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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

## Memorandum

To: Appraisal Subcommittee

From: Jim Park, Executive Director

RE: Budget Proposal for Fiscal Year 2019 (Revised August 28, 2018)

Date: August 29, 2018

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### **Fiscal Year 2019 (FY19) Budget Proposal Summary**

- Projected Net Revenue – \$3,447,375
- Operating Expenses – \$3,103,726
- Appraisal Foundation Grant – \$350,000
- State Grants – \$278,000
- Net Income/(Loss) – (\$420,124)
- Projected end of FY19 Reserve - \$4,281,656

### **Revenue**

FY19 gross revenue is projected to be \$3,800,200. An anticipated PAYGO deduction of \$352,825 is required resulting in net revenue of \$3,447,375. The basis for this projection is: (1) the annual appraiser registry fee of \$40 per appraiser credential; and (2) a projected average of 95,000 credentials on the Appraiser Registry throughout FY19.

The Appraisal Management Company (AMC) Registry opened July 16, 2018. States have been given until June 4, 2020, to implement AMC registry fees to populate the AMC Registry. It is unknown if any States will populate the AMC Registry and pay registry fees in FY19. Therefore, no AMC registry fee revenue has been budgeted.

### **ASC Operating Expenditures**

The following is an overview of significant expenses in the FY19 Budget Proposal. The detailed budget spreadsheet is attached.

### **Personnel Compensation**

In FY19, \$2,311,570 is budgeted, representing a 12% increase over the FY18 Budget. The Budget Proposal for FY19 includes two additional staff for 14 full-time employees (FTEs), with the addition of one FTE (Regulatory Affairs Specialist) added in the first quarter of FY19 and one FTE (Grant Administrator) in the last quarter of FY19. A cost of living increase of 1.9% has been included in the salary projections. We have also included within-grade increases for two staff based on the dates of their projected increases.

FY18 personnel benefits (*i.e.*, health benefits insurance, thrift savings plan, civil service retirement and government life insurance) was under budgeted at \$380,958 or 23% of total personnel services. The actual amount of these services for FY18 is projected to total approximately \$500,000 or 31% of total personnel services. For FY19, the amount was adjusted to more accurately reflect the cost of these services at \$517,000 or 31% of the FY19 total personnel services.

In FY18, Individual Performance Awards (cash awards) totaled \$33,454. The cash awards budget for FY18 was \$35,419 based on the Office of Management and Budget (OMB) FY18 Guidance for Individual Performance Awards. For F19, we are budgeting \$36,000 for cash awards.

\$10,000 is budgeted for ASC staff training in FY19.

No transportation subsidy is budgeted due to the change to remote duty. The FY18 transportation subsidy is projected to be approximately \$6,600 or 64% of the \$10,350 of the budget.

## **Travel**

The total number of budgeted trips for FY19 is expected to increase from FY18 by 26 (111 trips to 137 trips). The majority of ASC travel is for State Compliance Reviews and monitoring the Appraisal Foundation Boards. In FY19, it is anticipated that an additional day of travel will be needed during Compliance Reviews for review of AMC Programs. Also, due to staff working remotely, additional travel days are included.

Actual FY18 airfares were less than the budgeted amount of \$525. Therefore, for FY19, we decreased airfares to \$475. FY18 hotel rates exceeded the budgeted amount of \$100. Therefore, for FY19, we increased this amount to \$160 per night. The Meals and Incidental Expenses (M&IE) rate (per diem, airport travel, baggage and parking costs) was also adjusted to reflect FY18 actuals. The average per trip cost for FY19 is therefore estimated to be \$1,690 as compared to \$1,400 in FY18.

In FY18, 100 of the 134 trips budgeted are projected to be completed resulting in \$150,000 in travel expenses for FY18, approximately \$17,850 (11%) below budget.

Below is a summary of anticipated FY19 travel:

*Compliance Reviews:* 31 State Compliance Reviews.

*Follow-up Reviews:* 2 Follow-up Reviews.

*Priority Contacts/EWS:* 9 Priority Contacts.

*Conferences:* 2 all-staff meetings will be held in conjunction with the AARO Conferences.

