

Department of Legislative Services
 Maryland General Assembly
 2010 Session

FISCAL AND POLICY NOTE

Revised

House Bill 83 (Chair, Economic Matters Committee)(By Request -
 Departmental - Labor, Licensing and Regulation)

Economic Matters Education, Health, and Environmental Affairs

**Department of Labor, Licensing, and Regulation - State Real Estate Commission -
 Continuing Education**

This departmental bill changes the continuing education requirements for licensees of the Maryland Real Estate Commission. The bill also requires course providers to pay a \$25 continuing education course application fee.

Fiscal Summary

State Effect: Special fund revenues increase by \$15,000 in FY 2011 and by \$20,000 in each succeeding year for the Maryland Real Estate Commission within the Department of Labor, Licensing, and Regulation (DLLR) due to the application fees paid by course providers. No effect on expenditures.

(in dollars)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
SF Revenue	\$15,000	\$20,000	\$20,000	\$20,000	\$20,000
Expenditure	0	0	0	0	0
Net Effect	\$15,000	\$20,000	\$20,000	\$20,000	\$20,000

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

Local Effect: None.

Small Business Effect: DLLR has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment as discussed below. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary: The bill requires that – beginning January 1, 2012 – all commission licensees seeking licensure renewal take a three-clock-hour course on the principles of agency and agency disclosure prior to their subsequent two-year license renewal and then every four years after that. In addition to this course requirement, a real estate broker, a licensee designated as a branch office manager, or a team leader must also complete a three-clock-hour course on the requirements of broker supervision prior to their subsequent two-year license renewal and then every four years after that; this requirement for license renewal also becomes effective January 1, 2012. Licensees who possess graduate degrees in law or real estate but are not brokers, associate brokers, or salespersons designated as branch office managers or team leaders must complete required courses on the principles of agency and agency disclosure and on real estate regulatory changes in alternate licensing periods.

Current Law: 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.

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. However, licensees who possess a graduate degree in real estate or law from an accredited institution are required to complete only seven and a half hours of instruction during the two-year period.

A licensee of another state must fulfill Maryland's continuing education requirement; however, such licensees may substitute continuing education instruction completed in another state if it meets certain requirements.

The commission is responsible for approving the form, substance, and subject matter of all continuing education courses. Subject matter courses must relate to real estate and assist a licensee in providing real estate brokerage services. Of the 15 hours required every two years, 7.5 of these hours must be met as follows:

- one three-clock-hour course that outlines relevant changes that have occurred in federal, State, and local laws;
- one one-and-a-half-clock-hour course that outlines federal, State, and local fair housing laws; and
- one three-clock-hour ethics course that includes the Maryland Code of Ethics and a discussion of the practices of flipping and predatory lending.

Courses must be conducted by educational institutions approved by the commission and taught by qualified instructors who have experience in the real estate industry.

The commission may waive the continuing education requirements for renewal if the licensee shows good cause for being unable to meet the requirements.

Background: The principles of agency pertain to relationships between real estate agents and clients. Brokerages may operate under single or dual agency. Single agency means a real estate broker represents the buyer and cannot show the buyer properties listed by the broker's agency, without the buyer's express permission. Dual agency in a real estate transaction means the listing broker represents both the seller and the buyer. A dual agent must not disclose confidential information to either party and must operate in a hands-off manner.

DLLR advises that there has been a marked increase in the number of complaints received by the commission from consumers regarding transactions where an agency relationship was not understood. The commission has also found that there is confusion amongst practitioners across the State about how these relationships are supposed to work. According to DLLR, the requirement for additional education assists the commission by assuring that licensees understand the law of agency and that the consumer is correctly represented and properly protected.

DLLR advises that the approval process for courses that licensees may take to fulfill their continuing education requirements is time consuming. Thus, the department prefers that course providers pay that cost directly through a course application fee. Currently, costs associated with course approval are paid from fees charged to applicants and licensees.

State Fiscal Effect: DLLR advises that 800 courses are approved annually by the commission. The annual approval is necessary to ensure that the course materials and subject matter included are current with federal, State, and local laws and regulations, and industry trends as applicable. According to DLLR, 600 courses are subject to the fee in fiscal 2011 due to the bill's October 1, 2010 effective date. Therefore, revenues for the Maryland Real Estate Commission special fund increase by \$15,000 in fiscal 2011. Future year revenue increases reflect annualization.

Small Business Effect: Small businesses that provide continuing education instruction must pay the \$25 per course annual fee for course approval.

Additional Information

Prior Introductions: HB 1411 of 2009, a similar bill, passed the House and passed second reading in the Senate, but no further action was taken.

Cross File: None.

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

Fiscal Note History: First Reader - January 15, 2010
mpc/mcr Revised - House Third Reader - March 23, 2010
Revised - Enrolled Bill - May 27, 2010

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Department of Labor, Licensing, and Regulation – State Real Estate Commission – Continuing Education

BILL NUMBER: HB 83

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.