Electronic Real Estate Recording Task Force

2003 Report to the Legislature

February 3, 2003

This report can also be found at
http://www.commissions.leg.state.mn.us/lcc/erertflegreport2003.htm.

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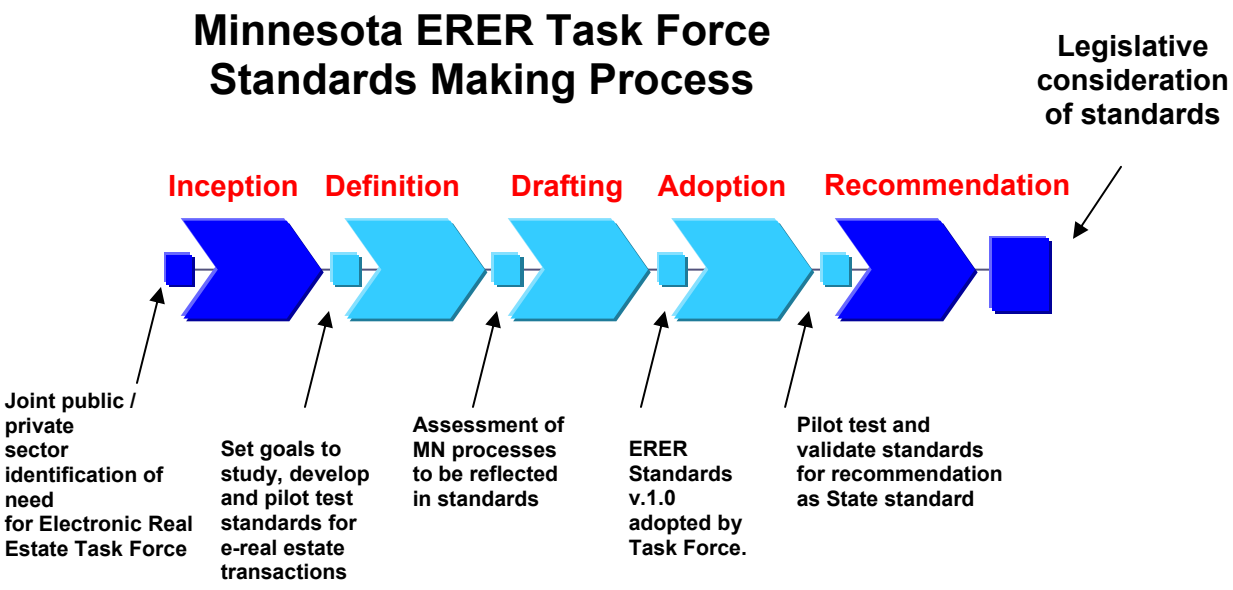
Executive Summary



Electronic Real Estate Task Force (ERERTF) Status:

Since its inception in 2001 the Task Force project has completed the following milestones: Planning and Budgeting for Phase 1. This included the identification and authorization of standards for electronic filing of real estate documents. The following are the remaining milestones to be completed: Development, Implementation and Testing of Phase 1 standards and Phase 2 Pilot Development, Implementation and Testing.

Only if proceeds of the surcharge continue to be appropriated to the Task Force can the ERERTF project be completed as scheduled. A bill is being introduced to support this funding need (see Attachment A at the bottom of this report for a draft copy of this legislation). For this initiative all standards will conform to the mandates in the state's Uniform Electronic Transactions Act and the federal government's E-Sign.

At the completion of this project legislative proposals will be forwarded for the integration of electronic filing standards with Minnesota real estate law.

Task Force History:

Inception: In recent years, major changes in land development practices, mortgage financing, and conveyancing have increased the volume as well as the complexity of the documents that are presented for recording at recorder's offices throughout Minnesota. In addition, rejection rates have increased and so has frustration with some aspects of land records system.

The Minnesota Legislature, in Laws 2000, Chapter 391, authored by Senator Steve Kelley and then-Representative Tim Pawlenty, asked Secretary of State Mary Kiffmeyer to establish a task force to study and make recommendations on electronic filing of real estate documents.

Definition: The Electronic Real Estate Recording Task Force ("Task Force", ERERTF) defined its mission as the need to study the current paper based system and the feasibility of an electronic mode of real estate recording. This study would survey public and private sector stakeholders to gather information on processes, concerns and considerations. Automated systems currently utilized in other states were assessed and compared to national recording standards.

Drafting: This analysis produced the ERERTF v.1.0 standards, which include the business rules for e-recording and a definition of the legal, technological, operational, and functional context for making such an e-government system work. This is probably the most far reaching and economically significant e-government initiatives now underway in the state.

Adoption: ERERTF Standards draft was unanimously adopted by the Task Force membership at the June 13, 2002 ERER Task Force meeting. See authorized Standards Draft v1.0 in Appendix A.

Recommendation: The Electronic Real Estate Recording Task Force (ERERTF) Standards will be tested in pilots at a diverse subset of Minnesota Counties. From these pilots, the ERERTF can best learn how to develop a practical and cost-effective alternative to the current paper-based filing process. The effectiveness of the standards will be evaluated and redrafted to reflect findings from these pilots. Upon the adoption of final filing standards and a final report, a recommendation will be made to the Minnesota legislature to adopt a final recommended version of the standards as Minnesota's statewide methodology for electronic real estate recording.

