ALASKA LEGISLATURE COMMITTEE FILES		1997-1998	8672
9255	HOUSE LABOR & COMMERCE		

Anyone Wishing To Testify On this issue and Who Has Not Already Done So Please Come Forward

Take Testimony In Order, Recognizing Each Witness By Name:
Other Legislators (Ask Other Legislators To Join The Committee At The Table)
Individuals With Time Constraints
Individuals In Order On Witness List.
Teleconferenced Testimony Should Be Rotated Between Locations.
Teleconference Moderator Will Provide You With A List Of Witnesses At The Various Locations)

Members of the public who would like to send in written testimony - my FAX number is 258-2916.

At the end of committee business announce: Labor & Commerce Committee will be meeting Monday October 20, 1997, at 1:00pm in this same meeting room to HB 142 - Business Practice Regulations and HB 178 - Uniform Commercial Code: Letters of Credit.

THIS COMMITTEE STANDS AJOURNED AT (time)

Who is GeoNorth?

GeoNorth Incorporated is a company owned by professionals dedicated to the development and support of successful GIS, Database and CAD systems. GeoNorth offers a full range of services including custom GIS and database application programming, GIS mapping, and data conversion. GeoNorth clients range from large government agencies and utilities to privately held small businesses nationwide.

Providing the right tools for the Job

GeoNorth helps customers identify the most appropriate technologies and applications to help build and maintain rewarding GIS solutions.

GeoNorth provides total solutions - not just specialized hardware and software systems, but customized applications, information, project management and dependable delivery. Our mission is to provide the best service possible without compromise or excuse. We maintain the highest level of technical skill and awareness of new products within our industry. We feel that our clients should expect nothing less.

"Never doubt that a small group of thoughtful, committed people can change the world; indeed it's the only thing that ever has."

- Margaret Mead

Why GeoNorth?

GeoNorth is one of the nations leading GIS, Database and CAD application developers.

GeoNorth has the experience and resources necessary to "Jump Start" your organization toward success.

No matter where you are, you'll have access to developers of high quality applications, technical support, training and employees to help you get the most from your investment.

We firmly believe that quality applications are a cornerstone of any successful GIS. GeoNorth is known for developing and implementing very powerful, flexible, and easy-to-use applications. Live demos speak louder than words, and our best calling card is to show you examples of applications we have written.

"Because your successes, are the milestones of our successes"

Please contact us directly to discuss the possibilities...

Nationwide call (800) 290-2292

Portland Office:
921 SW Washington, Suite 316
Portland, OR 97205

voice (503) 827-0827
fax (503) 827-0735

Anchorage Office:
3330 Arctic Blvd, Suite 101
Anchorage, AK 99503

voice (907) 562-1500
fax (907) 562-1502

or visit our website at

www.geonorth.com

GeoNorth Inc.

GIS - DATABASE - CAD

Services

Needs Analysis
The experienced staff at GeoNorth works closely with clients to determine a plan of action that considers not only the present, but also future needs.

Implementation Plans & Pilot Projects
After determining the specific goals of a client, GeoNorth creates plans which specifically address the steps of a project. Pilot projects developed by GeoNorth often feature functioning applications that can be used after the project is completed. We call them 'incremental victories'. These applications serve as the foundation for future development.

Jump Start Services
We understand the importance many organizations place on the ability to maintain their own application code and not be completely dependent on consultants. We also know that many organizations lack the resources for developing new applications. GeoNorth has extensive development experience in all the leading development environments. For these reasons we provide Jump Start services that help you get through the resource crunch of new application development. This allows your staff to rapidly develop their skills, while making sure that deliverables arrive on time.

Application Design & Development
We firmly believe that quality applications are a cornerstone of any successful GIS. GeoNorth is known for developing and implementing very powerful, flexible, and easy-to-use applications. Our largest success has come from integrating applications.

Engineering Model Interfaces
GeoNorth has extensive experience interfacing engineering models with GIS. Driving these models from a GIS provides numerous benefits including ease of use, simplified model preparation, and having results displayed spatially in systems like ARC/INFO, ArcView or MapObject client applications.

Internet & Intranet Systems
Internet and Intranets offer incredible new opportunities for organizations to manage and deploy both spatial and tabular information. Being able to provide database and GIS technology on the web provides huge benefits. We are proud to have developed many standard-setting web applications. These systems offer very real and tangible benefits to our clients

Systems Planning, Administration and Network Support
GeoNorth has certified Microsoft and Sun technicians on staff. We are also registered Microsoft and Sun developers. We offer a number of services to help you plan, grow and develop your enterprise systems. We can perform assessments, develop designs, network configurations, and provide implementation services.

Training
GeoNorth knows training is a big factor in the success of any organization, ours or yours. GeoNorth has on staff several Certified instructors to serve you, all of which have real world experience in the fields of GIS, database and CAD. GeoNorth provides authorized ArcView and Avenue courses. We can teach you how to get the most from ArcView and how to customize your applications. GeoNorth also provides training for AutoCAD, Softdesk, PowerBuilder, SQL, Sybase and Visual Basic.

Products

GeoNorth offers competitive pricing and unrivaled support for industry leaders of GIS, Database and CAD applications and add-ons.

ESRI Desktop
Autodesk
Powersoft
Sybase

Powersoft
Open Tools from Sybase, Inc.

SYBASE
OPEN SOLUTIONS PARTNER

ESRI Technology
AUTHORIZED RESELLER

Autodesk.

Are You sure your getting the best Deal?
Call Toll Free
(800) 290-2292

Current Technology

GeoNorth is a technology company that offers a wide range of consulting services for both large and small needs. Specializing In GIS , database and CAD applications puts us in a unique position to offer complete solutions.

GIS
- Map Objects
- Arcview / Avenue
- SDE
- ARC/INFO, AML, ODE

CAD
- Visual Basic
- Autolisp
- AutoCAD Run-time Extensions

Development
- Visual Basic
- PowerBuilder
- PowerDesigner
- Java
- C++, Visual C++

Database
- Sybase, Informix & Oracle
- SQL Anywhere
- MS SQL Server
- MS Access, MS FoxPro
- Interface & Integration with Legacy Systems

Internet / Intranet
- Interactive Content Development
- Query of GIS / Database / CAD / Documents
- Web Hosting & Authoring

Find out more by visiting
www.geonorth.com
or email info@geonorth.com

INFORMATION PROVIDED BY STATE RECORDERS OFFICE

TONY KNOWLES, GOVERNOR

400 WILLOUGHBY AVENUE
JUNEAU, ALASKA 99801-1796
PHONE: (907) 465-2400
FAX: (907) 465-3886

3601 C STREET, SUITE 1210
ANCHORAGE, ALASKA 99503-5921
PHONE: (907) 762-2483
FAX: (907) 562-4871

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

April 17, 1997

The Honorable Albert Adams
Alaska State Senator
State Capitol, Room 417
Juneau, Alaska 99801-1182

Dear Senator Adams:

You may recently have received a letter from Mr. Bob Motznik seeking to eliminate the Governor's $1.2 million FY98 capital funding request for the Recorder's Office. This project would fund a comprehensive recording/indexing/cashiering/imaging system for the state's recording offices and is extremely critical to the modernization of the Recorder's Offices operations. It will reduce or eliminate numerous repetitive manual handling steps, will improve and speed up our service delivery, and enable us to address a significant backlog in our archival responsibilities.

Mr. Motznik has a vested interest in seeing this capital proposal defeated. All of the state's recording data is entered directly into the Motznik Computer Services mainframe system and is then sold by that company to its customers throughout the state, including other state agencies. It is important to keep in mind that this is public information, yet many of the state's own agencies must pay a subscription and hourly fee to obtain access to the indexing information. It is appropriate to comment on some of the points raised in Mr. Motznik's letter so that you will have more comprehensive information on which to base your decision.

AS 44.37.020 requires the Department of Natural Resources to administer and maintain a recording system. The process of recording documents generally affecting real property is a traditional government function in which privatization has rarely played a role. The Recorder's Office charges for all recording and related services and generates revenues well in excess of its operational expenditures each year ($7.0 million over the past 5 years). Many of these same users also pay Mr. Motznik in order to obtain access to the recording index information. In a sense these users are paying twice to get information via the private sector that the state has a statutory obligation to provide free or at nominal cost. Under the proposed system, Mr. Motznik and any other private sector company can request the information and make it available to their customers.

Mr. Motznik has been giving us some mixed signals in the past. In his response to our Request for Proposals in 1990 he indicated the following:
"Within the next five years, we would like to see this system transferred back to the State."
"We feel that the state should create their own system and make available daily transition tapes like we are now doing."
"It is more expensive to perform your processing than it would be to purchase copies of the public data from you."

(Copies of the MCS proposal are attached.) Now, he is objecting to the state's effort to execute his suggestions.

Mr. Motznik's correspondence dated April 7, 1997, alluded to several "misrepresentations" contained in information that was distributed to major system users by the State Recorder's Office. Attached is additional information which supports the factual accuracy of the Recorder's Office statements.

In the past Mr. Motznik has expressed concern that the state would become his competitor if it implemented and controlled its own system. However, it is important to note that under the proposed modernization project Mr. Motznik would still be able to receive the data on a daily basis for distribution to his customers. At the same time, however, the public and all elements of state government would have more options for viewing and copying information from the public record. The principal goals of the modernization project would be to improve customer service and achieve greater efficiencies in internal operations via broadened system functionality.

This modernization project would enable the component to recognize savings and immediately redirect these savings toward resolving long-standing archival and preservation problems faced by the Recorder's Office. Many of these archival issues were noted in a 1992 Ombudsman investigative report and have only worsened with the passage of time.

Please do not hesitate to contact me (465-2406), or our State Recorder, Sharon Young (269-8882) at any time if you have any questions about this proposed project. The public record is growing at the rate of nearly a quarter million documents per year and continued delay in modernizing this largely manual system will result in an even bigger problem to address in the future.

I have also attached a copy of the detailed CIP budget request so you will have a better understanding of the project. Also attached is the summary of a management audit performed by OMB'. Division of Management and Audit of the Recorder's Office operations. I urge you to check with our key customers, including the title insurance and banking industries, as well as with your own constituencies. They are urging us to move forward with this project.

In closing I ask for your support of this FY98 capital budget request. In times of tight budgets we need good tools to perform our work.

Sincerely,

Nico Bus,
Administrative Services Manager

Attachments:
FY98 Detail CIP Budget request
Summary of OMB's Management Audit 10-49, May 1996
3. Supporting statements
4. Motznik Computer Services 1990 RFP Response

cc: John Shively
Sharon Young
Bob Motznik
Joan Brown, OMB

Recorder's Office Management Audit

Report 10-49

May 1996

STATE OF ALASKA
DIVISION OF AUDIT AND MANAGEMENT SERVICES
GARY ANDERSON, DIRECTOR

PROJECT STAFF: LAURA DOUGHTY
MICHAEL DEEGAN
ERVIN JONES

CONTENTS

SUMMARY

Purpose and Scope

We have performed an audit of the operations of the Recorder's Office. Our general objective was to determine the essential functions of the Office, evaluate how well such functions were performed and develop recommendations to improve operational efficiency. Specific objectives of our audit were to:

- Evaluate problems the Recorder's Office has in protecting historically valuable records.
- Analyze the Cooperative Agreement for use of the index system and make recommendations regarding its continuance and/or improvement in the contractual relationship.
- Evaluate the system for making documents available for viewing and copying by users and make recommendations to improve or modernize the system.
- Review the present organization of recording districts and the relationship of those still under the court system to the Recorder's Office, and develop recommendations to improve the efficiency of the system.
- Develop information from other states on the organization of the recording function and technology utilized.
- Examine equipment used in the various functions for obsolescence and deterioration and make suggestions for replacement if warranted.

What is the Recorder's Office?

The Recorder's Office is organized as a section within the Department of Natural Resources (DNR) Division of Support Services. The mission of the Recorder's Office is to maintain a secure and impartial place of record for legal documents affecting real property. Approximately 200,000 documents are recorded each year, although this volume is subject to significant fluctuations in demand as a result of the variability inherent in the real estate and financial markets. The Recorder's Office employs 44 full-time and 5 part-time staff. There are 34 recording districts in the state, serviced by 14 offices. Three of the 14 offices are administered by the Alaska Court System and the remaining 11 offices are administered by DNR. Alaska statutes require that documents be recorded in the particular recording district in which the affected real property is located. While DNR has the ability to establish, modify or close recording districts through regulation, there have been no substantive changes in recording districts in the past 20 years.

Recorder's Office Operations Generate Net Income to the State

The Recorder's Office operates at a substantial net profit to the state. All revenues come from recording and copying fees charged to customers. Alaska's fees are among the highest in the country and have historically far exceeded the appropriation for Recorder's Office expenditures. The Recorder's Office has generated a total net income of approximately $3.5 million over the past three fiscal years 1993-1995, even after considering the cost of leased premises, which is a part of the Department of Administration's budget.

Public Access - The State does not Own the Index System

One of the major statutory responsibilities of the Recorder's Office is to maintain an organized "index system" to reference information about recorded documents. The index system is comprised of a computerized index to approximately three million documents recorded during the past 25 years, combined with thousands of hand-written ledger books and original transcript volumes dating back to the 1800's. The purpose of the index system is to facilitate retrieval of recorded documents. The on-line index for all districts can be reviewed from any recording office. However, access to a specific document is only available from the particular recording office for the recording district in which the document was originally recorded. Customers must either request a copy by mail or physically visit the recording office where the document was recorded in order to view the document. The state does not provide remote electronic access.

The state depends on a private contractor for maintenance of the index system software and mainframe storage. The original programs for the automation of the index system were written in 1971. Motznik Computer Services, Inc., provides the on-line index system and mainframe storage of the data in exchange for access to the index information. Motznik retains sole ownership of the index system software.

The current Cooperative Agreement between Motznik and the State expires June 30, 1996. Upon mutual agreement of the parties, there may be two extension periods, the first for three years and another for two years. Either party may terminate the agreement at any time by providing 18 months advance written notice. A 1995 amendment to the agreement provides that the state's intent is to extend the Cooperative Agreement under certain conditions, including that Motznik must be in compliance with all obligations of the Cooperative Agreement and must complete all requested system enhancements and program conversions within agreed time frames.

The Recorder's Office has a Duty to Preserve Historical Documents

Alaska statutes outline the dual role of the Recorder's Office in preserving original records while also providing public access to all recorded documents. However, through the years, the Recorder's Office has put its public access duty above its preservation role, largely due to a lack of adequate funding to address both needs. The Recorder's Office funds its archival projects out of operations, utilizing existing

Anchorage district staff as the workload allows. In March, 1996, the Recorder's Office obtained a specially designed microfilming camera with the capability to produce legible microfilm copies from the original ledger books and document transcripts which are in the most danger of deterioration. Recorder's Office staff have begun the process of filming the old records and transferring them to State Archives.

Appropriate New Technology is Available

In a national survey on optical imaging and electronic transmission of documents for the recording function, 40% of the 205 responding counties were either currently using imaging or had plans to begin using imaging within five years. Of that group, 70% said they funded or will fund the imaging technology with special user fees or surcharges, usually deposited into a modernization or preservation trust fund.

In Alaska, a statewide analysis was conducted by OpenSystems, Inc. to assist the State in developing a coordinated approach to the use of imaging technology. In the December, 1993 project analysis report for the Recorder's Office the consultants concluded that the Recorder's Office would be an "appropriate participant in a general PC-based imaging software procurement."

Results of our Audit

- **Administrative Operations are Well Managed**

We found that the Recorder's Office has a strong administrative foundation. The present State Recorder has improved budgetary controls and accountability for expenditures, implemented better systems for internal monitoring of the work flow including objective performance standards, clarified and updated all policies, procedures and staff position descriptions, endeavored to minimize state liability by ensuring that policies and procedures are applied consistently throughout the state and successfully pursued legislation to standardize and improve recording functions.

- **New Technology is Needed**

We fully support the Recorder's Office in their efforts to acquire imaging technology for the recording function and we recommend that DNR aggressively pursue available funding alternatives. With an existing database of over three million records which is expanding at the rate of approximately 200,000 documents per year, the need for new technology is an inevitable one for the Recorder's Office. Today, DNR has additional alternatives that were not feasible in past years. The most attractive of these is an image-based processing system, which represents a significant technological advance, yet at the same time, is available at a cost more affordable than ever before.

Imaging does not represent an emerging technology for the recording function, but is currently in place and functioning in many recording offices around the country. There are significant efficiencies to be gained from using imaging technology for the recording function, both in terms of customer service (document turnaround, search capabilities and remote access) and in staff time used to process documents (data input and verification).

