

Department of Legislative Services
 Maryland General Assembly
 2011 Session

FISCAL AND POLICY NOTE

House Bill 836 (Delegate Bates)
 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, 2011, 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, 2011.

Fiscal Summary

State Effect: General fund expenditures increase by \$16.0 million in FY 2012. Special fund expenditures decrease by the same amount. Out-years reflect annualization. Revenues are not affected.

(\$ in millions)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	16.0	16.9	17.7	18.5	19.4
SF Expenditure	(16.0)	(16.9)	(17.7)	(18.5)	(19.4)
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 website 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 fund for two fiscal years. The Budget Reconciliation and Financing Act (BRFA) of 2010 (Chapter 484) authorized continued use of the fund to support major information technology development projects beyond fiscal 2010. Accordingly, the proposed fiscal 2012 State budget includes \$11.9 million in expenditures from the fund for that purpose.

The fund had a fiscal 2010 ending balance of \$47.1 million. Due to declining revenues, the fund balance is expected to drop to \$23.7 million at the close of fiscal 2011. The Governor's proposed fiscal 2012 budget includes \$37.9 million in special fund expenditures from the fund, and fiscal 2012 revenues are estimated to total approximately \$16.8 million. The BRFA of 2011 (HB 72/SB 87) proposes to transfer \$10.0 million of the fund balance to the general fund in fiscal 2012.

State Fiscal Effect: The 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, 2011, operating expenses for employee salaries and benefits for the land records offices must be paid from the general fund.

Although the Governor's proposed fiscal 2012 budget 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, 2011), 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 Under Bill

<u>Expenditures</u>	<u>Fiscal 2012</u>	<u>Fiscal 2013</u>	<u>Fiscal 2014</u>	<u>Fiscal 2015</u>	<u>Fiscal 2016</u>
Total Office	\$16,771,433	\$17,744,528	\$18,528,801	\$19,355,216	\$20,226,307
Equipment	819,072	827,263	835,535	843,891	852,330
Special Fund	(\$15,952,361)	(\$16,917,265)	(\$17,693,266)	(\$18,511,325)	(\$19,373,977)
General Fund	\$15,952,361	\$16,917,265	\$17,693,266	\$18,511,325	\$19,373,977

Source: Judiciary

Additional Information

Prior Introductions: HB 924 of 2010 was heard by the House Appropriations Committee and was then withdrawn. Its cross file, SB 811, was heard by the Senate Budget and Taxation Committee but received no further action.

Cross File: None designated; however, SB 761 is identical.

Information Source(s): Baltimore City, Montgomery County, 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 6, 2011
ncs/kdm

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