

Department of Legislative Services
 Maryland General Assembly
 2010 Session

FISCAL AND POLICY NOTE

House Bill 924 (Delegate Bates, *et al.*)
 Appropriations

State Personnel - Land Records Employees - Salaries and Benefits

This bill repeals a requirement that the Circuit Court Real Property Records Improvement Fund be used to pay for all operating expenses of the land records offices of the clerks of the circuit courts. Instead, beginning on July 1, 2010, the operating expenses for employee salaries and benefits for land records offices must be paid from the general fund.

The bill takes effect July 1, 2010.

Fiscal Summary

State Effect: General fund expenditures increase by \$16.0 million in FY 2011. Special fund expenditures decrease by the same amount. Out-years reflect annualization.

| (\$ in millions) | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|------------------|---------|---------|---------|---------|---------|
| Revenues | \$0 | \$0 | \$0 | \$0 | \$0 |
| GF Expenditure | 16.0 | 17.2 | 18.2 | 19.4 | 20.7 |
| SF Expenditure | (16.0) | (17.2) | (18.2) | (19.4) | (20.7) |
| Net Effect | \$0 | \$0 | \$0 | \$0 | \$0 |

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The Circuit Court Real Property Records Improvement Fund is used to pay the operating expenses of the land records offices of the clerks of the circuit courts and to repair, replace, improve, modernize, and update office equipment and equipment-related services in the land records offices of the clerk of the circuit courts in each county, as the State Court Administrator considers appropriate, with advice from an oversight committee.

Background: Created by Chapter 327 of 1991, the Circuit Court Real Property Records Improvement Fund consists of surcharges assessed on instruments recorded in the land records and the financing statement records, document copying revenues, and accumulated interest revenue. The nonlapsing fund supports all personnel and operating costs within the land records offices of the clerks of the circuit court. It further supports the maintenance costs of the Electronic Land Records Online Imagery System and its web site for making images accessible to the public. A five-member oversight committee includes one representative from each of the following groups: the Administrative Office of the Courts, the Maryland State Archives, the Circuit Court Clerks' Association, the Maryland Land Title Association, and the Maryland State Bar Association.

During the 2007 special session, legislation was adopted to fund the Judiciary's major information technology development projects with special funds from the Circuit Court Real Property Records Improvement Fund for two fiscal years. That provision terminates at the end of fiscal 2010, and funding for major information technology projects shifts back to general funds in fiscal 2011.

The fund's fiscal 2009 ending balance was \$58 million. Although projections for the fund depend on home sales, the Judiciary estimates that the fund balance will decrease to approximately \$12.8 million at the close of fiscal 2010, assuming the adoption of the provision in the Budget Reconciliation and Financing Act of 2010 (BRFA) which transfers \$25.0 million of the fund balance to the general fund in 2010. As of January 2010, the Judiciary estimates that fund revenues are less than half of 2004 levels, which requires the depletion of the fund's reserve balance to meet mandatory minimum expenditures. The proposed Senate Bill 220 of 2010 would increase the surcharge on recorded instruments from \$20 to \$40 to provide sufficient funding for ongoing expenses.

State Fiscal Effect: This bill repeals the requirement for the special fund to be used to pay all operating expenses of the land records office and instead only requires the special fund to be used for the repair, replacement, improvement, modernization, and updating of office equipment and equipment-related services. Accordingly, general funds are required to support the remaining expenses of the land records offices. The bill further

specifies that as of July 1, 2010, operating expenses for employee salaries and benefits for the land records offices must be paid from the general fund.

Although the Governor’s budget allowance for fiscal 2011 continues special funding for the operations of the land records offices, this analysis assumes that a budget amendment will be submitted to implement the transfer of the funding source to general funds if the bill is enacted. The Judiciary provided an estimate of future expenditures for the land records office as shown in **Exhibit 1**, which reflects annualization and employee turnover. Once the requirement for general fund expenditures to support the office is effective (July 1, 2010), general fund expenditures increase as shown in Exhibit 1, and special fund expenditures decrease by the same amount. The special fund will continue to support the equipment-related costs, which are also projected in Exhibit 1.

Exhibit 1
Land Records Offices Expenditures

| | <u>Fiscal 2011</u> | <u>Fiscal 2012</u> | <u>Fiscal 2013</u> | <u>Fiscal 2014</u> | <u>Fiscal 2015</u> |
|----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Office Expenditures | \$16,875,746 | \$18,035,980 | \$19,075,473 | \$20,229,176 | \$21,515,652 |
| Equipment-related expenses | \$826,197 | \$834,459 | \$842,804 | \$851,232 | \$859,744 |
| Special Fund Expenditures | (\$16,049,549) | (\$17,201,521) | (\$18,232,669) | (\$19,377,944) | (\$20,655,908) |
| General Fund Expenditures | \$16,049,549 | \$17,201,521 | \$18,232,669 | \$19,377,944 | \$20,655,908 |

Additional Information

Prior Introductions: None.

Cross File: SB 811 (Senator Brinkley, *et al.*) - Budget and Taxation.

Information Source(s): Caroline and Montgomery counties, Baltimore City, Department of Budget and Management, Judiciary (Administrative Office of the Courts), Maryland Association of Counties, Department of Legislative Services

Fiscal Note History: First Reader - March 1, 2010
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Analysis by: Jennifer K. Botts

Direct Inquiries to:
(410) 946-5510
(301) 970-5510