While the existing index system is provided at "no cost" to the state, there are costs associated with it in terms of inefficiencies and risk, which are harder to quantify but no less costly. We discuss the limitations of the existing system and the funding alternatives for a new system more fully in our report.

- **Organizational Issues are Linked to Technology**

We recommend that the Recorder's Office address organizational issues regarding office consolidation, including the offices currently administered by the Court System, as part of its plans to enhance technology. Having the funding split between two branches of government is cumbersome in terms of staff accountability and is not the most effective way to ensure good customer service. However, it may be difficult for DNR to duplicate the economies in terms of office space and staff for what is less than a full-time task. Advances in technology may provide a solution to this long-standing dilemma.

- **Duplication of Effort between Public and Private Sectors Occurs**

We recommend that the Recorder's Office work with title company representatives to determine whether the duplication of effort in maintaining index and database information can be reduced through the use of new technology. We also recommend that the Recorder's Office continue its efforts to improve the accuracy of the database. Title companies are the Recorder's Office's major in-person customers, acting on behalf of the general public, banks and mortgage companies to record and research documents pertaining to the purchase and sale of real property. The majority of title companies rely on information generated by the re-indexing of each individual document into their own computer systems rather than use the Recorder's Office index system. The title companies we interviewed were unanimous in their support of imaging technology as the next logical step for the industry. We feel there may be opportunities for some form of public/private sector partnership to reduce the duplication of effort in indexing, and to focus instead on new technology which would benefit all parties.

PURPOSE AND SCOPE

We obtained an understanding of the recording function by observation and inquiry of Recorder's Office personnel regarding data entry and discussion of processing with the systems contractor and Department of Natural Resources (DNR) personnel We also prepared flow chart diagrams and descriptions of the recording and revenue and cash receipts systems to confirm our understanding of Recorder's Office procedures. In the course of this audit, we:

- Observed the problems the Recorder's Office has in protecting historically valuable records
- Reviewed the present organization of recording districts and the relationship of those still under the court system to the Recorder's Office
- Reviewed and analyzed the Cooperative Agreement with Motznik Computer Services, Inc. and interviewed personnel significantly involved in computer operations for feedback
- Reviewed the system for making documents available for viewing and copying by users of the system
- Developed information from other states on the organization of the recording function and technology utilized
- Reviewed equipment used in the various functions for obsolescence and deterioration
- Interviewed six title companies for their opinions on the performance of the Recorder's Office and ideas for improving customer service

We also reviewed the following information in the course of the project:

- Applicable authoritative statutes and regulations
- Prior Legislative Audit report No. 10-4397-91 "Department of Natural Resources, Recorder's Office Index System," February 22, 1991.
- Prior Office of Management and Budget Audit reports No. 10-38 "Audit Report on the Department of Natural Resources' Land Records Information System," March, 1986 and "Management Analysis of the Operation of the State of Alaska Recorder's Office," October, 1983.
- Ombudsman's Investigative Report and Finding of Record for Complaint F090-0893, April 22, 1992.

- DNR publications "FY95 Annual Report - Recorder's/UCC Component," August, 1995 and "A Brief History and Organization of the Alaska Recorder's Office," May, 1994.

- DNR FY 1997 and FY 1996 Operating Budget submissions and proposed capital project requests.

- Numerous DNR internal correspondence items and reports.

BACKGROUND

Mission of the Recorder's Office

All states provide a system for entering into public record documents which affect ownership of real property. In most cases, recorded documents are irreplaceable and necessary to maintain a chain of title to all real estate within the state. In all states except Alaska, Hawaii and Massachusetts, the recording system is administered at the county level, and most recorders are elected officials. Alaska has a statewide recording function, headed by the State Recorder. The mission of the Alaska Recorder's Office is to provide and maintain a secure and impartial place of record for legal documents affecting real property in the manner prescribed by Alaska law. Recordation also provides a public notice function for liens, deeds of trust and other encumbrances against real property. While maintaining its public service functions, the Recorder's Office strives to undertake various projects to protect, preserve and enhance the permanent public record, and to prepare for future options in records management that will modernize and streamline the Recorder's Office's statewide operations.

The statewide recording system is currently administered as directed by statutes under nineteen separate titles and by regulations in 11 AAC 06. A comprehensive recording act was enacted in 1988, related to filing and recording requirements, recordable documents, conveyances, plats and platting authorities.

In enacting the 1988 Recording Act, the Alaska legislature made the following findings:

> *The legislature finds that the*
>
> *(1) Recording of legal documents of the kind customarily recorded throughout the United States is an essential state function;*
>
> *(2) Time and place of the recording of a document can be more important than the underlying sufficiency of the document;*
>
> *(3) Recording offices exist primarily for the benefit and convenience of the general public*
>
> *(4) Business community, commercial institutions, including banks, and private individuals cannot function effectively without the public notice protection afforded by recording their documents; and*
>
> *(5) The policy of the state is to maintain a convenient means of "egularly recording legal documents relating to property and obtaining information concerning existing recorded documents."*

The Recorder's/UCC Office has been accorded the statutory responsibility of providing a secure, impartial place of record for all documents affecting real property within the State of Alaska.

Statutory Obligations

Alaska Statutes provide detailed guidance on the recording function under Title 40 "Public Records and Recorders." According to Chapter 17, "Recording in Public Records," Alaska Statute Sec. 40.17.070 "Duties of Recorder," the recorder has these specific functions to perform:

> *(a) The recorder shall promptly record all documents presented that are recordable...*
>
> *(b) The recorder shall maintain in the central recording office a daily log and indexing for recorded documents.*
>
> *(c) As a document is recorded, the recorder shall indicate on or attach to each document the date, hour, and minute of recording, enter that information and a consecutive serial number in a daily log of documents without delay in the order in which the documents are received, and note the serial number on the document.*
>
> *(d) If a document presented for recording is reviewed and rejected for recording, the recorder shall indicate on or attach to the document the date, hour, and minute of rejection and a citation of the statute requiring rejection...Recording is effective when the document is accepted for recording, regardless of the cause of the rejection.*
>
> *(e) The recorder shall promptly copy recorded documents and place them in permanent records and shall note the recording information at the entry of each document in the daily log.*
>
> *(f) Promptly after recording a document, the recorder shall make the index entries required in this chapter and in the regulations of the department.*
>
> *(g) After recording, the recorder shall return the document to the person who presented it or a person designated by the person who presented it.*
>
> *(h) The recorder shall certify copies and provide a certified copy of a recorded document to a person who tenders the proper fee...*

Alaska Statute Sec. 40.17.010 "Place of Recording and Access to Records" further outlines the Department of Natural Resources (DNR) responsibilities regarding the function of the Recorder's office:

> *(a) DNR shall provide at each public office designated by the department:*
>
> > *1) the documents and indices or alternative document retrieval system of the recording district or districts served by that public office;*

2) a machine, device or system with which to retrieve stored documents;

3) a means for making copies of recorded documents and a person authorized by the recorder to certify the copies;

4) to the extent money is appropriated for the purpose, a machine, device, or system capable of rapidly transmitting a document eligible for recording to a recorder at one place of recording in the state, and a person to operate the machine, device or system; if the department determines that it is not feasible to provide a machine, device or system in an office serving a recording district, it shall provide for transmitting documents from the office by other expeditious means;

5) instructions that explain to the public the formal requirements that a document must satisfy to be recorded.

(b) The department shall provide the staff and equipment to receive and record documents and to store them permanently.

(c) When rapid recording and retrieval and secure storage of documents can be provided for all recording districts with a single place of recording in the state, the recorder shall record the documents at a single place in the state designated by the department

(d) The recorder shall provide reasonable public access during business hours to recorded documents, indices, and facilities provided for in this section.

History of Recording Function in Alaska

As mentioned before, Alaska is one of only three states utilizing a statewide recording system.[1] The recording function dates back to the mining days of the late 1800's. Prospectors, in order to protect "title" to mining locations and prevent claim jumping, formed "mining districts" and appointed a "recorder of claims." In territorial days, recordation of conveyances, filing of tax liens and recordation of mining claims were duties of the U.S. Commissioners in their respective precincts. In 1900, Congress enacted a code of laws based mainly on Oregon law and containing detailed and specific rules for a recording system. At statehood, when the territorial U.S. District Court handed over control to the Alaska Court System, recording districts were formed based on previous precinct boundaries and Court magistrates replaced the commissioners.

In August, 1971, the Court created the position of District Recorder, with responsibility for overseeing statewide recording functions. In January, 1977 the recording function

---

1 Hawaii and Massachusetts are the only other states which do not administrate the recording function at the county level. Hawaii's system is patterned after Massachusetts.

was transferred to the Executive Branch under the Department of Administration, Division of General Services and Supply; in July, 1979 to the Department of Commerce and Economic Development, Division of Banking and Securities; and in July, 1980 to the Department of Natural Resources. The Recorder's Office has remained under DNR since that time, although three of the smaller offices are still staffed by Court employees. The cost of operations for the Court offices is absorbed by the Court System[2] and is not reflected in DNR's budget, although all revenues (program receipts) are accounted for through DNR.

Recorder's Office Organization Structure

The Recorder's Office is organized as a section within DNR's Division of Support Services. The Recorder's Office employs 44 full-time and 5 part-time staff. There are 34 recording districts in the state, serviced by 14 offices. All offices are administered by DNR, but three of the 14 offices utilize Alaska Court System employees for recording functions:

DNR Offices	Court Offices
Fairbanks	Seward
Nome	Valdez
Bethel	Chitina (Glennallen)
Anchorage	
Palmer	
Kenai	
Kodiak	
Homer	
Juneau	
Sitka	
Ketchikan	

Alaska Statutes Sec. 40.17.020 "Recording Conveyances" specifies that a conveyance[3] that is eligible for recording may be recorded only in the recording district in which land affected by the conveyance is located. While DNR has ability to establish, modify or discontinue recording districts through regulation, there have been no substantive changes in recording districts in the past 20 years.

The Index System

One of the main statutory responsibilities of the Recorder's Office is to maintain an organized "index system" of reference information about recorded documents. The

---

2 Exception: DNR provides equipment and maintenance.

3 A "conveyance" means a transfer of an interest in real property other than by will or operation of law (AS Sec. 40.17.900 Definition).

index system comprises a computerized index to approximately three million documents recorded during the past 25 years, combined with thousands of hand-written ledger books and original transcript volumes dating back to the 1800's. The purpose of the index system is to facilitate retrieval of recorded documents by name. AS Sec. 40.17.040 "Index," provides that:

> *The recorder shall maintain an index system for recorded documents in the manner prescribed by regulations...The system shall be designed so the public may find documents by names of grantors and grantees, and the system may include other means for locating the documents.*

The index system creates a record with the following information for recorded documents:

Grantee (person receiving the property)
Grantor (person transferring the property)
Location of property (legal description)
Recording district
Serial number
Date and time recorded
Document description
Document code
Book and page number
Number of pages in the document
Associated document serial or book/page number cross reference

Information on the database is required to be indexed by name but can also be retrieved by location (legal description of the property), or by serial number of the document. However, since maintenance of the index by location is not required by statute, historically during peak volume times, this information was not always input. Also, the criteria for acceptance of a document does not specifically require a legal description, and therefore the legal information is not always indicated on recorded documents. These factors mean that a database search by location/legal description may not in fact be complete.

For the past 10 years, the public has had the ability to research the recording index back to 1971 by computer through public access terminals in the 11 DNR recording offices. The on-line index for all districts can be reviewed from any recording office. However, access to a document is only available from the particular recording office for the recording district in which the document was recorded. Customers must either request a copy by mail for a fee or physically visit the particular recording office where the document was recorded in order to view or obtain a copy of a document. The state does not provide remote electronic access, although such direct access is offered by Motznik for a monthly fee. Computer output microfiche (COM) a microfiche copy of the index database printout, is produced annually as a hard copy backup to the on-line data.

The original programs for the automation of the index system were written in 1971 by Robert Motznik, then a state employee of the Anchorage Data Center. Under this system, Recorder's Office staff manually filled out coded data entry sheets which were

input by Anchorage Data Center staff onto the state's Anchorage mainframe computer. In 1971 it was presumed that the system would be in use for five years, after which entry would be on-line. However, funding for the planned conversion to an on-line system was not received until FY 1984. From 1971 to 1986, recording offices were provided with alphabetical computer reports on a monthly basis for the documents in their districts. In order to research records, customers reviewed hand-written name indices which cross-referenced into the alphabetical printouts. At the end of the year, the monthly printouts were consolidated into a cumulative report which comprised a three-foot thick report.

During the early '80's, driven by a booming real estate economy, the Recorder's Office workload soared to record levels. For example, from 1980 to 1983, the volume of recorded documents increased by 66%. While the Recorder's Office document processing volume had grown significantly, there was no proportional growth in staff numbers or improvements in automation capabilities. This led to serious workload backlogs and customer complaints about delays in recording documents (of up to five months). In October, 1983, the Anchorage Office of Management and Budget released a report, "Management Analysis of the Operation of the State of Alaska Recorder's Office. DNR had requested this review to "improve the operational effectiveness of the Recorder's Office" and to "identify what steps are needed to reduce an excessive workload backlog." The study concluded that:

- *All possible management efforts have been taken to increase the efficiency of processing documents.*

- *The Recorder's Office cannot quickly respond to increased public demands for service. The ability to provide an increased level of service to the public is constrained by the operating budget and staff levels. Failure to provide increased service to the public creates a backlog of documents waiting to be processed. This causes public records to be out-of-date which increases the time required for title searches. Costs to the public, in Anchorage alone, are about $9 million per year.*

- *The lack of a fire proof archive storage area is an unwarranted risk. The loss of archival documents would create untenable legal problems concerning certainty and continuity of title.*

In 1985, the Anchorage Data Center notified DNR that beginning in FY 1986, data entry services would no longer be provided. Following this, DNR received an unsolicited proposal from Motznik Computer Services, Inc. to provide an on-line index system at no cost to the state, in exchange for access to the information. Robert Motznik had left the Data Center in 1973 to start his own computer service bureau. Motznik had already developed an on-line public information access system for his service bureau and proposed to write additional computer programs to automate the data input and verification processes that were being done manually on input sheets by the Recorder's Office staff. He also offered to provide the mainframe storage for the data.

The alternative procurement method was approved to negotiate the unsolicited proposal and the proposal became the basis for a sole-source zero-dollar contract which was effective March 1, 1986 to July 1, 1989. The Recorder's Office on-line index system was developed as an extension to the original Motznik programming and was implemented in July, 1986. The Anchorage Data Center mainframe records were then converted back to 1971 for most districts and transferred to Motznik Computer Services Inc.'s own IBM mainframe computer. Motznik retained sole ownership of the computer application software.

In a March, 1986 memo from the DNR contracts officer and DOA Contract Review Committee, the DNR's intentions on behalf of the state in negotiating the contract included that "the contract will be established in a manner to provided for the ability of the State to solicit the services from the business community after the initial three year contract." In 1989, at the end of the original term, the Motznik contract was extended for one year through June 30, 1990 and again until June 30, 1991 while DNR explored various options. In anticipation of the contract's expiration, DNR rebid the zero-dollar contract, but determined that both bids received (including one from Motznik Computer Services, Inc.) were non-responsive. Concerned with the limitations of the index system and with inadequate disaster planning, DNR instead proposed a capital improvement project to rewrite the system using its own in-house programmers at a projected cost of $305,000.

Questions over the feasibility and costs of replacing the system internally led to a Legislative Budget and Audit Committee special request for "a review of the factors underlying the decision to replace or retain the existing Recorder's Office index system." In their report titled "DNR Recorder's Office Index System" released February, 1991, the legislative auditors noted:

> *The contract governing this arrangement has met the needs of DNR for five years. Generally, the Recorder's Office has been pleased with the service provided by the contractor given the lack of remuneration involved. However, the Recorder's Office has determined that their indexing needs could be better served using technology which has evolved since the current system was developed. Also the contractor has expressed a desire for the system to be eventually transferred back to the State.*

The report concluded that rather than proceed with the in-house system development, DNR needed to reevaluate its options, including contracting with or without remuneration, and obtain an Attorney General's opinion regarding public access and zero dollar contract issues. The Attorney General's opinion was obtained, and did serve to clarify that the state could in fact contract with a private party and enter public data onto privately-owned equipment, as long as the data itself remained public information, but that DNR would have to follow the procurement code even if the contract were zero-dollar.

On June 28, 1991, a Cooperative Agreement was signed between the state and Motznik Computer Services, Inc. which essentially continued the previous arrangement for another five years with additional clarifications and specifications for both parties. Additional provisions were added to allow for mutually-agreed upon amendments

and system change work plans. The Cooperative Agreement also specified ownership of the system and data (terms on which the original contract had been silent), clarified public access to state data and called for development of a detailed disaster plan. The Cooperative Agreement expires June 30, 1996. Upon mutual agreement of the parties, there may be two extension periods, the first for three years and another for two years. Either party may terminate the agreement at any time by providing 18 months advance written notice.

