

Approved \_\_\_\_\_

2/13/85  
Date

MINUTES OF THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS

The meeting was called to order by Senator Edward F. Reilly, Jr. at \_\_\_\_\_  
Chairperson

11:00 a.m./~~p.m.~~ on February 12, 1985 in room 254-E of the Capitol.

All members were present ~~except:~~

Committee staff present:

Fred Carman, Assistant Revisor of Statutes  
Emalene Correll, Legislative Research  
June Windscheffel, Committee Secretary

Conferees appearing before the committee:

Eugene Yockers, Director, Kansas Real Estate Commission

SB105 - fees for licensure of real estate brokers and salespersons is on today's Agenda for hearing.

The Chairman called the attention of the Committee to the Minutes of the Meeting of February 8, 1985. Senator Morris moved they be approved. 2d by Senator Martin. Motion carried.

The Chairman introduced Gene Yockers, who is Director of the Kansas Real Estate Commission. Mr. Yockers presented his testimony, copy of which is Attachment #1, in support of SB105.

Attachment #2 was distributed by Emalene Correll for the Committee's information. It is an excerpt from the Budget Book that the Fiscal Staff of Legislative Research prepares.

Attachment #3 is a Fiscal Note for SB105 which was also distributed for use by the Committee members.

Following Mr. Yockers' testimony and Committee discussion the Chairman stated this would conclude the hearings on SB105.

The Chairman announced that it is his intention to have SB20 back before the Committee tomorrow, and that Secretary Sabol will be present to answer any questions Committee might have to clarify any concerns that may be felt. He said action will be taken on SB20 and possibly SB105 tomorrow.

Senator Arasmith asked if Staff would report back as to why the real estate bill did not pass last year. Senator Daniels also asked if Staff would prepare information to help clarify SB105.

The Chairman said that action would probably be taken on SB106 - concerning crime victims reparations at the meeting tomorrow.

The meeting adjourned at 11:45 a.m.

Testimony of Gene Yockers  
before the  
Federal & State Affairs Committee  
of the  
Kansas Senate  
February 7, 1985

Mr. Chairman and members of the Committee. My name is Gene Yockers. I am the Director of the Kansas Real Estate Commission and am here to urge your support of Senate Bill 105.

The Commission needs authority to increase its licensing fees in order to carry out its function of protecting the public and regulating the licensees in the real estate industry.

As you may be aware, a bill introduced in the 1984 session provided authorization to increase fees paid by licensees. Although passed by the Senate, the bill was amended to include another matter and was assigned to the House Ways and Means Committee, where it died due to controversy over the other issue. Consequently, we received no authority to increase licensing fees.

The Commission is a fee-supported agency, receiving no assistance from the State general fund. Senate Bill 105 increases maximum fees for original licenses and license renewals. It raises the annual rate from \$15 to \$30 for salespeople; from \$25 to \$50 for brokers. Fees would be set by regulation at \$25 for salespeople and at \$40 for brokers. This would be the first increase in original license fees since 1973. Renewal fees have been increased only once in the last 12 years -- salespeople from \$12 to \$15; brokers from \$18 to \$25.

Our fiscal 1986 budget, which has been submitted and approved based upon the anticipated fee increase, will allow the Commission to fill an educational specialist position, along with one investigator position, which were both deleted last year. It will also allow the Commission to reinstate a normal level of operations.

The Commission is hopeful that Senate Bill 105 will be passed early in the session to allow us to implement a fee increase at the earliest possible date. Again, I urge you to recommend Senate Bill 105 for passage.

I want to personally thank you for the opportunity to present this testimony to the Committee.

