through the use of 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 to be 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. Recovery Fund Account Balances

The minimum and maximum balances required for each Recovery Fund Account, as well as the sources and methods for adding funds to, and the procedures for any remittance of funds from, each Account are established by law in Chapters 1101 and 1102 of the Occupations Code.

b. Current Operations and Contingency Reserves Account Balances

The Commission will accumulate and maintain an Operations and Contingencies Reserve totaling not less than six 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 very next day. Once the target Operations & Contingencies Reserve is achieved, any other specifically approved reserves are funded at specific levels approved by the Commission, as needed to provide for planned projects.