

Department of Legislative Services
 Maryland General Assembly
 2021 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

House Bill 239
 Economic Matters

(Delegate Rogers)
 Education, Health, and Environmental Affairs

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 \$294,200 in FY 2022; future years reflect annualization and the elimination of one-time costs. Special fund revenues for MDL increase by about \$550,000 in even-numbered fiscal years and minimally in odd-numbered fiscal years. Assumptions used for these estimates are discussed below. The bill’s penalty provision is not anticipated to materially affect general fund revenues.

(in dollars)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
SF Revenue	\$550,000	-	\$550,000	-	\$550,000
SF Expenditure	\$294,200	\$258,600	\$266,000	\$275,500	\$285,200
Net Effect	\$255,800	(\$258,600)	\$284,000	(\$275,500)	\$264,800

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, corporation, or other business entity. “Property management services” means the leasing, managing, 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. Specified groups may operate collectively under a single registration. The penalty for failing to do so is a fine of up to \$1,000, imposed by the commission. The commission may deny a registration to an applicant whose commission-issued license is currently suspended or was revoked due to violations related to providing property management services.

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: 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.

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 \$294,179 in fiscal 2022, which accounts for the bill’s October 1, 2021 effective date. This estimate reflects the cost of hiring four staff to generally oversee the registration program and related anticipated complaints. It includes salaries, fringe benefits, one-time start-up costs, programming expenses, and ongoing operating expenses.

Positions	4.0
Salaries and Fringe Benefits	\$196,854
Programming Expenses	75,000
Operating Expenses	22,325
Total Fiscal 2022 State Expenditures	\$294,179

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

The number of individuals who will ultimately register as property managers under the bill is unknown. Consistent with past estimates, this analysis assumes that 2,500 property managers register in fiscal 2022, with minimal new registrations thereafter. Based on that number and the costs estimated above, a registration fee of approximately \$220 is sufficient to fund the program’s expenses.

Accordingly, assuming full compliance and continued renewals, special fund revenues increase by about \$550,000 in fiscal 2022 and each even-numbered fiscal year thereafter. Due to the two-year renewal cycle, special fund revenues increase minimally in odd-numbered fiscal years.

Any variation from these assumptions alters the registration fee required. For example, registration fees for property managers further increase – potentially significantly – to the extent that MDL requires additional staff, has additional expenses, and/or registers fewer property managers than the 2,500 assumed above.

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 exempted from the bill’s registration and surety bond requirements. These businesses must purchase the required surety bond if they do not otherwise have one and pay registration fees.

Additional Information

Prior Introductions: HB 929 of 2020, a similar bill as amended, passed the House and was referred to the Senate Judicial Proceedings Committee, but no further action was taken. SB 520 of 2017, a similar bill, received an unfavorable report from the Senate Education, Health, and Environmental Affairs Committee.

Designated Cross File: SB 73 (Senator Young) - Education, Health, and Environmental Affairs.

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

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