REAL ESTATE COMMISSION

Budget Page No. 1-209  
Approp. Bill Sec. 17

Expenditure Summary	Agency Est. FY 85	Governor's Rec. FY 85	Agency Req. FY 86	Governor's Rec. FY 86
State Operations:				
All Funds	\$ 283,414	\$ 263,886	\$ 408,152	\$ 363,499
State General Fund	—	—	—	—
Percentage Change	(17.5)%	(23.2)%	44.0%	37.7%
F.T.E. Positions	9.6	9.0	11.0	11.0

Part One: Operating Budget Summary

<u>Item</u>	<u>Governor's Recommendation</u>
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Fiscal Year 1985 Budget Revisions

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| <p>1. <u>Summary.</u> The agency's revised FY 1985 estimate is \$283,414, \$92,759 below the originally authorized amount of \$376,173. The Kansas Real Estate Commission requested a raise in the statutory limits on its fees in 1984, but the legislation did not pass. The failure to secure the fee increase has resulted in significant shortfalls of funds to allow expenditures at the FY 1985 authorized level. The Commission will achieve this reduction in expenditures by leaving two positions vacant for a period of time and reducing other operating expenditures. (Staff Note: The Commission's fees are currently at their statutory maximum of \$50 for brokers and \$30 for salespersons (for two years). It plans to seek an increase in the statutory limit to \$100 for brokers and \$60 for salespersons. It would then increase the fees by regulation to \$75 for brokers and \$45 for salespersons. The 1984 Ways and Means Committees recommended FY 1985 expenditures on the basis that fee increases would be authorized by the Legislature. The Commission was placed under the allotment system in FY 1985. The allotment limitation is \$333,600, or \$42,573 below the original appropriation. The Commission is required to send quarterly expenditure reports to the Budget Division.)</p> | <p>1. The Governor recommends \$263,886 for FY 1985, which is a decrease of \$19,528 from the Commission's request. The Governor's recommendation includes reduced expenditures in the areas of salaries and wages (\$11,833), communications (\$3,190), professional services (\$4,000), and office supplies (\$500). This recommendation is \$112,287 below the amount originally authorized by the 1984 Legislature, and is \$69,714 below the amount of the allotment limitation.</p> |
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Fiscal Years 1985 and 1986 Budget Summary

