

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0851-01
Bill No.: HB 171
Subject: Business and Commerce; Economic Development Dept.; Licenses – Professional;
Property – Real and Personal
Type: Original
Date: February 3, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Missouri Real Estate Commission	(\$18,229)	(\$21,875)	(\$21,875)
Total Estimated Net Effect on Other State Funds	(\$18,229)	(\$21,875)	(\$21,875)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Prosecution Services, Office of the State Public Defender, Office of the State Courts Administrator, Missouri State Highway Patrol** and the **Office of Administration – Division of Design and Construction** assume the proposal would have no fiscal impact on their agencies.

Officials from the **Administrative Hearing Commission (AHC)** anticipate this proposal will not significantly alter its caseload. AHC notes if other similar proposals also pass, creating more cases or more complex cases, there could be a fiscal impact.

Officials from the **Department of Revenue** assume implementation of the proposal would have no administrative fiscal impact on their department.

Officials from the **Office of the Attorney General** assume any potential costs arising from this proposal can be absorbed with existing resources.

Officials from the **State Treasurer’s Office (STO)** assume passage of the proposal would require their agency to accept the deposit of disputed escrow monies. STO assumes they would need one additional FTE (an Accountant I at an annual salary of \$30,204) to accept disputed

ASSUMPTION (continued)

escrow funds, account for disputed escrow funds while deposited with the Treasurer, and review the resolution of the dispute to determine the proper disposition of funds on deposit. STO estimates the cost, to General Revenue, for an additional FTE including salary, fringe benefits, and expense and equipment to be approximately \$45,000 annually.

Oversight inquired of the Missouri Real Estate Commission (REC) about the number of disputed escrow cases per year and learned the REC does not keep track of these cases currently. REC estimates a maximum of \$100,000 to \$200,000 would be deposited in the State Treasury annually as a result of this proposal. **Oversight** notes the State Treasurer's Office performs a similar function with regard to unclaimed property and assumes they could devise a similar system for disputed escrow cases. **Oversight** assumes STO could absorb the administrative impact resulting from passage of this proposal.

Officials from the **Department of Economic Development – Division of Professional Registration (DPR)** assume the increase in per diem reimbursement for the commissioners will cost the Missouri Real Estate Commission Fund approximately \$22,000 annually. DPR based their calculation on the on the number of hours billed by the seven commission members in FY 2002 which was 876 hours for the year. DPR notes license fees will not need to be increased to cover the additional cost.

Oversight notes the DPR did not reflect an increase in per diem costs for FY 2004 because the Commission would need an increased personal service appropriation which is not possible since the budget process for that year is currently in process. **Oversight** notes the effective date of the proposal would be August 28, 2003, and therefore shows 10 months' cost for FY 2004.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
MISSOURI REAL ESTATE COMMISSION FUND			
<u>Costs – REC</u>			
Increase in Commission Member Per Diem	<u>(\$18,229)</u>	<u>(\$21,875)</u>	<u>(\$21,875)</u>

FISCAL IMPACT - Local Government

FY 2004
(10 Mo.)

FY 2005

FY 2006

\$0

\$0

\$0

FISCAL IMPACT - Small Business

Real Estate Brokers would need to become familiar with the provisions of the proposal.

DESCRIPTION

This proposal contains provisions pertaining to the practice of real estate. The proposal:

- (1) Adds Internet web sites to the licensing exemption, when in the case of advertising real estate, the advertising is incidental to their normal business operations;
- (2) Allows the commission to issue temporary work permits to individuals who have satisfied all licensing requirements prior to the final review and printing of their licenses;
- (3) Grants entities providing continuing education the authority to do so through the means of distance delivery;
- (4) Gives the commission authority, when conducting investigations of complaints involving affiliated licensees, to forward copies of the information regarding the complaint to the affiliated licensee's broker;
- (5) Gives the commission authority, when a licensee fails to renew or surrender his or her license and the commission finds the licensee to be in violation of certain provisions, to cause complaints to be filed with the Administrative Hearing Commission;
- (6) Requires real estate brokers holding funds belonging to another party in a real estate transaction to maintain the funds in a separate account designated as an escrow or trust account. Brokers may not commingle their own personal funds or any other moneys in this account with the exception that a broker may deposit an amount not to exceed \$1,000 specifically identified for the purpose of covering service charges related to the account. When brokers decide not to maintain an escrow account, they must notify the commission. If they decide to open an escrow

DESCRIPTION (continued)

account, they must notify the commission within 10 business days of doing so. In the case of disputes regarding ownership of escrow moneys, the funds must be deposited with the State Treasurer within 180 days of the original deposit. The funds will be held in trust until the dispute can be resolved;

(7) Increases the amount of compensation which each member of the commission receives from \$50 to \$75 for each devoted to the affairs of the commission;

(8) Requires designated brokers who have affiliated licensees to adopt a written policy describing their relationships in regard to their real estate activities; and

(9) Repeals the provisions relating to escrow agents.

This proposal is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
– Division of Professional Registration
Office of Prosecution Services
Office of the State Public Defender
Office of the State Courts Administrator
Missouri State Highway Patrol
Office of Administration
– Division of Design and Construction
– Administrative Hearing Commission
Department of Revenue
Office of the Attorney General
State Treasurer's Office



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