*Appraisal Foundation Meetings (ASB, AQB, and BOT):* 7 Appraisal Foundation board meetings.

*State Investigator Training:* 3 State Investigator Training Courses.

*Speaking Engagements:* 5 speaking engagements.

*Executive Director – DC Travel:* 8 trips for ASC Board and other meetings.

*New Staff Training:* \$3,500 to cover training of two new ASC staff positions.

*Miscellaneous:* 5 trips to cover the cost of additional meetings and trainings that may be required.

### **Rent, Communications and Utilities**

The ten-year lease for the ASC office space ends on October 31, 2018. The lease rate is \$20,474 per month or \$245,688 annually. For FY19, ASC staff will work remotely and has negotiated a virtual office lease agreement for \$7,500 annually.

Telephone service charges for FY19 are budgeted at \$31,350 representing an 18% decrease over the FY18 amount of \$38,080.

\$2,316 is budgeted for a secure, off-site storage unit for ASC files and documents. These climate-controlled, secure and individually-alarmed units are accessible 24/7.

\$5,665 is budgeted for local staff travel (mileage, taxi, public transportation) for travel to meetings in the local area and office mail pick up and \$925 is budgeted for parking.

### **Printing and Reproduction**

Printing expenses in the *Federal Register* for FY19 are estimated to be \$10,000, which is the same amount budgeted for FY18. The ASC publishes ASC Meeting Notices and may be publishing additional items this year related to AMC program activity. For FY19, \$2,000 is again budgeted for printing in the *Code of Federal Regulations*.

FY19, printing expenses of \$14,035 include \$12,835 for printing and layout of the Annual Report and \$1,200 for other miscellaneous printing jobs.

### **Contracted Services**

In FY19, GSA/USDA increased their pricing to reflect their migration to a new financial operations systems platform, which will increase the cost by 59% from \$73,561 budgeted in FY18 to \$117,225. Due to the increase, which occurred during FY18, staff projects the actual cost of this service in FY18 to be \$81,044.

For FY19, \$32,350 is budgeted for the cost of the ASC annual audit. In FY18, the OMB issued directive *OMB 17-03 Audit Requirements for Federal Financial Statements* which changed the reporting requirements of financial statements. In FY18, we budgeted \$20,157 for this service. Because of this directive, the cost increased by \$10,900 or 54% over the FY18 budgeted amount. For FY19, we are budgeting \$8,350 for the Agreed Upon Procedures Review of the Appraisal Foundation FY18 grant.

\$10,000 is budgeted for contractor services costs to provide consultation for the development of the AMC Registration and Supervision/Investigator Training operations.

In November of FY18, the ASC hosted a roundtable discussion titled "*The Evolving Real Estate Valuation Landscape*". In FY19, \$10,000 is requested for contractor services costs to provide logistical services for the 2019 Roundtable.

## IT Services

IT Contracted Services are estimated at \$163,220:

- **Website Hosting & Internet Connectivity:** \$18,000 to host the ASC Website and provide internet service (a 55% decrease over FY18).
- **Help Desk Services:** \$50,400 is budgeted for ASC IT contractor help desk services.
- **Website Maintenance:** \$25,200 is budgeted for this service.
- **Anti-Virus/Malware:** \$7,000 is budgeted for this service. We will be implementing a web-based anti-virus/malware to meet the demands of our greater distributed network operations.
- **Server Back-up and Recovery:** \$40,000 is budgeted to create a back-up and recovery service to support the server network, including the ASC.gov webserver and the SQL server for the ASC National Registries. The addition of this feature would provide a 48-72-hour recovery window
- **Minor Projects:** \$15,500 is budgeted as a contingency fund to cover IT contractor costs for unanticipated expenses associated with providing technical support to States with AMC Registry data input support and UID/SOAP conversion.
- **Managed DNS:** \$4,420 is budgeted for Verisign.
- **Firewall:** \$2,700 is budgeted for this service.

