

Department of Legislative Services
 Maryland General Assembly
 2020 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 929

(Delegate Rogers, *et al.*)

Economic Matters

Judicial Proceedings

State Real Estate Commission - Property Managers - Registration

This bill requires specified persons to register with the State Real Estate Commission in the Maryland Department of Labor (MDL) as property managers before providing, attempting to provide, or offering to provide property management services in the State, subject to specified conditions. A person otherwise licensed by the commission may provide property management services in the State without also being registered as a property manager and meeting the related liability coverage requirements.

Fiscal Summary

State Effect: Special fund expenditures for MDL increase by about \$167,900 in FY 2021; future years reflect annualization and the elimination of one-time costs. Special fund revenues for MDL increase by about \$375,000 in odd-numbered fiscal years and minimally in even-numbered fiscal years. The bill’s penalty provision is not anticipated to materially affect general fund revenues.

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
SF Revenue	\$375,000	-	\$375,000	-	\$375,000
SF Expenditure	\$167,900	\$191,000	\$195,300	\$202,100	\$209,100
Net Effect	\$207,100	(\$191,000)	\$179,700	(\$202,100)	\$165,900

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Bill Summary: “Property manager” means a person who is registered by the commission to provide property management services and includes a partnership or a corporation. “Property management services” means the leasing, managing, advertising, renting, or handling of trust money of a property, subject to limited specified exceptions, such as for services provided on an incidental basis and without additional compensation by employees of a property owner.

Generally, a property manager must register with the commission before providing, attempting to provide, or offering to provide property management services in the State. The penalty for failing to do so is a fine of up to \$1,000, imposed by the commission. The commission must determine the qualifications for registration.

The commission may set reasonable fees for the issuance and renewal of property manager registrations and other related services it provides. The fees must be set so as to produce funds to approximate the cost of registering property managers. A registration expires on a date set by the commission, unless it is renewed for an additional two-year term.

Generally, a property manager must be covered by a surety bond in the amount of at least \$100,000, if the property manager rents fewer than 20 properties, or \$200,000, if the property manager rents 20 or more properties. A property manager must provide acceptable proof of the surety bond to the commission.

Current Law/Background: Under current law, a person is not required to register with the State Real Estate Commission before providing, attempting to provide, or offering to provide property management services. MDL estimates that approximately 2,500 persons are required to be registered under the bill, but the actual amount may vary from this estimate.

State Real Estate Commission

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, subject to specified requirements for licensure and ongoing licensee behavior. Real estate brokerage services include, for consideration, selling, buying, exchanging, or leasing any real estate or collecting rent for the use of any real estate on behalf of another person. Licensees are not required to have or provide proof of a surety bond to the commission. Initial fees for brokers, associate brokers, and salespersons are \$190, \$130, and \$90, respectively; renewal fees are \$20 less.

State Fiscal Effect: Special fund expenditures for the State Real Estate Commission Fund increase by \$167,891 in fiscal 2021, which accounts for the bill’s October 1, 2020 effective date. This estimate reflects the cost of hiring one administrative staff, one investigator, and one paralegal to generally oversee the registration program and related anticipated complaints. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	3
Salaries and Fringe Benefits	\$146,792
Programming Expenses	5,000
Operating Expenses	<u>16,099</u>
Total FY 2021 State Expenditures	\$167,891

Future year expenditures reflect full salaries with annual increases and employee turnover and ongoing operating expenses.

MDL advises that it requires four positions, not three, to implement the bill. While the Department of Legislative Services disagrees, to the extent that administration of the program requires additional staff or has other costs, special fund expenditures further increase.

MDL estimates that about 2,500 persons will ultimately register as property managers, but that some of those required to register will not do so in fiscal 2021. However, this estimate assumes that all 2,500 register in fiscal 2021, in compliance with the bill, with minimal new registrations thereafter. Based on the costs estimated above, a registration fee of approximately \$150 is likely sufficient to fund the program’s expenses. That amount is consistent with fees for licenses issued by the commission.

Accordingly, assuming full compliance and continued renewals, special fund revenues increase by about \$375,000 in fiscal 2021 and each odd-numbered fiscal year thereafter. Due to the two-year renewal cycle, special fund revenues increase minimally in even-numbered fiscal years.

Any variation from these assumptions alters the registration fee required. For example, registration fees for property managers further increase to the extent that MDL requires additional staff or registers fewer property managers.

The bill’s penalty provision is not anticipated to materially affect general fund revenues.

Small Business Effect: The bill likely affects small businesses that provide property management services and are not otherwise excluded from the bill’s registration and surety bond requirements. These businesses must comply with qualifications set by the

commission, purchase the required surety bond if they do not otherwise have one, and pay registration fees.

Additional Information

Prior Introductions: SB 520 of 2017, a similar bill, received an unfavorable report from the Senate Education, Health, and Environmental Affairs Committee.

Designated Cross File: None.

Information Source(s): Maryland Department of Labor; Department of Legislative Services

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