There has been one amendment to the Agreement. This amendment, dated June 22, 1995, includes a provision that Motznik "provide the programming support and pay all costs of converting the existing software program from RPG to COBOL, or such other language acceptable to and approved by the Land Records Information Section and the Recorder's/UCC Office, prior to June 30, 1996." If the agreement is not extended, the state agrees to reimburse Motznik for its costs associated with the COBOL conversion and Motznik agrees to provide up to six months service for transition to a new system. The amendment also provides that the state's intent is to extend the Cooperative Agreement under certain conditions, including that Motznik must be in compliance with all obligations of the Cooperative Agreement and must complete all requested system enhancements in the work plans within agreed time frames.

Preservation of Historical Records

The importance of historical document preservation is evidenced in statute, which also outlines the dual role of the Recorder's Office in preservation and access: the duties of preserving original records while also providing public access to all recorded documents. According to the Alaska State Historical Records Advisory Board:

> *...historical records and documents, broadly defined, represent a priceless legacy for the study and understanding of our state's heritage."*

Through the years, the Recorder's Office has put its public access duty above its preservation role. This has been driven largely by the lack of adequate funding to address both needs. Historically, the Recorder's Office has allocated its limited funding toward short-term operations as opposed to long-term archival activities, a decision that has been largely transparent to the public. However, this was brought to light in 1991, when an Ombudsman's investigation was undertaken in response to a complaint by a Fairbanks archaeologist and historian who worked for the federal Bureau of Land Management. In researching old mining records, the historian became concerned that DNR was not fulfilling its statutory duty to preserve original records, alleging:

> *Contrary to law, the agency does not meet its statutory mandate per AS 40.17.040 (a)(5)(b), to take necessary precautions to 'permanently' store its older records now held in agency offices at a variety of locations throughout the state.*

The resulting 1992 Ombudsman's investigative report found that allegation to be "partially justified."

In response, DNR estimated that it would cost $550,000 to inventory, microfilm and archive the original records in question. However, this capital request was only approved for $50,000. The Recorder's Office has since funded the archival projects out of operations, utilizing existing Anchorage district staff as the workload allowed. One of the most pressing archival needs involves preservation of recorded documents for the pipeline period 1971 to 1977, during which the only storage media used was the "aperture card," a sleeved microfilm similar to a photographic slide. While such cards were represented to contain archival quality microfilm, it was subsequently discovered that images begin to deteriorate after approximately 20 years due to the developing process the Court system used for the film. If this problem were ignored, the film images could deteriorate past the capacity of current technology to retrieve them. As of March, 1996, the aperture card inventory process is approximately halfway completed, but none of these records have yet been either transferred to microfilm or archived.

In March, 1996 the Recorder's Office obtained a $53,000 microfilming camera from National Micrographics Systems as part of its continuing efforts to preserve the oldest historical records. This specially designed camera has a demonstrated ability to produce legible microfilm copies from the original ledger books and document transcripts which are in the most danger of deterioration. Recorder's Office staff have begun the process of filming the old records, which will eventually be transferred to State Archives.

Unfortunately, the act of archiving records does not necessarily end the preservation problem, but may serve only to shift the archival caretaking and storage burden to another governmental department; unless sufficient funding is provided, State Archives may not be able to adequately care for the original documents either. Stabilization, conservation and restoration of documents is expensive and requires special skills and training. Furthermore, securing necessary storage space and environmental controls (fireproofing, temperature, lighting and humidity) for original documents is expensive and in limited supply.

The importance of preserving actual documents in practical terms is arguably less important than preserving the information the documents contain. While certain original mining records or title documents may have inherent historical interest, the predominant use of the records is to access the information they contain as opposed to sighting the original manuscripts. This again places priority on maintaining a functional retrieval system to service the majority of users of the records.

DNR presently has no way to tell how often historical records are being accessed. Physical access to the old documents is not logged by DNR staff, nor does the computerized index system track any management information on retrieval of documents. However, even without this information, it is clear that the original records are slowly deteriorating simply from the non-archival storage environment the department has available to it.

Technology is a Major Issue for the Recording Industry

The most compelling topic in the recording industry is the growing use of image processing or "imaging" for the recording function. Imaging is defined by the American Institute of Certified Public Accountants Information Technology Division:

> *Image processing is a method of converting an image on a piece of paper into a binary representation on a computer. The binary representations are then sorted, retrieved, manipulated, and integrated with other images and processes to result in an output that can be used at a later date.*

The industry trade association for the recording function is the National Association of County Recorders, Election Officials and Clerks (NACRC). As part of this audit, we obtained a copy of a 1995 NACRC-sponsored national survey on optical imaging and electronic transmission of documents undertaken by Fannie Mae (FNMA - Federal National Mortgage Association). Of the 205 counties responding to the survey, 40% were either currently using imaging or had plans to begin using imaging within five years. Of the counties currently imaging or planning imaging, 70% said they funded or will fund the imaging technology with special user fees or surcharges, usually deposited into a modernization or preservation trust fund and the remaining counties indicated they would use general funds to pay for increased technology.

Many agencies are preparing to use imaging to improve operational efficiencies and enhance customer service. In July, 1992 the State of Alaska Telecommunications Information Council (TIC) established an Electronic Imaging Task Force to develop an approach to move ahead with imaging technology in a coordinated and compatible manner. A statewide analysis was performed to assist the state in developing a coordinated approach to make use of imaging technology. In the December, 1993 project analysis report for the Recorder's Office conducted by OpenSystems, Inc., the consultants noted that imaging "is currently being examined as a means to solve the problems faced by the Recorder's Office with regard to timeliness of recording the transaction and returning the original documents." They added that "...we can recommend no viable alternatives to electronic imaging as a way to solve the problems described above." They concluded that the Recorder's Office was an "appropriate participant in a general PC-based imaging software procurement."

The Technical Advisory Committee (TAC) to the Telecommunications Information Council is charged with the responsibility for the adoption of any needed technological standards or specifications for the adoption of electronic imaging technology by state agencies. A February, 1996 proposed revision to the statewide imaging policy states:

> *Because agencies are continually in the process of upgrading, enhancing and replacing their information systems with new, more cost effective technology, and because the use of electronic imaging and imaged-based information systems is fast becoming a preferred alternative to a paper-based system, it is recommended that agencies give serious consideration to the use of image-based systems when upgrading existing information systems or planning new information systems.*

OPERATION OF THE RECORDER'S OFFICE

FINANCIAL OVERVIEW: RECORDER'S OFFICE GENERATES NET INCOME TO THE STATE

The Recorder's Office/UCC Component operates at a substantial net income to the state, even with the inherently uncontrollable fluctuations in volume of documents recorded, caused largely by economic factors in the real estate market. For example, the Recorder's Office returned $1.1 million to the general fund in FY 1995, even though the volume of documents recorded had decreased by 25% over FY 1994. This can be seen from the following chart:

Chart 1

Recorder's Office Revenue/Expenditures ($ in '000's)

	FY 1995	FY 1994	FY 1993
Volume of Documents	188,534	250,196	207,782
Actual Revenue Collected	$3,436.1	$4,510.2	$3,506.1
Actual Expenditures	2,301.4	2,264.4	2,175.0
Returned to General Fund	$1,134.7	$2,245.8	$1,331.1
Staffing:			
Full-time	44	43	37*
Part-time	5	5	7*
Personal Services	$1,992.6	$1,935.2	$1,851.6
Travel	11.8	13.6	17.7
Contractual	194.8	185.6	220.9
Supplies & Materials	42.7	75.9	57.6
Equipment	59.5	54.1	27.2
Actual Expenditures	$2,301.4	$2,264.4	$2,175.0

* Note: FY 1993 Approved budget restored proposed staffing cut to 42 full-time and 5 part-time

source: DNR Recorder's Office/UCC Component Operating Budget submissions

Additional charts which demonstrate the fluctuating pattern of volume and revenue statistics over past years can be found in Appendix A of this report.

THE GENERAL PUBLIC ARE THE CUSTOMERS

The main customers of the Recorder's Office are the general public. However, the majority of the documents recorded on behalf of the general public are processed by title companies, banking and financial institutions, and law firms. Other large customers include state and federal agencies, such as Child Support Enforcement Division and the Internal Revenue Service.

Based on DNR customer survey data gathered during the period 1994 to 1996 from nine offices representing 28 of the 34 districts, 75% of the Recorder's Office customers are there to record documents. The remainder of the customers use the Recorder's Office to search and retrieve copies of documents, or obtain information from the records.

CUSTOMER SATISFACTION IS HIGH

Of the total respondents to in-house customer survey questionnaires from 1994 to 1996, 92% of the responding customers gave the Recorder's Office an overall rating of "excellent" or "good." Customers gave all the individual questions relating to staff performance high ratings, with at least 89% rating them either "excellent" or "good" or otherwise responding positively to questions in each area. However, when asked whether records were easy to locate and interpret, only 76% replied "yes," representing the lowest rated question on the survey after "adequacy of parking". Frustration relating to using the index system to retrieve information was the most common theme in customer written comments on the survey.

NUMBER OF DOCUMENTS RECORDED AND REVENUES FLUCTUATE WIDELY DUE TO ECONOMIC CYCLES

The number of documents recorded year to year can fluctuate widely. This presents an operational challenge to appropriately staff the offices. Neither the state personnel system nor the budget process are easily adaptable to this type of unpredictability in work flows. If demand were purely seasonal, the fluctuations could be planned for more accurately, but the Recorder's Office has both seasonal and nonseasonal demand surges which tend to follow the economic cycles of the real estate and financial markets, over which the Recorder's Office has no control. Appendix A of this report shows the pattern of Recorder's Office document volume and revenue statistics over the past several years.

Mortgages and deeds make up nearly 60% of documents recorded. Other documents recorded include UCC documents, income tax and property tax liens, subdivision plats, and mining claims.

Documents are recorded at all of the 14 offices statewide. In FY 1995, over 70% of the documents were recorded at either Anchorage, Fairbanks or Palmer. Anchorage accounted for 41% of FY 1995 document volume, Fairbanks 18%, Palmer 12% and Juneau and Kenai 6% each. The remaining nine offices accounted for a total of 17% of

document volume. There are economies of scale in offices which process larger volumes of documents. Accordingly, there are significant differences in operating cost on a per document basis for individual offices, as shown in Chart 2 below:

Chart 2

Revenue and Cost per Recorded Document
FY 1995

Location	Revenue	Operating Costs*	Document Volume	Cost per Document
DNR Offices:				
Anchorage	$1,160,759	$ 673,553	68,265	$ 9.87
Fairbanks	509,768	318,970	29,796	10.71
Palmer	343,442	210,856	19,928	10.58
Juneau	164,275	208,713**	9,588	21.77
Kenai	166,090	116,293	9,970	11.66
Ketchikan	129,793	96,744	7,525	12.86
Nome	23,810	63,232	1,595	39.64
Bethel	39,774	60,232	2,998	20.09
Homer	93,486	56,458	4,786	11.80
Kodiak	53,164	51,330	3,240	15.84
Sitka	41,340	43,343	2,494	17.38
Subtotal DNR	$2,725,701	$1,899,724	160,185	$ 11.86 Average
Court Offices (costs not included in DNR budget):				
Seward	34,265		2,235	
Valdez	25,145		1,864	
Chitina (Glennallen)	19,708		1,337	
Other:				
Administrative		324,270		
Archives (Microfilming)		263,537		
Misc. Fees	381,240			
UCC	250,017	193,462	22,913	
Total	$3,436,076	$2,680,993	188,534	

* Includes office lease costs for locations except Kodiak and Ketchikan (Court premises/no charge to DNR)
** Includes regional manager salary costs

source: DNR Recorder's Office/UCC Component FY 1995 Annual Report

As the preceding chart shows, the fixed costs of maintaining a physical office in an area drive up the average cost per document unless a reasonable volume of documents is being processed. However, the "cost per document" comparison does not take into account other aspects of customer service measured by the number of customers using the local Recorder's Office for research and inquiry. If there is no recording office in an area, the public must either travel to another location or mail original documents in for recording, and either travel to another location or pay a third party to do their basic research. This situation significantly impacts title companies, which must search the public record up to the minute their title policies are issued. Without access to local offices. the title companies in the remote areas have to pay a competitor to do this search at the central location. By having a standard fee for recording a document in any district, the customers in the larger areas subsidize the higher costs of keeping the smaller offices open.

DOCUMENT PROCESSING IS SEQUENTIAL IN NATURE

The process of recording a document includes the following sequential steps:

- **Examination for acceptability**: Examination of documents presented for recording against the policy and procedure manual to determine whether the document meets the minimum acceptance criteria for recordation, which includes original signature, legibility, proper fee, etc.

- **Recordation or rejection**: Recording of document in exact order presented by stamping with recording district, date, time, fee collected, serial number, book and page numbers and processing of the cash receipt; or rejection of document and completion of a rejection slip showing the reason for the rejection and a statutory reference.

- **Indexing**: Input of the date, serial number, time, index code, collateral description, dollar amount, reference number, debtor, secured party and assignee's complete name and address exactly as information appears on the original document.

- **Verifying**: Checking of the input against the original document data for accuracy.

- **Microfilming and archiving**: Preparing documents (sequential order, removing staples, darkening raised seals, etc.) and microfilming the documents, then cutting and jacketing the microfilm to prepare microfiche for distribution.

- **Return of original documents**: Sorting documents and preparing envelopes and/or labels for return to customer.

ALASKA'S FEES, AMONG THE HIGHEST IN THE NATION, EXCEED THE COST OF PROVIDING SERVICES

Recording fees have remained at the current rates since March 16, 1991. The Alaska Administrative Code 11 AAC 05.010(a)(14) and (a)(15) establishes fees for recording services and UCC filings. The basic fee to record a document is $15.00 for the first page and $3.00 for each additional page. If more than six parties' names appear on the document, there is a separate indexing charge of $2.00 for each name over six. There are other types of fees for other services, such as certified copies, photocopies, plat copies and microfiche. All branches of state government are allowed to record documents relating to official state business at no charge. Documents which are not directly related to state business and documents presented by all other governmental agencies (including Alaska Housing Finance Corporation) are charged the standard fee amounts.

Alaska's fees are relatively high compared to other states. In a 1991 national survey of fees in all 50 states, sponsored by the National Association of County Recorders, Election Officials and Clerks, only four states (Hawaii, Oregon, Delaware and Massachusetts) had fees higher than Alaska's. As noted in Chart 1, on page 17 of this report, historically, Alaska's recording fee revenues have far exceeded the appropriation for Recorder's Office expenditures. Based on this chart, the Recorder's Office has generated net income in the amount of $4.7 million over the past three fiscal years. In order to develop a meaningful comparison, the cost of leased premises, which is a part of the Department of Administration's budget, needs to be included to determine the total operating costs of the Recorder's Office. The resulting total net income of over $3.5 million for the past three fiscal years represents the amount by which the customers of the Recorder's Office have subsidized the state's general fund during that period.

RECORDER'S OFFICE OPERATIONS INCLUDE UCC FUNCTIONS

The Recorder's Office operations include the functions of the state's Uniform Commercial Code (UCC). The purpose of the UCC is to simplify and promote uniformity for laws governing commercial transactions. The statewide UCC Office is located in Anchorage and has the statutory responsibility under AS 45.09 to receive, file and provide official searches of its records to the public. Alaska's UCC Central Office serves to protect consumers in commercial transactions involving sales of goods and the payment for those goods. Lenders file documents with the UCC office to protect their security interests in the event of a debtor's default. Records are periodically searched to determine whether such security interests are on file for a particular debtor. In FY 1995, with a staff of four, the UCC Central Office processed about 16,000 documents and conducted over 6,000 official record searches. UCC filings can also occur at the loccal district level through the 34 different recording districts. Local district UCC filings get indexed into the recording system, while UCC filings at the UCC central office are indexed into a separate system (the UCC database is separate from the recording system).

THE EXISTING SYSTEM HAS LIMITATIONS

- Lack of recourse if contractor does not perform. As the prior Legislative Audit Report noted "It places DNR in a position vulnerable to changes in the contractor's priorities and attitude."

- The recording process remains largely manual and labor-intensive. Although indexing itself is automated, the original document must still be manually and consecutively passed through a series of steps which equates to a three to four week process before original documents are returned to the customer. The index system does not automatically generate return address labels, so mailback procedures require hand sorting of documents and typing of individual names and addresses.