License Renewals are estimated at \$11,450

- \$9,000 for renewal of Office 365 provided by On Par Technologies
- \$450 for GSA-provided dotgov domain name registration
- \$1,700 for remote computer access provide by LogMeIn
- \$300 for Lynda online, tutorial training
- **Hardware:**
  - \$2,500 for one back-up personal computer
- **Miscellaneous IT:**
  - \$7,000 for server warranties (covering three years)
  - \$16,000 for MS SQL server software

## IT Projects

\$21,000 is budgeted to assist States with implementation and utilization of UID for the Appraiser Registry and assist States developing SOAP code for their systems. \$36,000 is budgeted for enhancements to the National Registries and website.

**Miscellaneous**

For FY19, \$15,115 is budgeted to cover conference registrations (*e.g.*, AARO spring and fall conferences), licensing fees and bar dues.

**Federal Grants**

## Foundation Grant

ASC Staff recommends a \$350,000 grant to the Foundation for grant eligible expenses. This is commensurate with grants over the past five years. The Foundation requested \$730,000 for AQB and ASB grant-eligible expenses. To meet this request in full would require the ASC to incur a substantial loss and a significant draw down in reserves.

## State Grants

ASC Staff recommends \$278,000 for the FY19 Investigator Training Programs.

**Depreciation**

In FY19, \$135,773 is projected as the depreciation expense for the ASC's Software and Equipment and Server Hardware. Due to the establishment of the National Registry of AMCs Database in FY18, approximately \$90,000 of expenses associated with its building have been capitalized. Over a period of roughly three years, this item will be depreciated with other ASC Software and Equipment.

**Sequestration**

Based on the OMB Report to the Congress on the Joint Committee Reductions for Fiscal Year 2019, sequestration for FY19 will be 6.2% of available cash receipts.

**Conclusions:**

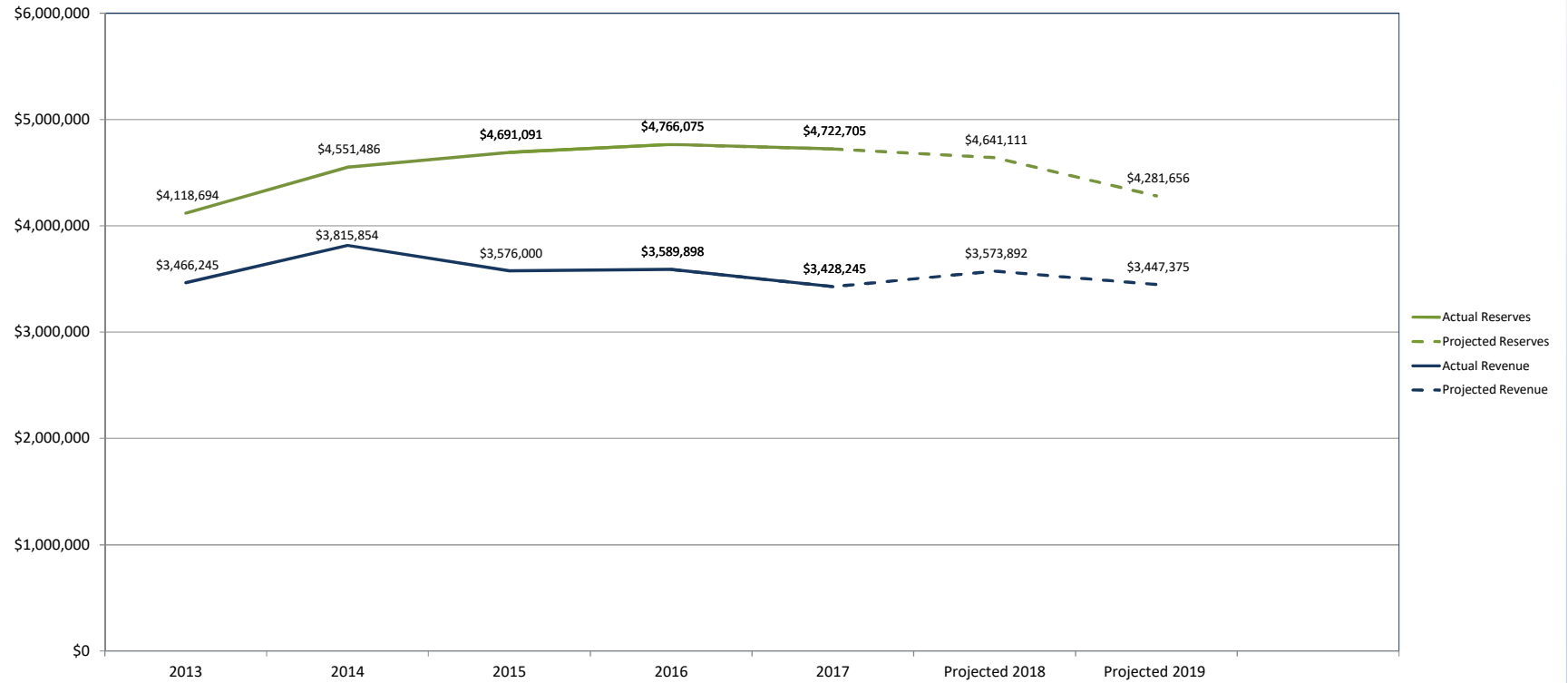
The proposed FY19 Budget would produce a loss of approximately \$420,000. A deficit of approximately \$21,000 is projected for FY18 which is significantly less than the \$153,500 deficit budgeted for FY18. If approved and fully expended, the reserve at the end of FY19 would be approximately \$4,300,000 well within the one-year reserve policy currently in place.

