

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 773
Appropriations

(Delegate Mangione)

Budget and Taxation

Department of General Services Broker Rebate Fee Fund - Established

This bill establishes a Broker Rebate Fee Fund in the Department of General Services (DGS) to provide funding to support the implementation, regulation, administration, and enforcement of real estate lease transactions on behalf of State agencies. The fund is a special, nonlapsing fund that consists of (1) broker rebate fees received in connection with any lease of building space by the State; (2) money appropriated to the fund; (3) interest earnings; and (4) any other money accepted for the benefit of the fund. The fund may be used only to cover DGS's expenses, including administrative expenses, in carrying out its duties related to real estate lease transactions. **The bill takes effect July 1, 2022.**

Fiscal Summary

State Effect: General fund revenues may decrease by an indeterminate, but likely minimal, amount annually beginning in FY 2023 due to foregone reversions from the current lapsing special fund; revenues retained as special funds increase commensurately. Reliance on general fund expenditures may be moderated somewhat beginning in FY 2024 as more special funds remain available for expenditure due to carry forward funding.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: In general, DGS is responsible for negotiating and managing real estate leases for State agencies. DGS must give written notice of each proposed initial lease to the governing body of the political subdivision in which the property is located and each

member of the General Assembly in whose legislative district the property is located. A lease for a site may not be executed until 31 days after the notice is received to allow for comment. Each proposal for the lease of building space by the State must be submitted to the Secretary of General Services and to the Board of Public Works for approval.

State Fiscal Effect: The DGS Office of Real Estate manages lease transactions for the department. Lease agreements involving the use of brokers often include broker rebate fees paid to DGS. DGS advises that those rebates are typically used to help cover salaries for the office. The amount of rebate payments anticipated changes from year to year, and receipt of the fees may be delayed from one fiscal year to the next. The new special fund allows DGS to retain fee revenues, such that any delayed revenues may be retained as surplus revenues rather than ultimately reverting to the general fund, thereby providing a more stable source of revenue for the office salaries and related expenses.

Broker rebate fees over the previous five fiscal years have averaged \$546,000, ranging from a low of \$349,000 in fiscal 2017 to a high of \$768,000 in fiscal 2021. Currently, those fees accrue to a lapsing special fund, so any year-end balance reverts to the general fund instead of being available for DGS to use in a subsequent year. Thus, the bill may reduce general fund revenues beginning in fiscal 2023 due to foregone reversions from the current lapsing special fund. It is assumed that DGS spends most of the rebate fees collected each year; however, as future year-end balances cannot be reliably predicted, general fund revenues decrease by an indeterminate, but likely minimal, amount. Fee revenues retained in the special fund increase commensurately. As these revenues remain available for expenditure, special fund expenditures may increase in subsequent years. If so, reliance on general fund expenditures may be slightly moderated.

Additional Information

Prior Introductions: None.

Designated Cross File: SB 260 (Senator West) - Budget and Taxation.

Information Source(s): Department of General Services; Board of Public Works; Department of Legislative Services

Fiscal Note History: First Reader - February 11, 2022
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