

Fund Source Report

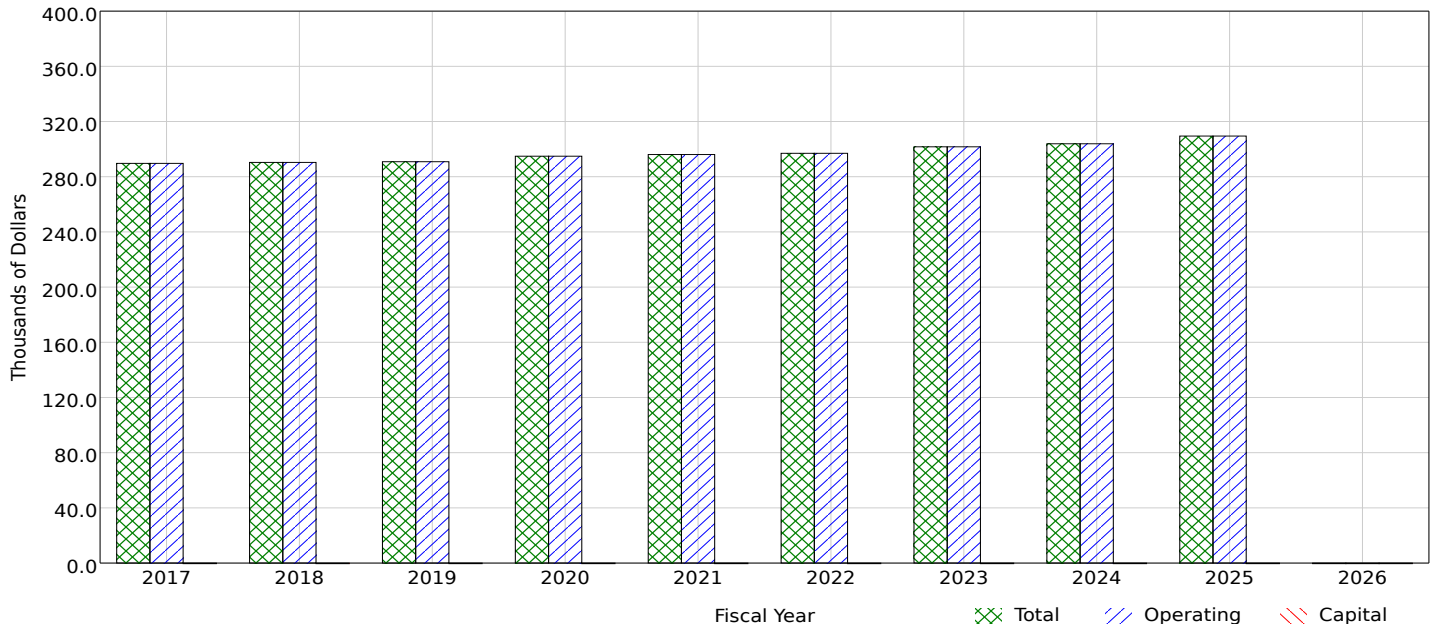
1040

Real Est

Real Estate Recovery Fund

Year Authorized 1974 Year Repealed Active? Yes Mental Health? No Duplicated? No Fund Group Designated General

Operating and Capital Appropriations



Legal Authority
AS 08.88.450

Source of Revenue
Consists of payments made by licensed real estate brokers, salesmen or other licensees under AS 08.88.500.

Restrictions on Use
The fund may be appropriated for hearing and legal expenses, claims against the fund and for real estate educational purposes as provided by AS 08.88.091. Encumbrances and up to \$250,000 of the balance of this fund is reserved.

Description and History
July 2014

Formerly called the Real Estate Surety Fund (RESF), the fund was renamed effective 2010. The fund was established in 1974 to finance real estate education for real estate professionals and to reimburse individuals for losses suffered as a result of certain unlawful actions of real estate brokers, associate brokers, and salespersons.

The fund is primarily funded through fees paid by brokers, associate brokers, and sales people when obtaining or renewing a real estate license. Fees (maximum of \$125 per license cycle) are paid in lieu of purchasing individual surety bonds. The Real Estate Commission administers the fund and sets the surety fee to maintain a balance between \$250,000 and \$500,000. Until 2010, any balance in excess of \$500,000 was to be reported as unreserved and lapsed to the general fund. Lapse information is not readily available.

Fees flow into the fund without appropriation. There is an annual appropriation from the fund to the corporate and business licensing division (about \$290,000 in FY14 and FY15). Presumably, that appropriation covers

- 1) awards from the fund to individuals with claims against the fund,
- 2) legal costs associated with claims against the fund, and
- 3) claims by real estate professionals for reimbursement of educational expenses.

The fund code was classified as "other" in the 2011 reclassification project, but is now categorized as designated GF--just as other license fees are categorized. The fees are deposited into the general fund upon collection and credited to the recovery subfund.