1-1 By: Menéndez, Schwertner

1-2 (In the Senate - Filed March 3, 2023; March 16, 2023, read 1-3 first time and referred to Committee on Business & Commerce; 1-4 April 6, 2023, reported adversely, with favorable Committee 1-5 Substitute by the following vote: Yeas 11, Nays 0; April 6, 2023, sent to printer.)

1-7 COMMITTEE VOTE

1-8		Yea	Nay	Absent	PNV
1-9	Schwertner	X	-		
1-10	King	X			
1-11	Birdwell	X			
1-12	Campbell	X			
1-13	Creighton	X			
1-14	Johnson	X			
1-15	Kolkhorst	X			
1-16	Menéndez	X			
1-17	Middleton	X			
1-18	Nichols	X			
1-19	Zaffirini	X			

1-20 COMMITTEE SUBSTITUTE FOR S.B. No. 1577

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By: Menéndez

1-21 A BILL TO BE ENTITLED AN ACT

relating to the Texas Real Estate Research Center, the Real Estate Research Advisory Committee, the Texas Real Estate Commission, and the Texas Appraiser Licensing and Certification Board; increasing a fee; authorizing a fee.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. The heading to Subchapter C, Chapter 86, Education Code, is amended to read as follows:

SUBCHAPTER C. TEXAS REAL ESTATE RESEARCH CENTER

SECTION 2. Section 86.51, Education Code, is amended to read as follows:

Sec. 86.51. <u>TEXAS</u> REAL ESTATE RESEARCH CENTER. <u>The Texas Real Estate Research Center</u> [There] is established at Texas A&M University [a Real Estate Research Center, hereinafter referred to as the center]. The operating budget, staffing, and activities of the center shall be approved by the board of regents of The Texas A&M University System.

A&M University System. SECTION 3. Section 86.52, Education Code, is amended by amending Subsections (c), (d), (e), (f), (h), (i), (j), (k), and (l) and adding Subsection (m) to read as follows:

- (c) Members [Except for the initial appointees, members] of the advisory committee hold office for staggered terms of six years, with the terms of three members expiring on January 31 of each odd-numbered year. [In making the initial appointments, the governor shall designate three members, including two representatives of the real estate industry and one representative of the general public, for terms expiring in 1973, three for terms expiring in 1975, and three for terms expiring in 1977.] Any vacancy shall be filled by appointment for the unexpired portion of the term. Each member shall serve until the member's [his] successor is qualified.
- (d) The <u>presiding officer</u> [chairman] of the Texas Real Estate Commission, or a member of the commission designated by the <u>presiding officer</u> [him], shall serve as an ex officio, nonvoting member of the advisory committee.
- (e) The <u>advisory</u> committee shall elect a presiding officer and an assistant presiding officer from <u>the committee's</u> [<u>its</u>] membership, and each officer shall serve for a term of one year.
 - (f) [The first meeting of the advisory committee shall be

called by the president of Texas A & M University or his designated representative.] The advisory committee shall meet not less than semiannually, and in addition on call of the committee's presiding officer [its chairman], [or] on petition of any six of the committee's [its] members, or on call of the executive director of the center [president of Texas A & M University] or the executive director's [his] designated representative.

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- (h) The <u>executive director of the center</u> [president of Texas <u>M University</u>] or <u>the executive director's</u> [his] designated representative shall submit to the advisory committee in advance of each fiscal year a budget for expenditures of all funds provided for the center in a form that is related to the proposed schedule of activities for the review and approval of the advisory committee. The proposed budget approved by the advisory committee shall be forwarded with the comments of the committee to the board of directors of The Texas $\underline{A\&M}$ [$\underline{A\&M}$] University System prior to its action on the proposed budget, and the board of directors of The Texas $\underline{A\&M}$ [$\underline{A\&M}$] University System shall not authorize any expenditure that has not had the prior approval of the same approval of the same approval of the same approval of the same advisory committee. expenditure that has not had the prior approval of the advisory committee.
- (i) The president of Texas $\underline{A\&M}$ [$\underline{A\&M}$] University or the president's [his] designated representative shall submit to the advisory committee for its review and approval a research agenda at the beginning of each fiscal year and shall continuously inform the
- advisory committee of changes in its substance and scheduling.

