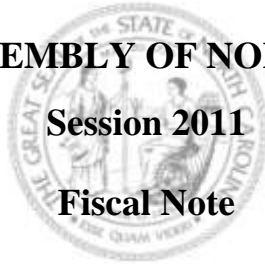


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2011

Fiscal Note

REVISED

BILL NUMBER: House Bill 384 (Ratified)

SHORT TITLE: Register of Deeds/Fees

SPONSOR(S): Representatives Howard, West, Rapp, and Wilkins

FISCAL IMPACT				
	Yes (X)	No ()	No Estimate Available ()	
	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u> <u>FY 2015-16</u>
REVENUES:				
Floodplain Mapping Fund	\$36,442	\$48,589		
Department of Cultural Resources Archive Records Management Fund	\$16,654	\$22,086		
General Fund	<u>\$13,251</u>	<u>\$17,668</u>		
	\$66,257	\$88,343		
EXPENDITURES:				
LOCAL FUNDS:				
Register of Deeds	\$950,745	\$1,267,660		
POSITIONS (cumulative):				
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:				
County Register of Deeds Offices, North Carolina Department of State Treasurer				
EFFECTIVE DATE: October 1, 2011 and expires July 1, 2013				

BILL SUMMARY: House Bill 384 (Ratified) simplifies the fee schedule used when filing documents with the county register of deeds offices. The register of deeds serves as the county public records keeper, as defined in Chapter 161 of the North Carolina General Statutes. When documents, licenses and other instruments are filed with the county, the register of deeds charges

fees according to the schedule established in G.S. 161-10. House Bill 384 modifies this schedule of fees, creating a uniform fee for all types of instruments contained within G.S. 161-10. The current fees set forth in statute include:

- Deeds of trust, mortgages, cancellation of deeds of trust, and cancellation of mortgages, (\$28.00 fee for the first page, and a \$3.00 fee for each additional page),
- Records of satisfaction (\$0.00 fee), and
- Other instruments (\$12.00 for the first page, plus \$3.00 for each additional page).

The ratified version of HB 384 creates uniform fees for all of the aforementioned instruments.

- The fee for deeds of trust would be set at \$56.00 per document for the first 15 pages, and \$4.00 per page for subsequent pages.
- The fee for all other documents would be set at \$26.00 per document for the first 15 pages, and \$4.00 per page for subsequent pages.

The bill also modifies G.S. 161-11.5, the statute defining how the State's portion of the fees collected through the register of deeds offices are allocated across three funds: 1) the Floodplain Mapping Fund, 2) the Department of Cultural Resources Archives Records Management Fund, and 3) the North Carolina General Fund. Under HB 384, the State would receive \$6.20 from each instrument registered, with 55% of total collections allocated to floodplain mapping, 25% allocated to the Department of Cultural Resources, and 20% allocated to the General Fund.

As ratified, the act becomes effective October 1, 2011 and expires July 1, 2013.

ASSUMPTIONS AND METHODOLOGY: The fees set forth in HB 384 generate an additional \$88,343 in State revenue which is allocated across three funds: 1) the Floodplain Mapping Fund, 2) the Department of Cultural Resources Archives Records Management Fund, and 3) the North Carolina General Fund. The ratified version of HB 384 generates an additional \$1.3 million in revenue for county register of deeds offices. This estimate is based on information provided by the North Carolina Association Register of Deeds (NCARD). The sections below describe: 1) allocation of the additional revenue, 2) the fiscal impact to various State funds, and 3) the methodology used to calculate the fiscal impact.

Allocation of the Additional Revenue

HB 384 modifies the fee schedule for registering documents with county register of deeds offices. The legislation generates an additional \$0.08 million per fiscal year in revenue for the State and \$1.3 million for the counties. The additional \$1.3 million would remain within the 100 county offices across North Carolina. The \$0.08 million State surplus would be allocated across three funds: 1) the Floodplain Mapping Fund, 2) the Department of Cultural Resources Archives Records Management Fund, and 3) the North Carolina General Fund. The "Fiscal Impact to Various State Funds" section provides more detail.

Fiscal Impact to Various State Funds

Table 1 provides more detail on the State funds affected by fee changes under HB 384. The bill modifies G.S. 161-11.5, the statute defining how the State's share of fees collected through the register of deeds offices is allocated. The fees are allocated across three funds: 1) the Floodplain Mapping Fund, 2) the Department of Cultural Resources Archives Records Management Fund,

and 3) the North Carolina General Fund. Under HB 384 (Ratified), the State receives \$6.20 from each instrument filed at the register of deeds office for a total of \$6.4 million dollars each year. HB 384 modifies the amount of revenue dedicated to the three funds: 1) 55% is allocated to the Floodplain Mapping Fund, 2) 25% is allocated to the Department of Cultural Resources (DCR) Archives Records Management Fund, and 3) 20% is allocated to the North Carolina General Fund. HB 384 provides an annual amount of \$3.5 million to floodplain mapping, and \$1.5 million DCR Archives Records Management Fund, and \$1.3 million to the General Fund. Each of these funds, when FY 2009-10 data is adjusted for annual collections, remains whole under HB 384 (Ratified).

