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September 1, 2013

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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
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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 2013 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.

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Honorable Edward J. Kasemeyer
Honorable Brian E. Frosh
Honorable Norman H. Conway
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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 and restored the sunset provision that expires July 1, 2015. (HB 72, Chapter 397)

Current Fund Conditions

We have maintained a conservative position with respect to our projected revenue estimates due to the variability in the real estate markets and the lack of sufficient data to establish a reliable trend. In Fiscal Year 2013, Fund revenue experienced a significant increase of \$6,370,473 (19.9 percent) which represents the first increase unaided by a surcharge increase since Fiscal Year 2006. While this increase is encouraging, there is no way to determine if the increase is sustainable through the current fiscal year. Given such uncertainty, we will use the average of the prior three fiscal year's revenue for estimated revenues for future years.

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

September 1, 2013

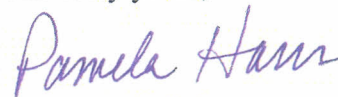
Circuit Court Real Property Fund Projection

	FY2013 Actual	FY2014 Estimated	FY2015 Estimated	FY2016 Estimated	FY2017 Estimated
Revenues:					
Surcharge/Fees	38,370,016	33,800,000	33,800,000	33,800,000	33,800,000
Interest*	0	0	0	0	0
Total	38,370,016	33,800,000	33,800,000	33,800,000	33,800,000
Operations:					
ELROI – Operations/Maintenance**	1,734,899	2,010,659	2,010,000	2,010,000	2,010,000
Archives – mdlandrec	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Circuit Court Offices**	12,495,989	13,024,185	13,402,185	13,630,185	13,858,185
Major IT Projects**	11,081,094	13,331,401	20,728,765	18,687,710	12,037,270
Total	30,311,982	33,366,245	41,140,950	39,327,895	32,905,455
Projected Structural Surplus/(Shortfall)	8,058,034	433,755	(7,340,950)	(5,527,895)	894,545
Less Prior Year Encumbrances	4,718,595	413,026			
Total Fund Balance (Accrual Basis)**	41,955,409	41,976,138	34,635,188	29,107,293	30,001,838

* Per 2010 BRFA, interest is reverted to the General Fund.
 **Amount reflects FY2013 encumbrances.

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

Sincerely yours,



Pamela Harris
 State Court Administrator

cc: Honorable Mary Ellen Barbera
 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