

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

Senate Bill 482

(Senator Glassman)

Finance

**State Commission of Real Estate Appraisers and Home Inspectors - Real Estate
Appraisers - Licensure**

This bill expands the definition of real estate appraisal services beyond those federally related transactions currently established in the federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989 to include any appraisal of real estate, including preparing or signing an appraisal report as part of State employment. Thus, assessors would be subject to credentialing and related course requirements.

The bill takes effect July 1, 2010.

Fiscal Summary

State Effect: Despite the effective date of the bill, State Department of Assessments and Taxation general fund expenditures could increase by almost \$4.3 million in FY 2009 for employee training and contractual certified appraisers to supervise trainees and handle the workload. These expenditures would continue until all assessors are credentialed during FY 2011. Department of Labor, Licensing, and Regulation general fund expenditures would increase by \$46,100 in FY 2009 to handle the additional credentialing workload. Future year expenditures reflect credentialing periods, inflation, and annualization.

DLLR general fund revenues would increase by \$52,500 in FY 2009 to reflect increases in the registration of real estate appraiser trainees. Future year revenues reflect cyclical licensing activity.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
GF Revenue	\$52,500	\$11,300	\$41,300	\$11,300	\$13,800
GF Expenditure	4,304,900	4,294,500	2,190,400	56,000	58,800
Net Effect	(\$4,252,400)	(\$4,283,200)	(\$2,149,100)	(\$44,700)	(\$45,000)

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

Local Effect: Potential meaningful effect for local governments that employ assessors who are not currently credentialed as real estate appraisers.

Small Business Effect: Potential meaningful effect for small appraisal businesses that employ assessors who are not currently credentialed as real estate appraisers.

Analysis

Current Law: An individual is required to be licensed or certified by the State Commission of Real Estate Appraisers and Home Inspectors as a condition of providing regulated real estate appraisal services. Home appraisers and trainees must meet the following qualifications.

- Real estate appraiser trainees are required to complete 75 hours of commission-approved real estate appraisal courses, which must include 15 classroom hours in the subject of professional appraisal practice. The trainee must practice under the authority of a supervising appraiser. The supervising appraiser may not supervise more than three trainees at one time.
- Licensed real estate appraisers must meet qualifications established under the federal Financial Institutions Reform, Recovery, and Enforcement Act. The Appraiser Qualifications Board requires licensed appraisers to complete 150 classroom hours of study. Under State law, an applicant must also complete at least 2,000 hours of service as a real estate appraiser trainee under the supervision of a certified appraiser and pass a required examination. Continuing education requirements correspond to those established by the federal Act.
- Certified real estate appraisers for residential or general real estate must meet qualifications for certification established under the federal Financial Institutions Reform, Recovery, and Enforcement Act. The Appraiser Qualifications Board requires certified residential appraisers to complete 200 classroom hours of study and hold an associate's degree or its equivalent; a certified general appraiser is required to complete 300 classroom hours of study and hold a bachelor's degree or equivalent. Under State law, an applicant must complete at least 2,000 hours of service as a real estate appraiser trainee under the supervision of a certified appraiser and pass an examination. Continuing education requirements correspond to those established by the federal Act.

Licensed real estate appraisers may provide services in federally related transactions involving noncomplex one- to four-unit residential properties with a transaction value of

less than \$1 million and commercial or complex residential properties with a value of less than \$250,000. Certified residential and general real estate appraisers may perform appraisals in all federally related transactions, with the exception that certified residential real estate appraisers are not authorized to appraise commercial properties having a transaction value of more than \$250,000.

Background: The bill extends licensing and certification requirements to any individual providing real estate appraisal services in Maryland, regardless of the value of the property or whether the appraisal relates to a federally related transaction. DLLR advises that this expanded definition could include up to 1,000 appraisers and assessors not currently regulated. These individuals would be required to meet the current education and experience requirements, which require practice hours to be completed under the supervision of a certified appraiser.

Among other impacts, the bill would require assessors employed by SDAT to be licensed or certified before providing real estate appraisal services. These assessors, who are not generally certified or licensed as appraisers, would be required to be credentialed by the State before preparing or signing an appraisal report. SDAT advises that there are 267 assessors on staff, of which 46 are licensed and 18 are certified; the remaining 203 assessors would be required to be credentialed under the bill. Current experience of these assessors would not qualify for credentialing, as these practice hours must be earned under the supervision of a certified appraiser while a trainee.