Table 1. Impact to Various State Funds Associated with Fees in HB 384

	Citation G.S.	FY 2009-10 Collections*	Percent of Total Collections	FY 2012-13 Collections
Floodplain Mapping Fund	143-215.56A	\$3,354,455	55%	\$3,512,007
DCR, Archives Records Management**	S.L. 2009-451	\$933,852	25%	\$1,596,367
General Fund	161-11.5.56A	\$1,103,900	20%	\$1,277,094
Total		\$5,392,207	100%	\$6,385,469
*2009-10 fiscal year collections for Archives Records Management and the General Fund only represent nine months of collections. These fees were enacted during the 2008-09 session and were fully implemented in October 2009.				
**DCR, Department of Cultural Resources				

Methodology used to Estimate the Fiscal Impact

The first edition of HB 384 proposed a \$30 flat fee per document with \$5 per page/15+ pages. The initial proposal generated roughly \$447,462 in additional annual revenue for the State, and an additional \$5.6 million for county register of deeds offices. The ratified version of the bill results in bottom line increases of \$88,343 in State collections and an increase of \$1.1 million in total county collections.

To analyze the fiscal impact of HB 384, NCARD provided complete annual collections data from a subset of 16 Registers of Deeds offices. The subset of 16 counties included a diverse group with register of deeds offices varied by size, population, and geographic location.

After review and discussion between the Fiscal Research Division (Fiscal Research) and NCARD, the following 14 counties were included in the analysis: 1) Camden, 2) Davidson, 3) Dare, 4) Davie, 5) Forsyth, 6) Gaston, 7) Guilford, 8) Harnett, 9) Mecklenburg, 10) Nash, 11) New Hanover, 12) Perquimans, 13) Sampson and 14) Stokes. These 14 counties account for 32% of all excise stamp conveyances collected in the State.

In addition to seeking a flat fee structure, the ratified version of HB 384 seeks to accomplish the following goals:

- Revenue neutrality, in total, for both State and county portions.
- Revenue neutrality, by individual county as well.

- Eliminate the fees association with the satisfaction of a mortgage, but increase deeds of trust fees to compensate for that.
- Rounded dollar figures, with \$5 increments as the ideal.

Fiscal Research produced fee schedules that approximate these goals. Each county experiences a different volume of document registrations, so shifting fee structures to a flat option affected each county differently. Also, \$5 increments limited the ability to reach a revenue neutral proposal. The group diverged from goal of developing \$5 increments as well.

The table below represents the Fiscal Research/NCARD proposal, \$26 for Deeds and General Documents and \$56 for Deeds of Trust, with an additional page charge of \$4 for each page over 15 pages in a particular document. The portion paid to the State from each instrument is \$6.20, with the respective remaining \$19.80 or \$49.80, plus additional page charges, remaining with the county. This results in bottom line increases of 1.46% or \$88,343 in State collections (\$11,718/32%), and a 4.25% increase or \$1,146,283 in total collections for the counties (\$489,081/32%). This also results in no decreases at the individual county level for any counties in our dataset.

	Current Fee	Proposed Fee	Totals Current	Totals Proposal	Difference
Per Document	\$25.86	\$26/\$56	\$11,287,027	\$11,181,686	(\$105,341)
State	\$4.42	\$6.20	\$1,930,965	\$1,942,683	\$11,718
Register of Deeds	\$21.43	\$23.80	\$9,356,062	\$9,239,003	(\$117,059)
Fee Change: \$4 per additional pages after 15 pages					\$606,140
Register of Deeds Final Difference					\$489,081
*The data represents annual collections for 14 counties. These 14 counties account for 32% of all excise stamp conveyances collected in the State.					

The absence of data from 86 of North Carolina’s 100 counties also necessitated that Fiscal Research calculate the Statewide impact of HB 384. Fiscal calculated the statewide impact using the revenue associated using the excise stamp on conveyances as a proxy for document filings. Each time property is transferred from one owner to another, the county register of deeds office collects an excise stamp tax for the property being transferred. The excise stamp revenue collected in the 14 counties represents 32% of total North Carolina collections. Since property transfers serve as a proxy for document filings, Fiscal Research assumed that the NCARD data represented 32% of total collections and adjusted the estimate accordingly.

SOURCES OF DATA: North Carolina Association of Register of Deeds, North Carolina Office of State Budget and Management, North Carolina Department of Revenue

TECHNICAL CONSIDERATIONS: None

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DATE: September 4, 2011



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