The Electronic Real Estate Recording Task Force (ERERTF) Approach to Defining Standards

The ERERTF sees a need for a collective approach to defining a standard process for electronically recording real estate documents in the state of Minnesota. The current paper-based process of recording real estate transactions has historically been labor and time intensive. This has resulted in high costs for all users. The ERERTF believes technology can provide an opportunity to ease the frustrations inherent in the paper process, to lower costs for all parties and to create efficiencies not seen to date.

Standards provide a baseline – that is, a level playing field - that allows entities to communicate efficiently, securely and consistently regardless of their technology backbone. Standards allow for any electronic real estate document partner to quickly gain the knowledge and expertise necessary to electronically record with all counties implementing a system using the standards.

The approach to developing these standards was outlined in the Task Force's Work plan Report to the Legislature dated January 15, 2001 (see the 2001 Report to the Legislature, Appendix B). This process followed closely the three principles of standards development processes as outlined by the American National Standards Institute (ANSI) as published at:

www.nssn.org/ans_process.html

I) Due Process:

Any person may participate by expressing a position and its basis, having that position considered, and appealing if adversely affected. Due process allows for equity and fair play.

The ERERTF surveyed, interviewed and invited into discussion stakeholders with various opinions, concerns or considerations for this e-government initiative. Issues were discussed throughout the standards development phases at ERERTF subcommittee meetings and at monthly ERERTF meetings, all of which are open to the public.

II) Openness:

Any materially affected and interested party has the opportunity to participate in the consensus process.

In surveying stakeholder concerns and considerations the ERERTF utilized a balance of public and private sector stakeholders to participate in providing input and developing standards. All 87 Minnesota counties were included in this survey process. In addition, 21 on-site assessments were conducted at county real estate recording offices. All other Minnesota counties were included in telephone surveys to validate on-site survey findings and to collect additional information. Private sector stakeholders also hosted on-site assessments. These included banks, title companies, law firms, realtors, mortgage companies and various Minnesota state agencies. See a complete list of survey participants in Appendix C.

The ERERTF holds open monthly public meetings and publishes all discussions and findings on its web site at:

http://www.commissions.leg.state.mn.us/lcc/erertf.htm.

The unique level of openness of this publicly sponsored Task Force allows for an open discussion of ideas and concerns and provides fair representation to all stakeholders.

III) Balance:

The standards development activity should have a balance of interests and shall not be dominated by any single interest category.

The ERERTF consists of members from many different areas of focus. Membership includes County Recorders and Auditors and Treasurers, members of the Senate and House, the State Planning Office, City Assessors, Fannie Mae, Builders Association of Minnesota, title companies, law firms, County Surveyors, the Realtors Association, the Land Management Information Center, the Department of Transportation, the Minnesota Historical Society, the American Society of Auditors, technology vendors, the Bankers Association, Department of Revenue, and faculty from Minnesota Law Schools. This diversity is mandated by the law establishing the Task Force. See the full list of ERERTF members in Appendix D.

National standards groups were included in this process, including the Mortgage Industry Standards Maintenance Organization (MISMO) and the Property Records Industry Association (PRIA). Synchronization and compatibility with the standards developed by these groups is also a key element to the Minnesota initiative.

The Electronic Real Estate Recording Task Force (ERERTF) Approach to Testing and Recommend Standards

The ERERTF's original work plan identified the need to test standards. Testing will allow for a review of how standards operate in different counties that experience different recording volumes, use different technology, have different staff levels, and work with different private sector partners. It will also review how these standards work in private sector title companies, banks and mortgage companies. From these tests, the ERERTF will learn how the standards work in real environments.

Pilot Test of Standards: The ERERTF has identified four counties and is in the process of reviewing a fifth county's proposal to participate in testing the standards. Pilot counties will contract with the Task Force and agree to comply with the established standard version in place, work with private sector submitters who will in turn follow the standards, manage the County project that automates their current systems and report regularly to the Task Force on their status.

Upon execution of these contracts with the Task Force, counties and private sector partners will work to upgrade and implement automated processes to support the filing of an electronic document from origination to complete recordation. As reports and feedback are submitted the Task Force, the standards will be continuously evaluated for issues and concerns.

Phased Approach to Pilot Testing: The testing of electronic real estate recording will be conducted in a phased approach. Phase I will consist of electronically filing a Satisfaction and a Certificate of Release. Both documents are filed with and completed at the County Recorder's office. Phase 2 will include all other residential real estate documents including the mortgage, deed and Certificates of Real Estate Value and are recorded in the Recorder's, Auditor's and Treasurer's office. Phase 2 will also include increased efforts to facilitate the complexity in filing these additional documents and the complex integration of multiple county offices to support these filings. Other State office integration will also be assessed in Phase 2. These offices include the Departments of Health and Revenue.

Authorizing and Recommending Standards: The ERERTF Phase 2 project will require additional funding to support this work. The ERERTF will meet with the Legislature and present additional details to support that request. Following pilot testing, the ERERTF will gather information that will be used to modify and enhance the standards. A post-pilot standards version will be approved for members' use. As required by Laws 2000, Chapter 391, the Task Force will present to the Minnesota legislature recommendations regarding the implementation of standards for electronic filing and recording of real estate documents. A Maintenance Committee has been identified by the ERERTF as necessary to continually maintain standards and address issues in the industry after the Task Force has completed its responsibilities.