- The current recording process uses electric timestamp machines in most offices to imprint the time, date, book, page serial number information onto original documents. The majority of these machines are over 25 years old and all of them have a high failure rate.. Fewer and fewer suppliers are available to service these machines (in other states, automated recording systems utilizing system-generated bar coded labels have made such machinery obsolete).

- The cash receipting system and the index system are completely independent of each other, requiring re-keying of some of the same data to enter the cash receipt and the on-line index data. This results in extra staff time and increased opportunity for input errors.

- The state recording system is functionally dependent on a closely-held corporation with a single individual possessing the majority of knowledge about the programming for the index system. The concentration of reliance on a key individual puts the state at some risk should this individual become incapacitated for any reason.

- The state cannot effect changes and enhancements to the computer programs except with the cooperation of the contractor. The contractor has regularly failed to meet agreed-upon deadlines for programming changes and enhancements. The existing cooperative agreement gives the state no recourse for the contractor's delays in completing the promised programming tasks.

- It is not possible to make on-line corrections to the historic database (1971 - 1994), which is separate from the "current file" of more recent records. Historic database corrections are run quarterly in batch program mode. This means that any error in the database will remain uncorrected in the public record for up to three months after the error is brought to the Recorder's attention and corrected in batch.

- Duplicate input field data cannot be copied from document to document. If two or more documents reference the same grantee/grantor and property, all fields must be individually input on each successive document.

- Character limitations on name entry fields which cause search difficulties. Truncation of names limits the usefulness of on-line searching for names greater than 30 characters, and necessitates physical retrieval of microfilm copies of the documents in order to determine this information (Motznik agreed to extend this limit but has not yet implemented the programming change).

- Subdivision names are not an indexed data entry field and must be manually cross-referenced to plat numbers for legal description input. The Recorder's Office estimates that approximately 6% of documents are submitted without plat numbers, requiring staff to go to a manual rolodex of subdivision names to look up associated plat numbers before input can be completed.

- The on-line index for all districts can be reviewed from any recording office. However, copies of the actual documents are only available from the particular recording office for the recording district in which the document was recorded. Customers must either request a copy by mail for a fee or physically visit the particular recording office where the record is held in order to view the document.

- The state cannot provide remote electronic access to the database for call-in requests. This access is only available through the contractor, for a fee.

- Database query functions are limited to grantor/grantee names, document serial numbers, or legal description of a specified format. Other search criteria, such as date ranges, index codes, or document types, are not available. Database manipulation and management reports are also limited. Detailed extraction reports useful for management purposes are not available for every field.

- There is no automated tracking of customer research statistics. The Recorder's Office presently has no way to tell how many customers are performing record searches, and how many access are being performed. This information would be useful for management purposes in order to determine the impact of future changes in policies (accurate profiles of customer needs, determination of peak hours, system usage at various locations, etc.).

- Although access to the database itself is theoretically available to the public (in the same manner as the public can obtain downloads of Permanent Fund records or Division of Motor Vehicles records), the data center does not have programs in place to provide customized extraction information. Customers who desire electronic data (such as market share data for banks, mortgage companies and title companies) must pay the contractor to obtain information in an affordable, useable format.

- The state has not been able to test a "hot site backup" (alternative mainframe site) for the recording system in the event of a system failure. The contractor has stated that in the event of a disaster, he would make necessary arrangements to obtain replacement equipment, (although this has not been tested). The state cannot use the state data center as a hot site backup because no data center staff are trained in

the RPG programming language used by the contractor.[4] Furthermore, the programming provided by the contractor is proprietary.

THE EXISTING SYSTEM PROVIDES A BASIC LEVEL OF SERVICES

- Provides basic level of services to accomplish the recording function.
- Provided at "no cost" to state (although some staff costs must be associated with inherent inefficiencies in areas such as duplicative entries, etc.)
- Public is accustomed to using this system
- Contractor has 25 years of experience with the programs.

---

[4] The contractor has promised to rewrite the programs in COBOL by June 30, 1996.

RECOMMENDATIONS

New Technology is Needed

With an existing database of over three million records which is expanding at the rate of approximately 200,000 documents per year, the need for new technology is an inevitable one for the Recorder's Office. The important question, really, is when and how this new technology should be implemented.

The last attempt to change the index system took place as the previous Motznik zero-dollar contract was expiring June 30, 1991. DNR issued a Request for Proposals (RFP) to replace the sole-source contract for on-line system services. The RFP addressed system design in addition to disaster recovery protection and efficiency of operations. The RFP failed, however, when both of the two submitted proposals were judged to be unresponsive.

This prompted DNR to look for other alternatives, including a proposal for state programmers to develop a system in-house. While there would have been benefits had the proposed system been developed, it was essentially a duplication of the existing technology rather than a technological advance. Ultimately, DNR arranged to continue with the index system maintained by Motznik Computer Services, Inc. The current Cooperative Agreement with Motznik expires June 30, 1996.

Today, DNR has additional alternatives that were not feasible last time the Motznik contract was nearing expiration. The most attractive of these is an image-based processing system. Imaging represents a significant technological advance, yet at the same time, is available at a more affordable cost than ever before. As mentioned earlier in this report, imaging does not represent an emerging technology for the recording function, but is currently in place and functioning in many recording offices around the country. There are significant efficiencies to be gained from using imaging technology for the recording function, both in terms of customer service (document turnaround, search capabilities and remote access) and in staff time used to process documents (data input and verification). While the existing system is provided at "no cost" to the state, there are costs associated with it in terms of inefficiencies and risk, which are harder to quantify but no less costly.

Alaska's Recording Office staff have visited sites where imaging technology has been implemented. For example, Thurston County in Washington state, which has a document volume of roughly one-third that of Alaska, implemented a complete imaging system with an integrated billing function for $300,000. The system was completely installed and all prior year data converted to the new system in the space of three days over a long weekend. The same vendor has installed imaging systems in various counties in six other states besides Washington.

Alaska's statewide recording function and remote locations would require additional hardware and data transmission costs in order to provide services to all recording offices. However, these costs could be reduced if less sophisticated technology, such as CD-ROM disks rather than full scale on-line imaging, were provided to the smaller

offices. Such disks could be downloaded from a central database and sent on a regular basis to the offices without on-line imaging capability. Customers needing up-to-the-minute information, such as for title purposes, could access the on-line index, but would have to wait until CD-ROM disks were available for copies of documents. The ability to pull up images off the CD-ROM disks for research purposes, albeit on a delayed basis, would improve customer service over present system capabilities. Tied to the technological advances are opportunities for more efficient distribution of services in different ways for the future, such as remote access, kiosks, etc. These innovations may well provide practical solutions to remote office recording needs, without having to provide staffed offices in all locations.

Funding for increased technology in other states has primarily come from the use of "document preservation fees" assessed in addition, or as part of, recording fees charged to customers. In Alaska's case, where recording fees are among the highest in the country, customers are already paying more than the cost of the services. The Recorder's Office operates entirely on program receipts (recording fees), which historically have generated a net revenue to the state in excess of $1 million a year. In fact, an increased appropriation for imaging technology could be quite adequately funded by less than two years of existing fees, if those fees actually remained in the Recorder's Office budget. However, the Recorder's Office's repeated capital requests to fund advances in technology have not been approved. The Recorder's Office most recent capital request has been submitted for FY 1997 and FY 1998, seeking funding for a turnkey information and imaging system.

Another avenue to fund technology is through the use of bonds. The Governor's FY 1997 Capital Budget includes a proposed $6 million technology revenue bond to fund computer and telecommunications technology. Included in the sample projects being considered is $900,000 for a comprehensive Recorder's Office imaging system to improve customer service and access to public information.

> RECOMMENDATION 1: We fully support the Recorder's Office in their efforts to acquire imaging technology for the recording function and we recommend that DNR aggressively pursue available funding alternatives.

Organizational Issues are Linked to Technology

The need for maintaining 34 different recording districts becomes less significant in the wake of advancing technology. Likewise, there is no particular reason why DNR should not take over the administration of the three remaining recording offices currently operated by the Court System, other than the convenience of the customers in accessing their local offices. This customer service issue must be balanced against the economies of scale provided by the recording offices with higher volumes of documents. In fact AS 40.17.010(c), which addresses places of recording and access to records, encourages centralization:

> *When rapid recording and retrieval and secure storage of documents can be provided for all recording districts with a single place of recording in*

> *the state, the recorder shall record the documents at a single place in the state designated by the department.*

Both DNR and the Courts agree that having the funding split between two branches of government is cumbersome in terms of staff accountability and is not the most effective way to ensure good customer service. However, it may be difficult for DNR to duplicate the economies in terms of office space and staff for what is less than a full-time task. As we have seen, the smallest volume offices tend to have the higher costs on a per-document basis.

Advances in technology may provide a solution to this long-standing dilemma as well. For this reason, we think that organizational issues should be addressed in conjunction with planning for a new way to accomplish the recording function.

> RECOMMENDATION 2: We recommend that the Recorder's Office address organizational issues regarding office consolidation, including the offices currently administered by the Court System, as part of its plans to enhance technology.

Duplication of Effort between Public and Private Sectors Occurs

The title insurance industry interacts with the Recorder's Office on a daily basis. Title companies are the Recorder's Office's major in-person customers, acting on behalf of the general public, banks and mortgage companies to record and research documents pertaining to the purchase and sale of real property. This facilitating role benefits all parties to transactions requiring recordation of documents; enabling real estate agents, attorneys, buyers, sellers and lenders to settle transactions and have a single title company representative record all the necessary documents for them.

Title companies have an important relationship with the Recorder's Office due to the volume of work they represent. During the 1950's, it was the territorial Court's practice to enter into reproduction contracts with title insurance companies. The title companies furnished the cameras, were responsible for copy quality, and provided the court with copies of recorded documents. More recently, an informal arrangement dating back to 1972 (when the Anchorage Recorder's Office was housed in the Anchorage Court House) exists to allow a title company-sponsored private contractor space for a microfilm camera in the Anchorage Recorder's Office. The premise for the arrangement is found in statute AS 09.25.120 which specifically directs the Recorder's Office to permit copies of recorded documents to be made for examining title to real estate and to furnish proper and reasonable facilities for the purpose.

The contractor microfilms all original documents with their own equipment right alongside state workers producing the state's own microfilm. The contractor uses a different film size than the state and in turn produces reduced-size photocopies, which the title companies have historically used to minimize storage requirements, off the microfilm. The practice is considered mutually beneficial in that without it, title companies would require state workers to make the copies, and this would require additional personnel and administration costs, and likely additional turnaround time.

The Recorder's Office does not participate in the decision as to which contractor the title companies select.

After receiving microfilm and photocopies from the contractor, the majority of title companies rely on information generated by the re-indexing of each individual document into their own computer systems rather than use the Recorder's Office index system. This re-indexing is usually done as a joint effort by the larger title companies in the state, and the information is either shared or subscribed to by participants. Smaller companies maintain manual systems. Only one company interviewed uses the Recorder's Office as its main index for documents.

The main reason why this enormous duplication of effort between the private and public sectors occurs is basic to the title industry; the fact that title insurance is tied to the chain of title on a legal description **(property location)** basis. The title industry keeps separate "property index" records based on every document which affects a particular property, as well as a general index by name . A title search is performed primarily for a property, not an individual. The Recorder's Office index, however is maintained on a grantee/grantor **(individual name)** basis, as required by statute.

Since about 1972, the Recorder's Office has attempted to maintain a location index on a courtesy basis as an additional public service for research. However, in times of peak workloads or budget constraints, the location index information has not always been input, resulting in gaps and omissions in the historical data. Furthermore, documents presented for recording are not required to contain a legal description so the Recorder's Office does not verify the existence or accuracy of legal descriptions on documents (documents are required to be indexed exactly as presented to minimize legal liability and eliminate judgment factors). Unfortunately, these errors and omissions make the entire database unreliable for the title companies' use as a complete source of information for a particular property location.

Title companies instead rely on their own "title plant," or inventory of files and indices, which they perceive to be more accurate for research and as a basis for providing title insurance policies. If omissions are made in the legal description on a document, title company staff will research to determine the correct information and then enter it, and because they are dealing primarily with locations in their searches, they are also more likely to identify errors in the legal descriptions. Title companies still use the Recorder's Office index, however, as the most current source of information when issuing a title policy (the Recorder's Office inputs recorded documents the same day they are received, which immediately puts the information on-line, whereas it usually takes at least two days before the title companies are able to re-index themselves from the microfilm copies provided by the contractor).

Currently, no title companies are using imaging technology. One company has obtained a document scanner, but has not yet implemented it. However, the title companies we interviewed were unanimous in their support of imaging technology as the next logical step for the industry. There would seem to be opportunities for some type of public/private sector partnership to reduce this duplication of effort in indexing, and to focus instead on new technology to benefit both parties. Perhaps by

working together with the title companies, the Recorder's Office can find a future solution which would reduce such duplication and provide a better product in the end.

House Bill 438/Senate Bill 283 has passed, which will make the "location" index a required, rather than courtesy, service in the future. However, the impact of prior years' errors and omissions will remain since re-verification of prior year missing data is not contemplated at this time.

RECOMMENDATION 3: We recommend that the Recorder's Office work with title company representatives to determine whether the duplication of effort in maintaining index and database information can be reduced through the use of new technology.

RECOMMENDATION 4: We recommend that the Recorder's Office continue to improve the accuracy of information contained in the database.

Administrative Operations are Well Managed Minor Administrative Issues Should be Addressed

In the course of our audit of the operational efficiency of the Recorder's Office, we found the section to have a strong administrative foundation. The State Recorder has improved budgetary controls and accountability for expenditures, implemented better systems for internal monitoring of the work flow including objective performance standards, clarified and updated all policies, procedures and staff position descriptions, endeavored to reduce state liability by ensuring that policies and procedures are applied consistently throughout the state and successfully pursued legislation to standardize and improve recording functions. Accordingly, we had few suggestions to improve administrative operations.

Presently, the Recorder's Office does not monitor the access by the public to its original historical records. These original records have begun to be microfilmed using a new archival camera designed specifically for filming these old records which are deteriorating. After filming, the records will be sent to State Archives for storage. We believe it would be beneficial to determine how often these original records are being used by the public to determine how best to organize the microfilming schedule.

RECOMMENDATION 5: We recommend that access by the public to historical records be logged by each office in order to monitor the frequency of such access.

The Recorder's Office does not monitor how often its computer system or technical equipment is unavailable due to mechanical failure or maintenance needs. We believe that such information would be a good management tool.

RECOMMENDATION 6: To monitor the frequency of computer system and technical equipment down time, we recommend that the down time be logged.

We found that the Alaska State Historical Records Advisory Board (ASHRAB) has objectives and a proposed action plan that is compatible with the Recorder's Office duty to preserve historical documents for the public record. ASHRAB is a nine-member advisory body appointed by the governor and administered by the Alaska Division of

Libraries, Archives and Museums. Board membership includes the Alaska State Historic Preservation Officer, a representative from the Native community and a representative from local government. The Alaska State Archivist is the coordinator of the board and is the liaison between ASHRAB and its national counterpart, the National Historical Publications and Records Commission (NHPRC). While the board's primary working responsibility is to encourage and review grant applications from Alaskans to the NHPRC, we believe that the composition and objectives of ASHRAB provide an opportunity for the Recorder's Office to access other records management professionals with particular interests in document preservation at the state and national levels.

> RECOMMENDATION 7: We recommend that the Recorder's Office participate on a more formal basis with the Alaska State Historical Records Advisory Board (ASHRAB) and with State Archives to discuss potential solutions to document and record deterioration problems.

In the course of this audit, we evaluated the policy of not charging fees to state agencies for recording documents relating to official state business. We estimated that approximately $190,000 in revenue would be received if state agencies were charged for the documents they now record for free. If those agencies were charged the regular recording fees, some of them would get partial federal reimbursement for recording fees (such as Child Support Enforcement Division for liens), but we believe that less than half of the $190,000 would be eligible for partial reimbursement. Unless agencies were "selectively" billed, the cost of processing all the receipts by agencies as well as the Recorder's Office could well exceed the net revenue.

> RECOMMENDATION 8: We recommend the Recorder's Office continue its policy of allowing documents relating to official state business presented by state agencies to be recorded at no charge.

AUDITOR'S COMMENTS

We reviewed the Department of Natural Resouces' response to our draft report. The complete response is included in this report as Appendix B. The department agreed with our recommendations. Certain minor changes have been made to the background and operations sections of the final report to reflect information received from the department.

As noted in the department's response, a significant event occurred subsequent to the writing of the draft report: the Motznik Cooperative Agreement was not formally extended by the state and was allowed to expire on June 30, 1996 when the contractor failed to meet the conditions necessary for extension. At present, an informal continuation of the agreement is in place. However, the contractor's actions leave the department with no formal arrangement for operation of its indexing system and only increase the urgency that the department seek an alternative technology.

