

## Department of Planning and Budget 2010 Fiscal Impact Statement

1. **Bill Number:** SB 457

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

2. **Patron:** A. Donald McEachin

3. **Committee:** General Laws and Technology

4. **Title:** Regulation of business brokers.

5. **Summary:** This bill establishes a voluntary compliance program within the Real Estate Board to allow certain real estate brokers to bring practices, policies and procedures into compliance with applicable laws and regulations. In addition, the bill provides for the Real Estate Board to establish minimum education requirements for licensure by reciprocity. The bill also provides for the licensure of persons providing business broker services in the Commonwealth with the regulatory program to be administered by the Director of the Department of Professional and Occupational Regulation.

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

**6a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2010-11	134,803	1.00	NGF
2011-12	119,964	1.00	NGF
2012-13	119,964	1.00	NGF
2013-14	119,964	1.00	NGF
2014-15	119,964	1.00	NGF
2015-16	119,964	1.00	NGF

**6b. Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2010-11	0	NGF
2011-12	0	NGF
2012-13	0	NGF
2013-14	0	NGF
2014-15	0	NGF
2015-16	0	NGF

7. **Budget amendment necessary:** Yes; item number 113.

8. **Fiscal implications:** This bill increases the administrative and regulatory responsibilities of the Department of Professional and Occupational Regulation (DPOR) by requiring the Real Estate Board to implement and administer a voluntary compliance program for brokers. This provision could affect more than 10,000 current broker licensees by offering a voluntary program in which they can participate if they are found to be in noncompliance with law or regulation. The bill requires the Real Estate Board to establish education standards for applicants by reciprocity

similar to those of applicants by examination. This provision may affect all new applicants for licensure by reciprocity. In FY 2009, the Board received more than 850 reciprocity applications.

Personal Service Costs: This legislation may require one classified Band 4 Legal Services Officer to review cases and conduct Informal Fact Findings (IFFs) for Real Estate reciprocity applicants who request a waiver from education requirements. Assuming that about 10 percent of reciprocity applicants request a waiver, the Department estimates an additional 60-85 IFFs per year. This case workload cannot be absorbed within current resources and staffing. The cost of salary and benefits for this position, based on the mid-point of the band range, is expected to be \$69,711 in FY 2011 (assuming 23 pay periods) and \$72,743 in future years. These are recurring costs that will continue into future biennia.

This legislation may require one Band 3 wage Administrative and Office Specialist to review and process documents and plans associated with the Real Estate voluntary compliance program. This position would ensure that reporting brokers comply with their submitted plans, correspond with participating brokers, and respond to telephone calls and emails about the program. The cost of this wage position will be \$24,221. This is a recurring cost that will continue into future biennia.

Operating Costs: In FY 2011, DPOR may need to purchase furniture and equipment for the new classified and wage positions at an estimated cost of \$14,000. This is a one-time expenditure that will not continue into future years. Other operating costs beginning in FY 2011 include telephone, employee development, computer operating support, postage, printing, and supplies, and are estimated at \$23,000 each year and continue into future year.

Real Estate Board regulations will be revised to reflect the new requirements. Board member travel costs for four additional meetings in the first year only will be \$3,656. Postage costs for notifications of regulatory changes will be \$215 in FY2011 only.

Total costs are projected to be \$134,803 in FY2011, and \$119,964 in future years.

Revenue: In accordance with the provisions of Section 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.

Cost to Regulants: The Real Estate Board's current cash and revenues are expected to be sufficient for the next biennium to cover the increased costs associated with this legislation. The Department has projected that an increase in Real Estate fees may need to be initiated during the FY 2012-14 biennium so that cash and revenue will continue to be sufficient to cover ongoing operating costs. At that time, the costs associated with this legislation are expected to add less than \$5.00 to two-year licensing fees.

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

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

**11. Other comments:** None.

