

**ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE**

March 14, 2001

2:20 p.m.

MEMBERS PRESENT

Representative Drew Scalzi, Co-Chair
Representative Hugh Fate, Vice Chair
Representative Joe Green
Representative Mike Chenault
Representative Lesil McGuire
Representative Gary Stevens
Representative Beth Kerttula

MEMBERS ABSENT

Representative Beverly Masek, Co-Chair
Representative Mary Kapsner

COMMITTEE CALENDAR

HOUSE BILL NO. 108

"An Act relating to the accounting for and appropriation of fees for recording and related services by the Department of Natural Resources; and providing for an effective date."

- MOVED HB 108 OUT OF COMMITTEE

PREVIOUS ACTION

BILL: HB 108

SHORT TITLE:DEPT NATURAL RESOURCES RECORDING FEES

SPONSOR(S): RLS BY REQUEST OF THE GOVERNOR

Jrn-Date	Jrn-Page		Action
02/05/01	0239	(H)	READ THE FIRST TIME - REFERRALS
02/05/01	0239	(H)	RES, FIN
02/05/01	0240	(H)	FN1: (DNR)
02/05/01	0240	(H)	GOVERNOR'S TRANSMITTAL LETTER
03/14/01		(H)	RES AT 2:00 PM CAPITOL 124

WITNESS REGISTER

NICO BUS, Administration Services Manager

Central Office
Division of Support Services
Department of Natural Resources (DNR)
400 Willoughby Avenue, 5th Floor
Juneau, Alaska 99801-1724

POSITION STATEMENT: Came before the committee to speak about HB 108.

MARY ANN ROWE, President
Kachemak Bay Title Company
3691 Ben Walters Lane, Number 1
Homer, Alaska 99603

POSITION STATEMENT: Testified via teleconference in support of HB 108.

SHARON YOUNG, State Recorder
State Recorder's Office
Division of Support Services
Department of Natural Resources (DNR)
550 West 7th Avenue, Suite 1210
Anchorage, Alaska 99501-3564

POSITION STATEMENT: Spoke via teleconference regarding HB 108.

ACTION NARRATIVE

TAPE 01-20, SIDE A
Number 0001

CO-CHAIR DREW SCALZI called the House Resources Standing Committee meeting to order at 2:20 p.m. Representatives Fate, McGuire, Green, Stevens, Kerttula, and Scalzi were present at the call to order. Representative Chenault arrived as the meeting was in progress.

HB 108-DEPT NATURAL RESOURCES RECORDING FEES

CO-CHAIR SCALZI announced that the first order of business would be HOUSE BILL NO. 108, "An Act relating to the accounting for and appropriation of fees for recording and related services by the Department of Natural Resources; and providing for an effective date."

Number 0165

NICO BUS, Administration Services Manager, Central Office, Division of Support Services, Department of Natural Resources (DNR), explained that HB 108 would not change much of anything

except the title of the revenue collected, which would change the budget. He mentioned that Sharon Young would be available to answer questions regarding the program. He stated that [DNR's] recording office has been collecting revenues in excess of its operation for a number of years, with a budget of \$2.4 million and a collection of over \$4 million. Mr. Bus clarified that [HB 108] would not change any of the fee structures or have any impact on the projected revenues.

MR. BUS told the House Resources Standing Committee that [DNR] is asking for a change from general fund program receipts to receipts of supported services, so that, in terms of the budget, the program could stand on its own. He pointed out that although the customers pay for the services, often, when budget deliberations are done [by DNR] internally, [the State Recorder's Office] has to compete with other division. Mr. Bus mentioned being told by the [Office of Management and Budget], after the passage of HB 418 last year, that the State Recorder's Office would qualify for "this type of classification."

MR. BUS stated that the House Resources Standing Committee could get an understanding of why HB 108 was up before them by looking at the fiscal note. He told the committee that the increase in the cost of postage on 200,000 documents has an impact on the budget, adding that it is hard to compete for the general fund resources. Mr. Bus said HB 108 would isolate the recorder's office and would identify the receipts collected and compare them to the expenditures. He mentioned a [House Finance Committee] subcommittee on DNR that pointed out that there are expenditures for the recorder's office that are paid for in other state agencies, such as the Department of Administration, which pays for most of the office leases. Mr. Bus suggested [the recorder's office] could start to pick up those types of costs and show its revenue expenditure more easily [if HB 108 passed], so that the users of the recorder's office could see that their fees are used appropriately and that the [recorder's office] would not make a huge profit.

