

Department of Legislative Services
 Maryland General Assembly
 2000 Session

FISCAL NOTE

Senate Bill 876 (Senator Kellev. *et al.*)

Finance

Real Estate Appraisal Services

The bill expands the practice of real estate appraisal services to include appraisals of all real estate property, and expands the licensing requirements to include all appraisers who provide real estate appraisal services.

Fiscal Summary

State Effect: General fund revenues increase by \$30,000 in FY 2001 and general fund expenditures increase by \$58,900. Out-year general fund revenues reflect industry growth and a three-year licensing cycle, and out-year expenditures reflect a reduction in needed resources and will remain fairly constant.

(in dollars)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	\$30,000	\$3,800	\$800	\$30,000	\$3,800
GF Expenditures	58,900	57,200	35,200	35,500	35,500
Net Effect	(\$28,900)	(\$53,400)	(\$34,400)	(\$5,500)	(\$31,700)

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

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Current Law: Licensing and certification is only required for appraisers who perform appraisals on “federally related” transactions. An example of a federally related transaction is a Veteran’s Administration backed loan.

Background: The federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989 mandated that all mortgage lenders and financial institutions that offer “federally related” loans that are secured by real property obtain an appraisal from an appraiser licensed and certified by a state.

To comply with federal law, the Maryland Real Estate Appraisers Act was enacted in 1990 (Chapter 594). The State regulatory body is the State Commission of Real Estate Appraisers, under the Department of Labor, Licensing, and Regulation (DLLR).

State Fiscal Effect: It is estimated that there are 500 unregulated appraisers in the State who will be subject to this bill. DLLR estimates that 400 of these will get a license in fiscal 2001. The only fee the State retains is the \$75 three-year registry fee; all other monies the State collects pass through to other entities. This results in a general fund increase of \$30,000 in fiscal 2001.

DLLR estimates that another 50 unregulated appraisers will obtain their licenses in fiscal 2002 resulting in an additional \$3,750 in general fund revenue. Out-year estimates reflect a repeating three-year licensing cycle and industry growth.

General fund expenditures could increase by an estimated \$58,875 in fiscal 2001, which accounts for the bill’s October 1, 2000, effective date. This estimate reflects the cost of hiring a contractual office clerk for two years to oversee all the initial new licensing activities. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. The information and assumptions used in calculating the estimate are stated below:

- an additional 40 complaints to process, resulting in 20 administrative hearings each year;
- one-time computer upgrade; and
- administrative hearing costs composed of \$27,500 in expert testimony and \$7,500 in hearing costs.

Salaries and Fringe Benefits	\$20,750
Administrative Hearings	35,000

Operating Expenses	<u>3,125</u>
Total FY 2001 State Expenditures	\$58,875

Future year expenditures reflect: (1) a full salary with 2.4% annual increases; and (2) 1% annual increases in ongoing operating expenses. Out-year expenditures reflect the expiration of the office clerk's two-year contract after fiscal 2002. The small number of new applicants anticipated in the out-years could be handled with existing staff.

Small Business Effect: Most appraisers are small businesses and licensing fees and educational requirements for them will increase under the bill. On average, an unregulated appraiser will pay \$1,315 in the first year to meet the new requirements and become certified and pay \$75 every third year after that.

DLLR also estimates that 50 appraisers will cease operating as a result of this bill.

Additional Information

Prior Introductions: HB 22 was introduced in the 1995 session and was withdrawn after a hearing in House Economic Matters Committee.

Cross File: HB 786 (Delegate Krysiak, *et al.*) - Economic Matters.

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

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