 (j) Each member of the <u>advisory committee</u> [board] is entitled to a per diem as provided in the center's budget [set by legislative appropriation for each day that the member engages in the business of the committee [board]. A member is entitled to [may
 not receive any] compensation for transportation and travel
 expenses, including expenses for meals and lodging[, other than transportation expenses. A member is entitled to compensation for transportation expenses] as provided in [prescribed by] the center's budget [General Appropriations Act].
- (k) Except as provided by Subsection (1), the [The] advisory committee is subject to Chapter 551, Government Code, Chapter 2001, Government Code, and the provisions of Chapter 572, Government Code.
- (1) The advisory committee may conduct a meeting by conference call or virtually through a third-party Internet application as long as members of the general public are able to participate in the meeting, and any discussions during the meeting, if the meeting is not permitted to be conducted as a closed meeting under Chapter 551, Government Code.
- $\frac{\text{(m)}}{\text{by}}$ The financial transactions of the center are subject to audit by the state auditor in accordance with Chapter 321, Government Code.

SECTION 4. Section 1101.0045, Occupations Code, is amended to read as follows:

- EQUITABLE INTERESTS IN REAL PROPERTY. Sec. 1101.0045. A person may acquire an option or an interest in a contract to purchase real property and then sell or offer to sell the option or assign or offer to assign the contract without holding a license
- issued under this chapter if the person:

 (1) does not use the option or contract to purchase to engage in real estate brokerage; and
- (2) discloses in writing the nature of the equitable
- interest to any <u>seller or</u> potential buyer.

 (b) A person selling or offering to sell an option or assigning or offering to assign an interest in a contract to purchase real property without disclosing the nature of that interest as provided by Subsection (a)(2) [to a potential buyer] is engaging in real estate brokerage.

SECTION 5. Section 1101.054, Occupations Code, is amended to read as follows:

Sec. 1101.054. OFFICIAL OATH. Not later than the 15th $\underline{\text{calendar}}$ day after the date of appointment, each appointee must Not later than the 15th take the constitutional oath of office.

SECTION 6. Section 1101.152(a), Occupations Code,

amended to read as follows:

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- (a) The commission shall adopt rules to charge and collect fees in amounts reasonable and necessary to cover the costs of administering this chapter and the real estate recovery trust account as required by this chapter, including a fee for:
- (1)filing an original application for a broker license;
 - (2)renewal of a broker license;
- 3-9 (3) filing an original application for a sales agent 3**-**10 3**-**11 license;
 - (4)renewal of a sales agent license;
 - (5) registration as an easement or right-of-way agent;
 - (6)filing an application for a license examination;
 - (7)filing a request for a change of place of business, change of name, return to active status, or change of sponsoring broker;
 - filing a request to replace a lost or destroyed (8) license or certificate of registration;
 - (9) filing an application for approval of an education program under Subchapter G;
 - annual operation of an education program under (10)Subchapter G;
 - (11)transcript evaluation;
 - (12)preparing a license or registration history;
 - (13)filing a request for a determination of fitness to engage in a profession the commission regulates; [and]
 - (14)conducting a criminal history check for issuing or renewing a license; and
 - (15)registering as a business entity under Section 1101.355(d)
 - SECTION 7. Section 1101.154(a), Occupations Code, amended to read as follows:
 - The fee for the issuance or renewal of a: (a)
 - (1) broker license is the amount of the fee set under Section 1101.152 and an additional \$70 fee for each year of the term for which the license is issued or renewed;
 - (2) sales agent license is the amount of the fee set under Section 1101.152 and an additional \$20 fee for each year of
 - the term for which the license is issued or renewed; and

