

House Bill 597

Date: February 6, 2024
Committee: House Environment and Transportation Committee
Bill Title: Real Property - Regulation of Common Ownership Community Managers
Re: Letter of Information

HB 273, entitled “Real Property - Regulation of Common Ownership Community,” seeks to establish an entirely new licensing board under the oversight of the Department. The board would be constructed of nine members with broad regulatory responsibilities across three main lines of effort: Licensing, Education and Complaints.

- Licensing support consists of pre-licensing training, successful completion of pre-licensing, exam administration and recording and other qualifications. The staff will provide license certificates, verify licenses, maintain a public list of licensees, have some form of out of state license recognition, and record training.
- Education will need to devise an exam, review and approve continuing education, and maintain and verify completion of continuing education.
- Complaints must receive the complaint, review for jurisdiction, solicit and track responses, prepare complaints for review and action by the board and coordinate for hearings, exceptions, disciplinary actions, appeals and final orders. This could include a small percentage of complaints of average complexity requiring investigation and processing through the Board and hearings at the Office of Administrative Hearings and final actions.

MDL projects the need for thirteen (13) staff to support all three functions identified above. For context, the Maryland Real Estate Commission (MREC), which is staffed with seventeen positions, regulates approximately over 40,000 active licensees. Nevertheless, additional support may be needed, particularly in the first couple of years of implementation.

Under the bill, expenditures for the Maryland Department of Labor would increase significantly due to the costs of creating and implementing a Common Ownership Community Managers oversight program. **Despite the bill’s October 1, 2024, effective date, licensing and registration activity cannot feasibly begin until fiscal year 2026 at the earliest, considering the restriction on funding in fiscal year 2025.**

The bill establishes a “grandfathering” period applicable to managers who have been practicing prior to the requirement for licensure for which administrative, executive, and clerical staff are needed as soon as possible to undertake preparatory activities. These activities include developing regulations and investigatory procedures, implementing the licensing, limited licensing, and registration program, processing applications, and reviewing and investigating evidence related to the grandfather exception.



LEGISLATIVE OFFICE
45 Calvert Street
Annapolis, Maryland 21401
443-401-5129

Annually thereafter, special fund expenditures are assumed to cover costs. Staffing and other operating expenses will total up to \$1.5 million annually by fiscal 2029 and the bill requires the Board to set reasonable fees that approximate the costs of its services. Due to the biennial licensing period, and because most licensing activity will occur in odd-numbered fiscal years, the Board must set its fees high enough to collect sufficient fee revenue in fiscal 2025 to allow it to cover its expenditures in both fiscal 2025 and 2026. **With the number of licensees being unknown, fees for licenses are impossible to determine with any certainty.** Depending on the number of licensees, licensing fees could potentially be a significant cost in addition to the potential costs associated with Board-approved training, required exams, and attaining specified professional credentialing.

The Department respectfully requests the Committee consider this information.