Current Financial Status: Private and public sector members have been heavily involved in this initiative beginning with its inception in 2001. Private sector members estimate they have volunteered time valued in excess of $400,000 to the Task Force initiative over the past two years. The ERERTF budget of $1,200,000 has been committed almost exclusively to the development of platform-independent e-recording standards. Of that budget, $1,170,784 has been expended on or committed to work on standards development, pilot testing, or project coordination expenses; $21,690 has been allocated to the reimbursement of expenses of the 46 member Task Force. That means 98% of Task Force expenditures have been for work on project coordination, standards development and pilot testing and only 2% of expenditures have been devoted to member expenses such as mileage and travel.

FY02 Task Force Member Expenses	$4,862.81
FY02 Consulting Expenses for Project Coordination	$42,856.99
FY02 Consulting Expenses for Standards Development	$270,384.19
FY02 Total Task Force Standards Research, and Operations Expenses	$318,103.99
FY03 Task Force Member Expenses To-date	$940.37
FY03 Consulting Expenses for Project Coordination	$30,701.00
FY03 Consulting Expenses for Standards Development	$26,190.00
FY03 Task Force Standards, Research and Operations Expenses To-Date	$57,831.37
Total Standards, Research and Operations Expenses To-Date	$375,935.36
FY03-04 Task Force Member Expenses Committed	$15,887.29
FY03-04 Task Force Standards, Research and Operations Costs Committed	$250,651.38
Total Task Force Standards, Research and Operations Expenses	***$642,474.03***
FY02 LCC Expenses	$25,000.00
FY03 LCC Costs Committed	$25,000.00
Total LCC Expenses	***$50,000.00***
FY03 Pilot Costs Committed	***$500,000.00***
Total Task Force Expenditures	**$1,192,474.03**

Introduction

In Minnesota, county land record offices and private sector real estate entities have increasingly felt the effects of a changing industry. Some of the most significant changes affecting land record management today include:

- Increasingly complex divisions and subdivisions of once unimproved land are occurring. Land parcels are often subdivided vertically with air rights or subsurface rights sold separately from the surface estate. Timeshares, cooperatives, condominiums and common-interest communities are increasing in number and reflect how landowners today are becoming more creative and innovative in thinking about property rights.

- Along with these changes, legal descriptions are becoming more complex. Global positioning satellites (GPS) have considerably improved the process of locating points on the ground. This and other high tech equipment help land surveyors locate section corners and other measurements with great speed and accuracy. However, a legal description prepared in reliance on very precise modern methods of measurement is often in conflict with the historic or recorded legal description for that parcel of land.

- For most of Minnesota's history, local banks originated real estate loans in their communities and retained landowners' mortgage notes in their own investment portfolios. With the emergence of the secondary mortgage market, however, the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and other secondary market participants now purchase residential loans soon after closing, pool them with other loans originated throughout the US, and sell interests in those loan pools to individual and institutional investors throughout the world. This has resulted in more pressure from secondary mortgage markets to get documents recorded more quickly.

- Just as the number of recordable documents per transaction has increased; the volume of real estate transactions has also risen dramatically in recent years. A strong real estate economy and low interest rates have spawned record numbers of home sales and other real estate transactions in Minnesota. Low interest rates have also precipitated a record amount of mortgage refinancing, further increasing the volume of documents that banks, lawyers, title companies, consumers, developers, and others present for recording in Minnesota's land record offices.

- Due to space limitations within county offices, Recorders often do not have the space or the staff to keep up with growing volumes. This in turn has lead to a backlog of real estate filings at the Recorder's offices. This can result in documents taking as long as 6 months to be fully recorded and returned to submitters. That can be compared to a 15 minute turnaround time for submitting, recording and the return of documents in electronic recording environments that are available today in a few counties in other states.

Today, stakeholders' demand for speedier transaction times exacerbates the pressure that these trends in land development, mortgage financing, and conveyancing have imposed on Minnesota's county land record offices in recent years. The paper-based system currently in place in Minnesota's county land record offices, itself a vestige of colonial recording practices that are almost 400 years old, simply cannot keep pace with twenty-first century developments.

Overview

Electronic Real Estate Recording Task Force (ERERTF)

In April 1999, Senator Steve Kelley asked Secretary of State Mary Kiffmeyer to chair the Electronic Real Estate Recording Task Force (ERERTF) and convene persons from both the public and private sector to study the feasibility of electronically recording real estate documents. This form of e-government was seen as a viable alternative to the current paper based process and held the potential of both cost and time savings for public and private sector stakeholders. Senator Kelley and then-Representative Tim Pawlenty co-authored Laws 2000, Chapter 391 that established the ERERTF.

The Task Force is a combination of public and private sector groups, all expressing their concerns and issues with the current and future system. The Property Records Industry Association (PRIA) and the Mortgage Industry Standards Maintenance Organization (MISMO) are also represented, sharing their expertise and providing guidance for the Minnesota work. Fannie Mae, another national group, provides the Task Force with information and contacts regarding other states currently involved in similar e-government initiatives. Minnesota has also worked to include the knowledge and experiences of other states as it conducts its work.

After much discussion regarding mission, goals and approach, the Task Force presented its Work plan Report to the Legislature on January 15, 2001. In this plan the Task Force identified as its goal the development of a set of standards to serve as the baseline of operations for all parties working in the field of real estate document preparation and filing. The work plan also laid out tasks that sought the inclusion of all stakeholder interests and the experiences of other such e-government initiatives in states such as California and Florida. Issues and concerns were clearly detailed, allowing for a scope of work that could be accomplished in the given time frame.

