

**HOUSE COMMITTEE ON FINANCE
BUDGET REQUEST FOR SUPPLEMENTAL BUDGET 2008-2009**

January 2008

Program Structure Number: 10 03 03

Program I.D. and Title: LNR 111, Conveyances and Recordings

I. Introduction

A. Summary Of Program Objectives

To protect the public by providing for an accurate, timely, and permanent system of registering and recording land title and related documents and maps.

B. Description Of Program Objectives

1. Examining, recording, indexing, and processing land title and other related legal documents and maps entitled to recordation under the Regular and Land Court Systems
2. Issuing Land Court Certificates of Title
3. Certifying copies of matters of record
4. Conducting records and Uniform Commercial Code (UCC) searches

C. Explain How Your Program Intends To Meet Its Objectives Within The Upcoming Supplemental Year

A working group made up of various industry representatives and the union was organized to discuss and create an RFP to automate the recording process. Ideas from the working group was presented for staff input and acceptance. The automation will provide for electronic filings and improved indexing capabilities. The Bureau is working to upgrade its computer memory that will improve staff efficiency and the flow of information to the real estate industry. Internet access to recording information is currently available and future enhancements to improve this service are being considered.

II. Program Performance Results

A. Discuss The Program Performance Results Achieved In Fiscal Year (FY) 2007

The Bureau recorded 414,793 documents in FY 2007 and generated revenues over \$60.0 million. This included \$10,031,600 in recordation fees, and \$48,328,401 in conveyance taxes and penalties. In FY 2006, the Bureau recorded 421,481 documents and collected over \$68.8 million of revenue. This included the

collection of \$10,206,950 in recordation fees, and \$56,645,703 in conveyance taxes and penalties. The conveyance tax supports the Land Conservation Fund, Natural Area Reserve Fund, Rental Housing Trust Fund, and Legacy Land Trust Fund.

B. Explanation How These Results Relate to Program's Objectives And Department's Mission

These results enable the Department to realize substantial revenues that are beneficial to the State's economy and provide increased revenues to support the Bureau's objective to enhance, expand, and improve services to the public.

C. Explain How The Effectiveness Of The Program Is Measured (i.e.: Outcomes, Measures Of Effectiveness, Benchmarks, etc.) And Discuss The Performance Results Achieved During The Past Two Years

The program's effectiveness is determined by the number of Land Court and Regular System documents and maps recorded and processed daily, Land Court Certificates issued, certified copies issued, and UCC searches completed.

1. The number of documents recorded in FY2007 was 414,793, a decrease of 1.6% from FY2006. Recorded documents in FY2006 decreased slightly over 1% from FY2005.
2. The number of certificates of title issued by the Bureau 53,464 in FY2007, reflects no significant change from FY2005.
3. The number of UCC searches requested and completed during this time has decreased due to the greater availability of information online, enabling the public to perform their own searches.
4. The total revenue generated has increased due to the changes in HRS247 increasing the tax rate for real property transfers.

D. Discuss Actions Taken To Improve Performance Results

The Bureau needs to rely on a stable source of revenue to manage and support the substantial increase in daily recordings. Delays in recordings will have serious consequences on Hawaii's real estate industry.

By becoming totally self-sufficient, the Bureau has been able to expand and improve services to the public worldwide through internet access; maintain its critical network of hardware and software; facilitate land transactions in the state and contribute to the growth of the information industry and its potential to generate other avenues for State revenue, e.g. sales of computerized data, online subscription and purchase of certified copies.

E. Identify All Modifications To The Program's Performance Measures And Discuss The Rationale For These Modifications

None

III. Problems and Issues

A. Discuss Any Problems And Issues Encountered By The Program

The Bureau's workload is significantly affected by economic conditions and legislation such as low mortgage interest rates, increases in real estate sales, lease to fee conversions, and timeshare activities. Recordings has decreased over the years, however, a scarcity of qualified eligible applicants has had a negative impact on staffing. This has resulted in large amounts of routine daily overtime to address the volume of recordings while attempting to minimize the backlog of transactions.