 (3) certificate of registration is the amount of the fee set under Section 1101.152 and an additional \$20 fee for each year of the term for which the certificate is issued or renewed.
 - SECTION 8. The heading to Section 1101.355, Occupations Code, is amended to read as follows:
 - Sec. 1101.355. ADDITIONAL GENERAL ELIGIBILITY REQUIREMENTS FOR BUSINESS ENTITIES; REGISTRATION OF CERTAIN BUSINESS ENTITIES.
 - SECTION 9. Section 1101.355, Occupations Code, is amended by adding Subsections (d) and (e) to read as follows:
 - Notwithstanding Subsection (c) or any (<u>d)</u> law<u>,</u> other business entity is not required to be licensed under this chapter the business entity:
 - (1) receives compensation on behalf of a broker agent licensed under this chapter that is earned by the license holder while engaged in real estate brokerage;
 - performs no other acts of a broker;
 - (3) is:
 - (A) a limited liability company as defined by Section 101.001, Business Organizations Code; or
 - an S corporation as defined by 26 U.S.C. Section 1361; (4) (B)
 - is registered with the commission; and
 - (5) is at least 51 percent owned by the license holder on whose behalf the entity receives compensation.
 - (e) The commission shall adopt rules providing for the registration of a business entity described by Subsection (d).

 SECTION 10. Sections 1101.356(a) and (b-1), Occupations
 - Code, are amended to read as follows:
- 3-68 (a) An applicant for a broker license must provide to the 3-69 commission satisfactory evidence that the applicant:

(1) has had at least four years of active experience [in this state] as a license holder during the 60 months preceding the date the application is filed; and

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(2) has successfully completed the number of hours of qualifying real estate and related courses required by commission rule, not to exceed [at least] 60 semester hours[7] or equivalent classroom hours[7, of postsecondary education, including:

[(A) at least 18 semester hours or equivalent

classroom hours of qualifying real estate courses, two semester hours of which must consist of a real estate brokerage course completed not more than two years before the application date; and

[(B) at least 42 semester hours of qualifying

real estate courses or related courses accepted by the commission].

(b-1) The commission by rule shall establish what constitutes active experience for purposes of this section [and Section 1101.357].

SECTION 11. Section 1101.358(a), Occupations Code, amended to read as follows:

- (a) An applicant for a sales agent license must provide to the commission satisfactory evidence that the applicant has completed at least 12 semester hours, or equivalent classroom hours, of [postsecondary] education consisting of:
- (1) at least four semester hours of qualifying real estate courses on principles of real estate; and
- (2) at least two semester hours of each of the following qualifying real estate courses:
 - (A) agency law;
 - (B) contract law;
 - (C) contract forms and addendums; and(D) real estate finance.

Section 1101.451(d), Occupations SECTION 12. Code, amended to read as follows:

Except as provided by Subsection (e), a renewal fee for a license under this chapter may not exceed, calculated on an annual basis, the amount of the sum of the fees established under Sections 1101.152 and $[\tau]$ 1101.154 $[\tau]$ and 1101.603.

SECTION 13. Section 1101.603(f), Occupations Code, amended to read as follows:

(f) To ensure the availability of a sufficient amount to pay anticipated claims on the trust account, the commission by rule may provide for the collection of fees or assessments from an applicant for an original license or certificate of registration or from a license or certificate holder at the next renewal to credit to the trust account [at different times and under conditions other than

specified by this chapter].
SECTION 14. Sections 1101.610(a) and (b), Occupations Code, are amended to read as follows:

- (a) Payments from the trust account for claims, including attorney's fees, interest, and court costs, arising out of a single transaction may not exceed a total of \$125,000 [\$50,000], regardless of the number of claimants.
- (b) Payments from the trust account for claims based on judgments against a single license or certificate holder may not exceed a total of $\frac{$250,000}{}$ [$\frac{$100,000}{}$] until the license or certificate holder has reimbursed the trust account for all amounts paid.

SECTION 15. Section 1103.003(6), Occupations Code, amended to read as follows:

(6) <u>"Executive director"</u> [<u>"Commissioner"</u>] means the executive director [commissioner] of the board [Texas Appraiser Licensing and Certification Board].

SECTION 16. Section 1103.0545(d), Occupations Code, is amended to read as follows:

(d) The <u>executive director</u> [<u>commissioner</u>] shall create a training manual that includes the information required by Subsection (b). The <u>executive director</u> [commissioner] shall distribute a copy of the training manual annually to each member of the board. Each member of the board shall sign and submit to the executive director [commissioner] a statement acknowledging that

the member received and has reviewed the training manual.

