

## **INITIAL STATEMENT OF REASONS ALLOCATION OF FEES TO EDUCATION AND RESEARCH ACCOUNT**

These regulations address the Bureau of Real Estate's ("CalBRE") allocation of funds to the Education and Research Account within the Real Estate Fund, pursuant to Section 10450.6 of the Business and Professions Code ("the Code"). This proposal would set the percentage of license fees to be allocated to that account at the maximum 8 percent.

### **BACKGROUND**

Section 10450.6 of the Code was amended in 1993 (Stats.1993, c. 416) to create a separate account within the Real Estate Fund, "for purposes of real estate education and research." The account was named the Education and Research Account. The Real Estate Commissioner ("the Commissioner") was empowered to, "by regulation, require that up to 8 percent, or any lesser amount that he or she deems appropriate, of the amount of any license fee collected under this part be credited to the Education and Research Account..." Section 10451.5(b) of the Code states that, should the Education and Research Account exceed \$400,000, the Commissioner may authorize transfer of all or part of the surplus above that amount to the Real Estate Fund.

Effective early in 1995, the Commissioner adopted Section 2717 of the Regulations of the Real Estate Commissioner (Title 10, Chapter 6 of the California Code of Regulations) ("the Regulations"). Section 2717 of the Regulations set the percentage of license fees to be allocated to the Education and Research Account at the maximum: 8 percent. In late 1996, the Commissioner amended Section 2717 to the present language:

#### **"§ 2717. Allocation of Fees to Education and Research Account**

Pursuant to Section 10450.6 of the Code, no portion of the amount of the license fee collected under Part 1 of Division 4 of the Code shall be credited to the Education and Research Account."

The uses to which the Education and Research Account may be put are described in Section 10451.5 of the Code. Specifically, that section describes:

"...the advancement of education and research in real estate at the University of California, state colleges and community colleges, or in contracting for a particular research project in the field of real estate for

the state with any university in the State of California accredited by the Western Association of Schools and Colleges, or with any corporation or association qualified to perform such research.” (§ 10451.5 of the Code.)

Both before and after the establishment of the Education and Research Account, CalBRE’s role included sponsorship of projects intended to educate the general public on real estate issues, as well as licensees and prospective licensees regarding their roles in the market. Among recent major projects was “Financial Sense to White Picket Fence.” This is a consumer guide and curriculum for first-time home buyers, released in 2011. Another, ongoing example is CalBRE’s “Financial Literacy Outreach Course” The project provides free access to educational resources in print and on video. This course is designed to improve the financial literacy of high school aged and older consumers, building a sound foundation of credit-worthiness long before entering the real estate market. These two packages of educational materials are only recent examples; numerous other projects can be identified.<sup>1</sup>

#### PUBLIC PROBLEM, ADMINISTRATIVE REQUIREMENT, OR OTHER CONDITION OR CIRCUMSTANCE THAT THIS AMENDMENT IS INTENDED TO ADDRESS

In establishing Education and Research Account via Section 10450.6 of the Code, the Legislature recognized a need for ongoing efforts to educate both the consumer public and real estate licensees regarding real estate matters. A regular designation of funds into the Education and Research Account would ensure funding for such projects.

#### PURPOSE, BENEFITS, AND GOALS OF THIS AMENDMENT

This amendment will ensure that the maximum legal percentage of funds – 8 percent – is designated for the educational and research purposes described in Section 10451.5 of the Code. For Fiscal Year 2012-13, 8 percent of the license fees collected amounted to \$2,832,000.

#### NECESSITY OF THIS AMENDMENT

Although allocation of resources for educational and research projects does not require that the fees be designated to the Education and Research Account, such designation ensures that sufficient fees are available for this purpose. The projects that fall within this purpose are multiple, and some are ongoing.

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<sup>1</sup> Interested readers may visit CalBRE’s website at [www.bre.ca.gov](http://www.bre.ca.gov). Additional project materials can be found under the “Consumers” tab, within the categories of “Consumer Guides and Publications,” “Homebuyer Information,” and “Financial Literacy.” Educational materials for licensees can also be found at the same website, under the “Licensees” tab, within the category of “Real Estate Business Resources.”

