

Approved: \_\_\_\_\_

Date

3/10/99

MINUTES OF THE HOUSE COMMITTEE ON FEDERAL & STATE.

The meeting was called to order by Chairperson Representative Susan Wagle at 1:30 P.M. on March 9, 1999 in Room 313-S of the Capitol.

All members were present except:

Reps. Freeborn, Henderson, Vining, all excused

Committee staff present:

Theresa Kiernan, Revisor of Statutes  
Mary Galligan, Legislative Research  
Russell Mills, Legislative Research  
Judy Swanson, Committee Secretary

Conferees appearing before the committee:

Ron Shivers, Kansas Auctioneers Association  
Jean Duncan, Kansas Real Estate Commission  
Karen France, Kansas Association of Realtors  
Erik, Sartorius, Johnson Co. Assn. Of Realtors

Others attending:

See attached

Chair Wagle opened the hearing on **SB 115**, Real estate salespersons and brokers; fee, increased. Theresa Kiernan, Revisor of Statutes, reviewed the bill for Committee members.

Ron Shivers, Kansas Auctioneers Association, testified in opposition to the bill. (Attachment #1) He did not feel Kansas Real Estate Commission (KREC) had provided enough information to support a raise of real estate salespersons and brokers fees.

Written testimony in opposition to **SB 115** was distributed from John Todd, John Todd & Associates, Wichita. (Attachment #2)

Jean Duncan, Director, Kansas Real Estate Commission, testified in favor of the bill. (Attachment #3) She reviewed KREC budget projects through FY2001. In response to Rep. Edmonds she said she does not know why the number of renewals has declined approximately 25% since FY1989. The last increase in authorization was in FY1993, and the regulation increase took place in FY1996.

Karen France, Director of Governmental Affairs, Kansas Association of Realtors, testified in favor of **SB 115**. (Attachment #4) She said she believes the drop in licensees is due to it being more difficult to be a realtor. Many states have seen a higher decline in the industry than Kansas. The computer system will need to be addressed in the near future. In response to Rep. Cox she said she thought over 1/3 of the \$150,000 paid to the State General Fund could be saved if KREC just billed the State for the service they actually used.

Duncan said in response to Rep. Vickery that renewals are staggered based on the alphabet, therefore the annual carry over is not a pure carry over. Projection of renewals is based on trends, and have been quite accurate. The two unfilled positions cost a total of approximately \$40,000. Rep. Mayans felt the problem was KREC needed to cut FTEs based on the figures they provided.

Erik Sartorius, Governmental Affairs Director, Johnson County Board of Realtors, testified in favor of the bill. (Attachment #5) He said he has had no complaints from any Johnson County realtor about the service they receive from KREC. Internet fraud is already being seen in the real estate industry

Committee discussion was held. In response to Chair Wagle, Duncan said they are looking at marketing on the INTERNET. They have found some problems with advertising on the INTERNET. She did not know if the Attorney General's Consumer Protection office was involved.

Rep. Edmonds requested the following from Staff: 1) Budget package for KREC and 2) Report of the House Sub-Committee on KREC. Chair Wagle announced action on this bill will be taken at a later date

Chair Wagle passed out two balloons on the parental consent bill. She explained them to Committee members and requested they study the issue.

Proposal #1 would change parental "notification" to "consent", offer judicial bypass, require abortionist to have parent's signature or judicial bypass and hold parents not liable for the costs of abortion if they have no knowledge of abortion.

Proposal #2 was requested by Rep. O'Connor. It provides for parents right to deny consent and a judicial bypass provision.

Chair Wagle announced she hopes to take action on these proposals on March 11.

Committee adjourned at 2:35 P.M.

HOUSE FEDERAL & STATE AFFAIRS  
GUEST LIST

DATE: 03-09-99

NAME	REPRESENTING
Karin Freund	Ks. Assn of REALTORS
Chuck Boyd	
Jean Duncan	KREC
Ron Shivers	KAA
Jacque Dakes	Ks. Auctioneers Assoc.
Erik Sartorius	Johnson Co. Board of Realtors

TESTIMONY OF RONALD L. SHIVERS  
BEFORE THE HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE  
ON BEHALF OF  
THE KANSAS AUCTIONEERS ASSOCIATION (KAA)  
SENATE BILLS NO 115  
MARCH 9, 1999

Chairperson Wagle, Committee Members,

Thank you for this opportunity to appear before you on behalf of the Kansas Auctioneers Association (KAA) with regard to our position on Senate Bill #115 that will statutorily increase the cap on certain fees charged by Kansas Real Estate Commission.

