

### Fiscal Estimate - 2003 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>03-3952/1</b>	<b>Introduction Number</b> <b>AB-733</b>
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**Subject**  
 Reciprocal agreements for real estate licenses

**Fiscal Effect**

**State:**

- No State Fiscal Effect
- Indeterminate
  - Increase Existing Appropriations
  - Decrease Existing Appropriations
  - Create New Appropriations
- Increase Existing Revenues
- Decrease Existing Revenues
- Increase Costs - May be possible to absorb within agency's budget
  - Yes       No
- Decrease Costs

**Local:**

- No Local Government Costs
  - Indeterminate
    - 1.  Increase Costs       Permissive     Mandatory
    - 2.  Decrease Costs       Permissive     Mandatory
  - 3.  Increase Revenue       Permissive     Mandatory
  - 4.  Decrease Revenue       Permissive     Mandatory
- 5. Types of Local Government Units Affected**
- Towns       Village       Cities
  - Counties     Others
  - School Districts     WTCS Districts

<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS ss.20.165 (1)(g) and 20.165 (1)(i)	

<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
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**Fiscal Estimate Narratives**  
**R&L 1/14/2004**

LRB Number <b>03-3952/1</b>	Introduction Number <b>AB-733</b>	Estimate Type <b>Original</b>
<b>Subject</b> Reciprocal agreements for real estate licenses		

**Assumptions Used in Arriving at Fiscal Estimate**

AB 733 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     
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LRB Number <b>03-3952/1</b>		Introduction Number <b>AB-733</b>	
<b>Subject</b>			
Reciprocal agreements for real estate licenses			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
\$12,770			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes		\$6,348	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>		<b>\$6,348</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR			
FED			
PRO/PRS		6,348	
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned		2,385	-5,850
FED			
PRO/PRS		21,465	-12,150
SEG/SEG-S			
<b>TOTAL State Revenues</b>		<b>\$23,850</b>	<b>-\$18,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		State	Local
NET CHANGE IN COSTS		\$6,348	\$
NET CHANGE IN REVENUE		\$5,850	\$
<b>Agency/Prepared By</b>			
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			<b>Date</b>
			1/13/2004