

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** HB 899 (First Edition)

**SHORT TITLE:** Real Estate Salesman / Broker Licensure

**SPONSOR(S):** Reps. Bridgeman et al.

<b>FISCAL IMPACT</b>					
	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 1999-00</u></b>	<b><u>FY 2000-01</u></b>	<b><u>FY 2001-02</u></b>	<b><u>FY 2002-03</u></b>	<b><u>FY 2003-04</u></b>
<b>REVENUES</b>					
Special Fund					
Salesman License	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000
Brokers License	-	\$81,000	\$108,000	\$108,000	\$108,000
<b>EXPENDITURES</b>					
Special Fund					
Salesman License	\$25,674	-	-	-	-
Brokers License	-	\$81,000	\$108,000	\$108,000	\$108,000
Computer Exam	-	(\$73,500)	(\$84,000)	(\$84,000)	(\$84,000)
<b>NET IMPACT</b>	<b>(\$7,674)</b>	<b>\$91,500</b>	<b>\$102,000</b>	<b>\$102,000</b>	<b>\$102,000</b>
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> North Carolina Real Estate Commission					
<b>EFFECTIVE DATE:</b> The act is effective October 1, 2000.					

**BILL SUMMARY:**

The bill requires prospective salesmen to complete a training course with 75 (now, 30) hours of classroom instruction within 3 (now, 5) years of applying for a license. Requires prospective brokers to complete a training course with 60 (now, 90) additional hours beyond those required for salesmen, within 3 (now, 5) years of applying for a license. Makes computer examinations an option for applicants. Prohibits requiring additional examination for broker applicants who hold salesman licenses. Specifies moral adequacy criterion for applicants: competency, honesty, truthfulness, integrity, and general moral character necessary to protect the public interest and promote public confidence in the real estate brokerage business. Deletes grandfather provision

permitting persons with licenses at the original date of passage of the chapter to avoid examination by filing a sworn application.

## **ASSUMPTIONS AND METHODOLOGY:**

### **SALESMAN LICENSE**

Officials with the North Carolina Real Estate Commission project that the increased educational requirements for a real estate salesman license will increase the number of license exam applicants before the October 1, 2000 effective date. The Commission expects 1,600 additional applicants prior to October 1, 2000 and a temporary decline of 1,000 applicants after October 1, 2000. The Commission guesses that roughly one-third of the applicants will take the monthly exam in FY 1999-00 and the remaining two-thirds will take the exam in the first three months of FY 2000-01.

This fiscal note rounds these numbers off to 600 additional applicants in FY 1999-00 and 1,000 in the first quarter of FY 2000-01. At \$30 per application, the 600 applicants in FY 1999-00 will pay \$18,000 in license fees. The Commission says it cost \$42.79 to administer the exam, thus the administrative expense for 600 exams is \$25,674. Assuming these 600 applicants receive their license, then the \$30 annual renewal fee will generate \$18,000 in revenue each year.

In FY 2000-01, the 1,000 applicants expected prior to October 1, 2000 will be offset by the projected decline of 1,000 applicants for the remainder of the fiscal year. This will produce no additional revenue or expenditures.

### **BROKER LICENSE**

The Real Estate Commission expects 3,600 additional licensed real estate salesmen each year to apply for a broker license after October 1, 2000. At \$30 per application, the revenue generated will be \$108,000 per year. However, the Commission estimates that the administrative cost of the exam is also \$30 or \$108,000 per year. Due to the October 1 effective date, the first year numbers are three fourths of the estimate or \$81,000. Since the renewal fee for a broker is the same as a salesman, there is no increased revenue from license renewals.

### **COMPUTERIZED EXAMS**

The bill authorizes the Commission to give computerized exams after October 1, 2000. The Commission estimates that of the 8,000 exam applicants each year, 75% or 6,000 will choose a computerized exam. The Commission believes it will save \$14 in administrative costs per computerized exam. At \$14 per exam, the Commission will save \$84,000 each year. Savings are reduced in FY 2000-01 because 1,000 salesman applicants will take the exam before computer exams are offered. Of the 7,000 exams taken after October 1, 2000, 5,250 exams will be computerized for a savings of \$73,500 in FY 2000-01.

**FISCAL RESEARCH DIVISION 733-4910**  
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