

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 1656
Economic Matters

(Delegate Arentz, *et al.*)

Education, Health, and Environmental Affairs

State Real Estate Commission - Real Estate Guaranty Fund - Fund Transfer

This bill authorizes the State Real Estate Commission to transfer up to \$500,000 from the Real Estate Commission Fund to the Real Estate Guaranty Fund if (1) the commission is projected to have at least a \$500,000 operating surplus and (2) the amount in the guaranty fund is less than \$300,000.

Fiscal Summary

State Effect: The bill does not materially affect State finances or operations.

Local Effect: None.

Small Business Effect: Potential minimal.

Analysis

Current Law/Background: Generally, an individual must be licensed by the State Real Estate Commission as a real estate broker, associate broker, or salesperson before the individual may provide real estate brokerage services in the State. The commission's direct and indirect costs are paid from the Real Estate Commission Fund, a special fund that receives revenue from license fees.

The commission must also maintain the Real Estate Guaranty Fund, which is used to compensate persons for actual losses based on an act or omission that occurs in the provision of real estate brokerage services by licensees or the unlicensed employees of real estate brokers. In addition to completing specified education and experience requirements, applicants for a license from the commission must pay a one-time guaranty

fund fee of \$20 upon initial licensure with the commission. If the balance in the guaranty fund falls below \$250,000, the commission must assess each *current* licensee a fee that will return the balance to at least that amount.

The commission has approximately 44,000 licensees.

State Fiscal Effect: The Department of Labor, Licensing, and Regulation (DLLR) advises that the Real Estate Commission Fund is projected to have an annual operating surplus of \$20,000 or less through fiscal 2023. The Real Estate Guaranty Fund balance is about \$1.0 million and is considered sufficient to fund future claims. Therefore, as neither of the necessary conditions for the authorized fund transfer are likely to occur in the near future, DLLR finances are not affected. To the extent that both conditions occur at a later date, DLLR special fund expenditures and nonbudgeted revenues may increase by up to \$500,000 in a given fiscal year. Under the bill, any special fund expenditures would involve spending down a surplus, so they would not affect commission operations.

Additional Information

Prior Introductions: None.

Cross File: SB 843 (Senator Conway) - Education, Health, and Environmental Affairs.

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

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Analysis by: Stephen M. Ross

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