

Department of Planning and Budget

2006 Fiscal Impact Statement

1. Bill Number: HB316

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: David B. Albo

3. Committee: General Laws

4. Title: Real Estate Board; duties of licensees; limited service agents.

5. Summary/Purpose: The bill adds the definition of "limited service agent or representative" and states that a limited service representative shall have the obligations set out in the brokerage agreement and may act as the agent of the client by so providing in the brokerage agreement. If the brokerage agreement does not so state, the limited service representative shall be deemed as acting as an independent contractor of the client. The bill also clarifies the obligations of licensees vis-à-vis their clients, whether the clients are a buyer, seller, landlord, or tenant. The bill requires the Real Estate Board to promulgate regulations to implement the provisions of this bill to be effective on July 1, 2007. Further, the Real Estate Board is required to establish a continuing education curriculum of not less than two hours and, as of July 1, 2007, every applicant for re-licensure as an active salesperson or broker shall complete at a minimum one two-hour continuing education course on the amendments to the real estate agency laws prior to each renewal or reinstatement of his license. The bill has a delayed effective date of July 1, 2007.

6. Fiscal impact estimates are: Preliminary

6a. Expenditure Impact:

| <i>Fiscal Year</i> | <i>Dollars</i> | <i>Positions</i> | <i>Fund</i> |
|--------------------|----------------|------------------|-------------|
| 2005-06 | \$0 | 0.00 | N/A |
| 2006-07 | \$90,956 | 0.00 | NGF |
| 2007-08 | \$0 | 0.00 | N/A |
| 2008-09 | \$0 | 0.00 | N/A |
| 2009-10 | \$0 | 0.00 | N/A |
| 2010-11 | \$0 | 0.00 | N/A |
| 2011-12 | \$0 | 0.00 | N/A |

7. Budget amendment necessary: Yes; Item 118 of HB 30.

8. Fiscal implications: This bill will require the Real Estate Board to establish the continuing education curriculum for the new requirements, and to promulgate new regulations, which is expected to involve six additional meetings of the board during FY 2007.

Operating Costs: The total cost of the board meetings, including travel and per diem for board members, is estimated to be \$8,411. In addition, the board expects to send three sets of

letters, information, and notification of new requirements to all licensees (currently 68,244) during FY 2007, for a total postage cost of \$79,845. These are all single year costs that will not recur in future years.

Total costs are projected to be \$90,956 in FY 2007, and \$0 in FY 2008 and future years.

Revenue: In accordance with the provisions of § 54.1-113 (Callahan Act) of the Code of Virginia, licensing fees are established at rates adequate to cover a program's operating costs and a proportionate share of agency support costs. Since these costs will impact a single year only, the expenses will be paid from the board's cash balance, and no additional revenue will need to be collected to cover these costs.

Cost to Regulants: The board currently has sufficient cash balances to absorb the single year expenditure increase without the need to increase fees to licensees.

9. Specific agency or political subdivisions affected: Department of Professional and Occupational Regulation, Real Estate Board.

10. Technical amendment necessary: No.

11. Other comments: None.

Date: 1/24/06 kbs

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