

## Department of Planning and Budget

### 2007 Fiscal Impact Statement

- 1. Bill Number:** HB2064
- House of Origin** ☐ Introduced ☐ Substitute ☐ Engrossed
- Second House** ☐ In Committee ☐ Substitute ☒ Enrolled
- 2. Patron:** Cox
- 3. Committee:** Passed Both Houses
- 4. Title:** Real Estate Salespersons and brokers; increase of number of continuing education hours to be completed.

**5. Summary/Purpose:** This bill increases from 16 to 24 the number of continuing education hours that must be completed by a broker. The bill also (i) requires that all applicants have, at a minimum, a high school diploma, and that three hours of continuing education for salespersons and brokers be on ethics and standards of conduct, two hours on fair housing, and the remaining three hours of legal updates and emerging trends, real estate agency, or real estate contracts (ii) provides a breakdown of the continuing education curriculum, (iii) changes from two years to one year the time in which a new licensee must complete the Board's 30-hour educational curriculum, (iv) provides for the Board to develop regulations for ensuring the quality of real estate education and the requirements for proof of identity for applicants taking the principles of real estate examination, and (v) defines "distance learning." Finally, the bill contains an enactment clause mandating that subsection A of §54.1-2105.01 and subdivision A 1 of §54.1-2105.03 shall become effective on July 1, 2008, and the remaining provisions of the first enactment shall become effective on July 1, 2007.

**6. Fiscal Impact Estimates are:** Final.

#### Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2006-07	\$0	0	n/a
2007-08	\$94,259	1.00	NGF
2008-09	\$63,970	1.00	NGF
2009-10	\$63,970	1.00	NGF
2010-11	\$63,970	1.00	NGF
2011-12	\$63,970	1.00	NGF
2012-13	\$63,970	1.00	NGF

#### Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2006-07	\$0	NGF
2007-08	\$0	NGF
2008-09	(\$13,857)	NGF
2009-10	(\$13,857)	NGF
2010-11	(\$13,857)	NGF
2011-12	(\$13,857)	NGF
2012-13	(\$13,857)	NGF

**7. Budget amendment necessary:** Yes; item number 118.

**8. Fiscal implications:** This bill increases the administrative and regulatory responsibilities of the Department of Professional and Occupational Regulation (DPOR) by mandating additional continuing education requirements for real estate salespersons and brokers. Requirements include an increase in the number of continuing education hours for brokers, and a decrease in the time new salesperson licensees have to complete 30 hours of post-licensing education from the two year renewal period to six months. The Board currently regulates 10,782 real estate brokers and associate brokers, and licenses approximately 6,600 new salespersons annually, all whom would be affected by these requirements.

Total costs are projected to be \$94,259 in FY2008, and \$63,970 in future years.

Personal Service Costs: When continuing education requirements were last increased by statute, the workload associated with course application and approval doubled, and DPOR experienced an increase in telephone calls and inquiries from current and prospective licensees. Based on that experience, this legislation will require one classified band 3 position to process additional continuing education course applications, monitor and send timely notification letters to licensees who do not comply with the new requirements, notify brokers of salespersons who do not meet the requirements, post continuing education data and update licensee records in a timely manner, and respond to inquiries about continuing education requirements. DPOR specifies that the position and dollars are needed in FY2008 in order to assist with preparations for the new requirements. The cost of salary and benefits for this position, based on the mid-point of the band range, is expected to be \$53,159 in FY 2008 (assuming 23 pay periods) and \$55,470 in future years. These are recurring costs that will continue into future biennia.

Operating Costs: In FY2008, DPOR will need to purchase furniture and equipment for the new position at an estimated cost of \$7,000. This is a one-time expenditure that will not continue into future years. Other operating costs beginning in FY2008 include telephone, employee development, computer operating support, postage, printing, and supplies, and are estimated at \$6,100 each year. These are recurring costs that will continue into future years.

In FY2008, information will need to be sent to licensees and schools to notify them of the new requirements, at an estimated one-time cost of \$28,000. On an ongoing basis, notifications of non-compliance with the new requirements will need to be sent to new salespersons and their brokers, at an estimated cost of \$2,400 annually. This is a recurring cost that will continue into future biennia.

Revenue: In accordance with the provisions of § 54.1-113 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.

No data are available to indicate how many individuals may choose not to apply as salespersons or how many brokers may choose not to renew their licenses due to the additional continuing education requirements, but DPOR assumes a reduction of one percent. This will equate to a reduction in projected revenue of \$13,652 in FY2009 and \$13,857 in future years, which does not substantially impact the Board's projected financial position.

The Board's current cash and revenue are expected to be sufficient for the next three biennia to cover the increased costs associated with this legislation.

**9. Specific agency or political subdivisions affected:** Department of Professional and Occupational Regulation.

**10. Technical amendment necessary:** No.

**11. Other comments:** None.

**Date:** 3/12/2007 aek

**Document:** G:\2007 Fiscal Impact Statements\HB2064ER.Doc

Cc: Secretary of Commerce and Trade