## Attachments:

FY19 Proposed Budget Spreadsheet  
ASC Profit & Loss Statement through June 30, 2018  
2014-2019 ASC Reserve and Revenue (with grants) graphs



### 2014 - 2019 Appraisal Subcommittee Reserve & Revenue



**From:** [James R. Park](#)  
**To:** [Lothario G Hull](#); [Alice M. Ritter](#); [Denise Graves](#); [Ada Bohorfoush](#)  
**Subject:** Fwd: ASC FY18 Grant Proposal Briefing  
**Date:** Monday, August 27, 2018 12:17:41 PM  
**Attachments:** [Investigator Training Grant Budget Worksheet 2018-2019.pdf](#)  
[ATT00001.htm](#)

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FYI

Sent from my iPhone

Begin forwarded message:

**From:** David Bunton <[david@appraisalfoundation.org](mailto:david@appraisalfoundation.org)>  
**Date:** August 27, 2018 at 12:08:26 PM EDT  
**To:** "James R. Park" <[jim@asc.gov](mailto:jim@asc.gov)>  
**Cc:** Kelly Davids <[kelly@appraisalfoundation.org](mailto:kelly@appraisalfoundation.org)>, "Lori L. Schuster" <[lori@asc.gov](mailto:lori@asc.gov)>  
**Subject:** RE: ASC FY18 Grant Proposal Briefing

Jim:

Consider this e-mail a request to withdraw our repurposing request of \$5,000 for David Layne to perform an instructional design review of the Investigator Training Program. We would also like to revise our 2018-2019 Investigator Training Grant Request. We are reducing our request of \$10,000 for consulting to \$8,000 (see attached worksheet). The \$8,000 is for the revisions to the three courses (it has typically been \$2,500 for each of the three courses and we increased that amount slightly as there may be significant USPAP changes for the 2019 course offerings). The \$2,000 reduction in our request for consulting reflects the elimination of any instructional design consulting that would have been performed after October 1st.

Regards,  
Dave

-----Original Message-----

**From:** James R. Park <[jim@asc.gov](mailto:jim@asc.gov)>  
**Sent:** Friday, August 24, 2018 3:10 PM  
**To:** David Bunton <[david@appraisalfoundation.org](mailto:david@appraisalfoundation.org)>  
**Cc:** Kelly Davids <[kelly@appraisalfoundation.org](mailto:kelly@appraisalfoundation.org)>; Lori L. Schuster <[lori@asc.gov](mailto:lori@asc.gov)>  
**Subject:** ASC FY18 Grant Proposal Briefing

Dave,

As a follow up to yesterday's Briefing regarding the FY19 TAF grant proposals and reprogramming request, I want to share the following. First, the Board and staff appreciate you and Kelly taking the time to brief us on your requests for



FY19 ASC grants. The information was enlightening. In regard to the reprogramming request, the Board was skeptical about the request and I am inclined to believe they would be likely to decline such a request if brought forward. Of course, no decision was made. Therefore, you should be aware that all expenses associated with Mr. Layne's review of the Investigator Training Program may not be covered by the FY18 Grant. We'll need to know if you want the request on the November ASC public meeting agenda. Happy to discuss further at your convenience.

