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September 1, 2012

Honorable Edward J. Kasemeyer, Chair
Senate Budget & Taxation Committee
3 West, Miller Senate Building
Annapolis, Maryland 21401-1991

Honorable Brian E. Frosh, Chair
Senate Judicial Proceedings Committee
2 East, Miller Senate Office Building
Annapolis, Maryland 21401-1991

Honorable Norman H. Conway, Chair
House Appropriations Committee
Lowe House Office Building, Room 131
Annapolis, Maryland 21401-1991

Honorable 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

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 annual report covering Fiscal Year 2012 is submitted respectfully to account for the condition of the Circuit Court Real Property Records Improvement Fund (the Fund).

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 in the land record departments of the Clerk of Court offices throughout the State. Through the assessment of a surcharge, the legislation established a non-lapsing fund. As a result of the Budget Reconciliation and Financing Act of 2003, the surcharge fee for recordable instruments was $20.

The Fund, when created in 1991, had an original sunset provision that was extended on three occasions and eventually was removed in 2007. During the 1995 Session of the General Assembly, a Fund 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 Conference of Circuit Court Clerks and the Administrative Office of the Courts.

Honorable Edward J. Kasemeyer
Honorable Brian E. Frosh
Honorable Norman H. Conway
Honorable Joseph F. Vallario, Jr.

September 1, 2012

In 2005, the General Assembly mandated that all General Fund expenditures related to land records operations and support (including the salaries of over 200 positions) were to be appropriated from the Circuit Court Real Property Records Improvement Fund. In November 2007, during the Special Session, the General Assembly passed the Budget and Finance Reconciliation Act (HB 1/SB 1, Ch. 2) which repealed the sunset provision of the Real Property Records Improvement Fund and expanded the scope of the Fund to include the Judiciary's major information technology development projects for Fiscal Years 2009 and 2010 in the amounts of $7.3 million and $10.5 million, respectively. In 2010, the General Assembly in the Budget Reconciliation and Financing Act, removed the sunset provision for the support of the Judiciary's major information technology projects thus making permanent the appropriation for such projects through the Fund. In addition, all interest on the Fund's balance was diverted to the General Fund.

In 2011, the General Assembly through the Budget Reconciliation and Financing Act increased the Fund surcharge to $40 effective July 1, 2011, in an attempt to address a structural deficit and to sustain the Fund through Fiscal Year 2015 in anticipation of a real estate market recovery. In addition, the General Assembly authorized the transfer of $10 million from the Fund to the General Fund in Fiscal Year 2012. (HB 72, Chapter 397)

Current Fund Conditions

While recently there appears to be some level of stability returning to the real estate market in Maryland, it is too soon to determine a confidence level in the short-term trend. The chart included in this report reflects actual revenues and expenditures that include a continuing freeze on hiring and reductions in spending when possible. Anticipated projected revenues remain conservative in the absence of more data over time. Given the projected expenditures related to major technology projects and without an improvement in revenue, the Fund balance will continue to experience a structural deficit until Fiscal Year 2016.

Honorable Edward J. Kasemeyer
Honorable Brian E. Frosh
Honorable Norman H. Conway
Honorable Joseph F. Vallario, Jr.

September 1, 2012

Circuit Court Real Property Fund Projection

	FY2012	FY2013	FY2014	FY2015	FY2016
Revenues:	Actual	Estimated	Estimated	Estimated	Estimated
Surcharge/Copy Fees	31,835,482	32,000,000	32,000,000	32,000,000	32,000,000
Interest*	0	0	0	0	0
Total	31,835,482	32,000,000	32,000,000	32,000,000	32,000,000
Operations:					
ELROI – Operations/Maintenance**	1,426,049	2,300,756	2,300,000	2,300,000	2,300,000
Archives – mdlandrec	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Circuit Court Offices**	12,489,744	12,500,000	12,500,000	12,500,000	12,500,000
Major IT Projects**	10,307,513	13,896,192	14,322,813	14,129,935	8,538,304
Total	29,223,306	33,696,948	34,122,813	33,929,935,	28,338,304
Projected Structural Surplus/(Shortfall)	2,612,176	(1,696,948)	(2,122,813)	(1,929,935)	3,661,696
Less Prior Year Encumbrances	2,343,589				
Less One Time Transfer to the General Fund***	10,000,000				
Total Fund Balance (Accrual Basis)**	**32,673,340**	**30,976,392**	**28,853,579**	**26,923,644**	**30,585,340**

* Per 2010 BRFA, interest is reverted to the General Fund.
**Amount reflects FY2012 encumbrances.
***Result of legislative decisions.

If the committees require further information, please direct all inquiries and questions to my attention at 410.260.1295.

Sincerely yours,

Frank Broccolina
State Court Administrator

cc: Honorable Robert M. Bell
Conference of Circuit Court Judges
Conference of Circuit Court Clerks
Faye D. Matthews
Land Records Improvement Oversight Committee
Jordan More, Legislative Analyst
Kelley O'Connor