

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 145

(Chair, Education, Health, and Environmental Affairs
Committee)(By Request - Departmental - Labor,
Licensing and Regulation)

Education, Health, and Environmental Affairs

Economic Matters

State Real Estate Commission - Continuing Education - Documentation

This departmental bill allows the State Real Estate Commission to accept certificates of completion for continuing education course work by electronic submission directly from the business or instructor that conducted the course; electronic copies of completion certificates may also be provided to licensees. Beginning January 1, 2013, the commission may require the electronic submission of the certificates by course providers.

Required continuing education course work on recent changes in federal, State, or local laws and regulations must include information on recent court cases and industry trends affecting those laws and regulations. By December 1, 2012, the commission must also submit recommendations to specified committees of the General Assembly regarding the collection and use of electronically available information on licensees, and whether and to what extent the information should be made publicly available.

Fiscal Summary

State Effect: Minimal reduction in general and special fund revenues due to declines in noncompliance fines and license reinstatement fees. No effect on expenditures. The Department of Labor, Licensing, and Regulation (DLLR) can implement the electronic submission system with existing budgeted resources. Resources previously devoted to audit activities will be directed elsewhere within the commission. The bill's reporting requirement can be handled with existing budgeted resources.

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. (The attached assessment does not reflect amendments to the bill.)

Analysis

Current Law/Background: 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, each licensee must complete at least:

- a 3-clock-hour course that outlines relevant changes that have occurred in federal, State, or local laws and regulations;
- a 1.5-clock-hour course that outlines federal, State, and local fair housing laws and regulations; and
- a 3-clock-hour ethics course that includes the Maryland Code of Ethics and a discussion of the practices of flipping and predatory lending.

Chapter 386 of 2010 altered the continuing education requirements for licensees beginning January 1, 2012. All licensees are now required to 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, a real estate broker, a licensee designated as a branch office manager, or a team leader must complete a three-clock-hour course on the requirements of broker supervision prior to the licensee's subsequent two-year license renewal and then every four years after that.

The business or instructor that conducts a continuing education course must issue *to the licensee* a certificate of completion that states the number of clock-hours of that course. The commission accepts the original certificate, a photocopy, an email certificate, or a photocopy of an email certificate as evidence of completion of a continuing education course.

In its October 2010 "sunset review" evaluation report, the Department of Legislative Services (DLS) recommended that the commission address several nonstatutory issues, including the development of a more sophisticated system of tracking the continuing education credits of licensees. Because the commission does not currently have a means of verifying the completion of these credits during online license renewal, licensees must follow an "honor system" when stating that they have completed the requirements to renew. The commission then uses a random auditing system to enforce compliance, whereby licensees who cannot provide proof of their continuing education course completion are fined \$1,500 and charged a \$100 administrative reinstatement fee for the cost of reinstating

the expired license. The licensee is required to complete the missing courses, in addition to finishing the continuing education requirements for the current license cycle.

DLLR advises that both the District of Columbia and Virginia use an online system for license renewal similar to that authorized by this bill.

State Revenues: Currently, licensees sanctioned by the commission for failure to comply with continuing education requirements following renewal of their licenses are fined \$1,500 and must pay a \$100 reinstatement fee. The fine revenues are applied to the general fund, while the reinstatement fee is credited to the State Real Estate Commission Fund. DLLR advises that 10 licensees (14% of the 187 audited) were sanctioned in fiscal 2011, which is representative of an average year.

In conjunction with the online submission of certificates of completion for continuing education course work, DLLR intends to implement an online license renewal system that would allow renewal only upon verified completion of continuing education requirements. DLS advises that, to the extent that the failure rate in the compliance audit is representative of the entire licensee population and to the extent that licensees who currently fail to comply with continuing education requirements opt to forgo licensure renewal under the new system, revenue from license renewals may decline minimally over time. However, DLLR does not expect this to be an issue and advises that the exact impact would be difficult to discern because of the ongoing decline in the number of licensees due to the bad housing economy, which has averaged over 50 per month since fiscal 2009.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - January 24, 2012
ncs/mcr Revised - Senate Third Reader - March 26, 2012

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: State Real Estate Commission – Continuing Education – Documentation

BILL NUMBER: SB 145

PREPARED BY: Department of Labor, Licensing and Regulation

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

 X 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.