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| <p>1. <u>Summary.</u> The FY 1985 revised budget is significantly lower than both the FY 1984 actual expenditures and the FY 1986 request because the fee increase was not authorized in 1984. The FY 1986 request of \$408,152 assumes a fee increase and the Commission would resume its previous level of activity. (Staff Note: If a fee increase is not authorized for FY 1986, the Commission would have to operate at a level significantly below what is currently authorized.)</p> <p>2. <u>Salaries and Wages.</u> The FY 1986 request is \$226,137 for 11.0 F.T.E. positions. The FY 1985 request of \$186,467 is for 9.6 F.T.E. positions and reflects the fact that the Commission is holding two positions vacant for a portion of the year. Also included in the FY 1985 and FY 1986 requests is \$3,150 for compensation for the five-member commission. The FY 1986 request includes a 5.5 percent</p> | <p>1. The Governor recommends \$363,499 for FY 1986, a reduction of \$44,653 from the Commission's request. The reduction includes a decrease in salaries and wages (\$10,830), and other operating expenditures (\$33,473). The Governor recommends a fee increase as requested by the Commission.</p> <p>2. The Governor recommends \$215,307 for salaries and wages in FY 1986. The decrease of \$10,830 from the request represents the deletion of the 5.5 percent salary adjustment. The Governor recommends \$174,629 for salaries and wages in FY 1985, a decrease of \$11,838</p> |
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Item	Governor's Recommendation
salary increase amounting to \$11,027. The FY 1985 request also includes \$3,232 for retirement severance pay for one position.	from the Commission's request. The recommendation reduces the total F.T.E. limitation from 9.6 to 9.0 positions and would keep the two vacant positions unfilled for the remainder of the year.
3. <u>Communications.</u> The FY 1986 request for telephone and postage costs is \$41,705, and is significantly higher than the FY 1985 estimate of \$19,190. Of the FY 1986 request, \$18,960 is for mailing four newsletters and the license act and regulations to 16,000 licensees. These newsletters and other mailings were not funded in FY 1984 when the actual expenditures totaled \$18,725. The FY 1985 estimate covers only regular postage, central mail, and telephone costs.	3. The Governor recommends \$41,705 for communications for FY 1986, as requested by the Commission. The Governor recommends \$16,000 for FY 1985, which is a decrease of \$3,190 from the amount requested.
4. <u>Printing.</u> The FY 1986 request is \$14,100, and includes \$8,000 for printing a quarterly newsletter and the license act and regulations to be mailed to licensees. The FY 1985 estimate is \$4,250 and is for printing license certificates, applications, and the annual directory. The actual expenditure in FY 1984 was \$5,348.	4. The Governor recommends \$14,100 for printing in FY 1986 and \$4,250 in FY 1985, as requested by the Commission. The Governor's recommendation would allow the Commission to distribute a quarterly newsletter in FY 1986.
5. <u>Travel.</u> The FY 1986 request is \$45,000, and would provide for travel expenses for four inspectors (\$19,654), travel expense for the Commission (\$7,326), attendance at two out-of-state conferences by three persons each (\$7,020), travel expense for the educational specialist (\$6,313), and workshop training for the four inspectors (\$4,687). The FY 1985 estimate is \$22,197 and reflects reduced travel for fewer inspectors and less travel by Commission members. In FY 1984, actual travel expenditures were \$35,518. (Staff Note: Budget guidelines were exceeded by \$1,741 in FY 1986 in calculating the mileage reimbursement rate.)	5. The Governor recommends \$40,370 for travel in FY 1986, which is a reduction of \$4,630 from the Commission's request. The Governor recommends \$22,197 for travel in FY 1985, as the Commission requested.
6. <u>Data Processing.</u> The FY 1986 request of \$38,182 is for a computer system at the Commission office. The 1984 Legislature recommended the Commission purchase a computer system in FY 1985 and authorized \$18,258 for that purpose, but adequate funds have not been available in FY 1985. The agency states that in the past it has had difficulty obtaining accurate data from the central computing services. The Commission does not know at this time what type of computer would best suit its needs and plans to study the issue during FY 1985. In FY 1985, the estimated cost for central computer services is \$12,750.	6. The Governor recommends \$12,750 for data processing services in FY 1986, which would not fund the request for a computer system, but would continue the current procedure of utilizing central computing services for its data processing needs.
7. <u>Professional Services.</u> The Commission requests \$16,000 in both FY 1985 and FY 1986 for fees for hearing officers (\$5,160) and the attorney retained by the Commission (\$10,840). The actual amount spent in FY 1984 was \$21,930. The Commission has begun to use a "consent agreement" process which allows it to forego the regular hearing process and states that the procedure should result in lower costs. The number of hearings in FY 1985 and FY 1986 is projected at 12, which is a decrease from the FY 1984 level of 16.	7. The Governor recommends \$12,000 for professional services in FY 1985 and FY 1986, a reduction of \$4,000 from the Commission's request for each year.
8. <u>Rents.</u> The FY 1986 request of \$16,728, is for office space (\$16,328) and rental of conference rooms when the Commission meets in cities other than Topeka (\$400). The FY 1985 estimate is \$14,112 for office space and \$2,148 for copier rental. The FY 1986 rental request is based on the Commission purchasing its own copier. Actual rental expenditures in FY 1984 were \$18,437.	8. The Governor recommends \$15,340 for rent in FY 1986, a reduction of \$1,388 from the Commission's request. The Governor's recommendation assumes the agency will purchase a new copier in FY 1986.

Item	Governor's Recommendation
9. <u>Office Supplies.</u> The FY 1986 request is \$3,550 and is an 18.3 percent increase over the FY 1985 estimate of \$3,000. Actual expenditures in FY 1984 were \$2,855. In FY 1986, \$250 is for supplies related to the educational specialist position.	9. The Governor recommends \$3,200 for office supplies in FY 1986, which is a reduction of \$350 from the Commission's request. The Governor recommends \$2,500 for office supplies in FY 1985, which is a reduction of \$500 from the Commission's request.
10. <u>Capital Outlay.</u> The FY 1986 request of \$4,000 is for the purchase of a copier with reduction capabilities. Currently the Commission rents a copier without reduction capabilities at a cost of \$2,148 annually. The FY 1985 estimate is \$200 for replacement of a calculator.	10. The Governor recommends \$5,777 for capital outlay in FY 1986. This recommendation would fund the copier requested by the Commission (\$3,500), two chairs (\$1,100), a typewriter (\$995), a calculator (\$125) and a paper cutter (\$57).

