



**Pete Ricketts**  
Governor

**EXHIBIT**

**5d**

**STATE OF NEBRASKA**

**NEBRASKA REAL ESTATE COMMISSION**  
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**FROM:** Nebraska Real Estate Commission Finance Subcommittee  
**TO:** Nebraska Real Estate Commission  
**RE:** 2017 License Fee Adjustments  
**DATE:** August 10, 2016

### **BALANCING REVENUES AND EXPENDITURES/SUMMARY**

The Commission currently maintains a healthy cash balance (\$1.5M+ as of July 1, 2016) that will fluctuate greatly over the next few years as we acquire our new database. Based on (admittedly conservative) revenue estimates we will, as shown by the attached spreadsheet, have a large cash balance that will be drawn down to a more realistic level and stabilize after the database is paid for.

Revenues continue to be up due to many more exams being administered and more people applying for and receiving licenses. Revenue projections pull these numbers down closer to historical averages over the next couple of years.

### **PROJECTIONS**

The projections on the attached spreadsheets use conservative projections for revenues, although we saw a huge increase in exam fees and a slightly smaller but still significant increase in license fees the last few years, those increase are ratcheted back to historical averages for future years.

### **ANALYSIS**

As of June 30, 2016, the NREC Cash Fund Balance stood at \$1,527,886 up from the \$1,086,304 figure from June 30, 2015. The NREC Cash Fund has historically reached its lowest level each year in either September or August because of the license renewal cycle, dipping \$125,000 to \$175,000 lower than the fiscal year end number. That would put our low projected balance for the years after the database is purchased at about \$600,000, or roughly half a year's expenditures, a fairly comfortable level. It looks like current fees will be adequate for reasonably foreseeable future, and in fact, if current revenue levels are sustained, a slight reduction might even be possible in future years.

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**CONCLUSION**

As the Commissioners are well aware, the Nebraska Real Estate Commission relies solely on its Cash Fund revenues to finance operations. In fact, Nebraska law limits the financing of the operations of the NREC to only the NREC Cash Fund and no other source. "The expense of conducting the office must always be kept within the income collected and deposited with the State Treasurer by such commission and such office, and the expense thereof shall not be supported or paid for by any other fund." Neb. Rev. Stat. §81-885.15. Therefore it is crucial that an operating balance and reasonable reserve be retained in the fund at all times.

**Based on the projections and analysis it does not appear that an adjustment to the Commission's fees is needed at this time.**

Note: This analysis assumes no further legislative transfers out of the fund. Although such cuts or transfers from the Commission fund remain a possibility, the speculative nature of whether this will actually happen and the amount of money that might be involved precludes meaningful analysis, however the possibility of such transfers is one reason to try to balance receipts and expenditures in such a way that an overly large balance is not accumulated.