One example of an ongoing effort relates to CalBRE's need to keep its licensing exams current with the dynamic and diverse real estate industry. CalBRE regularly contracts with specialists to review the licensee knowledge and experiences that are sufficient to ensure competent, present-day real estate practices. In consultation with those specialists, CalBRE incorporates that information into new questions for inclusion in licensing exams. Such reviews, recurring every few years, fall within the scope of the Education and Research Account.

Other research and education projects are not ongoing, but intended to address specific long-term needs. Already in 2014, CalBRE published and began distribution of *A Guide to Understanding Residential Subdivisions in California*. This 90-page educational and reference document was developed via contract with the College of Continuing Education at California State University, Sacramento. The publication is a practical and valuable tool for subdivision developers and builders, consumers who are interested in purchasing a home in a subdivision, owners of homes and units in subdivisions, real estate lawyers, real estate licensees, land use planners and other regional subdivisions staff, CalBRE's own specialized subdivisions staff, and anyone else who might be interested in residential subdivisions. CalBRE has begun planning for contracts for research and drafting of similar publications and projects. Near-term projects are likely to focus on the necessities of both pre-licensing and continuing education of real estate licensees, financial literacy "textbooks" targeted at older teens (an age where increased financial awareness is critical to a foundation of good credit), and an update of the popular *Real Estate Reference Book*, last revised in 2010. CalBRE will fund these projects with the portion of license fees designated by this regulation.

#### ALTERNATIVES CONSIDERED

- **Alternative: Make no designation of funds:** There is no requirement that any funds be designated for the purpose of the Education and Research Account within the Real Estate Fund; nothing prevents CalBRE from using undesignated Real Estate Fund for education and research projects. *Reason for rejection:* The Commissioner believes that designation of funds highlights the importance of these projects and the service they provide to the public and to the market. Designation of funds via regulation also ensures that this prioritization of funds retains some stability.
- **Alternative: Select a percentage below the maximum 8 percent.** Perhaps less funding for education and research is an appropriate or sufficient amount. *Reason for rejection:* The Commissioner has identified ongoing and pending education and research projects that require the maximum allowable funding.

#### RESULTS OF THE ECONOMIC IMPACT ANALYSIS/ASSESSMENT (Pursuant to Government Code Section 11346.3(b))

CalBRE has conducted an Economic Impact Assessment, and that document is relied upon in reaching these results:

- The proposal does not affect the creation or elimination of jobs within the State of California.
- The proposal does not affect the creation of new businesses or the elimination of existing businesses within the State of California.
- The proposal does not affect the expansion of businesses currently doing business within the State of California.
- The proposal will not adversely affect the health and welfare of California residents, worker safety, or the State's environment. By designating funds for education and research projects, the proposal will benefit the general welfare of California residents by ensuring that licensees and the public have greater financial literacy and knowledge of real estate practices.

NOTE: CalBRE's proposal does not change the licensing fees charged to real estate licensees, nor significantly change the present spending priorities of the agency. The proposal merely designates some portion of the existing fees for an important purpose, as specifically authorized in statute.

#### TECHNICAL, THEORETICAL, AND/OR EMPIRICAL STUDY, REPORTS, OR DOCUMENTS

The Commissioner did not rely upon any technical, theoretical, or empirical studies, reports or documents in proposing the adoption of these regulation sections.

#### ALTERNATIVES TO THE PROPOSED REGULATORY ACTION THAT WOULD BE AS EFFECTIVE AND LESS BURDENSOME TO PRIVATE PERSONS

The alternatives to this regulation are described above, along with the reasons why the selected option was preferred. Because this amendment merely designates the use of a portion of existing license fees for a particular purpose, this amendment has no impact on private persons. The Commissioner finds that no alternatives he has considered would be more effective in carrying out the purpose of the proposed regulation change or would be as effective and less burdensome to affected private persons than the proposed regulation change.

#### ALTERNATIVES TO THE PROPOSED REGULATORY ACTION THAT WOULD LESSEN ANY ADVERSE ECONOMIC IMPACT ON BUSINESSES

The alternatives to this regulation are described above, along with the reasons why the selected option was preferred. Because this amendment merely designates the use of a portion of existing license fees for a particular purpose, this amendment has no adverse economic impact on private business. The Commissioner finds that no alternatives he has considered would have less economic impact on business.