

Kelly White, Acting Director

Real Estate Commission

Sam Brownback, Governor

To: Senate Commerce Committee
From: Bryon Schlosser, Member - Kansas Real Estate Commission
RE: **SB 108** - Increasing the Statutory Maximum Real Estate Licensing Fees

Chairperson Lynn and members of the Senate Commerce Committee, on behalf of the Kansas Real Estate Commission, thank you for the opportunity to present testimony as a proponent of **SB 108**.

FEE INCREASE REQUEST:

The Commission requested the introduction of **SB 108** in order to provide a **\$50 statutory** increase for salesperson and broker original and renewal fees. The Commission plans to raise the fees by only \$35 through **regulation**, an **increase for the two-year salesperson renewal fee and an increase for the two-year broker renewal fee totaling \$17.50 per year**. If increased, the cost for a two-year salesperson fee would rise from \$100 to \$135 and the two-year broker fee would increase from \$150 to \$185.

The mission of the Kansas Real Estate Commission is to protect the public interest by: 1) licensing only those individuals who have completed required courses prior to application and have passed a licensure examination; 2) by promoting the education of salespersons and brokers through mandatory continuing education; 3) by regulating real estate licensed activities to require compliance with Commission statutes and regulations; 4) by increasing consumers' and licensees' knowledge of real estate license law, brokerage relationships, and their understanding of the potential for fraud and misrepresentation. The Commission's philosophy is to act in accordance with high standards of ethics, accountability, efficiency, and openness.

The agency has not had a statutory fee increase since 1993 and the agency has not increased its license fees by regulation since 1998.

AGENCY FINANCING:

The Kansas Real Estate Commission is funded through fees -- the majority of which are derived from renewal licenses of brokers and salespersons, with the remainder originating from the issuance of the new licenses and penalties for late renewals. These fees are deposited into the **Real Estate Fee Fund** which finances the operation of the Commission. The **Background Investigation Fee Fund**, created in 2009, allows the agency to receipt, track, and pay for criminal history record checks required for persons applying for a new real estate license. The Kansas Bureau of Investigation conducts those checks. The **Real Estate Recovery Revolving Fund** reimburses legitimate claims, by court order, to clients for illegal transactions conducted by real estate agencies.

Budget cuts at the agency have been implemented since 2010 at the request of the House in lieu of passing a requested fee increase.

Significant modifications have been made to the way that the agency conducts its business. Reduction in staffing, restructuring, and implementation of several cost saving practices has, while increasing delays in licensing and disciplinary procedures, allowed the agency to continue functioning.

REAL ESTATE FEE FUND ESTIMATE:

The Real Estate Fee Fund generates revenues from those participating in real estate throughout Kansas and other states. **The Commission estimates net receipts to its Real Estate Fee Fund to be \$833,117 in FY 2015, \$923,922 in FY 2016, and \$874,197 in FY 2017.** The Real Estate Fee Fund received a \$200,000 transfer from the Real Estate Recovery Revolving Fund in FY 2011 to help maintain an adequate fee fund balance without raising license fees.

Licensees renew in either even or odd years, depending on the first initial of their last names. The number of licensees who renew in even-numbered fiscal years is greater than those who renew in odd-numbered fiscal years. **The estimated ending balance in the Real Estate Fee Fund for FY 2015 is \$186,837, FY 2016 is \$144,421 and FY 2017 is \$12,390.**

With the substantial decrease in the number of real estate licensees and fee revenue over the last seven fiscal years and the increase in the number of complaints, investigations and hearings, the agency is deeply concerned about being able to continue its efforts to complete its mission. The Kansas Real Estate Commission is requesting once again the fee increase to begin in FY 2016 with the hope of **generating an estimated additional \$168,853 in FY 2016 and \$154,028 in FY 2017.**

PAST EFFORTS:

In the recent past the Commission has: 1) worked diligently to whittle employees to a minimum without harming the safety and security of the public or detrimentally affecting over 13,500 licensees; 2) created efficient licensing and tracking systems to lessen the amount of time that each applicant/licensee/disciplinary case takes; 3) created and is preparing to launch in 2015 the OLMS (Online Management System) which will give licensees the ability to transfer licenses from one company to another, add or remove a company affiliation, update contact information and more online with a credit card instead of submitting paperwork and checks to be handled by multiple staff members; 4) created workplace efficiencies with the installation of a voice mail system so that staff attention can be focused on required daily activities; 5) planned in-house Commission meetings every other month in order to save on travel and accommodation expense; 6) maintained and used outdated equipment until such time as replacement is necessary and private data security becomes threatened; 7) reduced travel costs for auditors by replacing the audit process with "audit by mail."

FORWARD LOOKING:

In the fall of 2014, the Kansas Real Estate Commission began refocusing and redirecting the agency's efforts, looking closely at budget constraints. The agency began a new era of cooperation with the Attorney General's office by continuing to use that office for Commission General Counsel and beginning to use that office's services for Disciplinary Counsel instead of budgeting for an in-house attorney.

Policy changes are being implemented at all levels so that there will be more flexibility and clarity for Commission staff and licensees. Policy is also changing in regard to the prioritizing and resolution of complaints that come from either the public or from licensees. The agency is committed to continue to work with fresh eyes on customer service issues that have surfaced over the past several years as the budget lessened and staff had to be decreased.

With a minimal increase in licensure fees, the Commission believes that we will be able to move forward positively to begin the stabilization of our Real Estate Fee Fund, be able to fund more quickly our disciplinary hearings, be able to comfortably replace outdated technological equipment and programs, and work toward a more streamlined and efficient agency.

CONCLUSION:

We appreciate the time you have given to us to provide comments on **SB 108**. We respectfully request that the members of the Senate Commerce Committee support this small increase in licensing fees in order to provide continuing services, education, support, and discipline for a professional working community and to ensure that consumer protection in the real estate industry is still alive and well. Thank you for the opportunity.