

CONDITIONAL FISCAL IMPACT

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Prime Sponsor(s): Sen. Harvey
Rep. Gerou

Bill Status: Senate SVMA

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TITLE: CONCERNING A LIMIT ON REAL ESTATE LICENSE FEE INCREASES BY THE DIVISION OF REAL ESTATE.

Fiscal Impact Summary	FY 2009-2010	FY 2010-2011
State Revenue		
State Expenditures		
FTE Position Change	0.0 FTE	0.0 FTE
Effective Date: The bill is effective upon signature of the Governor or upon becoming law without his signature.		
Appropriation Summary for FY 2009-2010: None required.		
Local Government Impact: None.		

Summary of Legislation

This bill places limits on the amount of fees charged by the Division of Real Estate in the Department of Regulatory Agencies (DORA). The division cannot increase fees more than 20 percent in any year, and no more than 50 percent in any 10 year period, or between sunset reviews, whichever is greater.

Background

The DORA sets fees for professional licenses to cover direct and indirect program costs. Fees are calculated annually based on:

- ▶ the estimated size of the affected population; and
- ▶ the estimated program costs for that year.

In some years, fees increase due to smaller populations or increased costs. In other years, the reverse is true. And in some years, adjustments are made to ensure a positive fund balance. This happens when the forecasted revenue from the prior year is less than projected amounts. The department sets fees late in the fiscal year in order to have the most information from the previous cycle.

The fees charged for real estate licenses doubled in the current fiscal. Current information shows that the number of professionals seeking a new license has declined by 50 percent from approximately 6,000 to 3,000 as of this fiscal year; the number of renewed licenses remains constant at approximately 5,000 each year. Table 1 shows the two most common license types and the amount of fee increase from FY 2007-08 to FY 2008-09.

License Type	FY 2007-08	FY 2008-09
Broker	\$250	\$500
Appraiser	125	250
Broker Renewal	150	300
Appraiser Renewal	210	330

Beginning in FY 2008-09, the Division of Real Estate Cash Fund had a negative balance of over \$800,000. To address this the department increased fees 100 percent on most real estate licenses. At the end of the current fiscal year the fund is projected to have a negative balance of \$215,000.

State Revenue and Expenditures

It is unknown if the department will need to increase, decrease, or maintain the current fee in FY 2009-10 or beyond. Therefore, the fiscal impact of limiting fee increases in the next two fiscal years cannot be quantified. *Since a fiscal impact will occur only if circumstances prevent sufficient revenue under the limitations of the bill, it is assessed as having a conditional fiscal impact.*

Limitations on fee increases may place the division in the position of having insufficient revenue to cover the direct and indirect costs of regulating the real estate profession. In any year in which revenues are insufficient the division will face one or more of the following consequences:

- ▶ an inability to meet statutory obligations in the regulation of the profession without special permission to raise fee revenue beyond the limit;
- ▶ a request for General Fund assistance to make up revenue shortfalls;
- ▶ identification of operating efficiencies within the division to reduce costs; or
- ▶ legislation to redefine program requirements to reduce costs.

Departments Contacted

Regulatory Agencies