I also left you a voicemail on this subject.

Thanks,

Jim

Sent from my iPhone

**The Appraisal Subcommittee**  
**Profit Loss Budget**  
through June 30, 2018

				Oct '17 - June '18	Budget	\$ Over Budget	% of Budget
<b>Ordinary Income/Expense</b>							
<b>Income</b>							
			40000 · Appraiser Fees (Sales Income)	2,939,161.50	3,480,000.00	-540,838.50	84.46%
			<b>Total Income</b>	<b>2,939,161.50</b>	<b>3,480,000.00</b>	<b>-540,838.50</b>	<b>84.46%</b>
<b>Expense</b>							
			<b>61700 · Computer and Internet Expenses</b>				
			61725 · Hardware	1,840.02	2,500.00	-659.98	73.6%
			61735 · License & SSL Renewals	9,983.10	14,050.00	-4,066.90	71.05%
			<b>61745 · IT Contracted Svcs</b>				
			61710 · Maint. of Web site & Regis.	9,450.00	12,600.00	-3,150.00	75.0%
			61715 · Hosting Web site	8,186.56	12,000.00	-3,813.44	68.22%
			61730 · Internet Service Provider	10,912.00	20,688.00	-9,776.00	52.75%
			61740 · Help Desk Services	39,174.20	50,400.00	-11,225.80	77.73%
			68580 · Appraiser Nat Reg (FFP)	9,450.00	12,600.00	-3,150.00	75.0%
			61745 · IT Contracted Svcs - Other	13,613.30	21,920.00	-8,306.70	62.1%
			<b>Total 61745 · IT Contracted Svcs</b>	<b>90,786.06</b>	<b>130,208.00</b>	<b>-39,421.94</b>	<b>69.72%</b>
			<b>Total 61700 · Computer and Internet Expenses</b>	<b>102,609.18</b>	<b>146,758.00</b>	<b>-44,148.82</b>	<b>69.92%</b>
			<b>62400 · Depreciation Expense</b>				
			62405 · Depr-Existing furn & phones	2,385.00			
			62420 · Depr-Server	6,867.00			
			62425 · Depr-NR of Appraisers Database	75,897.00			
			<b>Total 62400 · Depreciation Expense</b>	<b>85,149.00</b>			
			<b>62500 · Dues and Subscriptions</b>				
			62501 · Legal Research Service	10,914.84	10,915.00	-0.16	100.0%
			<b>Total 62500 · Dues and Subscriptions</b>	<b>10,914.84</b>	<b>10,915.00</b>	<b>-0.16</b>	<b>100.0%</b>
			<b>64700 · Miscellaneous Expense (General)</b>				
			68450 · State Reg. conference	5,388.48			
			64700 · Miscellaneous Expense (General) - Other	2,691.55	14,400.00	-11,708.45	18.69%
			<b>Total 64700 · Miscellaneous Expense (General)</b>	<b>8,080.03</b>	<b>14,400.00</b>	<b>-6,319.97</b>	<b>56.11%</b>
			<b>64900 · Office Supplies</b>	<b>8,037.14</b>	<b>12,000.00</b>	<b>-3,962.86</b>	<b>66.98%</b>
			<b>66000 · Payroll Expenses</b>				
			66001 · Salaries	1,163,389.26	1,633,298.00	-469,908.74	71.23%
			66002 · Personnel Benefits	373,348.00	380,958.00	-7,610.00	98.0%
			66003 · Transportation Subsidy	5,106.10	10,350.00	-5,243.90	49.33%
			66004 · Cash Awards	33,454.00	35,419.00	-1,965.00	94.45%
			<b>Total 66000 · Payroll Expenses</b>	<b>1,575,297.36</b>	<b>2,060,025.00</b>	<b>-484,727.64</b>	<b>76.47%</b>