Also subsequent to the writing of the draft report, changes to legislation effective July 1, 1996 will help to streamline and clarify minimum recording requirements. This new legislation also will require the Recorder's Office to maintain a location index in addition to the grantor/grantee index.

This page is intentionally left blank.

APPENDICES

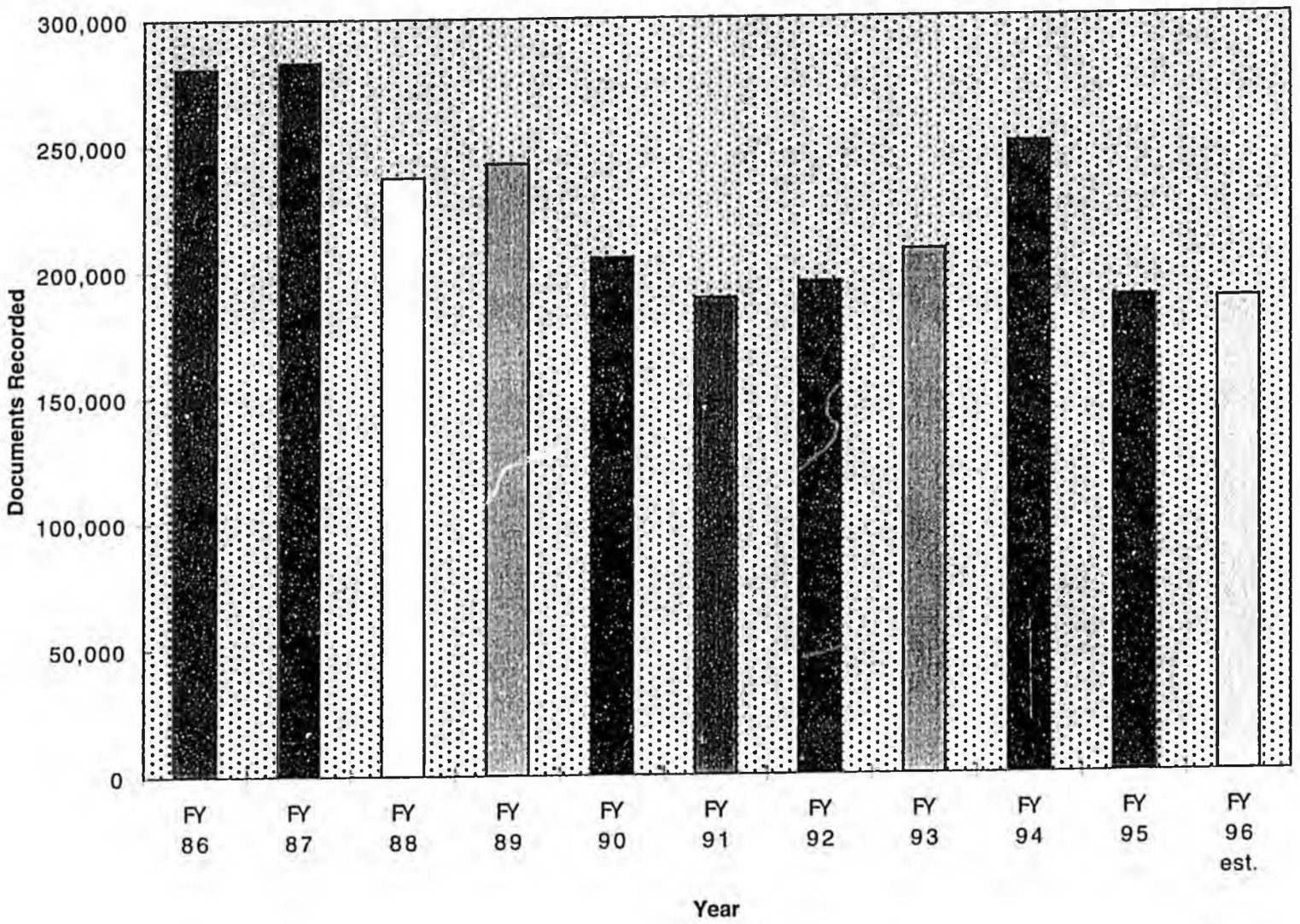
APPENDIX A: Recorder's Office Document Volume and Revenue Statistics

APPENDIX B: Department of Natural Resources' Response

This page is intentionally left blank.

