



**FY 2025 BUDGET AND  
FINANCIAL ADMINISTRATION  
POLICY**

(July 2024)

# 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 three 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 immediately 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 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 ensure 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:** Chapter 654, Government Code, Chapter 659, Government Code and Article IX, Section 2.01 of the Appropriations Act will serve as a guide for the salaries of staff for the current biennium. The agency has moved to unclassified positions, effective July 1, 2023
- (m) Salary Limits:** Staff will be paid salaries at rates that are commensurate with experience, using the applicable salary schedules provided in Article IX of the Appropriations Act for the current biennium as a guide.
- (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 costs.
- (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 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 Commission, as needed to provide for planned projects. Staff must provide a three-year expenditure plan for large projects to better estimate total project expenses.
- (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 and may fluctuate from year to year as it is contingent upon available funding. The Commission must minimize excess fund balances. When year-end fund balances exceed the total of the Operations & Contingencies Reserve by more than 20 percent for two consecutive years, staff must offer recommendations to reduce the excess fund balance in a responsible and sustainable manner over a two-year period. If the reserve account falls 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.
- (d) **Statutory General Revenue Payment Reserve.** The Commission will maintain a reserve to ensure that adequate funding is available to pay for the Commission's share of the statutory General Revenue payment as identified in Occupations Code 1105.003 (f). The total amount due by August 31<sup>st</sup> of each fiscal year is \$750,000 and is split proportionately between the Commission and the Texas Appraiser Licensing and Certification Board. The funding will be secured via existing US Treasury Notes and liquidated prior to the due date of the required payment.