

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE
Revised

Senate Bill 417

(Chairman, Finance Committee)

Finance

Economic Matters

**State Commission of Real Estate Appraisers and Home Inspectors - Sunset
Extension and Program Evaluation**

This bill extends the termination date for the State Commission of Real Estate Appraisers and Home Inspectors from July 1, 2003 to July 1, 2013, and requires another sunset evaluation of the commission by July 1, 2012.

The bill takes effect July 1, 2002.

Fiscal Summary

State Effect: State finances for the commission would continue beyond FY 2003. The FY 2003 general fund budget allowance for the commission is \$440,000, of which \$182,000 are one-time costs and \$180,000 is for four new positions. The 2003 budget assumes the commission will generate \$86,000 in revenue. Out-year revenues and expenditures are expected to be relatively constant and equal.

Local Effect: None.

Small Business Effect: Potential minimal.

Analysis

Bill Summary: In addition to extending the sunset date for the commission, the bill requires that at least two of the four real estate appraisers on the commission be certified general appraisers, and the other two may be certified general, certified residential, or licensed appraisers. In place of explicit residency requirements for specified members,

the Governor must consider demographic and geographic diversity when making appointments to the commission.

The bill sets in statute fees of:

- \$75 for a license application and for an appraiser trainee. Both fees codify existing fees set in regulation;
- \$125 for a license renewal. This is a \$50 increase from the current \$75 fee in statute; and
- \$125 for a certificate renewal. This lowers the existing fee of \$150 set in regulation.

By October 1, 2002, the commission must report to the Senate Finance Committee and House Economic Matters Committee addressing recommendations made in the sunset evaluation dated October 2001 conducted by the Department of Legislative Services. By December 31, 2003, the commission must report to the same committees on specified commission activities.

Current Law: The commission consists of 15 members appointed to regulate the real estate appraisal industry. Those members must include two certified general real estate appraisers, one certified residential real estate appraiser, one licensed real estate appraiser, two representatives from a financial institution who are not certified or licensed real estate appraisers, four licensed home inspectors, and five consumers. The consumer members may not be licensees, certificate holders, or otherwise subject to regulation by the commission. Each member must be a citizen of the State.

Commission members are appointed by the Governor with the advice of the Secretary of the Department of Labor, Licensing, and Regulation (DLLR) and the advice and consent of the Senate. The Governor is authorized by law to remove a commission member on grounds of incompetency or misconduct. Each member serves a three-year staggered term and may not serve more than two consecutive terms.

Background: The State Commission of Real Estate Appraisers and Home Inspectors is responsible for the licensing and regulation of real estate appraisers and home inspectors. 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.

In 2001, home inspectors were included with real estate appraisers under Title 16 of the Business Occupations and Professionals Article. Under the licensing program which will begin July 1, 2002, there are an estimated 500 home inspectors in the State who will be

required to pay \$450 for an application and original license, and \$400 for each three-year renewal. Fees charged to these inspectors will generate an initial \$225,000 and annual renewal fees of \$67,000, which should offset some of the cost of updating the electronic renewal system and program database, as well as the anticipated four new positions.

The bill arises out of the sunset evaluation of the commission performed by the Department of Legislative Services (DLS) during 2001. In its report, DLS recommended that the commission be continued and that its termination date be extended from July 1, 2003 to July 1, 2013. DLS also made a number of recommendations relating to the operation and management of the commission which the commission must address in a report to the Senate Finance Committee and House Economic Matters Committee by October 1, 2002. Further, the commission must report to those committees by December 31, 2003 on: (1) a comparison of the revenues and expenditure of the commission covering the period of regulation for both real estate appraisers and home inspectors; (2) a discussion of the impact of technology on the home inspector profession, including the use of electronic license renewal by home inspector licensees; (3) a summary of the commission's efforts to inform the public of the home inspector licensing requirements; and (4) a summary of the number and types of complaints against home inspectors, including the resolution of complaints.

State Fiscal Effect: General fund revenues for the commission will be maintained beyond fiscal 2003. The proposed 2003 budget assumes \$86,000 in fees and fines from the commission. The bill raises the renewal fee for licensees by \$50 and lowers the renewal fee for certificate holders by \$25. There are 793 licensees and 1,510 certificate holders, yielding a net revenue increase of \$1,900. The fees set for license applications and appraiser trainees codify current fees set in regulation.

General fund expenditures will be maintained beyond fiscal 2003. The 2003 budget allowance of \$440,000 includes \$182,500 in one-time programming costs to update the electronic licensing system and program database to accommodate the addition of home inspectors under the commission's jurisdiction, and \$180,000 for four additional positions to handle increased workload. The remaining allowance of \$77,500 is a reduction from the fiscal 2002 appropriation of \$85,000. The fees set in the bill, along with a system of staggered license renewal and the addition of home inspector fees, are projected to allow the commission to be self-supporting with balanced annual revenues and expenditures.

Additional Information

Prior Introductions: None.

Cross File: HB 485 (Chairman, Economic Matters Committee) – Economic Matters.

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

Fiscal Note History: First Reader - February 5, 2002
ncs/jr Revised - Enrolled Bill - April 30, 2002

Analysis by: Mitchell J. McCalmon

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510