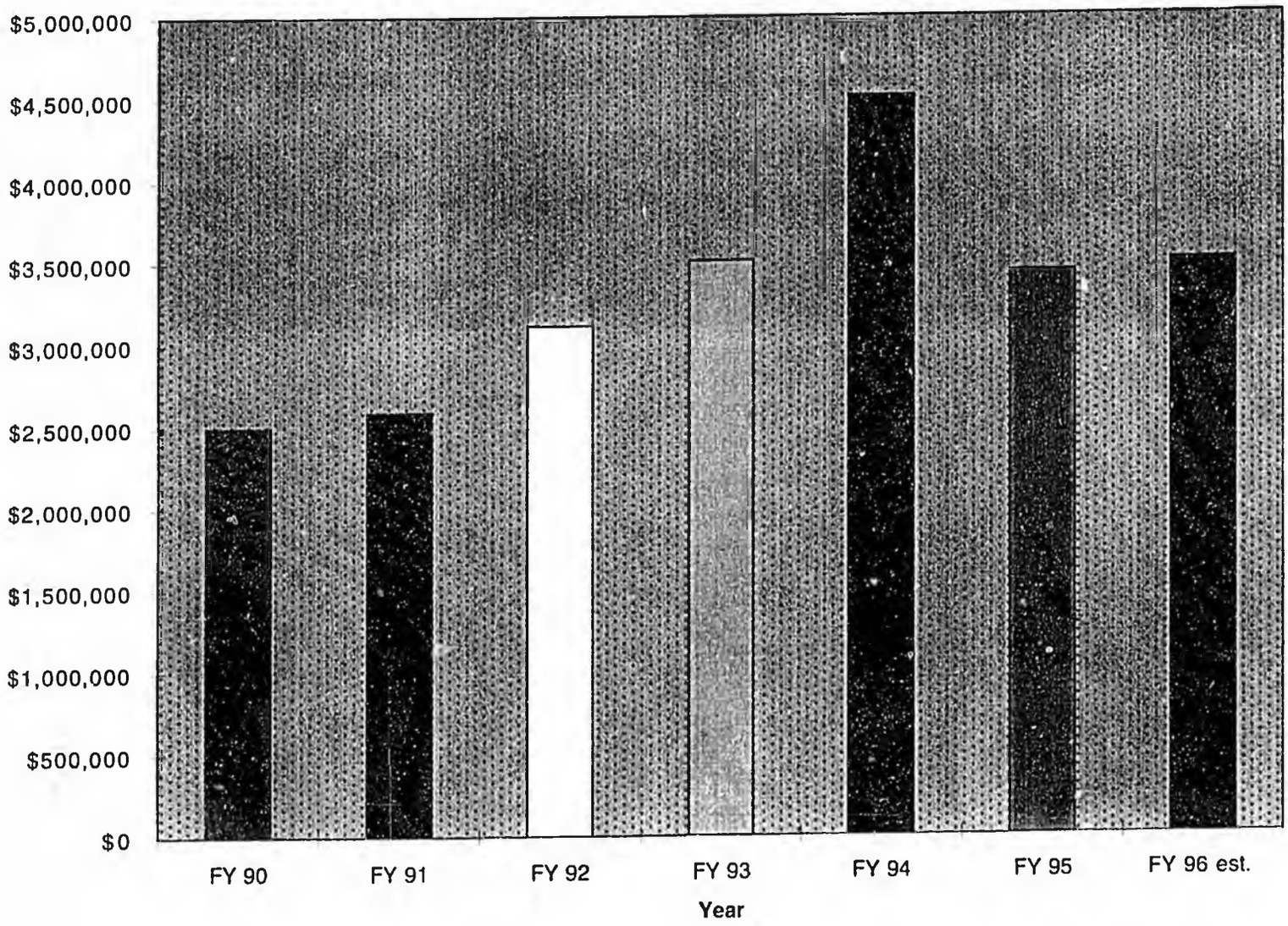
Appendix A- Chart 1

FY 1986 - FY 1996 Document Volume

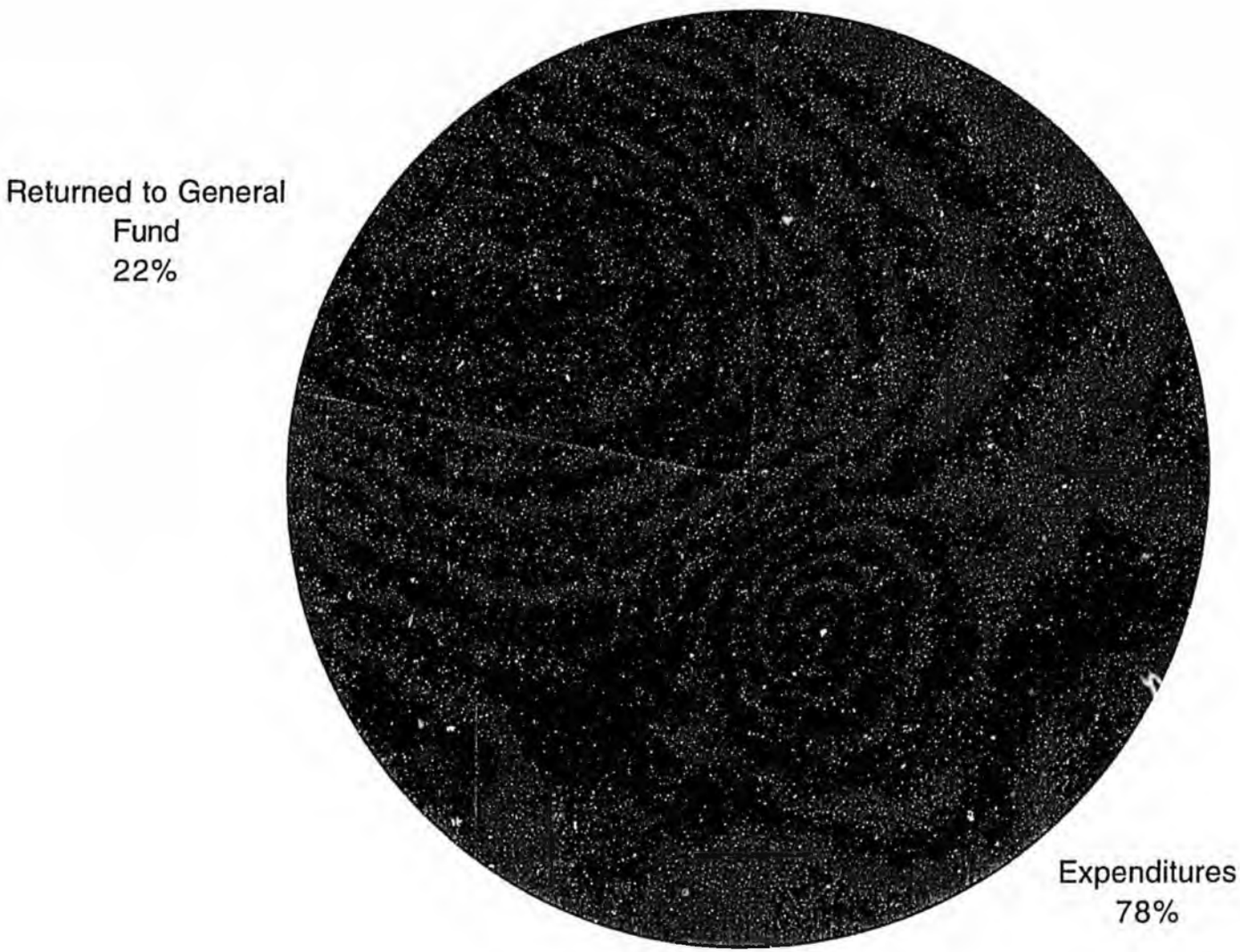


Appendix A - Chart 2

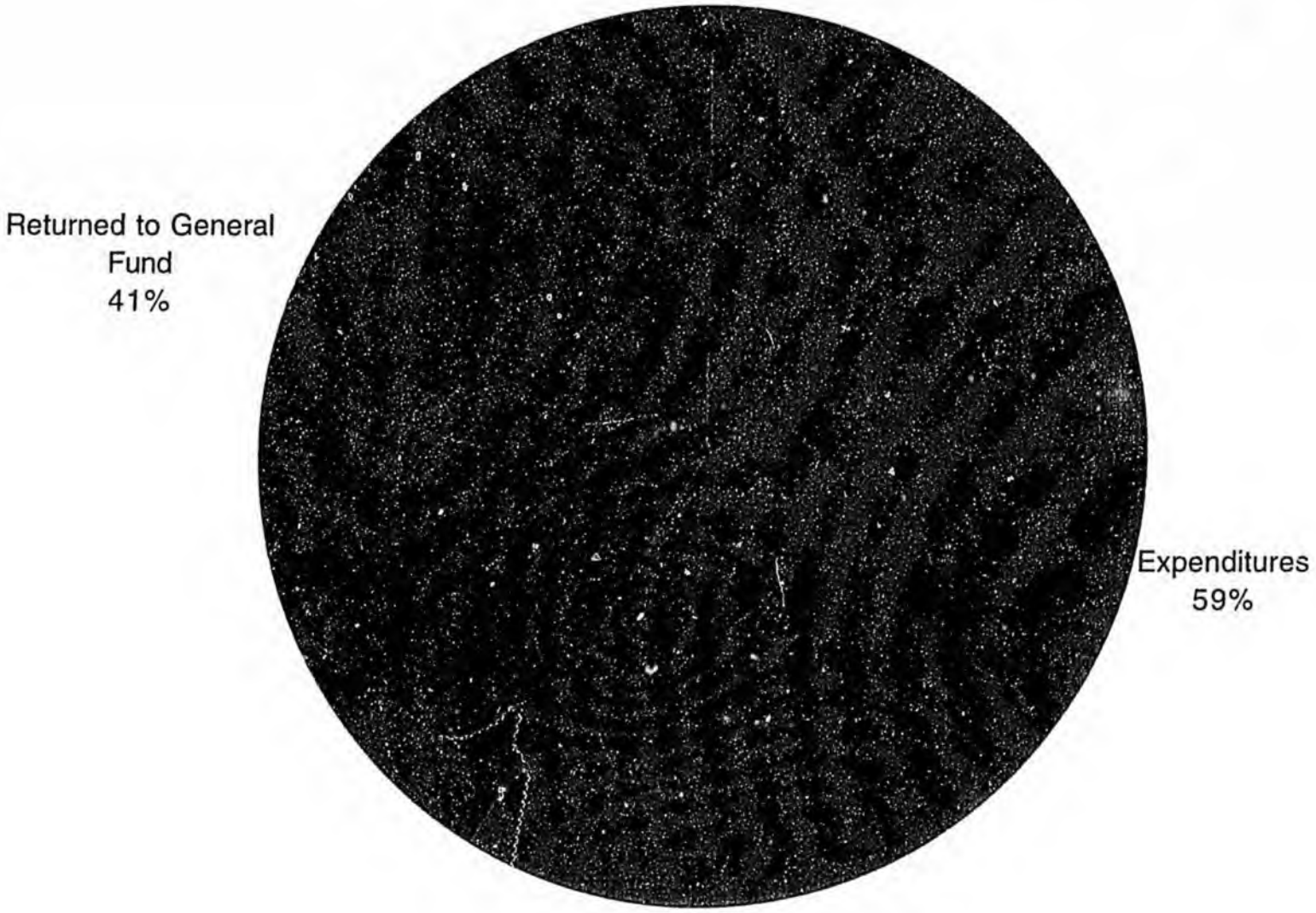
FY 1990 - FY 1996 Recording Revenue



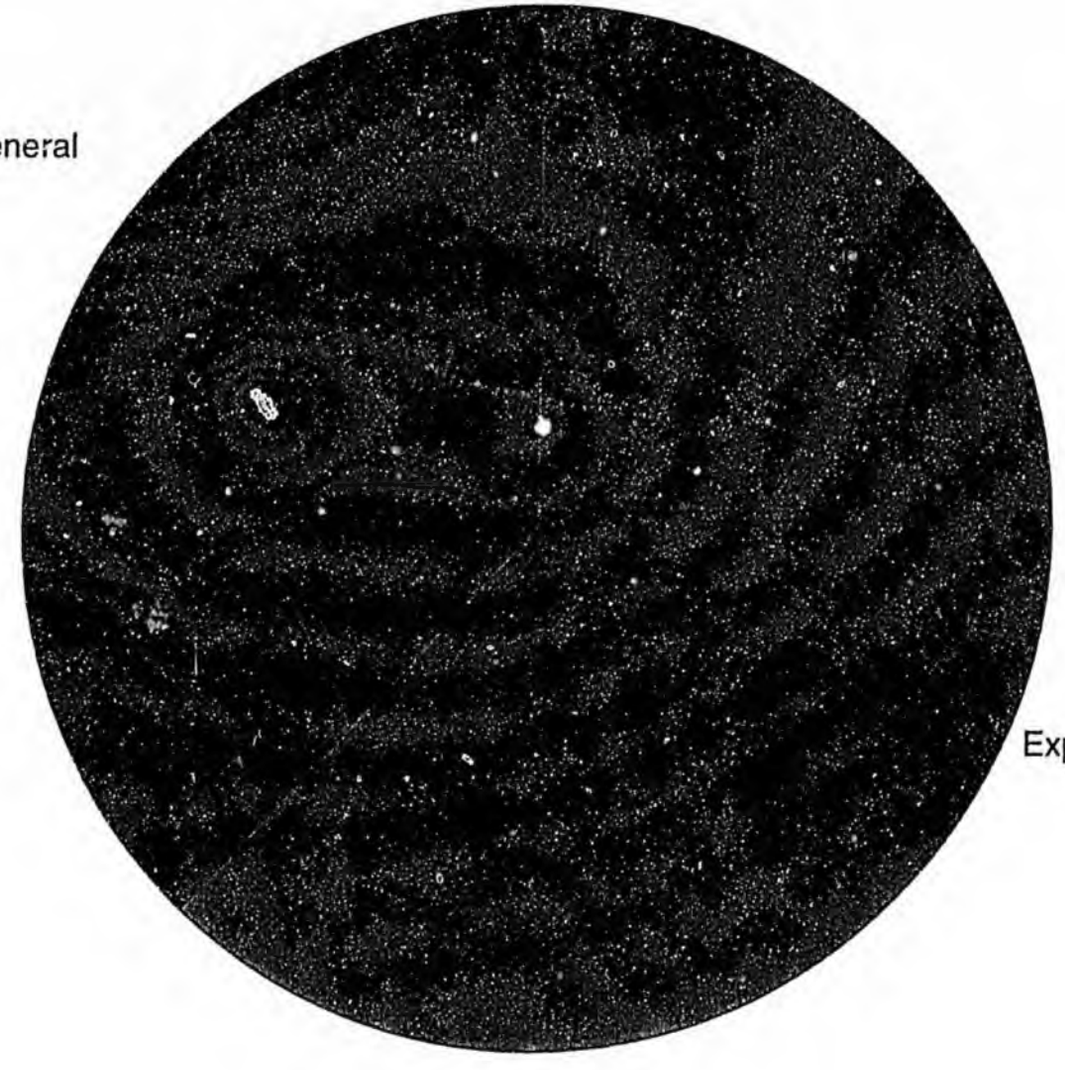
Disposition of Recording Fees
FY 95



Disposition of Recording Fees
FY 94



Disposition of Recording Fees
FY 93



This page is intentionally left blank.

DEPARTMENT RESPONSE

The Department of Natural Resources reviewed the draft version of this report and submitted their response. The response, dated August 5, 1996, is provided on the following pages.

This page is intentionally left blank.

MEMORANDUM
Dept. of Natural Resources

State of Alaska
Office of the Commissioner

TO: Gary Anderson, Director
Audit & Management Services
Office of Management & Budget

DATE: August 5, 1996

FILE NO: audit.a05

TELEPHONE NO: 269-8431
FAX NO: 269-8918

FROM: John T. Shively
Commissioner

SUBJECT: Department Response to Recorder's Office Management Audit

The Recorder's Office Management Audit (Draft Report 10-49, marked in error as 10-230) was presented to the Department of Natural Resources on July 12, 1996. Overall, the department is very pleased with the report and its recommendations and findings, particularly the conclusion that new technology is needed for this critical database which provides services to tens of thousands of Alaskans each year. The department's response to the audit's recommendations is as follows:

1. **The Department enthusiastically concurs with Recommendation No. 1, which recommends that DNR aggressively pursue available funding alternatives for acquisition of imaging technology.** The Cooperative Agreement with Motznik Computer Services for operation of the indexing system expired on June 30, 1996, providing added impetus to the need to explore new technologies for the recording system's operations. I believe the audit report presents a fairly accurate description of the Recorder's/UCC section, its functions, and the existing system for recording documents and dispensing information to the public. I would, however, like to confirm whether this audit recommendation regarding new technology also extends to the section's UCC operations. The UCC central file system is currently maintained as a separate database from the recording system. We believe the intent of the report is to support imaging technology for all section operations, including UCC functions, and if this is the case, perhaps the wording of Recommendation No. 1 could be clarified accordingly.

2. **The Department concurs with Recommendation No. 2 with regard to including court recording offices as part of plans to enhance technology within the Recorder's Office. However, insofar as this recommendation suggests possible consolidation of existing recording offices in a move toward centralization, the department does not favor eliminating any existing recording offices at this time.** The recording system currently consists of eleven offices staffed by DNR employees and three by court system employees. Five of the DNR-staffed offices are single staff facilities. Centralization of recording services and closure of any existing offices would have substantial adverse impact on the communities

now served by recording offices.

3. **The Department concurs with Recommendation No. 3.** The Recorder's Office expects to work closely with all major user groups in defining the requirements for new technologies in the recording system.

4. **The Department concurs with Recommendation No. 4 but notes that the database can only reflect the information submitted by the public in the recorded or filed documents.** The Recorder's Office is not charged with verifying the accuracy or validity of recorded documents nor the information contained in them. It is only charged with recording and preserving the records and creating an index to facilitate retrieval of the documents. To the extent that the database can be improved by correction of data to reflect what is contained in the documents, we support this goal. However, to the extent that this recommendation may require the recorder's office to step beyond its ministerial functions to attempt to verify or subjectively correct information in such documents, the Department would strongly oppose such a proposal.

5. **The Department concurs with Recommendation No. 5 relative to the monitoring of frequency of access into the historic original record books.** Frequency of access will be a factor in determining the microfilming schedule for such books, but other factors that will be taken into account include floor space and impact on recording office lease renewals, and availability of permanent storage at State Archives.

6. **The Department supports and has implemented Recommendation No. 6 with regard to monitoring down time of the automated indexing system.**

7. **The Department supports Recommendation No. 7, which suggests that the Recorder's Office participate with the Alaska State Historical Records Advisory Board and with State Archives to discuss potential solutions to record deterioration problems.**

8. **The Department supports Recommendation No. 8, but notes that neither statute nor regulation provides such a waiver from established recording and filing fees.**

Some additional observations about the audit report point out some areas where additional comment or clarification may be needed. These include:

1. Page 2 - Motznik owns the software and the mainframe on which the indexing system is housed. The state, however, owns all other equipment and terminals used for data input throughout the state.

2. Page 2 - As noted above, the cooperative agreement was not formally extended by the state and was allowed to expire on June 30, 1996, when the contractor failed to meet the conditions necessary for extension. An informal continuation of the status quo is in place.

3. Page 23 - Last paragraph on preservation could be expanded to also address other preservation projects that the section has undertaken, including the aperture card inventory, filming of tax liens, filming of old UCC filings, etc.

4. Page 3 - The filming project with the new camera has been delayed due to building electrical problems that have not yet been resolved. The section expects to have the project in full production within 30 to 60 days. Two additional reference appear in the report indicating that filming with the new camera is underway (page 15, paragraph 2, and page 29, paragraph 2 under Administrative Operations section). While considerable testing of the camera has occurred, the actual filming project is awaiting a resolution of the electrical problems.

5. Page 3 - Surcharge has been considered as an option. There has been some concern that it would violate the constitutional prohibition against dedicated funds, and therefore has not been pursued.

6. Page 3 - The last sentence describes efficiencies to be gained from imaging. Many other benefits would also flow from imaging technology, including but not limited to, reduction of storage areas, faster document retrieval, complete database of key fields, information control/security, backup of information, document preservation, file integrity, accessibility, ease of distribution, convenience and pure and simple economics...hard dollar savings in reduced labor and material costs and soft dollar savings associated with drastically improved customer service.

7. Page 7 - First paragraph refers to Alaska having a "statewide recording system". In reality this is an index that can be accessed statewide; but recording is still at the local district level.

8. Page 9 - Last paragraph refers to creating the position of "District Recorder" in 1971. I believe this was meant to refer to the position of "State Recorder."

9. Page 10 - AS 44.37.030(c) authorizes the department to use judicial employees to perform recording services in locations where the department has not otherwise designated a public office to perform those functions. This is the statutory basis for the continuing relationship with the Alaska Court System as it relates

to the three court offices in Seward, Valdez and Glennallen. The recording system is entirely administered by DNR, but court employees are utilized for recording functions in those three locations.

10. Page 10 - There is a reference to AS 40.17.020. This statute was amended effective July 1, 1996, and now reads that a conveyance may be "offered for recording" only in the recording district in which land affected by the conveyance is located. This slight change in wording shifts the burden of determining the proper recording district for conveyance documents on the party presenting the document for recording, rather than on the recorder.

11. Page 11 - AS 40.17.040 was also amended effective July 1, 1996 to require the recording system to maintain a location index in addition to the grantor/grantee index.

12. Page 15 - Despite the many efforts the section has made, and continues to make, in preserving the document images, it must be noted that these steps are not enough. The section is still plagued by a variety of different record formats which are difficult for the public to use. At various times in its history, the section has used different media for its archival storage, including 35mm rollfilm, 16mm rollfilm, aperture cards, photocopies (both positive and negative), and original record books and indices. Imaging, if implemented, would create yet another record series, and could never be fully effective for public research unless and until all prior record series were also converted to the same media. Multi-record series will continue to create problems in rapid retrieval until full backfile conversion occurs.

13. Page 15 - The State Recorder has noted disagreement with the statement that "the importance of preserving actual documents in practical terms is arguably less important than preserving the information the documents contain." Information contained in indices is too prone to error when subjective calls are made by data entry personnel. There is no substitute for having an original document, or at least an image of that document, to view when researching land titles. Further, recording staff is required by statute to certify documents upon request and has to be able to extract true and correct document copies in order to perform this function. Recorders do not certify information in the indices. Loss of the original images and/or documents would be a monumental disaster in terms of tracking chain of title to properties in Alaska.

14. Page 15 - As noted in the report, DNR presently has no way to tell how often historical records are being accessed. However, following the Ombudsman's investigative report in 1992, the section did take steps to limit public access to the deteriorating original

books whenever possible. Researchers needing access to the older records are required to try the existing film records first; then, after determining that film quality is unacceptable or film is non-existent, staff will allow viewing of the original records under controlled conditions and will make any required copies so that public handling of the original books is kept to a minimum.

15. Page 17 - Numbers in the chart were all taken from budget submission information. It should be pointed out that the FY93 budget approved a staffing level of 42 and 5 rather than the numbers in the submission. The difference was attributable to the restoration of a proposed staffing cut due to failure to consummate a proposal that would have transferred some recording functions to local government agencies and reduced staffing levels. By using the budget submission numbers, there is no explanation for what appears to be a significant staff increase between FY93 and FY94. Document volume and revenue numbers are based on monthly and annual statistical reports from Motznik. From time to time data discrepancies occur without explanation, causing some concern about the reliability of these numbers and the completeness of the statutorily mandated grantor/grantee indices.

16. Page 19 - Footnote indicates that lease costs are included for all DNR locations except Kodiak. Information should reflect that Ketchikan also incurs no lease expense at the present time.

17. Page 20 - Under the examination paragraph, some of the criteria listed refer to UCC documents, which have different minimum criteria than recorded documents. Also there is a reference to meeting "minimum established filing criteria". This statement should be "minimum acceptance criteria for recordation". Co-mingling recording and filing requirements is confusing. Also, it should be emphasized that new legislation effective July 1, 1996, has helped to streamline and clarify the minimum recording requirements.

18. Page 21 - It is proposed that the last two sentences of the first paragraph be modified as follows: "As a courtesy, the Recorder's/UCC section processes documents relating to state business at no charge." (It is not necessary to say that other agencies have to pay; it is required by statute and regulation. Also, it does not seem appropriate to single out AHFC as one of the entities that must pay.)

19. Page 21 - The paragraph on UCC functions does not clarify that the UCC database is separate from the recording system. Also it should be emphasized that pursuant to statute, UCC filings can also occur at the local district level through the 34 different recording districts. Local district UCC filings get indexed into the recording system, while UCC filings at the UCC central office

are indexed into a separate system. All UCC functions also occur at the local district levels.

20. Page 21 - The section entitled "The Existing System Has Limitations" needs some sort of an introductory paragraph. It is not clear whether this section is addressing the Motznik system or the recording system in general, or both. Many of the bullet paragraphs relate specifically to the Motznik system, but others (such as timestamps, receipting, etc.) do not. However, all of the items noted would have to be addressed to ensure compatibility and efficiency in a replacement system.

21. Page 22 - Regarding corrections to the historic database, these can be made at any time, but they are then held in a holding tank until the base file update occurs (this is supposed to occur on a quarterly basis). This means that a significant error in the database will remain uncorrected in the public file for up to three months after the error is brought to the recorder's attention and corrected.

22. Page 23 - The next to the last paragraph discusses the availability of the data to the public via downloads. The state does not offer this access through the data center, but refers all such inquiries to the contractor. This is not because of the contractor's programming language, but because the data center does not have programs in place to provide the type of customized extraction information that is generally requested by the customers who make such requests.

23. Page 24 - The "existing system" here is referring to the automated indexing system only. As noted above, the theoretical "no-cost" arrangement does result in significant costs to the state. Further, the final statement on Page 24 says that the contractor is willing to make certain upgrades and enhancements to the system. With the expiration of the cooperative agreement, this is no longer the case. Even long before the agreement expired, there were a large number of requested enhancements that were never completed by the contractor, some dating back as long as five years ago. Additionally, the reference here to the customized receipting screen has nothing to do with the Motznik indexing system. The receipting is a state function and does not interrelate with the Motznik system in any way. The section reports that attempts to reconcile the indexing system statistical information with the state's revenue and billing system information are still frustrating and largely impossible with existing report information.

24. Page 26 - The department did not submit a separate capital request for FY97 for an imaging system because it was included in the governor's proposed technology bond. Regrettably this funding

was not approved and the section received yet another setback to its technology plans.

25. Page 27 - The last sentence notes the added expense that would occur if the state performed the functions now done by the title insurance industry's filming contractor. Notably, however, there would also be added revenues to offset such expenses.

26. Page 28 - The discussion of the location indexing should include a comment about the new legislation effective July 1, 1996, which now mandates that the Recorder's Office index by location, in addition to grantor/grantee. Additionally, in the discussion of location indexing, it is stated that "these errors and omissions make the entire database unreliable for the title companies' use". This makes it sound as though the errors and omissions were by recorders. In fact, it is due to two factors totally beyond their control: (1) functional limitations in the indexing system itself; and (2) errors and omissions in the legal descriptions contained in the documents presented for recording.

The audit report was completed prior to the state's determination that the cooperative agreement with Motznik Computer Services would not be formally extended for three years when it expired on June 30, 1996. It may be helpful to the readers of the audit report to make note of that development and the current status of that arrangement. The report's recommendations for seeking new technology take on added importance when this development is considered.

This concludes our department's response to the audit report. I would like to take this opportunity to complement your staff for an excellent job in identifying and understanding the varied and often complex functions of the Recorder's/UCC section.

cc: Annalee McConnell
Marty Rutherford
Nico Bus
Sharon Young

ATTACHMENT

Supporting statement for Recorder's Office comparison to Mr. Motznik's system:

1 The state cannot manipulate the data in any way and cannot create any customized reports for the public or for its own internal use. Mr. Motznik makes the indexing information available in our recording offices via dumb terminals; but, he does not provide any means for obtaining reports or extraction's of this data except as printed reports provided through his office. This is the real crux of the matter. With a proprietary system such as this, the state cannot create reports necessary to its operation or to fulfill customer requests unless the vendor agrees. If the state were to create a system to use the raw data it receives at the data center for such purposes as Mr. Motznik suggests, it would essentially be establishing and maintaining a complete parallel system and the Motznik system would be superfluous.

2. The state does not have an operable replacement system of any kind. Utilizing the raw data at the data center to create an operable replacement system would be possible with proper funding. In fact that is the purpose of the capital request. It would not only create an operable replacement system, but would address the many other deficiencies and shortcomings of the present system. The state did not "kill" the cooperative agreement. Mr. Motznik failed to comply with certain conditions for renewal that he had agreed to in 1995. He had in fact agreed to complete these program changes numerous times in the past but continually failed to do so.