			<b>66100 · Training</b>	<b>665.97</b>	<b>10,500.00</b>	<b>-9,834.03</b>	<b>6.34%</b>
			<b>66200 · Parking</b>	<b>4,704.00</b>	<b>7,056.00</b>	<b>-2,352.00</b>	<b>66.67%</b>
			<b>66300 · Consulting Services</b>				
			66320 · OPM Survey (Annual)	5,000.00	5,000.00	0.00	100.0%
			<b>Total 66300 · Consulting Services</b>	<b>5,000.00</b>	<b>5,000.00</b>	<b>0.00</b>	<b>100.0%</b>
			<b>66350 · Annual Audit of ASC</b>	<b>31,100.00</b>	<b>20,157.00</b>	<b>10,943.00</b>	<b>154.29%</b>
			66355 · Review of AF Grant	8,000.00	7,957.00	43.00	100.54%
			<b>66400 · GSA Services</b>	<b>61,062.37</b>	<b>73,561.00</b>	<b>-12,498.63</b>	<b>83.01%</b>
			66500 · Postage and Delivery	461.63	488.00	-26.37	94.6%
			66501 · Transportation of Things	344.23	900.00	-555.77	38.25%
			<b>66600 · Printing and Reproduction</b>				
			66601 · Printing & Repro - Fed Registry	0.00	12,000.00	-12,000.00	0.0%
			66602 · Printing & Repro - Other	2,932.07	4,500.00	-1,567.93	65.16%
			66603 · Printing & Repro - Publications	12,584.00	19,500.00	-6,916.00	64.53%
			<b>Total 66600 · Printing and Reproduction</b>	<b>15,516.07</b>	<b>36,000.00</b>	<b>-20,483.93</b>	<b>43.1%</b>
			<b>66800 · FDMS</b>	<b>0.00</b>	<b>5,500.00</b>	<b>-5,500.00</b>	<b>0.0%</b>
			<b>67100 · Rent Expense</b>				
			67105 · Moving Expense	1,554.30	20,000.00	-18,445.70	7.77%
			67100 · Rent Expense - Other	176,085.15	245,688.00	-69,602.85	71.67%
			<b>Total 67100 · Rent Expense</b>	<b>177,639.45</b>	<b>265,688.00</b>	<b>-88,048.55</b>	<b>66.86%</b>
			<b>68100 · Telephone Expense</b>	<b>32,341.02</b>	<b>38,080.00</b>	<b>-5,738.98</b>	<b>84.93%</b>
			<b>68400 · Travel Expense</b>	<b>98,496.81</b>	<b>167,850.00</b>	<b>-69,353.19</b>	<b>58.68%</b>
			68500 · Hotline	2,385.00	3,180.00	-795.00	75.0%
			<b>Total 68550 · Unique Identifier Project</b>	<b>20,078.64</b>	<b>21,000.00</b>	<b>-921.36</b>	<b>95.61%</b>
			68582 · National Registry of AMC's	79,723.15	66,500.00	13,223.15	119.88%
			<b>68700 · Grant - Expense</b>				
			68705 · Appraisal Foundation Grant	262,500.03	350,000.00	-87,499.97	75.0%
			68710 · State Grant - Investigator Trng	232,499.97	310,000.00	-77,500.03	75.0%
			<b>Total 68700 · Grant - Expense</b>	<b>495,000.00</b>	<b>660,000.00</b>	<b>-165,000.00</b>	<b>75.0%</b>
			<b>Total Expense</b>	<b>2,822,605.89</b>	<b>3,633,515.00</b>	<b>-810,909.11</b>	<b>77.68%</b>
			<b>Net Income</b>	<b>116,555.61</b>	<b>-153,515.00</b>	<b>270,070.61</b>	<b>-75.93%</b>

## Grant Application Detailed Budget Worksheet

The Appraisal Foundation  
1155 15th Street, N.W. Suite 1111  
Washington, DC 20005

