

Date of Hearing: June 28, 2017

ASSEMBLY COMMITTEE ON ACCOUNTABILITY AND ADMINISTRATIVE REVIEW

Susan Talamantes Eggman, Chair
SB 173 (Dodd) – As Amended May 26, 2017

SENATE VOTE: 39-0

SUBJECT: Real estate: Bureau of Real Estate

SUMMARY: Changes the location within state government of the California Bureau of Real Estate (Bureau) and renames it the Department of Real Estate (DRE). Specifically, **this bill:**

- 1) Removes the Bureau from the Department of Consumer Affairs (DCA).
- 2) Establishes the DRE as a department under the Business, Consumer Services, and Housing Agency (BCSH).

EXISTING LAW:

- 1) Establishes in state government the BCSH, which is comprised of various departments including the DCA.
- 2) Establishes the Bureau within the DCA to license and regulate real estate brokers and real estate salespersons.

FISCAL EFFECT: According to the Senate Appropriations Committee:

- 1) No significant one-time costs are anticipated by the Bureau to facilitate the reorganization. Prior to 2013, the Bureau was a separate department. Because the Bureau continues to maintain its own information technology system and did not move office locations, it is not likely that the new department would incur significant costs to make the transition back to being a department.
- 2) Increased administrative costs of \$1.98 million in 2017-18 and \$1.84 million per year in 2018-19 and ongoing for administrative support within the new DRE (Real Estate Fund). The new DRE would return to performing all administrative tasks in-house, as was the case prior to 2013.
- 3) Reduced administrative expenditures of \$1.10 million in 2017-18 and \$1.01 million per year in 2018-19 and ongoing by the DCA, because it will no longer be providing administrative support to the new DRE (Real Estate Fund).
- 4) Ongoing costs of \$4.40 million per year in administrative costs incurred by the DRE that will be charged to the remaining boards and bureaus within the DCA (various special funds).

COMMENTS: This bill removes the Bureau from DCA and makes it a department within BCSH. Prior to 2013, the DRE was an independent department within the Business, Transportation, and Housing Agency. Renaming the department and changing its position within state government was part of the 2013 reorganization of the Executive Branch of state government, known as the Governor's Reorganization Plan 2, or GRP 2.

GRP 2 had the stated goals of improving organizational relationships, increasing efficiency, and making government more accessible. The plan created the BCSH agency, which oversees the DCA and other departments. An aim of GRP 2 was to bring entities that regulate or license industries, business activities, or professionals under one agency.

According to a letter from the Governor about the plan, consolidating under the agency "will improve service, consistency, and efficiency by facilitating shared administrative functions and expertise in areas such as automated systems, investigative practices, and licensing and legal processes. It will also help the public more easily know where to get information about entities regulating the businesses and professionals that they have direct contact with."

The author states that the structural change in this bill is necessary since the DCA has not adequately met the needs of the Bureau and its costs have been increasing. While the Bureau maintained most of its responsibilities after the transition from the former DRE, DCA began providing business services/budgeting, human resources, and legislative analysis services to the Bureau. The Bureau pays DCA for these services, which have increased in the last few years.

According to the author, "although many elements of GRP 2 have worked as intended, the abolition of DRE and concurrent establishment of [the Bureau] have not. Since [the Bureau] was moved under DCA, the cost to administer the Real Estate and Subdivided Lands Laws has increased by several million dollars annually. The Bureau's responsiveness to the public and to its licensees has continued, but at the cost of greater resource commitments and burdens on staff and administrators."

On March 9, 2016, the Senate Committee on Business, Professions, and Economic Development and the Assembly Committee on Business and Professions, as part of their sunset review hearing, discussed various issues with the Bureau. The hearing background paper states that since GRP 2, key services like human resources support and management direction seem to be lacking and that the Bureau noted that purchase orders, information technology orders, contract payments, employee reimbursement, and miscellaneous human resources requests have been skipped or have not been processed since the DRE became the Bureau. The background notes that the Bureau explained that it informed DCA about issues, but does not always receive timely responses.

The California Association of REALTORS, which is sponsoring this bill, states that it will increase efficiency and remove unnecessary bureaucratic layers. There is no opposition on file.

PRIOR LEGISLATION:

AB 1317 (Frazier, Chapter 352, Statutes of 2013) enacted the statutory changes necessary to reflect the changes made by the GRP 2, including moving the former DRE to become the Bureau under DCA within the BCSH.

REGISTERED SUPPORT / OPPOSITION:

Support

California Association of REALTORS (sponsor)
American Baptist Homes of the West
American Resort Development Association

California Apartment Association
California Association of Community Managers
California Association of Mortgage Professionals
California Building Industry Association
California Mortgage Association
Escrow Institute of California
LeadingAge California
Pep Housing
Retirement Housing Foundation

Opposition

None on file

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