Project Approach

The ERERTF adopted a project plan in its January 15, 2001 report to the legislature. Having a well defined project plan has allowed the ERERTF to clearly communicate with Task Force members, the vendor community and other stakeholders regarding requirements for the assessment, development and testing of ERER Standards.

The original Project Plan included the following tasks.

Task ID	Task Name
1	Prepare Initial Task Force Report
2	Submit Initial Task Force Report
3	Survey Counties
4	Survey other States
5	Develop Consultant RFP
6	Review Consultant Proposals
7	Select Consultants
8	Model Functions and Workflows
9	Identify Features, Prelim
10	Index Standards, Prelim
11	Content and Format Standards, Prelim
12	Authenticating Standards, Prelim
13	Prepare Needed Legislation
14	Write Interim Report
15	Submit Interim Report
16	Design Pilot Project / Select Vendors
17	Conduct Pilot Projects
18	Evaluate Pilot Projects
19	Identify Features, Final
20	Identify Standards, Final
21	Content and Format Standards, Final
22	Authenticating Standards, Final
23	Identify Funding Source
24	Write Final Report
25	Submit Final Report

Assess and identify needs, considerations and concerns: The initial tasks of this plan were to survey counties and assess current processes, identify needs and concerns for future automation and investigate systems in other states. Several counties in other states are currently involved in some level of an e-government solution regarding real estate. Orange County, California has an automated system of recording using a leading technology vendor in this field. Project teams at Orange County, Broward County, Florida, Fairfax County, Virginia, Salt Lake County, Utah and Maricopa County, Arizona were interviewed to assess their electronic filing systems.

Other states' initiatives, however, involve single county based initiatives. Minnesota has the first statewide initiative to develop, test and recommend standards for electronic real estate recording. Other counties may be ahead of Minnesota in their work but only Minnesota has taken the time to include the private sector, all 87 the counties in the state, national organizations, and other Minnesota government agencies in the processes of assessing needs and establishing a standard solution.

Identify Features / Index Standards: After a thorough assessment of needs and after researching solutions in place in other counties around the United States, standards were developed. Minnesota chose to establish standards rather than identify a specific technology to meet their needs. Standards, in contrast with a specific technology solution, allow for interoperability and infrastructure independence, through the adoption of a set of rules, conditions or requirements agreed to and used by all users in the system. If a county or private sector's technology can meet or exceed expectations laid out in standards, then it will be able to successfully operate within the system. Minimum expectations or standards allow for the freedom to work with existing technology or new technology that fits the purchasers' complete technology needs. The electronic real estate recording process will never be dependent on one vendor or one technology.

Pilot test and recommendation of Standards: Following the approval of standards by the ERERTF, pilots were scheduled. Pilot testing will highlight the strengths and weaknesses of these standards. As private sector entities work with pilot counties, issues will be revealed - quickly in some cases and over time in others. Watchful assessment of pilot activity will take place and status reports will be submitted by pilot counties to the Task Force. Standards will be reassessed throughout the pilot project time frame and adjustments to standards will be made, where necessary, by the Task Force. A finalized standard will be recommended to the legislature as a consideration for statewide use.

A contract was awarded in January of 2002 to BenNevis, Inc. to lead the standards definition process. BenNevis, Inc. was selected because of its past experience with standards development, using XML and XML schemas.

Updated Project Plan The original project plan has been updated to reflect changes in timelines and resource requirements. A phased approach to implementation and testing has been incorporated.

Phase 1 and Phase 2 - Electronic Real Estate Recording Task Force (ERERTF)

Task Name	Duration	Start Date	End Date	% Complete
Phase 1 Pilot Testing	304 days	6/5/2002	8/4/2003	76%
Planning and Budgeting for Phase 1	193 days	6/5/2002	2/28/2003	95%
Select Pilot Counties	193 days	6/5/2002	2/28/2003	91%
Budget Requirements – Phase 1	68 days	6/5/2002	9/6/2002	90%
Select Trusted Submitters	68 days	6/5/2002	9/6/2002	90%
Procurement – Phase 1	68 days	6/5/2002	9/6/2002	90%
Project Planning and Scope	92 days	6/5/2002	10/10/2002	98%
Development and Implementation of Phase 1	125 days	9/9/2002	2/28/2003	0%
Design	125 days	9/9/2002	2/28/2003	0%
Develop and Train	125 days	9/9/2002	2/28/2003	0%
Test and Implement	125 days	9/9/2002	2/28/2003	0%
2003 Report to the Legislature/Legislative Activity	75 days	12/16/2002	3/28/2003	0%
Conduct Phase 1 Pilot Test	111 days	3/3/2003	8/4/2003	0%
Phase 2 Pilot Testing	291 days	4/21/2003	5/31/2004	0%
Planning and Budgeting for Phase 2	35 days	4/21/2003	6/6/2003	0%
Development and Implementation of Phase 2	96 days	6/9/2003	10/20/2003	0%
Conduct Phase2 Pilot Test	156 days	10/27/2003	5/31/2004	0%
2004 Report to the Legislature/Legislative Activity	75 days	12/15/2003	3/26/2004	0%
Final Task Force Report	1 day	6/25/2004	6/25/2004	0%

Standards Initiative

This project plan will again be updated upon the ERERTF's authorization of pilot county initiatives. This updated plan will incorporate and reflect specific pilot county timelines for development of test environment and test activity.

Subcommittees for Standards Development Review

An initial step in the work of the Electronic Real Estate Recording Task Force (ERERTF) was the creation of subcommittees. It is through subcommittees that much strategic, technical and analytical work is completed. Recommendations are then made by these subcommittees to the full Task Force for consideration.

