

Fiscal Estimate Narratives
R&L 1/14/2004

LRB Number 03-3972/1	Introduction Number SB-369	Estimate Type Original
Subject Reciprocal agreements for real estate licenses		

Assumptions Used in Arriving at Fiscal Estimate

AB 369 permits the Department of Regulation and Licensing [DRL], with the approval of the Real Estate Licensing Board, to license Real Estate Brokers and Salespersons from Out of State by reciprocity instead of requiring the Wisconsin examination.

This Fiscal Estimate is updated with numbers of licensees as of December 2003. Currently there are 12,939 active Real Estate Broker licensees and 12,063 active Real Estate Salesperson licensees. Of these 25,002 licensees, 1,801 list a home address that is outside of Wisconsin. DRL assumes that another 50% over the current number of out of state real estate practitioners--or 900--would wish to be licensed by reciprocity.

DRL would incur one-time costs to modify Application and Licensing IT systems and to promulgate rule changes for reciprocal licensing. DRL legal counsel would also need to research the Real Estate Broker and Real Estate Salesperson qualifications in states proposed for reciprocity agreements. DRL also assumes an increase in annual costs due to increased complaint against Out of State Brokers and Salespersons.

All salary assumptions include fringe benefits at 38.92% of salary.

Cost Assumptions

Total One-time Costs: \$12,770

Modify IT programs

50 hours of IT programmer time @35 per hour \$1,750

Promulgate Rules on Reciprocal Licensing

40 hours legal counsel @53 per hour \$2,120

40 hours program manager @36 per hour \$1,440

80 hours paralegal @27 per hour \$2,160

20 hours legal counsel research per each state @ 53 per hour for 5 states \$5,300

Total On-going Costs: \$6,348

For the current 25,002 active practitioners, DRL closed 164 regulation enforcement cases in 2002. This is a rate of .007 cases for real estate practitioners a year. Assuming there would come to be 900 real estate practitioner licensed reciprocally [see Revenue assumptions, below] DRL could expect 6 new cases each year. Approximately 20% of these cases go to formal hearing so DRL assumes 1 of the 6 would go to formal hearing.

Full Hearing [1 Case]

5 hours program assistant @17 per hour \$ 85

6 hours investigator @26 per hour \$ 156

49 hours prosecutor @53 per hour \$2,597

40 hours administrative law judge @51 per hour \$2,040

Settled after Investigation [5 Complaints]

25 hours program assistant @17 per hour \$ 425

5 hours legal counsel @53 per hour \$ 265

30 hours investigator @26 per hour \$ 780

Revenue Assumptions

There were 465 new out of state Real Estate Brokers and Salespersons licensed in 2003. The Wisconsin real estate examination has a pass rate of approximately 50%, so DRL assumes that approximately 900 out of state residents take the current exam each year

DRL assumes an eventual increase of 50%, 900, new out of state real estate practitioners may choose to be licensed under reciprocal agreements and pay a biennial license fee of \$53. This will bring in \$47,700 revenue biannually or \$23,850 annually, \$2,385 would be deposited to the General Fund and \$21,465 would come to DRL to cover the costs of regulation. The revenue does not automatically increase DRL's budget authority.

900 Out of State Real Estate Brokers and Salespersons annually would not take the Wisconsin Real Estate examination losing \$12,150 in Program Revenue examination payments and \$5,850 in General Fund examination payments.

Net annual revenue is -\$3,465 to the General Fund and \$9,315 to Program Revenue

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Subject			
Reciprocal agreements for real estate licenses			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
\$12,770			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$6,348	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$6,348	\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS		6,348	
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned		2,385	-5,850
FED			
PRO/PRS		21,465	-12,150
SEG/SEG-S			
TOTAL State Revenues		\$23,850	\$-18,000
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$6,348	\$
NET CHANGE IN REVENUE		\$5,850	\$
Agency/Prepared By		Authorized Signature	Date
R&L/ Elizabeth Reinwald (608) 266-0746		Elizabeth Reinwald (608) 266-0746	1/13/2004