

Approved: February 15, 1999
Date

MINUTES OF THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS.

The meeting was called to order by Chairperson Senator Lana Oleen at 11:00 a.m. on February 2, 1999 in Room 254-E of the Capitol.

All members were present :

Committee staff present: Mary Galligan, Legislative Research Department
Russell Mills, Legislative Research Department
Theresa Kiernan, Revisors of Statutes
Judy Glasgow, Committee Secretary

Conferees appearing before the committee: Jean Duncan, Kansas Real Estate Commission
Karen France, Kansas Association of Realtors
John Brugnoni, Kansas Auctioneers Association

Others attending: See Attached Sheet

Theresa Kiernan reviewed the bill for committee. The bill would increase the maximum amount for the certain fees for real estate licenses that the commission can charge.

Chairman Oleen opened hearing on:

SB 115, real estate salespersons and brokers; fees

Chairman Oleen recognized Jean Duncan, Director Kansas Real Estate Commission (KREC). (Attachment 1) Ms. Duncan stated that the commission requested introduction of **SB 115** to increase maximum licensure fees as the commission is totally supported by these fees. Licensure fees are currently at the maximum. The commission does not anticipate an immediate increase of fees, but believes an increase may become necessary by FY 2001. License renewals are expected to decline based on current trends, while salary costs and other expenditures continue to increase. The commission's mission is to protect the public interest and needs the resources to do the job.

Jean Duncan responded to questions from the committee. Senator Oleen ask when the commission had last increased these fees. Jean Duncan replied that it had been a year since the last increase and the one before that had been July, 1996. Senator Vratil requested that KREC provide the committee with information showing all current fees that the agency charges and a history of these fees for the last 10 years. It would also be beneficial to know the number of licensees for each year. Senator Biggs requested that the carry over balance for the agency be provided in this report and what percentage of fees come from each license. Jean Duncan will provide the committee with this information.

Chairman Oleen introduced Karen France, representing Kansas Association of Realtors (KAR), as a proponent to **SB 115**. Karen France stated that the KAR feels that the Kansas Real Estate Commission has done a good job with the limited resources they have. (Attachment 2). This agency needs sufficient resources if it is going to be able to fulfill its mission. KAR realizes that the Commission has been faced with a declining number of licensees, while facing rising overhead costs, primarily in the form of state employee pay increases. Senator Gooch ask what services the state provided for the 20% fee. Jean Duncan stated that these covered the Attorney General opinions, accounts and receivables; the state processes all the checks for the agency, budget analysis, and personnel. Senator Oleen stated that this issue has been raised before and it was shown that for an agency to hire private contractors would be far greater than the 20%.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS, Room 254-E
Statehouse, at 11:00 a.m. on February 2, 1999

Senator Oleen expressed the fact that the committee would like to know that the realtors in the communities were supporting this bill and presently there have been no communications from them regarding this issue.

Senator Gooch ask how many realtors there are in the state of Kansas. Karen France stated there are 11,000 realtors and that the Kansas Association of Realtors represents 6800 members and all of those members have been notified of this bill.

Senator Biggs asked where the money collected as fines for violations goes. Jean Duncan stated that all fines for violations goes into the state general fund, not to the agency.

Chairman Oleen recognized John Brugnoni, Kansas Auctioneers Association (KAA), opponents of **SB 115** (Attachment 3). Kansas Real Estate Commission (KREC) does not regulate Kansas Auctioneers. An auctioneer who desires to sell real estate must be a licensed real estate person. KAA does not support the increase in statutory limits on fees assessed on real estate brokers and licensees. He believe no compelling reason or supporting fiscal data for the increase has been noted. The KAA believes there is insufficient data to support an increase in statutory limit at this time.

Chairman Oleen closed the hearings on **SB 115**, but the committee will still receive the requested information and written testimony before action is taken on the bill.

Chairman Oleen asked for committee action on approving Committee minutes for January 25 Rail, January 26 and January 27. Senator Becker made a motion the Minutes for January 25 Rail, January 26 and January 27 be approved. Seconded by Senator Jones. The motion passed.

The meeting adjourned at 11: 50. The next meeting for this committee is scheduled for February 3, 1999.



BILL GRAVES, GOVERNOR

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JEAN DUNCAN, DIRECTOR

TO: THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE
FROM: JEAN DUNCAN, DIRECTOR
DATE: FEBRUARY 2, 1999
SUBJECT: SENATE BILL 115

Thank you for the opportunity to testify.

The commission requested introduction of Senate Bill 115 to increase maximum licensure fees provided by K.S.A. 58-3063. As a fee fund agency, the commission is totally supported by fees. Twenty percent of fees collected go to the general fund.

Licensure fees are currently at the maximum. The two-year fee is \$100 for salespersons and \$150 for brokers. The bill provides for an increase of \$50 for salespersons and \$75 for brokers--a 50% increase in the two-year fee.

This legislation does not immediately increase fees. It gives the commission the ability to raise fees within the maximum. I am confident the commissioners will not vote to increase fees until they believe it is absolutely necessary to do so.

Based on current projections of receipts and expenditures, I believe an increase may become necessary by the beginning of FY-2001 and, if this is the case, that the increase would be set at \$25 for salespersons and \$38 for brokers--one-half of that authorized by the bill.

I want to assure you that 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. License renewals are staggered over a two-year period. We expect more receipts in FY-2000 than in FY-1999. However, 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. Based on current trends, a further decline in FY-2002 over FY-2000 is likely. Nonrenewals are believed to be due largely from part-timers not renewing and to technology and other changes in the industry. I think this will

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level out, and the loss from non-renewals will eventually be offset by new people coming into the business. If this happens sooner than later and no increase is necessary in FY-2001, no one will be happier than the commission.

We urge you to recommend the bill for passage. The commission's mission is to protect the public interest, and we must have the resources to do the job. Thank you for your consideration.



Kansas Association of REALTORS®



TO: SENATE FEDERAL AND STATE AFFAIRS COMMITTEE

FROM: KAREN FRANCE, DIRECTOR OF GOVERNMENTAL AFFAIRS

DATE: FEBRUARY 2, 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 also 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.

The Kansas Real Estate Commission has done a good job with the limited resources they have. 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 needs to have the resources to do more outreach education for licensees. Three to four 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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Attachment: # 2-1

TESTIMONY OF JOHN J. BRUGNONI
BEFORE THE FEDERAL AND STATE AFFAIRS COMMITTEE
ON BEHALF OF
THE KANSAS AUCTIONEERS ASSOCIATION (KAA)
SENATE BILLS NO ~~115~~
FEBRUARY 2, 1999

Chairperson Oleen, Committee Members,

Thank you for this opportunity to appear before you on behalf of the Kansas Auctioneers (KAA) with regard to our position on Senate Bill # ~~115~~ that will statutorily increase the cap on certain fees charged by the 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 cookie jar someone is going to want a cookie just because they are now available.

Moreover, rationale based on fewer licensees would give rise to the notion that the workload within the Kansas Real Estate Commission would be proportionately reduced. The KAA would ask that data be submitted that is the basis for the request. For instance: what is the decrease in licensees from Fiscal Year (FY) 1998 to Fiscal 1999; 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 spaces are 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.

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