The following subcommittees are the workgroups and facilitators of the ERERTF. In the development of standards these subcommittees were active in evaluating and assessing findings and drafts of standards reports. In working with the ERERTF subcommittees the BenNevis consultant team had access to on-going review of their work. These included:

Pilot Framework and Scope Subcommittee

This subcommittee is chaired by Bob Horton, State Archivist, of the Minnesota Historical Society. This subcommittee played a critical part in working with the standards development process. It provided continuous and regular review of scope and content with the consulting team from BenNevis. The following are the original responsibilities for this subcommittee that are in addition to on-going work with standards development.

- Develop and recommend selection criteria that provide a representative profile of a cross section of Minnesota private and public sector real estate recording offices. From this profile, a set number of counties will be selected to participate in pilot testing of ERERTF standards.

- From this profile evaluate and conduct a selection process for counties to participate in pilot testing of ERERTF standards.

- Provide a recommendation of the processes and documents to be pilot tested. (Mortgage, assignments, satisfactions, deed, etc...)

Pilot Framework and Scope Subcommittee responsibilities were updated and authorized by the ERERTF at the July 11, 2002 Task Force meeting. Updated responsibilities include:

- Provide recommendations, based on reports and feedback from BenNevis and McInerny Consulting, on pilot county agreements.

- Provide regular review of pilot testing status and implementation recommendations by BenNevis, acting as the standards and technology resource for the Task Force

- Review standards and make recommendations to the Task Force on any changes to standards based on the results of the pilots.
- See Appendix E for Pilot Framework and Scope Subcommittee meeting minutes.

Legal Subject and Fee Subcommittee

This subcommittee is chaired by Chuck Parsons of Moss and Barnett, P.A. In addition to on-going work with standards development, the committee has the following responsibilities and has regular meetings to discuss and detail next steps for the following areas:

- Intellectual Property Rights
- Legislation to validate electronic recording at pilot offices
- Security issues
- PKI and other forms of digital signatures used on real estate documents
- Feasibility of on-going fees associated with document recording and electronic recording
- Race to Record Issues
- See Appendix F for Legal Subcommittee meeting minutes.

Pilot Proposal Review Subcommittee

This subcommittee was created by the Task Force at the August 8, 2002 Task Force meeting to conduct pilot county proposal reviews. Reviews include work to assist counties in developing project plans that were inclusive of all tasks and deliverables. This was done in an effort to establish a level playing field for counties as they worked to understand the scope of the initiative and knowledgably estimate costs, time and resources. This committee also is responsible for identifying funding allocations to specific county initiatives.

- See Appendix G for Pilot Proposal Review Subcommittee meeting minutes.

Recording Content and Workflow Subcommittee

This subcommittee is co-chaired by Denny Kron, Stearns County Deputy Auditor, representing the public sector and Jeff Carlson, CEO of U.S. Recording representing the private sector. It served primarily as a resource to the consulting team from BenNevis in their investigation of the requirements, needs and concerns regarding recording content and workflow of real estate documents. Responsibilities included:

- Private industry needs and workflow concerns
- County processes and general knowledge of current workflow
- Electronic fees and documents collected for other state offices
- See Appendix H for Recording Content and Workflow Subcommittee meeting minutes.

Technology Subcommittee

This subcommittee, chaired by Bill Mori of TriMin Systems, served primarily as a resource to the consulting team from BenNevis in their investigations of technology needs, requirements of electronic real estate transactions and county office capabilities. Responsibilities included:

- Concerns for county office transactions type and volume
- Other digital technology needs of non-county office groups
- Security
- Storage and retrieval
- Technology standards on the national level
- See Appendix I for Technology Subcommittee meeting minutes

Geographic Information Systems (GIS) Subcommittee

This subcommittee chaired by David Claypool, Ramsey County Surveyor, served primarily as a resource to the consulting team from BenNevis in their investigation of the requirements and needs regarding GIS. Responsibilities included:

- GIS needs and requirements
- PIN needs and issues
- Technology issues of linking real estate documents to date regarding hydrology, topography, etc.
- See Appendix J for GIS Subcommittee meeting minutes

Private Sector Subcommittee

This subcommittee, chaired by Joe Witt of Minnesota Bankers Association, served primarily as a resource to the consulting team from BenNevis in their investigation of the requirements and needs of the Private Sector in real estate recordings. Responsibilities included:

- Private sector groups (lenders, title companies, etc) necessary to validate recording process needs
- Access to county records
- Retrieval issues and concerns
- See Appendix K for Private Sector Subcommittee meeting minutes

Standards Based Approach

In assessing the need for an automated solution to real estate filings, the ERERTF thoughtfully considered the many options in the market for this type of e-government initiative. Several other counties throughout the United States are in the process of developing an electronic recording system for their real estate documents. There are vendors prominent in this market that provide solutions currently in use or being tested in other states. There are also technology architectures that support many forms of information management via electronic media. All were considered as the Task Force pursued the best approach to an automated system that would work for and be accepted by both the public and private sector stakeholders involved.

The Electronic Real Estate Recording Task Force (ERERTF) chose to promote standards rather than a single technology solution for real estate recording. In order to be in compliance with the state's Uniform Electronic Transactions Act and the federal government's E-Sign, the ERERTF adopted a standards based approach using XML. This approach will not tie the electronic real estate recording system to any particular configuration of hardware and software or to any one vendor.

