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Property Records Improvement Fund
Report

cc: Ed
Tim



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September 1, 2004

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Hon. Brian E. Frosh, Chair
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Hon. Joseph F. Vallario, Jr., Chair
House Judiciary Committee
Lowe House Office Bldg., Room 121
Annapolis, Maryland 21401-1991

Re: Circuit Court Real Property Records
Improvement Fund Report

Dear Chairpersons:

In accordance with Chapter 556, Acts of 1995, as amended by Chapter 10, Acts of 1996, and Section 2-1246 of the State Government Article, this report covering Fiscal Year 2004 is submitted describing the activities and related expenditures and revenues associated with the Circuit Court Real Property Records Improvement Fund (the Fund).

Fund History

In 1991, the General Assembly enacted legislation creating the Circuit Court Real Property Records Improvement Fund in response to the deteriorating conditions and the state of operations of the land record offices of the Clerks of Court throughout the State. Through the assessment of a surcharge not to exceed \$5 for each recordable instrument, the legislation established a non-lapsing fund. Since the establishment of the Fund, the surcharge remained \$5 for mortgages, leases deeds, and deeds of trust, with all other instruments assessed a \$2 fee until October 2000, when this fee was raised to the maximum limit of \$5 for all recordable instruments. As a result of the passage of House Bill 935, the Budget Reconciliation and Financing Act of 2003, the surcharge fee for recordable instruments was increased from \$5.00 to \$20.00 effective June 1, 2003.

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The Fund, when created in 1991 had an original sunset provision date of 1996. The sunset provision has been extended during the 1995 and the 2000 Sessions of the General Assembly. The Fund now is scheduled to expire on June 30, 2006. During the 1995 Session of the General Assembly, a Land Record Oversight Committee was created to serve as an advisory body to the State Court Administrator for the management of Fund expenditures. The five member committee consists of representatives from the Maryland Land Title Association, the Maryland State Bar Association, the Maryland State Archives, the Circuit Court Clerks' Association and the Administrative Office of the Courts.

Fund Update

During Fiscal Year 2004 the Fund activities included: (1) continuation of work on two major automation projects - ELROI and PLATO; (2) the initiation of *Mdlandrec.net* designed to create a comprehensive land record database for the State of Maryland; (3) the successful piloting of *Mdlandrec.net* in Worcester County; (4) the successful deployment of ELROI in 5 additional jurisdictions; (5) the successful piloting of *Mdlandrec.net* as the image retrieval vehicle attached to the ELROI system in Howard County; (6) and the reduction of the sizable recordation backlog that had developed in various Clerk's Offices due to work volume and staffing shortages. All these accomplishments are due in no small part to the partnership established between the Judiciary, the Maryland State Archives and the Clerk of Court Offices.

The ELROI system has been migrated successfully to Calvert, Charles, Somerset, Wicomico and Worcester Counties and system upgrades have been provided to Prince George's, Harford and Howard Counties, bringing the total number of jurisdictions using the ELROI system to eighteen (18), with Dorchester, Caroline, Talbot, Allegany and Garrett counties to be completed before the close of this calendar year. Whereas the original plan presented to the General Assembly called for system upgrades to occur after all non-automated jurisdictions were brought on-line, critical needs were identified that required immediate attention to replace aging equipment and to provide critical system modifications. As a result, Prince George's and Harford upgrades were completed this fiscal year. An emergency unscheduled relocation of the Land Record Office for the Circuit Court for Howard County likewise provided an opportunity to upgrade the ELROI system in that jurisdiction, as well as pilot the integration of *Mdlandrec.net* with the ELROI system.

Of particular note during this fiscal year is the value realized in the partnership formed between the Maryland Judiciary and the Maryland State Archives. With respect to PLATO, over 171,000 images have been added to the system during this period. In response to the need to provide digitized images in a jurisdiction that lacked adequate microfilm of its land records, in the early part the fiscal year, *Mdlandrec.net* was installed in Worcester County as a stand-alone system while waiting for the scheduled implementation of ELROI. The successful use of this product as a stand-alone system presented the Judiciary and the Maryland State Archives with the opportunity later in the fiscal year to pilot and evaluate the integration of *Mdlandrec.net* and ELROI. *Mdlandrec.net* originally intended as an application to facilitate better access to land

record information and provide a framework to conserve records in danger of being lost by creating a data warehouse for digitized land record images, has been taken a step further and has been integrated with the ELROI system as its back-end retrieval application. As the Judiciary moved to relocate the Land Record Department within the Clerk's Office in Howard County, *Mdlandrec.net* was piloted for use with the ELROI system. This pilot was to test a seamless interface to recordation and retrieval of land records. The pilot proved successful and has been accepted as the basis for the roll-out of ELROI in the remaining counties to be automated and will be retrofitted into the existing ELROI jurisdictions.

