

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE
Revised

House Bill 865

(Delegate Krebs, *et al.*)

Economic Matters

Education, Health, and Environmental Affairs

State Real Estate Commission - Special Fund - Fees

This bill establishes a State Real Estate Commission Fund as a special, nonlapsing fund in the Department of Labor, Licensing, and Regulation (DLLR) to cover the actual documented direct and indirect costs of the State Real Estate Commission and repeals the provision of current law providing that all fees collected by the State Real Estate Commission be deposited into the general fund. DLLR, in consultation with the State Real Estate Commission, must annually calculate the direct and indirect costs attributable to the commission. The commission is required to establish fees, based on these calculations, effective July 1, 2007. The commission is prohibited from increasing each fee established by more than 12.5% of the existing and corresponding fee on an annual basis. The Secretary of Labor, Licensing, and Regulation administers the fund. The Office of Legislative Audits is required to audit the fund.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: No effect in FY 2006. General fund revenues would decrease by \$1.9 million, assuming the current fee structure, and special fund revenues would increase by \$1.9 million in FY 2007. Out-year revenues reflect the differences in licensing activity over each two-year period. General fund expenditures would decrease by \$969,400 in FY 2007 and an additional 3% annually thereafter. Special fund expenditures would be approximately \$1.9 million in FY 2007 to cover all costs associated with the commission as well as an enhanced level of services and would increase by 3% annually thereafter.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
GF Revenue	(\$1,893,900)	(\$2,006,300)	(\$2,026,500)	(\$2,146,700)	(\$2,168,300)
SF Revenue	1,893,900	2,006,300	2,026,500	2,146,700	2,168,300
GF Expenditure	(969,400)	(998,500)	(1,028,400)	(1,059,300)	(1,091,100)
SF Expenditure	1,885,900	1,942,500	2,000,700	2,060,800	2,122,600
Net Effect	(\$916,500)	(\$944,000)	(\$972,300)	(\$1,001,500)	(\$1,031,500)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Fees collected by the State Real Estate Commission are deposited in the general fund. The commission is funded through an annual general fund appropriation.

The current biennial licensure fees are: (1) \$45 for a real estate salesperson; (2) \$65 for an associate real estate broker; and (3) \$95 for a real estate broker.

The fiscal 2006 budget assumes \$1.7 million in general fund revenues from the various real estate license fees.

Background: The State Real Estate Commission is responsible for the regulation of approximately 45,000 real estate licensees. DLLR advises that there have been approximately 4,000 new licensees in each of the previous two fiscal years.

State Fiscal Effect: The bill changes the State Real Estate Commission from a generally funded entity to specially funded entity. Beginning in fiscal 2007, all revenues from license fees would be deposited into the State Real Estate Commission Fund established by the bill to cover the direct and indirect costs of the commission.

Based on current and projected licensing patterns, general fund revenues would decrease by approximately \$1.9 million in fiscal 2007. Special fund revenue increases in the out-years reflect a projected increase in biennial licensing activity at current fee levels. General fund expenditures would decrease by approximately \$969,394 in fiscal 2007, the estimated amount of the fiscal 2007 allowance for the commission. As the indirect costs currently attributable to the commission are a paper allocation only and are not included in the commission's budget, they are not included in the general fund expenditures.

The commission advises that, by becoming a primarily special funded commission, it would be able to provide an enhanced level of services to licensees. However, any increased level of services would be limited by actual revenues compared to actual operating costs. Out-years reflect biennial licensing activity and a growth factor of 7% for revenues and 3% for operating costs.

For illustrative purposes, Exhibit 1 details the special fund revenues and expenditures (including both direct and indirect costs as well as costs for the Office of Administrative Hearings) based on current licensing patterns and projected future spending.

Exhibit 1
State Special Fund Balance
State Real Estate Commission

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Starting Balance	-	\$8,006	\$71,786	\$97,514	\$183,434
SF Revenues	\$1,893,900	2,006,250	2,026,473	2,146,688	2,168,326
SF Expenditures	1,885,894	1,942,471	2,000,745	2,060,767	2,122,590
Ending Balance	\$8,006	\$71,786	\$97,514	\$183,434	\$229,170

Additional Information

Prior Introductions: A similar bill, HB 144, was introduced as a departmental bill in the 2004 session. No action was taken by the Economic Matters Committee.

Cross File: None.

Information Source(s): Department of Labor, Licensing, and Regulation; Department of Legislative Services (Office of Legislative Audits)

Fiscal Note History: First Reader - March 15, 2005
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