Number 0493

REPRESENTATIVE McGUIRE mentioned an adage about expanding in order to fill a gap. She asked for confirmation that the appropriations and collections were \$2.4 million and \$4 million, respectively, and suggested that a modest fee reduction could be incorporated, given the large gap between those two figures.

MR. BUS responded that the fee structure has been studied, but has not been changed significantly since 1991; he added that the amount of revenue fluctuates with the volume of transactions being processed. He said [the recorder's office] fees are very reasonable compared to those of other states. Mr. Bus noted that HB 108 would allow [the recorder's] office to show more of its true cost, adding, "The \$2.4 [million] is only for the amount of money that we are spending in our recorder's office in the Department of Natural Resources."

MR. BUS reiterated that the Department of Administration spends about \$300,000 to pay for [the recorder's office's] leases. He cited some examples of other expenses: a lease cost in the court system and a fee for storing old records at Archives [and Record Management Services ("Archives")]. He explained that, currently, [the recorder's office] does not have the money in its DNR budget to pay those fees, but if the fee could be changed [through the passage of HB 108], [the recorder's office] could pay the other agencies and demonstrate that its fees are reasonable and that they come close to the amount of its expenditures.

Number 0672

REPRESENTATIVE MCGUIRE rephrased her question and asked Mr. Bus if it is his intent to lower the fee.

MR. BUS answered no. He added that the fees would stay the same and a yearly report would show how close the revenue comes to the expenditures.

Number 0704

REPRESENTATIVE STEVENS asked Mr. Bus to give the committee an idea of what the total cost to DNR would be when fees are brought in that are "paid by other departments, like the Department of Administration."

MR. BUS reiterated that DNR's recorder's office budget is \$2.4 million. He listed some of the major expenses paid by the Department of Administration as follows: approximately \$320,000 for lease costs, costs for central payroll and central archiving; and separate mainframe and networks computer costs totaling \$100,000. He added that the total expenditures come to about \$3 million, based solely on the major expenses he is currently aware of; however, upon closer scrutiny, more costs could be added to the list.

MR. BUS explained that the recorder's office used to be part of the court system; therefore there are many old records of deeds and trusts that are in binders that need to be filmed and sent to Archives. He added, "Archives charges for [the] cost of archiving. This is permanent archiving, so we haven't really been charged for this, but, again, that would kind of show the customers that the ... revenue's paying for the cost, and it comes close."

REPRESENTATIVE STEVENS asked Mr. Bus to confirm that the goal [of the recorder's office] is to get all of the approximately \$3 million in legitimate expenses under DNR. He mentioned the approximately \$1 million in excess charges that would not be used and asked if those funds would end up in the general fund.

MR. BUS answered that those funds go to the unrestricted general fund and are available for appropriation.

Number 0902

MARY ANN ROWE, President, Kachemak Bay Title Company, testified via teleconference in support of HB 108. She stated the importance of microfilming old records that currently remain in their original form. She said not being able to protect the records by making copies of them for Archives would have serious effects in the future on landowners. Ms. Rowe stated her belief that it would be a good thing for the recorder's office to be able to utilize its funds/receipts.

Number 0995

REPRESENTATIVE GREEN asked Mr. Bus, if HB 108 were passed with its fiscal note, whether he would anticipate that the budget would rise above the \$4 million as additional requests were received.

Number 1055

MR. BUS answered that the workload fluctuates, and currently, because [the recorder's office] has to compete for the general fund, it is at a standstill, with no ability to respond to its workload. The proposed funding would give [the recorder's office] more freedom to ask for more money to meet the cost of the workload.

MR. BUS, in response to a previous comment by Representative Stevens, said, "This excludes our capital request." He explained that there are 14 offices around the state, and much of the equipment used in archiving has been handed down from the court system and is antiquated. He mentioned an idea to provide a library where people could access records and said that [the recorder's office] would need [new] equipment to be able to realize that idea. He said the current capital request is for about \$250,000.

Number 1155

REPRESENTATIVE GREEN asked Mr. Bus, if there were a "rash" of increases in requests, because of the gas pipeline, for example, whether [the recorder's office] would "rise" or fluctuate with those requests.

MR. BUS answered that that was the intent of [the recorder's office]. He made note of the increased workload related to the gas pipeline activity, saying that if the prime rate dropped, people would start refinancing, which would increase the workload in [the recorder's office]. He stated that he would like to call on Sharon Young to discuss that issue.