The Judiciary recognized continuing recordation backlog conditions in a number of jurisdictions attributed to the increasing volume of land recordations associated with Maryland's strong real estate market. The average backlog in those jurisdictions resulted in a 4 to 6 months delay in completing the recordation process. During this fiscal year, the Judiciary has been focused on reducing this backlog. Because of a constantly high volume of recordations and staffing shortages realized through a hiring freeze, the Judiciary sought the advice and guidance of the Land Record Oversight Committee. Recognizing that the legislation that created the Fund provided specific direction as to Fund usage, the State Court Administrator, in an effort to resolve the backlog sought the approval of the Committee to use funds to address the staffing problems that had contributed to the backlog. The State Court Administrator presented a strategy to the Committee that allowed for the use of the Fund for overtime associated with existing staff, the hiring of additional temporary assistance and the services of an outside vendor to provide additional land record indexing resources. As to the latter action, remote indexing was established through a third party vendor in August and is addressing the backlog in Prince George's County. Additionally, a second shift is being planned for several other jurisdictions using contractual resources for this purpose. It is anticipated that this approach will be implemented in September. The Oversight Committee noting the critical need to eliminate the backlog approved the use of the Fund for the State Court Administrator's plan. This effort continues into the current fiscal year and its goal is to reduce the backlog to manageable proportions by the end of the calendar year.

Lastly, at the request of the Legislative Auditor, we have provided a projection of revenues and expenditures through the Fund sunset in 2006. As you will see, we have estimated a reduction in revenue over that period given the recent rise in interest rates. Such revenue predictions are difficult given the present economic uncertainty. Expenditures in the out-years reflect the completion of the ELROI and PLATO projects, as well as the on-going maintenance of those systems. If the Fund is not re-established at the end of FY 2006, maintenance costs estimated at \$5 million annually will need to be provided in the Judiciary's operating budget. Additionally, as a result of legislative budget action in 2003, Clerk Office budgets were reduced by \$5 million in salary and operations to be compensated through the Fund annually. With the sunset of the Fund, the Judiciary budget will need to be increased by this amount in FY 2007.

The Judiciary continues its efforts to improve the recording and retrieval of real property interests by collaborating with the title industry, the Bar, and the Archives, while making maximum use of available resources.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Frank Broccolina". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Frank Broccolina
State Court Administrator

cc: Honorable Robert M. Bell
Conference of Circuit Court Judges
Conference of Circuit Court Clerks
Land Records Improvement Oversight Committee
James Stoops

Projected Revenues and Expenditures	FY 2004	FY 2005	FY 2006
REVENUE:	38,556,069	30,844,855	30,844,855
EXPENDITURES:			
Elroi			
Implementation	7,549,588	3,675,000	0
Maintenance	3,782,935	6,698,661	6,423,661
Upgrade	675,918	500,000	4,000,000
Infrastructure	62,677	2,468,334	3,018,334
Mdlandrec.net			
Index Access	400,000	400,000	400,000
New Image Acquisition	2,139,901	2,139,901	2,139,901
Archival Backup	3,108,571	3,108,571	3,108,571
Maintenance	328,864	328,864	328,864
Plato			
Implementation	624,601	624,601	624,601
Maintenance	500,000	400,000	300,000
Other			
Web Security & Access Control	0	300,000	0
E-Transaction/E-Filing Enhancement	0	750,000	0
Hardware/Software Upgrades	0	1,250,000	0
Infrastructure	0	500,000	500,000
Clerks			
Personnel & Operating Exp.	5,000,000	5,000,000	5,000,000
Additional Assistance & O/T	672,078	500,000	250,000
Total Projected Expenditures	24,845,133	28,643,932	26,093,932
Projected Excess Revenues over Expenditures	13,710,936	2,200,923	4,750,923