

Department of Legislative Services  
Maryland General Assembly  
2011 Session

FISCAL AND POLICY NOTE  
Revised

Senate Bill 285

(Chair, Education, Health, and Environmental Affairs  
Committee)(By Request - Departmental - Labor,  
Licensing and Regulation)

Education, Health, and Environmental Affairs

Economic Matters

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**State Real Estate Commission - Reinstatement of Licenses and Inactive Status**

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This departmental bill reduces from four to three years the timeframe within which a licensee of the State Real Estate Commission may apply for reinstatement of an inactive license or reactivation of an expired license without having to retake the commission's licensing examination. The bill also specifies that a licensee may renew a license that is on inactive status only if the licensee complies with the commission's continuing education requirements.

The bill applies prospectively to licensees whose license is placed on inactive status on or after October 1, 2011.

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**Fiscal Summary**

**State Effect:** Special fund revenues for the State Real Estate Commission Fund may increase minimally beginning in FY 2012 as some individuals with expired licenses reinstate their licenses one year earlier than they otherwise would due to the bill. Special fund revenues may further increase minimally beginning in FY 2015 as some commission licensees return to active license status one year earlier than they otherwise would due to the bill. Commission revenues may fluctuate minimally due to fewer individuals paying inactive licensure renewal fees and more individuals paying reinstatement fees, but the net impact cannot be estimated. Expenditures are not affected.

**Local Effect:** None.

**Small Business Effect:** The Department of Labor, Licensing, and Regulation (DLLR) has determined that this bill has minimal or no impact on small business (attached).

Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

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## Analysis

**Current Law:** The State Real Estate Commission issues licenses to qualified real estate brokers, associate brokers, and salespersons. In general, to obtain a real estate broker or associate broker license, an applicant must successfully complete 135 classroom hours of prelicensing broker courses, pass the required examination, and have been a licensed salesperson for at least three years. The biennial licensing fee for a real estate broker's license is \$190 for both new and renewal licenses. Associate brokers must pay a licensing fee of \$130.

To become licensed as a real estate salesperson, an individual must successfully complete a basic course in real estate or, if approved by the commission, college-level courses in real estate subjects. In addition, an applicant must pass the examination required for a salesperson license and obtain a commitment from a licensed real estate broker that the applicant will become affiliated with the broker after receiving a real estate salesperson license. The biennial licensing fee for a salesperson is \$90 for both new and renewal licenses.

A licensee may apply for reinstatement of an expired license without reexamination if the licensee:

- applies within four years after the license expires;
- meets the requirements of good character and reputation;
- complies with the applicable continuing education requirement for the period during which the individual was not licensed; and
- pays to the commission a reinstatement fee, currently set in regulation at \$150.

A license holder may apply for inactive status with the commission, provided the applicant qualifies for an active license and continues to pay the biennial license renewal fee, as needed. Unless a license on inactive status is reactivated, the license expires four years after the date it is placed on inactive status. The fee to reactivate an inactive license is \$50.

All persons licensed with the commission, either as an associate real estate broker, real estate broker, or real estate salesperson must meet certain continuing education requirements in order to qualify for license renewal every two years. In general, to qualify for renewal of a license, a licensee must complete at least 15 hours of continuing

education during the preceding two-year license term. Licensees do not need to comply with continuing education requirements while their licenses remain on inactive status.

**Background:** According to DLLR, limiting the timeframe to reinstate a license has the effect in some cases of decoupling the end of the reinstatement period of an expired license from the licensee's biennial license renewal date. DLLR advises that having these dates coincide has resulted in many licensees being confused about what is required for reinstatement, especially concerning continuing education hours required. Many licensees approach reinstatement with an insufficient number of continuing education hours and very little time to correct the deficiencies. DLLR advises that the bill's changes make licensees less susceptible to these errors and attendant problems.

**State Fiscal Effect:** Because the bill limits the timeframe to reactivate or reinstate a license, some individuals with inactive status licenses or expired licenses may advance their return to active license status by one year due to the bill. As a result, additional fee revenue may be received in fiscal 2012, instead of fiscal 2013, as individuals with expired licenses reinstate their licenses one year earlier than they otherwise would due to the bill. The bill's provisions related to inactive status licenses only apply to individuals who place their licenses on inactive status after October 1, 2011. Thus, any related increase in special fund revenues due to the limited timeframe for which a licensee may hold an inactive status license will not be experienced until fiscal 2015. Any additional or accelerated revenue generated due to the bill is expected to be minimal.

Requiring licensees on inactive status to meet continuing education requirements in order to renew the inactive license likely results in fewer individuals holding inactive licenses, preferring instead to let their licenses lapse. DLLR advises that the main purpose of holding an inactive license is to have the ability to renew the license without meeting the continuing education requirements needed to renew an active license. Under the bill, a license may be reinstated within three years of expiration if (1) the licensee has fulfilled all continuing education requirements at the time of reinstatement; (2) the licensee pays any back renewal fees; and (3) the licensee pays the \$150 reinstatement fee. Ultimately, changing the requirements for inactive status license renewal may mean fewer individuals paying inactive license renewal fees and more individuals paying license reinstatement fees. The net impact on fee revenues cannot be estimated but is not expected to be significant.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - February 16, 2011  
ncs/mcr Revised - Senate Third Reader - March 28, 2011  
Revised - Enrolled Bill - April 28, 2011

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## ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: State Real Estate Commission – Reinstatement of License and Inactive Status

BILL NUMBER: SB 285

PREPARED BY: Department of Labor, Licensing, and Regulation

### PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

### PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.