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SECTION 17. Section 1103.057(c), Occupations Code, is amended to read as follows:

(c) If the <u>executive director</u> [<u>commissioner</u>] has knowledge that a potential ground for removal of an appointed board member exists, the <u>executive director</u> [<u>commissioner</u>] shall notify the presiding officer of the board of the potential ground. The presiding officer shall immediately notify the governor and the attorney general that a potential ground for removal exists. If the potential ground for removal involves the presiding officer, the <u>executive director</u> [<u>commissioner</u>] shall notify the next highest ranking officer of the board, who shall immediately notify the governor and the attorney general that a potential ground for removal exists.

SECTION 18. Subchapter C, Chapter 1103, Occupations Code, is amended to read as follows:

SUBCHAPTER C. EXECUTIVE DIRECTOR [COMMISSIONER] AND OTHER BOARD PERSONNEL

Sec. 1103.101. <u>EXECUTIVE DIRECTOR</u> [<u>COMMISSIONER</u>]. (a) The administrator of the Texas Real Estate Commission shall serve as executive director [<u>commissioner</u>].

(b) The board may delegate to the executive director [commissioner] the responsibility for administering this chapter and Chapter 1104, including the approval of consent orders and agreements.

Sec. 1103.102. OTHER BOARD PERSONNEL. In addition to the <u>executive director</u> [commissioner], the board may employ other officers and employees as necessary to administer this chapter and Chapter 1104.

Sec. 1103.103. SALARIES. The <u>executive director</u> [commissioner] shall determine the salaries of the officers and employees of the board.

Sec. 1103.104. DUTIES OF EXECUTIVE DIRECTOR [COMMISSIONER]. The executive director [commissioner] shall:

(1) disseminate information;

(2) administer rules adopted by the board under this chapter or Chapter 1104;

(3) review each application for a certificate or license and make a recommendation for final action to the board;

(4) review and make recommendations to the board regarding the adoption of rules relating to:

(A) the examination required by Subchapter F;

(B) education and experience requirements for issuance of certificates and licenses;

(C) continuing education for a certified or licensed appraiser;

(D) standards of professional practice and ethics for a certified or licensed appraiser;

(E) standards for a real estate appraisal performed by a certified or licensed appraiser; and (F) the fees established by the board under

(F) the fees established by the board under Section 1103.156 or Section 1104.052;

(5) collect fees established by the board;

(6) manage the staff and employees of the board; and

(7) perform any other duty prescribed by the board under this chapter or Chapter 1104.

Sec. 1103.105. DIVISION OF RESPONSIBILITIES. The board shall develop and implement policies that clearly separate the policymaking responsibilities of the board and the management responsibilities of the <u>executive director</u> [commissioner] and the staff of the board.

SECTION 19. Section 1103.209(e), Occupations Code, is amended to read as follows:

(e) An applicant for a certificate or license under this chapter who is not a resident of this state must submit with the application an irrevocable consent that states that service of process in an action against the applicant arising out of the applicant's activities as a certified or licensed appraiser in this state may be made by delivery of the process to the executive

director [commissioner] if the plaintiff in the action, using due diligence, cannot obtain personal service on the applicant. If process is served as provided by this subsection, the executive <u>director</u> [commissioner] shall immediately send a copy of the material served on the <u>executive director</u> [commissioner] to the certified or licensed appraiser at the appraiser's address of record.

SECTION 20. Sections 1103.452(b) and (c), Occupations Code, are amended to read as follows:

- (b) An investigator designated by the <u>executive director</u> issioner shall investigate each allegation or formal [commissioner] investigate each complaint.
- (c) If the board determines at any time that an allegation or formal complaint is inappropriate or without merit, the board or the <u>executive director</u> [commissioner] shall dismiss the complaint and may not take further action.

SECTION 21. Section 1103.458(c), Occupations Code, amended to read as follows:

A consent order must be:

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- (1)approved by the board; and
- (2) signed by the $\frac{\text{executive director}}{\text{trainee who is the subject of the}}$ complaint.