3. Clarification of features comparisons between Motznik's system and the proposed system. While Mr. Motznik's system does provide for immediate file updates of the current file data (only for approximately the past two years), changes to the historic file (covering the majority of the records base, i.e. all other records back to approximately 1972) do not occur until a base file update is performed approximately every three to six months. This means that a change can be made to the historic file and the public index will continue to reflect the erroneous information for up to six months. The fee calculation feature of the existing system is limited to comparing the number of pages to the fee amount. Both items must be manually keyed into the system before the system can determine if there is a problem. It is frequently necessary to override this feature as it does not recognize additional indexing charges and various other fees for numerous miscellaneous services offered by the component. Access to unverified documents is limited by the current system structure. While recording offices can produce a local office report of unverified data, the MCS program is written to display for public review only the index for documents that have been fully verified by recording staff.

4. King County, Washington, is not currently privatizing their entire recording system. King County has expressed its desire to change to a non-proprietary recording system and sought to explore possible partnering opportunities with private sector companies, particularly title companies, with regard to sharing an image database. King County was not able to award a bid to any of the responders in its October 1996 Request for Proposals because of the conditions the private sector companies were placing on use of the public information. King County is now working on another RFP and expects to acquire and own a non-proprietary system that will enable it to have full control and use of its data. The current proprietary system utilized by King County has severely limited its ability to distribute public information to its customers. This is not unlike the situation now facing Alaska as it seeks to move from a proprietary to a non-proprietary arrangement.

5. A significant number of recording offices around the country utilize imaging systems. The number is rising. In a 1995 survey of county clerks and recorders conducted by NACRC, the national association of county recorders, election officials and clerks, 21 per cent of all counties responding stated they currently use imaging technology either alone or combined with another method of archiving, and another 18 per cent said they planned to begin imaging over the next five years. In the past two years since this survey was taken, there have been an increased number of counties seeking this type of modernization. Imaging technology is a mature technology that has dramatically improved recording operations in many states. We would encourage Mr. Motznik to make a proposal to incorporate imaging into the current system but if such proposal includes any costs to be borne by the state, including equipment or otherwise, then a competitive bid process is mandatory as we have indicated to him on many occasions. Previous discussions with MCS concerning imaging have involved adding another layer of processing to capture the images. The Recorder's Office can not afford to add additional layers of processing. Combining or eliminating processing steps is the key to a successful streamlined implementation under a new comprehensive system.

6. Mediation is not necessary. The department does not see a need for mediation. The cooperative agreement expired in June 1996 when Mr. Motznik failed to comply with the conditions for extension. He has verbally agreed to continue to run the system on a status quo basis only through June 30, 1997. The state must be prepared to make other arrangements at that time.

Motznik Computer Services, Inc.
3701 Mountain View Drive Anchorage, Alaska 99508
(907) 276-6254

September 27, 1990

Department of Natural Resources
Division of Management
3601 C Street, Suite 916
Anchorage, Ak 99503

Dear Sirs:

Attached are four copies of our response to your request for proposals ASPS 90-0114.

This proposal is valid for a period of 90 days.

We have no conflict of interest as described in your proposal.

We do qualify as an Alaskan Vendor as described in section 2.16. Our business license number is 034465.

Sincerely,

Robert L Motznik

Robert L. Motznik

Statewide Recorders/UCC Office System
ASPS 90-0114
Motznik Computer Services, Inc.
9/28/90

TABLE OF CONTENTS

1. Understanding of the project

Having designed/programmed this system on three different computers, in three different languages over the last 20 years, I understand the project.

We are willing to renew the existing Recorders Office/UCC system contract for five years. We will do the processing at no charge to the State and follow all other provisions in the existing contract. We will provide cost justifiable enhancements that can be done without redesigning the current system for no charge to the State. We have noted in this reponse the enhancements in the RFP that are not acceptable unless you can prove that the enhancements are a great improvement or you are willing to pay for them.

Within the next five years, we would like to see this system transferred back to the State. The reason we incurred the software and hardware expense to create the system is because the system did not exist. The tape updates were months behind. Now that we have proved that it can be done smoothly, we feel that the State should create their own system and make available daily transaction tapes, like we now are doing. This would ease your concerns in the RFP that are not being met and also would move the monkey to your back.

2. Methodology

2.1 System Enhancements

We are willing to provide the following enhancements at no cost, some of these were not mentioned in the RFP.

A. Improved data entry, allowing provisions for copying documents, copying lines within a document, entering password once per session.
B. Allow multiple terminals to input on the same document at the same time and have the document available for verification the same day. This provision is needed for large documents when one operator cannot key all of the names in one day.
C. Allow identical debtor and lendor names on the same UCC document. Currently these UCC documents have to be 'forced' thru by MCS.
D. Provide another communication line directly to the Anchorage Recorders Office, bypassing the State network, to improve response time.
E. Investigate returning control to the verify operator immediately, rather than after the document is indexed. This would give the verify operator faster resonse time, but could cause a data validity problem.
F. Allow the creation of reception reports from the input/verify file.
G. Finish our prior commitment to allow for online requests of daily name and location index reports. This would reduce the amount of processing at the State Data Center.

2.2 Schedule

We will start the enhancements that we agree to do after 11/15/90 and have them completed 7/1/91. We would implement each change as it is completed. We would not use subcontractors.

2.3 Enhancements not acceptable to us

A. RFP 3.12 Contract Management

We would want to continue to deal directly with the State Recorder, as in the current contract. We see no need for a middleman.

B. RFP section 5.2.1 Enhancement 1
'System response time must be 5 seconds or less at any terminal'. The state communications network slows the response time down significantly and we have no control over it. We are willing to continue with the response time wording as in the current contract which states 'average response time of less than seven seconds', (on a terminal at MCS, Inc.)

C. RFP section 5.2.1 Enhancement 7
Positional input fields for property descriptions. The option of positional property input fields versus free format was studied in 1986. The free format field was approved by the Recorders Office because the property description on the document is free format. This makes the input operator's job much easier because she does not have to tab around or read the property description several times to pick out the data.

D. RFP section 5.2.1 Enhancement 8
'the user will not be required to make special entries to separate input data'. Removing this feature would require the operator to enter one name per line. There would be more lines/screens per document, more records to process, resulting in slower response time. I see no advantage to the operator either.

E. RFP section 5.2.1 Enhancement 9
'The user will not be required to repeat keying common last names when entering grantor or grantee names'. We would need to be convinced that keying a code instead of a 'Jones' would be more efficient.

F. RFP section 5.2.3 Enhancement 2
Any record may be updated anytime. The cost of having the entire database from 1971 to current in update mode is considerable. Are you simultaneously going to update the microfiche whenever there is a change to an old document? Online access and a printout of pending changes should be sufficient.

G. RFP 5.2.13 Provide DNR with source code/documentation
The programs are assets of Motznik Computer Services, Inc. and we are not interested in providing a copy of the source code.

H. RFP 5.2.13 Provide free access from 30 additional state terminals.
No thank You.

I. General Contract Provisions article 10, ownership of documents
The legality of this clause is questionable under the software copyright laws but also directly conflicts with RFP section 3.8.

J. General Contract Provisions article 5, termination
We would like this to state that either party can terminate the contract before the expiration date with one year notice.

K. We assume that several sections of the RFP relating to design and testing do not apply since we already have an operational system.

3.0 Disaster Recovery Plan

Natural disaster if our computer equipment, building and contents are destroyed, our offsite storage is intact, the State network, Recorders Office, ATU, Muni Light and Power and the other businesses we depend up on have not been affected, and that MCS, Inc. personnel have not been affected

In this situation we could resume processing the Recorders Office/UCC system in seven days.

Step 1. Order replacement Computer equipment
We would call PCL Computer Leasing who we have a computer backup agreement with. They will provide replacement equipment in Anchorage

Step 2. Locate Office space
This should not be a problem for several years because there is a surplus of commercial space.

Step 3. Order Phone Lines from ATU and replace state supplied modem
We would pay ATU an overtime charge for a quick response. The modem on this end of the communication link to the State network is supplied by the State.

Step 4. Electrical changes to new computer room.
In the past we have been able to get an electrician within 24 hours. We would pay a rush charge if necessary.

Step 5. Install new equipment
IBM would install the new equipment. In the past when we have installed new systems, this has taken an eight hour shift.

Step 6. Reload software and data files
This would be performed by MCS, Inc. personnel and our contract systems programmer. It would take 36 hours to complete this, but the Recorders Office/UCC input-verify system could be operational within 12 hours.

Step 7. Air conditioning
We can began operations without air conditioning but we would have to have a system installed on a rush basis.

3.0 Disaster Recovery Plan Cont'd

Business/Administrative shutdown - The State would need to take over the operation of the Recorders Office/UCC system, just like they did with Mat Maid. Our employees and equipment would be available.

Power/Telecommunications failure - We do not have a backup generator. Power failure has not been a problem for the last 14 years so we do not feel the expense of a generator is justified. In most cases, if we are out of power, so is the Frontier Building.

Hot-site backup - we do not have a hot-site backup for this system. It is simple to have a hot-site backup for batch processing. The costly part of having a hot-site for your application is to provide for the communication network. As we have said in the past, we will assist you in setting up a hot-site backup but you will need to cover the cost.

Redundant processing. The verified transactions are each written twice on different disk drives. Twice in the last 9 years we have had disk crashes and lost data. In both instances, we recovered the data by the start of business the following day.

Hardware Failure - All the equipment required to process the Recorders Office/UCC system is covered by an IBM maintenance agreement. This agreement provides us with 7 day a week, 24 hour maintenance.

Software Failure - We write our own application programs. If there is a problem, we fix it.

4.0 Qualifications and Experience

The following people are responsible for the system.

Robert L. Motznik has been a system analyst/programmer for 25 years. Systems he has developed include: Alascom long distance billing system, State and Federal Jury selection systems, and accounts receivable/ payable, inventory, payroll systems for over 100 companies.

Colleen Roberts, Michael Coles, LaVonne Motznik have all been with the company for at least 10 years. Their duties include: operations, programming, trouble shooting, sales, and customer relations.

4.2 Similiar Projects

The most similiar project is this project. Contact is Linda Plumb.

5.0 Financial Plan

We are in sound financial condition. We own our computer equipment. We have no outstanding loans. We have chosen to not include a complete financial statement but we can supply pertinent numbers on request. What numbers do you need? We will pay for a credit report if you want one.

We expect no revenue as a result of maintaining the input/verify programs and processing the system. It is more expensive to perform your processing than it would be to purchase copies of the public data from you.

One of our services is to provide online access to public files. There are 16 files on the system with at least four more to be added this year. It is important to our customers that the Recorders Office/UCC system transactions are available on a daily basis.

Project Title:	Recorder's Office Information and Imaging System		Location: Statewide
Category:	Development	Prog Priority:	Election District: 99
Project Type:	Information Systems	Agy Priority: AP/AL: AP	Completion Date (mmyr): 06/98

FUNDING	FY98 Capital Request	Annual State Operating / Maintenance	FY98 New State PFT	CAPITAL REQUESTS FY99	FY00	FY01	FY02	FY03	Total Req FY98-FY03
1002 Federal Receipts									0.0
1004 General Fund									0.0
1005 GF Program Receipts									0.0
1037 GF/ Mental Health									0.0
1022 AIDEA Fund	1,200.0								1,200.0
1019 Reforestation									0.0
1021 ARLF									0.0
TOTAL:	1,200.0	0.0	0	0.0	0.0	0.0	0.0	0.0	1,200.0

BRIEF PROJECT SUMMARY:

The Recorder's/UCC component in the Department of Natural Resources seeks funding for a turnkey information and imaging system to operate two critical databases. Time is of the essence due to the nonrenewal of an agreement (which expired in June 1996) covering the maintenance and operation of a proprietary indexing database by a private sector contractor. The state does not have a backup system for this vital records database.

DETAIL PROJECT DESCRIPTION AND JUSTIFICATION:

The Recorder's/UCC component seeks capital funding for a replacement system utilizing private sector resources, in whole or in part, that includes new technologies for improving service to the public and eliminating a myriad of operational inefficiencies. (Such inefficiencies include, but are not limited to: duplicative data entry; failing equipment; repetitive handling of documents; extensive manual processes; and limited research and retrieval methods.) Alternatively, if private sector resources cannot meet system requirements within budgeted parameters, the project would fund a departmental turnkey information and imaging system.

The Recorder's/UCC component maintains the official public record of all transactions affecting real estate within the state of Alaska, as well as the central file system of Uniform Commercial Code documents affecting personal property and commercial assets. Annual recording volume is approximately 200,000 documents. The component has offices located in Anchorage, Fairbanks, Juneau, Nome, Bethel, Palmer, Kenai, Kodiak, Homer, Ketchikan and Sitka. Tens of thousands of

Does capital project:	Yes	No
1) Meet state constitutional or statutory responsib	X	
2) Address life, health or safety issue?		X
3) Reduce state operating costs?	X	
4) Leverage private sector or local funds?		X
5) Create ongoing private sector jobs?	X	
6) Facilitate transfer of [illegible]nsibility to local or private sector?	X	

5. The Recorder's Office was an agency participant in a statewide task force on electronic imaging in 1993 sponsored by the Department of Administration. The project consultant concluded that the Recorder's Office was an appropriate candidate for imaging technology and it could recommend no other alternative to resolve the various issues presented by the recording office workflow analysis.

PROJECT SUPPORT - All users will benefit from the improved functionality and interface capabilities of a replacement system. Specific support has been received in the following format:

1. The Recorder's Office Management Audit Report 10-49, dated May 1996, issued by the Office of Management and Budget concluded that the component needs to implement imaging technology as soon as possible and recommended that the department "aggressively pursue available funding alternatives".

2. The Alaska State Historical Records Advisory Board adopted a resolution dated August 14, 1996, indicating that duplicating the recording office records is imperative to prevent further loss, destruction and deterioration and that immediate action is required to archive these "most significant historical records" and effectively remove them from daily use.

3. The component's major user groups, including the mining and title insurance industries, have urged the component to modernize its records system and have continuously supported its efforts to do so.

4. Customer survey responses statewide repeatedly denigrate the existing retrieval system and database information and indicate a high level of dissatisfaction with the existing system and its lack of functionality. Customers are demanding that the component modernize its research and retrieval system.

PROJECT OPPOSITION - None known.

PUBLIC BENEFITS - The proposed system would offer the following benefits, among others to the public:

1. Faster return of original documents to customers (currently takes 30 days or longer for original to be returned; a combined scanner/filmer would enable documents to be returned to customers immediately after recording).

2. Ability to search and retrieve documents from any recording location in the state on a day forward basis following implementation using a variety of expanded user friendly extraction methods (currently copies of recorded documents are only available in the specific district where documents were recorded; backfile conversion would be a separate project).

CORRECTION

THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION

Project Title:	Recorder's Office Information and Imaging System	Location:	Statewide
Category:	Development	Prog.Priority:	Election District: 99
Project Type:	Information Systems	Agy Priority:	AP/AL: AP Completion Date (mmyr): 06/98

FUNDING	FY98 Capital Request	Annual State Operating / Maintenance	FY98 New State PFT	CAPITAL REQUESTS FY99	FY00	FY01	FY02	FY03	Total Req FY98-FY03
1002 Federal Receipts									0.0
1004 General Fund									0.0
1005 GF Program Receipts									0.0
1037 GF/ Mental Health									0.0
1022 AIDEA Fund	1,200.0								1,200.0
1019 Reforestation									0.0
1021 ARLF									0.0
TOTAL:	1,200.0	0.0	0	0.0	0.0	0.0	0.0	0.0	1,200.0

BRIEF PROJECT SUMMARY:

The Recorder's/UCC component in the Department of Natural Resources seeks funding for a turnkey information and imaging system to operate two critical databases. Time is of the essence due to the nonrenewal of an agreement (which expired in June 1996) covering the maintenance and operation of a proprietary indexing database by a private sector contractor. The state does not have a backup system for this vital records database.

DETAIL PROJECT DESCRIPTION AND JUSTIFICATION:

The Recorder's/UCC component seeks capital funding for a replacement system utilizing private sector resources, in whole or in part, that includes new technologies for improving service to the public and eliminating a myriad of operational inefficiencies. (Such inefficiencies include, but are not limited to: duplicative data entry; failing equipment; repetitive handling of documents; extensive manual processes; and limited research and retrieval methods.) Alternatively, if private sector resources cannot meet system requirements within budgeted parameters, the project would fund a departmental turnkey information and imaging system.