B. Program Change Recommendations To Remedy Problems

To remedy the problems and improve public access to recorded information, revenue from recording fees to support the operations of the program needs to continue.

The Bureau is working on enhancements and automation programs to facilitate the recording process. The changes will result in organizational realignments, changes in position descriptions, expanded technology, and increased partnerships with the private sector.

C. Identify Any Program Issues Or Problems That Have Affected Or Will Affect The Implementation Of The Program, And The Corrective Measures Or Remedies Established Or Planned

Act 178, SLH 2003, amended §502-8, HRS, such that all moneys in excess of \$500,000 in the Bureau of Conveyances Special Fund on June 30 each year shall lapse to the credit of the State General Fund. Should Hawaii experience a period of slow real estate sales and high interest rates, resulting in severe decreases in revenue, the Bureau's ability to maintain services will be jeopardized.

The Bureau is proceeding with implementation of the changes recommended by the working group that will provide better customer service and more efficient document recording and conveyance tax collection.

IV. Projected Expenditures for Fiscal Year 2007-2008

	<u>Appropriation Act 213/2007 FY 2007-08</u>	<u>Collective Bargaining</u>	<u>Transfer In Transfer (Out)</u>	<u>Governor's Restrictions</u>	<u>Estimated Total Expenditures</u>
(Pos. Count)	(60.00)				(60.00)
Personal Services	3,330,680	99,788	0	0	3,430,468
Current Expenses	766,390	0	0	0	766,390
Equipment	36,300	0	0	0	36,300
Motor Vehicles	0	0	0	0	0
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(Pos. Count)	(60.00)				(60.00)
Total Requirements	4,133,370	99,788	0	0	4,233,158
Less:					
(Pos. Count)	(60.00)				(60.00)
Special Funds	4,133,370	99,788	0	0	4,233,158
(Pos. Count)	(0.00)				(0.00)
Federal Funds	0	0	0	0	0
(Pos. Count)	(0.00)				(0.00)
General Funds	0	0	0	0	0

A. Explanation Of All Transfers Within The Program I.D. And Its Impact On The Program

None

B. Explanation Of All Transfers Between Program I.D. And The Impact To The Program

None

C. Restrictions And Their Impact On The Program

None

V. **Supplemental Budget Request For FY 2008 - 2009**

	Appropriation Act 213/2007	Budget Adjustment	Supplemental Requests
	<u>FY 2008-09</u>	<u>FY 2008-2009</u>	<u>FY 2008- 2009</u>
(Pos. Count)	(60.00)	0	(60.00)
Personal Services	3,330,680	0	3,330,680
Current Expenses	709,190	500,000	1,209,190
Equipment		0	0
Motor Vehicles	0	0	0
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(Pos. Count) Total Requirements	(60.00) 4,039,870	- 500,000	(60.00) 4,539,870
Less:			
(Pos. Count) Special Funds	(60.00) 4,039,870	500,000	(60.00) 4,539,870
(Pos. Count) Federal Funds	(0.00) 0	0	(0.00) 0
(Pos. Count) General Funds	(0.00) 0	0	(0.00) 0

A. **Workload Or Program Request (Description of request, reasons for the request, and desired outcomes or objectives to be accomplished by proposed program. Listing/description of positions requested, and funding requirements by cost category and source of funding)**

The operating budget request includes \$500,000 to finance upgrades to existing BCIS hardware and software, implementation of automated recording processes (electronic filings) and related maintenance. Development of a secure on-line system for the filing of documents utilizing technology to ensure mandatory data is included, on-line payment processing resulting in "real time" data being made available through an improved networking platform.

The Bureau of Conveyances Special Fund will cover requested increase.

B. For All Position Count Reductions, Please Specify Whether The Positions Were New, Filled Or Vacant

None

VI. Identify Restrictions Carried Over From FY 2006-2007 As Well As Additional Reductions Due To The Department Of Budget and Finance's Budget Ceiling For FY 2008-2009

None

VII. Capital Improvement Projects Requests For Fiscal Year 2008-2009

None

VIII. Proposed Lapses of Capital Improvement Program Projects

None