SECTION 22. Section 1103.459(c), Occupations Code, is amended to read as follows:

- (c) A consent agreement must be:
 - (1) approved by the board; and
- (2) signed by the <u>executive director</u> [commissioner] and the appraiser or appraiser trainee who is the subject of the complaint.

SECTION 23. Section 1103.5011, Occupations Code, is amended to read as follows:

Sec. 1103.5011. NOTICE OF VIOLATION AND PENALTY. executive director [commissioner] may send an appraiser against whom a complaint has been filed a notice of violation including:

- a summary of the alleged violation; (1)
- the recommended sanction, including the amount of (2) any administrative penalty sought; and
- (3) a conspicuous notice that the respondent has the a hearing to contest the alleged violation, right
- recommended sanction, or both.

 (b) Not later than the 20th day after the date the person receives the notice under Subsection (a), the person may:
- (1) accept the executive director's [commissioner's] determination, including the recommended sanction; or

 (2) request in writing a hearing, to be held under Chapter 2001, Government Code, on the occurrence of the violation, the sanction, or both.

SECTION 24. Section 1103.5012, Occupations Code, is amended to read as follows:

Sec. 1103.5012. PENALTY TO BE PAID OR HEARING REQUESTED. If the person accepts the executive director's [commissioner's] determination, or fails to respond in a timely manner to the notice, the board by order shall approve the determination and order payment of the recommended penalty, impose the recommended sanction, or both.

SECTION 25. Section 1103.507(a), Occupations Code, amended to read as follows:

- (a) The $\underline{\text{executive director}}$ [$\underline{\text{commissioner}}$] shall issue a subpoena to compel the attendance of a witness or the production of records or other evidence if:
- a party to the proceeding requests the subpoena (1)orally or in writing;
- (2) the request specifies each item of evidence sought and the full name and address of each witness sought; and
 - (3) the party shows reasonable cause.

SECTION 26. Section 1103.521(a), Occupations Code, amended to read as follows:

(a) The administrative law judge shall file the judge's

final decision in a contested case hearing with the executive 7-1 7-2 director [commissioner]. 7-3

SECTION 27. Section 5.086, Property Code, is transferred to Subchapter A, Chapter 5, Property Code, redesignated as Section 5.0205, Property Code, and amended to read as follows:

Sec. <u>5.0205</u> [<u>5.086</u>]. EQUITABLE INTEREST DISCLOSURE.

Sec. 5.0205 [5.086]. EQUITABLE INTEREST DISCLOSURE. Before entering into a contract to sell an option or assign an interest in a contract to purchase real property, a person [selling] an option or assigning an interest in a contract to purchase real

property] must disclose in writing to:

(1) any potential buyer that the person is selling only an option or assigning an interest in a contract and that the person does not have legal title to the real property; and

(2) the owner of the real property that the person intends to sell an option or assign an interest in a contract.

SECTION 28. The following provisions of the Occupations

Code are repealed:

- (1)Section 1101.357; Section 1101.360(a);
 Section 1101.361; (2) (3)Section 1101.406; (4)
- Sections 1101.603(a) and (e); (5)
- (6) Section 1101.604(d); and
- Section 1103.259. (7)

SECTION 29. Section 1101.154(a), Occupations Code, as amended by this Act, applies only to the issuance or renewal of a license or certificate of registration under Chapter 1101, Occupations Code, on or after the effective date of this Act.

SECTION 30. Sections 1101.356(a) and 1101.358(a), Occupations Code, as amended by this Act, apply only to an application for a license under Chapter 1101, Occupations Code, submitted on or after the effective date of this Act. An application submitted before the effective date of this Act is governed by the law in effect on the date the application was submitted, and the former law is continued in effect for that purpose.

SECTION 31. Section 1101.451(d), Occupations Code, amended by this Act, applies only to the renewal of a license under Chapter 1101, Occupations Code, on or after the effective date of this Act. A license renewed before the effective date of this Act is governed by the law in effect on the date the license was renewed, and the former law is continued in effect for that purpose.

SECTION 32. This Act takes effect January 1, 2024.

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