By way of explanation, the Kansas Real Estate Commission (KREC) does not regulate Kansas Auctioneers. Kansas does not have a license law for auctioneers. However, an auctioneer who desires to sell real estate by the tried and proven auction method of marketing in Kansas must be a licensed real estate person. Consequently, since many of our members are real estate brokers or salespersons, the KAA is interested in things that affect the industry locally, statewide and through the National Auctioneers Association (NAA), nationally.

The KAA does not support the increase in statutory limits on fees assessed on real estate brokers and licensees. No compelling reason or supporting fiscal data for the increase has been noted. The notion that a decreasing trend in the number of licensees prompts the increase appears to be counterproductive. It seems to us that in an industry that levies such a high cost of entry, every effort must be made to avoid a raise in those costs. Fees have been raised to their statutory limit within the last two years. It is understood a new statutory limit does not mean immediate implementation. However, the KAA does feel that if you fill the candy dish or cookie jar, someone is going to want a cookie or piece of candy just because they are now available.

Moreover, rational based on fewer licensees would give rise to notion that the workload within the Kansas Real Estate Commission would be proportionately reduced. The KAA would ask that data be submitted that is basis for the request. For instance: what functions are not being performed or projected not to be performed due to loss of revenue: what plans in the out-years will fail due to lack of funds: what is not being done because two vacancies not filled. These are only the tip of the iceberg. The KAA is open to any increase that can be supported by specific rather than generalizations. As one member stated, it is difficult to pay a bill when you are not sure what it is for. The KAA has asked this question of the KREC. There is a strong possibility we may not understand the response. Nonetheless, it appears that the KREC will enjoy a positive carryover balance in excess of \$400,000 in FY 1999, FY 2000 and FY 2001. A delta, based on projected revenue loss comparison between FY 99 and FY 01, is less than \$ 50,000. Hence, the KAA believes there is insufficient data to support an increase in statutory limit at this time. KAA has seen some of the data submitted but are unclear of need for funds.

*House Fed & State  
3-9-99  
Attachment #1*

JOHN TODD & ASSOCIATES

REAL ESTATE

805 SOUTH MAIN, SUITE 103

WICHITA, KANSAS 67213

(316) 262-3681

March 9, 1999

Committee Members  
FEDERAL AND STATE AFFAIRS COMMITTEE  
Kansas House of Representatives  
State Capitol  
Topeka, Kansas 66612

Subject: *Opposition to Senate Bill 115*

Dear Committee Member:

The Kansas Real Estate Commission is asking for legislative authority to increase Real Estate License Fees.

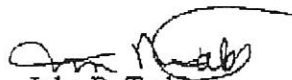
I find it interesting that the Kansas Real Estate Commission (KREC) is asking for more money in light of the testimony they presented to the legislature during the '96 and '97 legislative sessions regarding their support of the BRRETA Act when they testified that passage of the BRRETA Bill would have "no economic impact" on the real estate industry.

It appears that passage of the BRRETA ACT has indeed *decreased* the number of real estate licensees in the state, and now KREC is asking for authority to increase license fees to fill their anticipated shortfall.

In the *private sector* we handle *decreases* in market share by cutting expenses and overhead. We do not have the luxury of increasing fees. The Kansas Real Estate Commission needs learn how to live within their budget and cut their expenses and overhead when their market share decreases.

The legislature needs to oppose SB 115.

Sincerely,



John R. Todd  
Broker/Owner

P. S. If the legislature wants to do something constructive for the real estate industry, they need to consider running an audit of the fines being levied against real estate licensees by the Kansas Real Estate Commission. We don't need another level of taxation on the backs of real estate practitioners in the form of unwarranted fines.

*House Fed + State  
3-9-99  
Attachment #2*



BILL GRAVES, GOVERNOR

## KANSAS REAL ESTATE COMMISSION

Three Townsite Plaza Ste 200  
120 SE 6th Ave  
Topeka, KS 66603-3511

(785) 296-3411

<http://www.ink.org/public/krec>



JEAN DUNCAN, DIRECTOR

TO: THE HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE  
FROM: JEAN DUNCAN, DIRECTOR  
DATE: MARCH 9, 1999  
SUBJECT: SENATE BILL 115

Thank you for the opportunity to testify.

The commission requested introduction of this bill to increase maximum licensure fees. As a fee fund agency, we are totally supported by fees. Twenty percent of all fees collected go to the general fund.