The Recorder's/UCC component maintains the official public record of all transactions affecting real estate within the state of Alaska, as well as the central file system of Uniform Commercial Code documents affecting personal property and commercial assets. Annual recording volume is approximately 200,000 documents. The component has offices located in Anchorage, Fairbanks, Juneau, Nome, Bethel, Palmer, Kenai, Kodiak, Homer, Ketchikan and Sitka. Tens of thousands of

Does capital project:	Yes	No
1) Meet state constitutional or statutory responsib	X	
2) Address life, health or safety issue?		X
3) Reduce state operating costs?	X	
4) Leverage private sector or local funds?		X
5) Create ongoing private sector jobs?	X	
6) Facilitate transfer of responsibility to local or private sector?	X	

CAPITAL PROJECTS DESCRIPTION
FORM CP1
Revised 10/14/96

AGENCY: NATURAL RESOURCES

customers visit these offices on an annual basis to record or file documents or research the historical records. The proposed system would replace the largely manual, time consuming consecutive method of processing documents that currently exists by providing a single comprehensive recording/indexing/cashiering function without multiplicity of data entry processes. In addition to streamlining data entry, a new system would enable all component locations to access the entire index and image base from any location statewide. The current system offers access to index information only. Customers who desire copies of the documents can only obtain them from the recording office that processes documents for that particular recording district. Document copies must be made from a wide variety of archival formats, including, in some cases, original historic book records that are rapidly deteriorating. The proposed imaging system will enable customers to not only access index information more easily and with more versatility on a computer screen, but also to view the actual document image on screen, and to print copies of that document instantaneously. This process would reduce time frames associated with front line recording processes as well as substantially enhance customer service. Initially, the imaging base would be implemented on a day forward basis, with all new incoming documents imaged into the system. Backfile conversion aspects would be addressed with staff resources as available or as a separate project. Ultimately, however, documents from all recording districts imaged into the system could be available for customer retrieval in any recording office statewide. As noted, this is a comprehensive package that incorporates imaging functions with the recording, indexing and cashiering operations. In effect, a single system would replace three separate existing functions and provide the added capability of imaging.

WHY IS THE PROJECT NEEDED? - The need for this project has reached critical proportions due to the following:

1. The agreement for operation of the proprietary private indexing system that has housed this database for the past ten years expired on June 30, 1996 after conditions for renewal of the agreement were not met by the contractor.

2. Recording offices statewide are facing an increasing number of equipment failures and higher maintenance and service costs on outdated, obsolete timestamps, reader printers and other items associated with the still largely manual recordation process.

3. The component is facing increased pressure to reduce operational costs as the state comes to grips with declining oil revenues statewide. To date, the component has taken various steps to "do more with less", including but not limited to the following: it has repeatedly reengineered its workflow, revised its organizational structure, centralized microfilming and archival operations, and successfully sought new legislation to streamline recording operations. Implementation of this project embracing new technology is the only remaining viable path that will enable the component to rise to the dual challenge of reducing future operational costs while improving delivery of its services to the public.

4. Upon expiration of the agreement in June 1996 for operation of the proprietary private indexing system, the component sought information from various vendors to determine if a similar replacement system would be available on comparable terms. Based on the handful of responses to the Request for Information, a suitable replacement system will require a substantial funding commitment by the state, substantive changes in public access laws, or both.

5. The Recorder's Office was an agency participant in a statewide task force on electronic imaging in 1993 sponsored by the Department of Administration. The project consultant concluded that the Recorder's Office was an appropriate candidate for imaging technology and it could recommend no other alternative to resolve the various issues presented by the recording office workflow analysis.

PROJECT SUPPORT - All users will benefit from the improved functionality and interface capabilities of a replacement system. Specific support has been received in the following format:

1. The Recorder's Office Management Audit Report 10-49, dated May 1996, issued by the Office of Management and Budget concluded that the component needs to implement imaging technology as soon as possible and recommended that the department "aggressively pursue available funding alternatives".

2. The Alaska State Historical Records Advisory Board adopted a resolution dated August 14, 1996, indicating that duplicating the recording office records is imperative to prevent further loss, destruction and deterioration and that immediate action is required to archive these "most significant historical records" and effectively remove them from daily use.

3. The component's major user groups, including the mining and title insurance industries, have urged the component to modernize its records system and have continuously supported its efforts to do so.

4. Customer survey responses statewide repeatedly denigrate the existing retrieval system and database information and indicate a high level of dissatisfaction with the existing system and its lack of functionality. Customers are demanding that the component modernize its research and retrieval system.

PROJECT OPPOSITION - None known.

PUBLIC BENEFITS - The proposed system would offer the following benefits, among others to the public:

1. Faster return of original documents to customers (currently takes 30 days or longer for original to be returned; a combined scanner/filmer would enable documents to be returned to customers immediately after recording).

2. Ability to search and retrieve documents from any recording location in the state on a day forward basis following implementation using a variety of expanded user friendly extraction methods (currently copies of recorded documents are only available in the specific district where documents were recorded; backfile conversion would be a separate project).

3. Ability to have dial up access to database and document images in a faster and simpler format.

Additionally, the proposed system would offer the following benefits, among others, to the state:

1. Ability for other agencies to access recording and UCC databases as needed at no charge (currently the majority of state agencies must pay a subscription fee to private contractor to access this information).

2. Ability to integrate recording data with other geographic databases within the Department of Natural Resources or in other agencies (not currently possible due to format of data and control of data by private contractor).

3. Ability to consolidate remote recording functions with other agency activities to reduce personnel services costs in remote areas.

4. Enable component to devote staff resources to critical record preservation projects by reducing staff time needed to perform retrieval operations and/or locate and replace misfiled film records.

5. Ability to improve efficiency by automating or eliminating manual processing steps, thereby eradicating duplicative and labor intensive workflow stages.

6. Ability to reduce operational expenses associated with return of original documents.

ALTERNATIVE APPROACHES CONSIDERED - The component has previously sought information on replacement systems on a no cost basis. Responses were eliminated as alternatives because they could not be implemented under current statutory directives regarding accessibility to public records or because they involved direct cost to the state.

ALTERNATIVE FINANCING CONSIDERED - Implementation of a document surcharge was considered as a funding alternative consistent with a trend utilized by other recording systems nationwide. However, under Alaska law a dedicated fund of this nature is not currently possible. This capital project was included in part in the Governor's technology revenue bond proposal in FY97 but was not funded.

SUPPORT TO THE OPERATING BUDGET - In recent years, the component has successfully reengineered internal operations repeatedly to gain efficiencies in its daily workflow that enabled it to begin addressing a number of critical preservation issues without adding additional staff. However, component management believes that a plateau has been reached and that further significant efficiencies will only be attainable through new legislation, new technology, centralization of functions, or a combination of all three. This belief is substantiated by the recommendations contained in the OMB audit report of May 1996. New recording legislation effective July 1, 1996, has aided the component's streamlining efforts. The new technology identified in this capital proposal is the key to achieving future operational savings.

CONTINUATION FORM

PROJECT TITLE: Recorder's Office Information and Imaging System

DESCRIPTION OF WORK TO BE DONE - The professional services, hardware, software and training which this project will fund are more specifically defined as follows:

Each office will be set up as a local network with software and server; all local networks will then be tied together into the state's network. The component's Anchorage office will have a central server to store combined database information and images. This hybrid approach to setting up the system is preferred because it will allow all index and image information to be rapidly accessible from any recording district, while protecting the entire system from total down time that any local network might experience.

I. RECORDING SOFTWARE COST ESTIMATES

	First Seat	Additional Seats		Total
Bethel	15,000	1	1,500	16,500
Nome	15,000	1	1,500	16,500
Ketchikan	15,000	3	4,500	19,500
Sitka	15,000	1	1,500	16,500
Juneau	21,000	5	7,500	28,500
Kodiak	15,000	1	1,500	16,500
Homer	15,000	1	1,500	16,500
Kenai	21,000	3	4,500	25,500
Palmer	21,000	6	9,000	30,000
Fairbanks	21,000	9	13,500	34,500
UCC	21,000	4	6,000	27,000
Anchorage/Arch/Admin	21,000	23	34,500	55,500
	$216,000	58	$87,000	$303,000

Total seats, 70, include 20 public access terminals in twelve office locations (including UCC Central), four receipting terminals, with the balance of the terminals used for scanning, input, verify, receipting, research, quality control or various combinations of these functions. Ideally, the component would like to place public access terminals in the three magistrate recording offices operated by the Alaska Court System (Seward, Valdez, and Glennallen) but these costs have not been included.

Based on responses received to RFI, the above per-seat pricing includes the comprehensive recording, indexing, receipting and imaging software, ORACLE7, Image Link, ObjectView Runtime, Zylabs full text indexing engine, and word processing software. Variations in first seat price are based on office recording volume. It is anticipated that the quantity of software needed will allow us to negotiate a reduced amount.

2. Source Code License and Development Tools $20,000

Total Estimated System Software Cost.....$323,000

II. HARDWARE COST ESTIMATES

1. Data entry stations 60 @ $4100 $246,000

PCs required for scanning, data entry, receipting, research, and image display. Price estimates based on most recent purchase data for requisite units with Intel Pentium processors, 32MB RAM, 800MB hard disk, and 21 inch high resolution color monitors. Component has previously acquired ten (10) of the 70 units required for full system operation.

2. Laserjet Printers 15 @ $4000 $60,000

A high resolution quality laser printer will be needed in each office location to produce image copies from digital format on customer request, as well as for performing database searches and extractions. Printers will be shared by staff and customers in single staff facilities and some of the smaller multi-staff offices. Larger offices which currently have a laser printer for existing tasks will acquire a second printer for customer usage.

NOTE: The following items are mandatory, but are more difficult to identify costs for without benefit of professional consultation services related to the capacity of various products.

3. Central Database Server 1 or 2 $25,000 - $75,000 (1)
$50,000 - $150,000 (2)

PC's will act as servers in Bethel, Nome, Ketchikan, Sitka, Juneau, Palmer, Kenai, Homer, and Kodiak. Fairbanks will also use a PC server if their volume does not exceed the capability of a PC server. Anchorage will require a separate central database server because of the volume and activity associated with creating and accessing this database.

4. Image Server/Jukebox 1 $20,000 - $50,000 ea.

Again, PC's will act as image servers in the same locations as the database server above. Images will be accessed via CD-ROM in all outlying locations except Anchorage which will access images on-line. Size and price of jukebox is dependent on scope of backfile image conversion and ongoing document volume.

5. Central Scanner/Filmer Unit 2 $200,000

Because the component must still microfilm documents for archival purposes, outlying recording offices will continue to route original documents for archival filming after indexing has been completed in the remote locations. Two combination scanner/filmer units will be acquired for the central Anchorage operation only. By housing these units in Anchorage, all documents received daily in that office (approximately 45 per cent of the annual volume) can be immediately scanned and filmed, and returned to the customer without the normal processing delay. This is expected to save considerable postage and supply expense, and personnel costs, on an ongoing basis. Documents routed in from other locations will be scanned and filmed on the second unit as they are received, and the images matched up with the previously input index data, and then mailed back to customers from the central location. Having two scanner/filmer units will ensure that a bottleneck does not occur as approximately 2,000 pages are filmed daily. Should one unit require servicing, the second unit will ensure that daily operations are minimally impacted during servicing time.

6. Plat Scanner 1 $20,000

A separate scanner is needed for large engineering drawings up to 32"x36" which will also be housed and operated centrally from Anchorage. This will ensure that images of plats recorded statewide are available at all recording locations. The plats can be reviewed and printed in sections but could not be printed to scale. Customers would continue to request full scale copies from the Anchorage office.

7. CD-ROM Recording System 1 $10,000

A high volume CD-ROM recording system is needed to duplicate the master CD's so that all recording offices statewide have the complete data and image base. It is anticipated that there will be a number of customer purchases of CD's as well.

Estimated Hardware Total $606,000 - $736,000

III. PROFESSIONAL VENDOR SERVICES

1. This category will be needed to cover the vendor's initial assessments of all installation sites, staging and installation after equipment arrives, staff training and any switch over of historical data or software customization or enhancement which might be necessary due to the number of sites or types of data to be indexed.

Total Estimated Professional Services Cost $100,000

CONTINUATION FORM
PROJECT TITLE: Recorder's Office Information and Imaging System

IV. TELECOMMUNICATIONS AND MISCELLANEOUS COST ESTIMATES

1. Chargeback, routers, cabling, software, travel expenses, etc needed to create the web of LAN's the component needs to connect everything together. Department of Administration has provided the following cost estimates for network services in recording offices statewide:

Equipment costs	$ 22,291.20	(includes C2524 routers at $3174 each , codex 3500 DSU at $541 20 each, for offices in Sitka, Kodiak, Homer, Palmer, Fairbanks and Bethel)
Data circuit Installation/mo fee	$ 5,584.00	(total installation and annual cost for above locations)
WAN install, IP, WAN mon	$ 26,792.37	(total WAN installation and total annual costs for service in above six locations plus Ketchikan, Nome and Kenai)
Total	$ 54,667.57	

There is no separate router charge for connections in Ketchikan, Nome or Kenai as other agency WAN connections are already in place. Cost estimate has been increased to $57,500 for purpose of CIP request to ensure all office connections can occur.

2. The initial supply of WORM and Rewritable CD's to create, duplicate and distribute the data and image files, estimated at $2,500.

3. Miscellaneous costs incurred to integrate the recording database with other existing departmental databases and for partial backfile conversion of images. Estimated at $100,000.

Total Telecommunications and Miscellaneous Cost Estimate $160,000

TOTAL ESTIMATED PROJECT COST.....$1,189,000.00
(Estimate assumes purchase of only one server. Estimate would increase to $1,319,000.00 if two high end servers are required.)

ECONOMIC DEVELOPMENT - The recording and Uniform Commercial Code central file systems are integral to fostering economic development within the State of Alaska. Current chain of title information and accurate and timely recordation of documents are critical to every property transaction in the state. This process is immediately impeded when information about ownership and encumbrances cannot be readily obtained from the public records. Developers will

CONTINUATION FORM

PROJECT TITLE: Recorder's Office Information and Imaging System

not expend large sums of money to develop properties if titles are unclear or critical information is unavailable to them. This project will enable the component to ensure that the required information in the public record is available to the public in a prompt and timely manner. Improved ease of access and more versatile search capabilities will aid the flow of information throughout the state and facilitate economic development in all areas.

ADDITIONAL PROJECT INFORMATION - The attached capital project review form outlines the hardware, software, consulting services and other items that would be purchased under this system. The initial cost estimate is the cost of a statewide recording imaging system as determined by the consultants on the 1993 DOA imaging assessment project, (the Recorder's Office was one of approximately 20 state agencies participating in that feasibility study). While new technology has continued to make significant advances, input from the recent RFI process completed by the component corroborates the initial cost estimates since the project must integrate numerous remote sites throughout the state and cannot benefit from the potential cost savings that would be attainable in a single site project of this magnitude. New technology would enhance customer service and streamline internal operations. Other state agencies and public user groups have expressed a desire to pursue integrations of state databases as a means of economizing government. It should be noted that the value of imaging technology has been successfully demonstrated in the recording environment for a number of years in other states. There are no new positions associated with this project. Preliminary estimates are that annual operating costs of this system would be adequately covered by the savings generated in such areas as postage, equipment purchase and repair and paper. This system does not lend itself to a phased operation because that would demand a continuation of parallel systems for an extended period of time with added risk of adverse impact on customer service in some locations.

DEPARTMENT OF NATURAL RESOURCES
INFORMATION SHEET

HOUSE BILL NO. 165 and SENATE BILL NO. 107 contain the Governor's FY98 capital budget. Included is a funding proposal of $1.2 million for a comprehensive new recording/indexing/cashiering/imaging system for the state's recording offices.

For the past ten years an automated index system has been provided by Motznik Computer Services. The cooperative agreement for operation of this system has expired and the state does not have an operable replacement system of any kind. The capital budget would provide the funding to protect this critical data and improve service with new technology.

WHAT THIS SYSTEM WOULD DO FOR THE PUBLIC

- *System would add document images to the database and enable customers to search and retrieve both index information and documents from any recording location in the state (currently copies of recorded documents may only be obtained via film from the specific office where they were recorded)*
- *System would expand research fields for greater flexibility; customers could conduct research by sorting and selecting documents through any combination of search features, such as date, document type, name, location, subdivision name, book and page, etc. (currently users must have either the exact name or legal description in order to search the public records)*
- *System would allow faster return of original documents to customers (a significant number of documents could be returned to customers immediately upon recording, rather than weeks later)*
- *System could interface with other geographic databases maintained by the state to provide broader information for customer research*
- *System would provide the potential for public access to recorded documents via the Internet*