DLLR advises that there are currently 2,115 real estate appraiser trainees, 1,337 licensed real estate appraisers, and 2,044 certified residential and general real estate appraisers.

State Revenues: DLLR estimates that 700 individuals would register as real estate appraiser trainees in fiscal 2009 in anticipation of the new requirements. The \$75 registration fee would generate an additional \$52,500 in general funds in fiscal 2009. The department anticipates that an additional 100 trainees would register in fiscal 2010 as a result of the bill, with a constant level of 50 new trainee applicants in the years following.

Trainees are required to complete at least 2,000 hours of service before qualifying as a licensed or certified real estate appraiser. This experience requirement, as well as education requirements, would result in a delay before new appraisers are credentialed. The department anticipates that 50 appraisers would qualify for licensure or certification in fiscal 2010, with 500 more qualifying in fiscal 2011, 100 more qualifying in fiscal 2012, and 50 more qualifying in fiscal 2013. The fee for the credential is \$75.

Given these assumptions and the three-year renewal cycle, the department does not anticipate any renewal activity until fiscal 2013, at which time an estimated 50 appraisers would renew their credentials. The fee for a three-year renewal is \$125.

State Expenditures: SDAT advises that 203 of the department's assessors would be required to gain licensure or certification as a result of the bill. These employees would be required to begin as trainees, subject to all education and training requirements. It is assumed that SDAT would pay estimated course and registration fees of \$0.3 million on behalf of its employees beginning in fiscal 2009.

As trainees, SDAT employees would be required to work under a certified appraiser, who is prohibited from supervising more than three trainees at one time. Only 18 certified appraisers are currently employed by SDAT. Thus, another 50 contractual certified appraisers would be needed to meet these supervision requirements. Contractual personnel would also offset the loss of productivity experienced by SDAT as the trainees meet classroom training and other requirements. SDAT estimates contractual staff expenditures at \$80,000 per position per year; the additional 50 contractual staff would generate general fund expenditures of \$4.0 million on an annual basis. This estimate assumes that these expenses begin in fiscal 2009 in anticipation of the bill's July 1, 2010 effective date.

The process for licensure or certification is lengthy, generally requiring a minimum of two years to complete. This estimate assumes that all assessors qualify for certification or licensure during fiscal 2011, with no contractual personnel required after that time. Once all permanent staff are credentialed, SDAT may experience additional personnel expenditures to reflect the additional training and credential earned by the employee. Any such increases in expenditures are not included in this estimate.

In total, SDAT general fund expenditures are estimated at \$4.3 million in fiscal 2009 and \$4.2 million in fiscal 2010. In fiscal 2011, general fund expenditures would drop to \$2.1 million. This estimate assumes that sufficient certified appraisers would be available on a contractual basis in fiscal 2009 through 2011 to meet supervision requirements.

State Regulation Expenditures

DLLR advises that the number and complexity of inquiries related to appraiser credentialing would require an additional staff member. General fund expenditures could increase by an estimated \$46,066 in fiscal 2009, which assumes that credentialing activity increases on or before October 1, 2008. This estimate reflects the cost of hiring one office secretary to handle inquiries and increased credentialing activity. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	1
Salary and Fringe Benefits	\$33,168
Start-up Costs and Operating Expenses	<u>12,898</u>
Total FY 2009 DLLR Expenditures	\$46,066

Future year expenditures reflect • a full salary with 4.4% annual increases and 3% employee turnover; and • 2% annual increases in ongoing operating expenses.

Local Fiscal Effect: To the extent that local governments employ assessors or appraisers who are not currently certified or licensed as real estate appraisers, these governments could experience additional costs and loss of productivity in the period until these employees are credentialed. If this process is not complete by July 1, 2010, local governments could experience significant operational effects.

Small Business Effect: To the extent that small businesses employ assessors or appraisers who are not currently certified or licensed as real estate appraisers, these businesses could experience additional costs and loss of productivity in the period until these employees are credentialed. If this process is not complete by July 1, 2010, these businesses could experience significant operational effects.

Additional Comments: DLLR advises that any recent experience would not count toward the 2,000-hour experience requirement because it was not gained while holding a trainee license.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation; Property Tax Assessment Appeals Board; Office of Administrative Hearings; Department of Labor, Licensing, and Regulation; Department of Legislative Services

Fiscal Note History: First Reader - February 20, 2008
mll/ljm

Analysis by: Suzanne O. Potts

Direct Inquiries to:
(410) 946-5510
(301) 970-5510