Part Two: Other Information

The Kansas Real Estate Commission was established in 1947 to regulate the real estate industry. Major functions of the Commission are to: (1) issue and renew licenses to individuals who meet statutory requirements; (2) approve education courses for applicants and licensees to meet educational requirements; and (3) examine records of real estate brokers, investigate complaints, and take disciplinary action against licensees, as necessary. The Commission consists of five members appointed by the Governor. The Commission's revolving fund and the fee fund are described below.

1. Revolving Fund. This fund is statutorily authorized under K.S.A. 58-3066 to reimburse persons who suffer monetary damages caused by certain unlawful acts of brokers, salespersons and unlicensed employees of brokers committed during transactions involving the sale of real estate. Payments are limited to \$15,000 per real estate transaction, \$30,000 per year, and \$50,000 in the aggregate. The statute also states that if the Revolving Fund balance drops below \$100,000, a transfer from the Fee Fund shall be made to restore the balance to \$200,000. The balance in the fund at the end of FY 1984 was \$193,155. In FY 1984, \$30,000 was paid from the fund and it is estimated \$30,000 will be paid in FY 1985, (\$20,000 is based on a known payment and \$10,000 is for cases that could arise during the year.) Expenditures for this fund are reported on an actual basis.

2. Fee Fund Analysis. The Commission has the authority to set biennial renewal fees for real estate brokers of up to \$50, and salespersons up to \$30; the current fees are at the maximum level. The Commission is requesting an increase in the statutory fee limitations for FY 1986 which would raise the limit for brokers to \$100 and for salespersons to \$60. However, the Commission only wishes to raise the fees to \$75 and \$45, respectively, upon review by the Joint Committee on Administrative Rules and Regulations. The Commission's request is in response to a drop in fee receipts. An increase in fee levels was also requested in 1984 but was not authorized. The absence of a fee increase in FY 1985 has resulted in layoffs and other reductions in the operating budget.

The Governor concurs with the Commission's request for an increase in the statutory fee limitation; however, the Governor recommends that upon this change that fees be increased to \$80 for brokers and \$50 for salespersons, which is a slightly higher increase than requested by the Commission.

<u>Resource Estimate</u>	<u>Actual FY 84</u>	<u>Gov. Rec. FY 85</u>	<u>Gov. Rec. FY 86</u>
Beginning Balance	\$ 61,985	\$ 24,579	\$ 24,157
Net Receipts	306,224	263,464	433,252
Total Funds Available	<u>\$ 368,119</u>	<u>\$ 288,043</u>	<u>\$ 457,409</u>
Less: Expenditures	343,540	263,886	363,499
Ending Balance	<u>\$ 24,579</u>	<u>\$ 24,157</u>	<u>\$ 93,910</u>

Hearing: 2/4/85

44  
Fiscal Note  
1985 Session  
February 7, 1985

105  
Bill No.  
2/12/85  
Attachment #3

The Honorable Edward F. Reilly, Jr., Chairperson  
Committee on Federal and State Affairs  
Senate Chamber  
Third Floor, Statehouse

255-E

Dear Senator Reilly:

SUBJECT: Fiscal Note for Senate Bill No. 105 by Committee  
on Federal and State Affairs

In accordance with K.S.A. 75-3715a, the following fiscal note concerning Senate Bill No. 105 is respectfully submitted to your committee.

Senate Bill No. 105 increases the fee limits for real estate broker and salesperson licenses. For brokers, the fee limits for original and renewal licenses are increased from \$25 to \$50. For salespersons, the fee limits for original and renewal licenses are increased from \$15 to \$30.

This fee limit increase will allow the agency to increase its broker and salesperson license fees which are set by regulation. Specifically, the agency intends to increase (on an annual basis):

- i. salespersons original and renewal fees from \$25 to \$40
- ii. brokers original and renewal fees from \$15 to \$25

The agency's expenditures, as contained in the FY 1986 Governor's Budget Report, are premised upon the above fee increases. The higher fees are projected to increase fee receipts to the agency by \$146,928. Of this amount, \$70,400 is budgeted for increased expenditures with the remaining \$76,528 carried forward to FY 1987.

*Alden K. Shields*  
Alden K. Shields  
Director of the Budget

AKS:PA:dh