Standards provide expectations for communication between partners in electronic real estate transactions. Once parties to the transactions, including the submitter and the receiver, have knowledge of standards to be used for communication, all expectations can be met with less dependence on the particular hardware or software used by the parties. Hardware and software have not become dispensable in this standards based process, but they are less central to that focus. The ERERTF standards are platform neutral; it is the hardware and software platforms that will work to comply with the standards. This approach will allow counties the opportunity to freely choose the technology solution and sizing that best fits their overall needs. Counties will then work

to have hardware and software compliant with the standards. This also allows private sector originators of real estate documents the ability to work similarly with any Minnesota county accepting electronic filings.

Process Used to Define MN ERER Standards

The ERERTF standards development process began with an assessment of all 87 Minnesota county land records offices and of private sector stakeholder needs by the BenNevis consulting team. National standards groups involved in electronic real estate filing standards and other states currently involved in electronic real estate recording were also interviewed. The in-state assessment began with a review of processes as they are today and the necessary components identified for an automated process.

21 counties were chosen to receive on-site interviews which lasted between 1-2 full days. These interviews included a review of process and workflow between and within the recorders', auditors' and treasurers' offices. Workflow and process requirements, along with a matrix of issues and feedback, were documented from each county interview. Following the on-site interviews phone interviews were conducted for the remaining 66 Minnesota counties. Interns were hired to conduct these phone interviews. The purpose here was to acquire information that would either confirm or supplement the on-site interview findings. See a complete list of survey participants in Appendix C.

Data Element Standards

The ERER Standards are a combination of process considerations, recommendations and data element definition. The process of providing a data element list which includes format and relationship definitions was considered an important aspect of a standards based approach. The data elements reflect the specific data fields that were identified as critical to success by both the public and private sector entities. Data fields also reflect data elements required by real estate law along with data preferences from both the public and private sector.

Data elements were formatted in a schema as opposed to a DTD (Document Type Definition). A schema was originally identified by BenNevis and the Task Force as the preferred format. Schemas provide more enhanced functionality. A DTD primarily provides a basic data definition which details "what" the data is. Schemas provide this same identification with additional functionality detailing "how" the data works and its relation with other data elements. This added computing power provides a more detailed picture of how ERER clients operate and relieves users from the need to code additional business rules into their own applications that send or receive data for ERER transactions. Both DTD and schema are supported by the ERERTF standards.

Inclusion of National Electronic Real Estate Recording Standards: National data standards are also in development by MISMO and PRIA. The work of MISMO was utilized and referenced in the Minnesota standards work. The PRIA DTD standards work was not officially published for formal use at the time the initial standards were complete and ready for authorization by the Task Force. PRIA has since published its work and the Electronic Real Estate Recording Task Force (ERERTF) has asked BenNevis, Inc. to work to align with the PRIA standards work and has authorized a change control fee of $10,800 for this synchronization work. To pay for this, $5,400 will be deducted from the Task Force fund and $5,400 will be deducted from the Pilot fund. The Satisfaction and Certificate of Release schemas have been reviewed by the BenNevis team and synchronization efforts have been completed for those Phase I pilot documents.

Pilot Testing of Electronic Real Estate Recording Task Force (ERERTF) Standards

Phased Approach

The Task Force's original Work Plan identified the need to test the ERERTF standards. The testing of standards in public and private sector offices, performing real-time electronic recording transactions, will provide the most accurate measurement of the effectiveness of these standards. Testing the standards will be conducted in phases. Phase 1 will include the electronic filing of Satisfactions and Certificates of Release. These documents are filed with and recorded in the County Recorder's office only. Phase 2 will include all other residential real estate documents including the mortgage, deed and Certificates of Real Estate Value and are recorded in the Recorder's, Auditor's and Treasurer's office.

Selection of Pilot County Participants

For the testing process counties were solicited for their participation. The criteria for selecting which counties would be best for pilot testing were defined by the Pilot Subcommittee. For a full list of evaluation criteria see Appendix L. In summary, these criteria included volume of filings at county, back office technology and process, geographic location, ability to dedicate county project management, and ability to participate in Phase 1 and Phase 2 of testing.

Counties interested in becoming a pilot test county were asked to identify their interest to the Pilot Subcommittee. Counties met and discussed their interest with the Pilot Subcommittee. Costs, levels of effort, knowledge and skills required were discussed with the interested counties. Following is a sample of the skills and tasks discussed with interested counties.

Skills:

- Ability to design fee payment system (if not already provided by the e-recording or back office application vendor(s)
- Ability to integrate pilot applications with county network security and storage systems
- Ability to write integration components to back office technology (if not already provided by the e-recording or back office application vendor(s)
- Ability to evaluate and apply business analysis models and products
- Some familiarity with XML

Tasks:

- Create a project team and identify a project owner at the county level who manages the day-to-day project tasks for pilot implementation and conducting pilot e-recording activity
- Assist in setting and maintaining the project schedule
- Act as the direct contact with the management of the county recorder's office, providing periodic briefings as requested
- Oversee the progress made during the course of the entire Electronic Recording Project
- Coordinate, as needed, with other county offices, departments, and personnel
- Receive periodic updates from vendor and other team members
- Ensure proper interface with the back-end systems
- Oversee the work performed by the county implementation team
- Implement fee payment system
- Work directly with the vendor team
- Coordinate the delivery of the requested information and assistance from the county
- Collaborate with private sector participants

From this selection criteria and the stated ability to meet skills and task, counties were selected to continue with the pilot selection processes. The final list of counties was Hennepin, Lyon, Dakota, Renville and Roseau. These counties were then asked to develop a proposal for presentation to the Task Force outlining their initiative. This proposal would detail the counties' abilities, their estimated project plan with milestones, tasks and timelines, resources, vendor partners, costs and expenditures and private sector submitting partners

The Pilot County Contract Review Committee was organized as the body to review the proposals from these counties and to recommend to the ERERTF approved proposals for pilot counties. BenNevis worked with these counties to establish criteria and parameters for their proposals. BenNevis also participated in the final review and assessment of proposals with the Pilot County Contract Review Committee.

