

Department of Legislative Services

Maryland General Assembly

2001 Session

FISCAL NOTE

Revised

House Bill 497 (Chairman, Economic Matters Committee)

Economic Matters

Economic and Environmental Affairs

Maryland Real Estate Commission - Sunset Extension and Program Evaluation

This bill extends the sunset date for the Maryland Real Estate Commission (MREC) from July 1, 2002 to July 1, 2012 and requires another sunset evaluation on or before July 1, 2011. The bill also requires the commission to have in place, by January 1, 2003, regulations for accepting continuing education credit through alternative instructional media such as remote access satellite, closed circuit video, computer and internet based courses, home study, and any other delivery system approved by the commission.

The bill requires MREC to submit to a report regarding the implementation of the recommendations contained in the October 31, 2000 sunset evaluation report to the Senate Economic and Environmental Affairs Committee and the House Economic Matters Committee by December 1, 2001.

Fiscal Summary

State Effect: General fund revenues and expenditures would be maintained for MREC beyond FY 2002. The FY 2002 budget allowance for MREC is \$876,400. The commission's fee revenues have averaged \$1.28 million over the last four fiscal years. Out-year revenues and expenditures are expected to remain relatively constant. Special fund revenues and expenditures are expected to be maintained as well.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: The Maryland Real Estate Commission (MREC) will terminate on July 1, 2002.

A broker licensed in 1992 must take at least 12 clock hours of continuing education courses. Brokers licensed after 1996 must take 15 clock hours of courses. Courses must be taken in-State from a professional association or institution approved by MREC. The commission is not required to offer alternative education sources.

Background: The Maryland Real Estate Commission licenses the professionals who facilitate the buying and selling of residential, commercial, and agricultural real estate. The commission is subject to the Maryland Program Evaluation Act, also known as the “sunset law,” which provides a system of periodic legislative review of the regulatory, licensing, and other governmental activities of various units of State government.

MREC is responsible for licensing professionals and monitoring their continuing education progress. The commission also oversees the Real Estate Guaranty Fund, a special fund financed by the industry to compensate consumers who suffer financial loss due to licensee misconduct.

This bill arises out of the sunset evaluation of the Maryland Real Estate Commission performed by the Department of Legislative Services (DLS) during 2000. In its report, DLS recommended that MREC be continued and its termination date extended to July 1, 2012. In addition, DLS recommended that MREC report to the Senate Environmental and Economic Affairs Committee and the House Economic Matters Committee by October 1, 2001 regarding the recommendations contained in the report. Two of the recommendations are included in this bill: extending the sunset date to July 1, 2012 and authorizing the use of alternative educational delivery systems to fulfill continuing education requirements. Other recommendations include:

- The Department of Labor, Licensing, and Regulation (DLLR) should increase its fees and any new legislation should contain a fee structure that more accurately reflects the cost of regulating the real estate industry. MREC should have the authority to set fees by regulation.
- DLLR should resolve the discrepancies in the guaranty fund and maintain a more accurate accounting.
- MREC should research and take necessary measures to insure the long-term solvency of the guaranty fund.
- MREC should track guaranty fund claims and decide if the current cap (\$25,000) is adequate.
- MREC should expedite complaint resolutions and screen complaints better.

- DLLR should train investigators in mediation practices and mediation for complaint resolution.
- MREC should continue to enhance its on-line course approval system.
- MREC and DLLR should investigate the feasibility of issuing law books to licensees at the time of license renewal.

In fiscal 2000, the guaranty fund paid out \$224,000 in claims and closed the fiscal year with a \$1.3 million balance. Over the past five years the fund has paid an average of 26 claims a year with an average payout of \$7,400.

State Fiscal Effect: General fund revenues for the commission will be maintained beyond fiscal 2002 because the bill proposes to continue MREC. Special fund revenues to the Real Estate Guaranty Fund from assessments on licensees are dependent on the number of practicing professionals. The fund has had an average balance of \$1.7 million over the past four fiscal years, but it has been declining each year as the number of professionals has decreased. Still, the balance for fiscal 2002 is expected to remain relatively constant at about \$1.5 million.

General fund expenditures will be maintained beyond fiscal 2002 because the bill proposes to continue MREC. The fiscal 2002 budget allowance for the commission is \$876,400. Special fund expenditures from the Real Estate Guaranty Fund are dependent on the number of claims made against the fund. The average annual payout is \$191,800.

Additional Information

Prior Introductions: HB 844 of 2000 contained identical continuing education provisions. The Governor vetoed the bill.

Cross File: SB 324 (Chairman, Economic and Environmental Affairs Committee) – Economic and Environmental Affairs.

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

Fiscal Note History: First Reader – February 5, 2001
ef/jr Revised – House Third Reader – March 22, 2001

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