Number 1218

SHARON YOUNG, State Recorder, State Recorder's Office (Anchorage), Division of Support Services, Department of Natural Resources (DNR), testified via teleconference to answer questions. She commented that the workload [in the recorder's office] is cyclical, and fluctuates for many reasons, including economic ones. For example, she stated that last month there was a 10,000-document increase because of the NBA [National Bank of Alaska]-Wells Fargo transactions being recorded. Ms. Young said those types of things happen sporadically, and the current fee structure of [the recorder's office] is such that the revenues are sufficient to cover all costs. She added that [the recorder's office] does not anticipate excessive activity as a result of the gas pipeline; it would be comparable to the oil pipeline. She said it would affect a number of recording districts and offices. Ms. Young stated the opinion of [the recorder's office] that the funding is sufficient to handle that, and added that with the "ups and downs" in [the recorder's office] activity, "it would be very nice to have the ability to work with those [funds] and have a more stable ability to rely on that."

Number 1331

REPRESENTATIVE FATE asked Mr. Bus what processes he had in place to ensure the efficiency of the change in accounting centers and to guarantee that the approximately \$1.5 million in excess of expenditures would not be mixed with other funds within the department, now that it was out of "the general fund scrutiny." He specified that he wanted to know how Mr. Bus would be able to show the legislators involved in "missions and measures" where that money went. He said if the money were interdepartmental, it apparently would not "lapse" into the general fund. Representative Fate stated that [the recorder's office] would have an excess [of money], and said if it built up over the years, [the recorder's office] may expect to spend it on things that are not necessary, or may "be looking at other areas, within the department of DNR."

Number 1449

MR. BUS responded with the following:

First of all, the appropriation for the recorder's office is limited by the appropriation that you make. So, even today, the receipts that we collect are limited in expenditures by the appropriation we have. The appropriation for the recorder's office currently is only \$2.4 million dollars. If you choose to increase that, we would have to come to you, whether it's called "program receipts" or "receipts for the services."

The accounting and the auditing - for right now, the recorder's office [has a] separate budget which (indisc.) complete, separate appropriation in the department. And they don't mix with [the Division of] Oil & Gas and all these other programs, and so there is, clearly, separate accounting. And we are limited to the amount that is appropriated. \$2.4 million only funds 11 of our 14 recorder's offices; there are 3 of our recorder's offices that we are not budgeting for dealing with, because they are still under the court system. The court has asked us repeatedly if we are ready and willing to take it over, and we are. But we are, again, limited by our budget.

And so ... we have two different branches of government that are doing the service. ... Getting

back to your issue of missions and measures: it's a problem for us, because when a customer comes to our court office where they want to do a recording, and that court clerk is busy with a court case, then they just put the recording aside and they don't deal with it. It might be a couple of days.

And so, what Sharon [Young] would like - and [Ms. Young] can comment a little more - is that full control of all the responsibilities in the recording throughout the state. And right now, we handle the recording for 11 of the recording offices, and 3 are dealt with through the court system. And so, it's a little awkward, and this, again, would be an avenue where we could say, through the court, "Hey, those 3 offices - let us know what it would take, and then we'll come back to you and ... we'll present it to you as a [policymaker], and say, "Are you willing to fund those through these receipt support services? Do it in these offices." That's another advantage that's currently -- we are just absolutely limited. We said, "The only thing we will do is have the current 11, because that 2.4 is all we can do."

Number 1603

REPRESENTATIVE FATE asked for clarification regarding the receipts and the general fund.

MR. BUS replied that the receipts go into the general fund and then \$2.4[million] of that is appropriated.

REPRESENTATIVE FATE inquired whether this change in accounting would be more efficient.

MR. BUS responded that it would not change anything for the customer; it would just change the name of the receipt. He stated that the change would take [the recorder's office] outside of general fund competition, within the department and within state government, because it would isolate those receipts just for the recorder's office. He added, "If you say, 'Now, recorders, after a year it's only \$2.5[million],' if we collect \$4 million, we still give \$1.5 million dollars to the treasury."

Number 1661

REPRESENTATIVE KERTTULA clarified that like the fish and game fund, it's all general fund money and it's up to the legislature whether or not it gets used and for what purpose. She said talking about individual funds in it is like putting up an imaginary picket fence, which can help show within departments what expenses are and how much money was made.

Number 1699

CO-CHAIR SCALZI commented:

It's [an] excellent idea/concept if we pay attention to it. If we don't pay attention to it, then what Representative Kerttula said is absolutely true.

Number 1758

REPRESENTATIVE STEVENS made a motion to move HB 108 out of committee with individual recommendations and the attached fiscal note. There being no objection, HB 108 moved from the House Resources Standing Committee.

[The LIO turned off the recording twice before the actual adjournment, during which time the committee discussed upcoming meetings.]

ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 2:43 p.m.