Pilot County Funding Distribution

The Pilot County Contract Review Committee also recommended funding for these county's pilot initiatives, as identified in the Task Force legislation. The following is a breakdown of the funding proposed by the Pilot County Contract Review Committee as authorized by the Task Force.

Phase 1 Funding Recommendation						
Cost Item	**Hennepin**	**Dakota**	**Renville**	**Lyon**	**Roseau**	**Total**
Back Office Integration	$153,125	$0	$0	$0	$0	$153,125
One-Time Costs for Training, Installation and Conversion	$0	$33,000	$10,000	$33,000	$4,000	$80,000
21 mos. Of Software Cost Assuming a 3 Year Life	$0	$23,333	$67,083	$13,125	$71,200	$174,741
18 mos. Of Hardware Cost Assuming a 3 Year Life	$0	$7,500	$7,500	$10,000	$4,500	$29,500
Total	$153,125	$63,833	$84,583	$56,125	$79,700	$437,366
					Contingency (10% of Fund + Unused Portions)	$57,234
					Total Funds Available	$494,600

This funding grid represents a reserve of 10% of the $500,000, plus unused portions of the total as a contingency fund. The original Roseau funding is represented but has since been withdrawn as Roseau is considering working with a new vendor. Hennepin, Dakota, Renville and Lyon will be reimbursed for out-of-pocket on-time costs for training, installation and conversion. These counties will also be reimbursed for contract labor at a rate of 50%. These counties will be reimbursed for the "lease costs" of the software. Lease cost was calculated by the committee assuming that the software has a 3 year life, and basing the lease time as being from October, 2002 thru June, 2004 (the remaining life of the Task Force). This results in a formula of 21/36 times the price of the software. Hardware was reimbursed in a similar "lease cost" calculation except that it is assumed that the hardware will be acquired in January, 2003, thus a "lease" of 18 months.

Roseau County originally submitted a proposal with the Association of Minnesota Counties (AMC) as its vendor partner and this was reviewed by the subcommittee. The AMC partnership included the use of an internet portal system that could serve to enhance the functionality of a county based system. Roseau later decided against this proposal and withdrew its application. Roseau has since asked to be reconsidered with a different vendor partner. That review will take place using the same criteria and review participants, including BenNevis, to ensure consistency in the process. That will be scheduled in the near future.

Private Sector Submitting Partners (Trusted Submitters)

Private sector submitters are termed Trusted Submitters by the ERERTF Standards. County proposals include the identification of Trusted Submitters as partners for county's pilot. Each Trusted Submitter:

- is legally able to transact real estate business in Minnesota,
- has established a letter of intent with the county that will be accepting the electronic real estate records,
- has agreed to follow the Minnesota Electronic Real Estate Recording Standards as part of the contractual agreement, and
- has performed a test submission with the county to prove that the Standards have been followed.

Pilot County Contracts with the Electronic Real Estate Recording Task Force (ERERTF)

Pilot counties are required by the ERERTF to sign a contract that governs their participation in pilot testing. The contract is necessary to inform all parties of expectations and concerns, formalize their roles and set the parameters of the pilot. Each county's proposal will be included as an appendix to this contract. Each county will also have a signed Letter of Intent with each Trusted Submitter. This letter ensures that the county has an established relationship and presumption of volume to ensure a valid test of this e-government transaction. It also ensures that Trusted Submitters understand the full commitment of time and resources necessary for participation.

Phase 1 Pilot County Implementation Procedures

Once contracts are signed, Phase 1 implementation proceedings will begin at pilot counties. Phase 1 testing includes testing the e-recording of Satisfactions and Certificates of Release documents. Both documents are submitted to and filed with the office of the County Recorder. These documents were chosen because of their simplicity and processing by a single county office.

Pilot county proposals included project plans with milestones, tasks and timelines. The ERERTF project plan will be updated upon the Task Force's authorization of pilot county project plans to reflect adjusted schedules.

During the testing phase, a consultant team, with technical expertise in schema and standards synchronization will be necessary to work as a resource to the ERERTF. BenNevis, Inc. will not continue to work with the Task Force on this phase. A contract for a Business Analyst consultant team with XML expertise will be awarded to The Navis Group, LLC pending full Task force approval at the January 23, 2003 meeting. See Appendix M for the Technical Support Services RFP asking for a business analyst / XML consultant. See Appendix N for the response from The Navis Group, LLC.

The work of these consultants will include assessment of pilot activity reports and the effectiveness of standards for both public and private sector members. They will be responsible for insuring the compliance of standards with the national standards and will perform formal synchronization efforts when necessary.

Reports on pilot project activity will be provided by pilot county project managers to the ERERTF Project Coordinator twice monthly. From this assessment and measurement a review of how standards are working and what changes may be necessary can be made. See Appendix O for the full measurement criteria.