Licensure fees are currently at the maximum. The 2-year fee for salespersons is \$100; for brokers, \$150. The bill increases the caps to \$150 and \$225.

This legislation does not immediately raise fees. It gives the commission the ability to increase fees within the cap. Based on current projections of receipts and expenditures, I think an increase may become necessary in FY-2001.

We are making every effort to be cost efficient. However, the salary base and some other expenditures continue to increase. There are fixed costs that we simply have no control over.

Receipts on the other hand are expected to decline. About 82% of receipts come from license renewals. Renewals are staggered over a two-year period. Although we expect more receipts in FY-2000 than in FY-1999, this is due to the fact that more licensees renew in even-numbered years than in odd-numbered years. When we compare the projection for FY-2001 to FY-1999, we see a significant decline. A further decline in FY-2002 over FY-2000 is also anticipated. Non-renewals are believed to be due largely from part-timers not renewing and to technology and other changes in the industry. I think this will level out, and the loss from non-renewals will eventually be offset by new people coming into the business.

Toward the end of FY-2000, the commission will need to determine if estimated cash balances will be adequate. Actual expenditures and receipts for most of FY-2000 will be available. Projections will be revised and could reflect a cash-flow problem. We will be going

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Attachment #3-1*



House Federal and State Affairs Committee  
March 9, 1999  
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into an odd-numbered year with renewal receipts staggered throughout the year, while the beginning cash balance will be immediately affected by an encumbrance for the year's office rent.

It is entirely possible that receipts will exceed projections and that less money will be spent than budgeted. In this happy event, an increase may not be needed in FY-2001.

I sincerely hope that you will agree that the commissioners need the ability to raise fees when necessary. Our mission is to protect the public interest, and we must have the resources to do the job. We urge you to recommend the bill for passage.

A table containing data requested by the Senate committee is attached to my testimony for your information.

I would be glad to answer any questions.

### Kansas Real Estate Commission

	Receipts	Salaries	Total Expenditures	Carry Forward Balance	Authorized FTE	Number Licensees	Broker Fee	Salesperson Fee
<b>Actual</b>								
FY1989	\$480,840	\$317,114	\$489,960	\$440,406	13	16,861	\$80	\$50
FY1990	516,563	333,328	480,739	476,282	13	16,083	80	50
FY1991	445,843	324,025	463,211	433,857	14	15,189	80	50
FY1992	524,900	331,358	488,148	496,214	13.7	13,924	100	60
FY1993	478,516	355,286	495,651	479,060	13.7	13,668	100	60
FY1994	516,331	380,145	526,440	469,167	15	13,510	100	60
FY1995	466,023	368,035	519,230	415,984	15	13,662	100	60
FY1996	507,367	360,272	515,946	408,453	14	13,699	100	60
FY1997	554,391	384,279	557,432	405,894	14	13,331	125	80
FY1998	628,234	399,221	556,402	477,395	14	13,123	150	100
<b>Budget</b>								
FY1999	628,692	435,699	614,833	491,254	14	12,980		
FY2000	675,148	460,464	638,926	527,476	14			
FY2001	574,764	472,178	653,293	448,947	14			

Notes:

Fee Increases

FY1992 fee increase was effective 7-13-91.  
FY1997 fee increase was effective 7-1-96.  
FY1998 fee increase was effective 5-31-98

Number of Licensees

Because a group renews every two months, figures fluctuate considerably after each renewal date (nonrenewals, late renewals, new licensees). The number shown is the June "licensee count"; if we had no count for June, the closest available to the month of June was used.

FY1999 licensee count is as of 12-11-98.

FY1991 and FY1992 carry-forward balances

A \$25,000 loan was made to the real estate appraisal board in FY1991 and paid back in FY1992. The \$25,000 is not included in the expenditures in FY1991 or in receipts in FY1992.

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Kansas Association of REALTORS®



**TO: HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE**

**FROM: KAREN FRANCE, DIRECTOR OF GOVERNMENTAL AFFAIRS**

**DATE: March 9, 1999**

**SUBJECT: SB 115, KANSAS REAL ESTATE COMMISSION FEE AUTHORITY INCREASE**

Thank you for the opportunity to testify. The Kansas Association of REALTORS® supports the increase in license fee authority proposed by the Kansas Real Estate Commission.