October 1, 2018 - September 30, 2019

### Category: Investigator Training

1. Personnel (Direct Labor)	Estimated Hours	Rate per Hour	Estimated Cost
President	45	\$133.33	\$5,933
Steering Committee/Oversight (VP)	65	\$84.62	\$5,458
Steering Committee/Oversight (Director of Appraisal Issues)	30	\$84.36	\$2,531
Director of Publications	29	\$50.26	\$1,458
Standards Board Program Manager	275	\$35.90	\$9,873
<b>Total Direct Labor Cost</b>			<b>\$25,252</b>
<b>2. AV Rental For Meetings</b>			<b>Estimated Cost</b>
Included in hotel charges			\$0
			\$0
			\$0
<b>Total AV Rental for Meetings</b>			<b>\$0</b>
<b>3. Travel</b>			
<b>3a. Transportation - Airfare</b>	<b>Trips</b>	<b>Fare</b>	<b>Estimated Cost</b>
Investigator Training Session	53	\$600.00	\$31,800
Investigator Training Session	43	\$600.00	\$25,800
Investigator Training Session (50 students level I, 40 students Levels II and III, 2 instructors and 1 staff person)	43	\$600.00	\$25,800
Subtotal - Transportation - Airfare			\$83,400
<b>3b. Per Diem or Subsistence</b>	<b>Quantity</b>	<b>Rate per Day</b>	<b>Estimated Cost</b>
Investigator Training Session (3 days)	53	\$260.00	\$13,780
Investigator Training Session (3 days)	43	\$260.00	\$11,180
Investigator Training Session (3 days) (50 students level I, 40 students Levels II and III, 2 instructors and 1 staff person)	43	\$260.00	\$11,180
Subtotal - Per Diem or Subsistence			\$36,140
<b>3c. Meeting Costs - Hotel Charges</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Estimated Cost</b>
Investigator Training Session	1	\$16,000.00	\$16,000
Investigator Training Session	1	\$13,500.00	\$13,500
Investigator Training Session	1	\$13,500.00	\$13,500
Audio/Visual Rental for 3 Sessions	3	\$5,000.00	\$15,000
Subtotal - Meeting Costs			\$58,000
<b>Total Travel Cost</b>			<b>\$177,540</b>

## Grant Application Detailed Budget Worksheet

The Appraisal Foundation  
1155 15th Street, N.W. Suite 1111  
Washington, DC 20005

October 1, 2018 - September 30, 2019

### Category: Investigator Training

4. Consultants	Days	Rate per Day	Estimated Cost	
Facilitators for 3 Classes	6	\$3,000.00	\$18,000	
Update to existing courses			\$8,000	
<b>Total Consultants Cost</b>			<b>\$26,000</b>	
5. Contracts and Sub-Grantees (List individually)	Quantity	Unit Cost	Estimated Cost	
<b>Total Subcontracts Cost</b>			<b>\$0</b>	
6. Other Direct Costs	Quantity	Unit Cost	Estimated Cost	
Printing of Training Materials	140	120	\$16,800	
Mailing of Training Materials	140		\$3,124	
<b>Total Other Direct Costs</b>			<b>\$19,924</b>	
<b>Subtotal of Direct Costs</b>			<b>\$248,716</b>	
7. Indirect Costs	Type	Rate	Base	Estimated Cost
Calculated on Labor Costs	Fringe	29.40%	\$25,252.02	\$7,424
Calculated on Labor Costs	Overhead	66.90%	\$32,676.11	\$21,860
<b>Total Indirect Costs</b>				<b>\$29,284</b>
<b>Total Estimated Costs (Subtotal Direct + Total Indirect)</b>				<b>\$278,000</b>

Summary of Investigator Training Estimated Costs	Estimated Cost
Personnel (Direct Labor)	<b>\$25,252</b>
Travel	<b>\$177,540</b>
Consultants	<b>\$26,000</b>
Contracts and Sub-Grants	<b>\$0</b>
Other Direct Costs	<b>\$19,924</b>
Indirect Costs	<b>\$29,284</b>
<b>Total:</b>	<b>\$278,000</b>