Last year, the Kansas Real Estate Commission requested a bill which proposed to increase the license fee from \$100 to \$200 per year for salespersons and from \$150 to \$250 per year for brokers. It was the position of our directors to support an increase of 50% in their authority, rather than the 100% increase for salespersons and 66% for brokers. That bill did not make it out of committee. This bill reflects a more modest fee authority increase and our Board of Directors supports this request.

The proposed change in fee structure is purely statutory and the rule and regulation making process would actually implement any increases. Our Board of Directors understands that the Commission has been faced with a declining number of licensees, as many part-timers have exited the real estate industry, while at the same time facing rising overhead costs, primarily in the form of state employee pay increases.

If you examine the budget of this agency, 70% of its revenues are expended on employee salaries and benefits. This is 70% of the revenue that they have, after they send 20% to the state General Fund. If the legislature has concerns about raising the fee authority for the KREC, perhaps you could consider re-evaluating the requirement that fee agencies surrender 20% of their collected fees off the top. While the money is collected in order to cover the costs of services provided by the state to the fee agency, perhaps it would be better to simply bill the fee agencies for the services actually rendered, rather than making the 20% blanket assumption.

We suggest consideration of an audit of how this money is actually spent by the Legislative Post Audit Division. As it stands now, this 20% results in a hidden tax on licensees. For fiscal year 1999, that amounts to \$156,000 for this agency. That is very close to the same amount that would be collected if the KREC were to utilize only 50% of the increased authority requested in this bill. And what do licensees get for that 20%? Very little. We think it would be very interesting to see what a study by the Legislative Post Audit would show regarding what services are delivered by the state on an agency by agency basis.

The Kansas Real Estate Commission has done a good job with the limited resources available. The real estate industry, like many industries, has gone through tremendous changes and will continue to do so in the future. This agency needs sufficient resources if it is going to be able to fulfill its mission. Their mission according to their mission statement is, in part, "To protect the public interest, which embraces both the interests of the regulated real estate licensees and the interests of consumers who use their services and products. We affirm that safeguarding the public interest in the selling, purchasing and leasing of real estate and developing responsive policies and procedures which are feasible and not unduly burdensome to regulated real estate licensees is a public and private trust."

The agency is currently at the mercy of an out of state computer vendor. The revenue from Kansas for this company is small, compared to other states and so needed programming changes are put on the company's back burner. This function needs to be brought back to the agency to be managed more efficiently. Additionally, the agency needs to have the resources to do more outreach education for licensees. Three newsletters per year is insufficient information for licensees to have in order to not only survive in the business, but to survive with the information necessary to insure the public gets the service they expect and deserve. We ask for your support of this legislation.

Thank you for the opportunity to testify.



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The Voice for Real Estate®

Testimony of Erik Sartorius  
 Governmental Affairs Director  
 Before the  
 House Federal and State Affairs Committee  
 Regarding  
 SB 115 Kansas Real Estate Commission Fee Increase

March 9, 1999

The Johnson County Board of REALTORS® supports Senate Bill 115. As you know, this legislation would grant the Kansas Real Estate Commission the authority to raise fees for real estate licenses.

The bill before you today represents a fine-tuning of a request made by the Kansas Real Estate Commission. Last year, the Commission sought a fee increase which would have resulted in a doubling of the license fees for salespersons and a 66 percent increase in the fee for a broker's license. Senate Bill 115, meanwhile, would give the Commission the authority for a 50 percent increase in these license fees. Salesperson licenses would eventually move from \$100 to \$150, and broker licenses would increase from \$150 to \$225.

As the Commission's executive director has thoroughly laid out, the Commission faces the very real likelihood of a revenue shortfall in FY2001, due primarily to two factors: reduced numbers of licensees and increased overhead costs. As the real estate industry changes, fewer part-time licensees are choosing to renew their license. The high cost of overhead is reflected in nearly 70 percent of the Commission's FY99 expenditures going to salaries, according to figures from the Division of Budget. This percentage is not expected to shrink.

We feel the increase is a reasonable proposal, reflecting the fiscal stewardship we have come to expect from the Real Estate Commission. Since FY89, they have raised fees only three times: broker fees have increased from \$80 to \$150 over this period, and salesperson fees have gone from \$50 to \$100. While doing this, their FTEs were actually reduced in FY96 from 15 to 14.

The public and licensees cannot afford to have the Real Estate Commission crippled by a budgetary crisis. Their focus instead must be on coming changes in real estate which will have serious consequences for both licensees and the public. The increased use of the Internet alone will require significant attention by the Commission.

We respectfully request that you support this legislation.

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 Attachment #5*