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Phase 2: Phase 2 documents will include the deed, mortgage, and other residential real estate documents and will include collaboration between the Recorder's, Auditor's and Treasurer's office at the participating county. Phase 2 will also include increased efforts to facilitate the complexity of filing these additional documents and the integration of multiple county offices to support this filing. Other State office integration will be assessed in Phase 2.

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On-going Communication of Electronic Real Estate Recording Task Force (ERERTF) Status

The ERERTF home page, which includes background information on the Task Force and its initiative, is located at **www.commissions.leg.state.mn.us/lcc/erertf.htm.**

Additional pages include the following:

- ERERTF meetings are held on a monthly basis, typically on the 2nd Thursday of each month. Task Force meetings are held at the Minnesota Counties Insurance Trust (MCIT) building and meeting schedules and meeting minutes are posted on the ERERTF Upcoming Meetings page at http://www.commissions.leg.state.mn.us/lcc/erertfmeetings.htm.

- Meeting minutes, and meeting materials are located on the Meeting Minutes page at http://www.commissions.leg.state.mn.us/lcc/erertfminutes.htm.

- Other resources identified by the ERERTF regarding electronic real estate filings and initiatives are located on the Resources on the Web page at http://www.commissions.leg.state.mn.us/lcc/erertfresources.htm.

- Subcommittee activities and documentation are located on the Subcommittees page at http://www.commissions.leg.state.mn.us/lcc/subcommitteescontent.htm.

The ERERTF invites the legislature and the public to go to this web site for more details about this important e-government initiative.

Project Funding and Expenses To-Date

In Laws 2001, First Special Session, Chapter 10, Article 2, Sections 98-99, a .50 cent per transaction user fee charged to the filing of real estate documents at county offices was dedicated to a separate fund. This amount was appropriated and is available to the ERERTF until June 30, 2004. $650,000 is appropriated to the Task Force and $500,000 is appropriated for the development and implementation of pilot testing electronic real estate projects in diverse counties. $50,000 is appropriated to the LCC for the provision of administrative services to the preparation of requests for proposal or the disbursement of funds for payment of expenses of the ERERTF.

Electronic Real Estate Recording Task Force (ERERTF) Budget and Expenses

As of January 1, 2003 the following represents ERERTF budget and expenses. As of January 1, 2003, $274,065 remains available for ERERTF expenses through June 30, 2004. $25,000 remains available for LCC expenses and $500,000 remains available for pilot test expenses through June 30, 2004.

ERERTF Budget Summary

FY02 Task Force Member Expenses	$4,862.81
FY02 Consulting Expenses for Project Coordination	$42,856.99
FY02 Consulting Expenses for Standards Development	$270,384.19
FY02 Total Task Force Standards Research, and Operations Expenses	$318,103.99
FY03 Task Force Member Expenses To-date	$940.37
FY03 Consulting Expenses for Project Coordination	$30,701.00
FY03 Consulting Expenses for Standards Development	$26,190.00
FY03 Task Force Standards, Research and Operations Expenses To-Date	$57,831.37
Total Standards, Research and Operations Expenses To-Date	$375,935.36
FY03-04 Task Force Member Expenses Committed	$15,887.29
FY03-04 Task Force Standards, Research and Operations Costs Committed	$250,651.38
Total Task Force Standards, Research and Operations Expenses	***$642,474.03***
FY02 LCC Expenses	$25,000.00
FY03 LCC Costs Committed	$25,000.00
Total LCC Expenses	***$50,000.00***
FY03 Pilot Costs Committed	***$500,000.00***
Total Task Force Expenditures	**$1,192,474.03**

Of that budget, $1,170,784 has been expended on or committed to work on standards development, pilot testing, or project coordination expenses; $21,690 has been allocated to the reimbursement of expenses of the 46 member Task Force. That means 98% of Task Force expenditures have been for work on project coordination, standards development and pilot testing and only 2% of expenditures have been devoted to member expenses such as mileage and travel.

See Appendix P for a detailed budget breakdown.

Task Force expenses for FY02 equaled $318,103.99. These expenses for the Task Force included the costs of a Project Coordinator, the business analyst consulting team and paid interns who worked to develop the ERERTF standards, mileage reimbursement for members and travel expenses outside of Minnesota for members. The ERERTF has engaged a consulting team to conduct standards synchronization work during the pilot testing phase and to assist the ERERTF in assessing pilot county testing activity. This contract costs $73,000 and expires June 30, 2004.

$25,000 was appropriated to the LCC for expenses incurred in FY02. This covers publication and management of consulting requests for proposals and all fiscal and accounting activities including those associated with payment of expenses and budget reporting.

Pilot county expenses for FY02 equaled $5,400 for synchronization efforts detailed in the discussion of national standards. A $5,000 expense is expected for the review of a second proposal for pilot testing standards by Roseau County. That review is anticipated to begin in February of 2003. The remaining $489,600 in the account will be distributed to pilot counties as identified in Pilot County Funding Distribution.

Electronic Real Estate Recording Task Force (ERERTF) Revenue

The following revenue chart identifies receivables from the .50 cent user fee collected at County Recorder's offices throughout Minnesota. The ERERTF is currently on target for meeting the legislative appropriation of $1,200,000 to this initiative.

	Forecast	**Actual**
FY02 Projected Revenue from Finance Department	$436,973.00	$485,023.25
	Forecast	**Actual To-Date(From July 2002)**
FY03 Projected Revenue from Finance Department	$657,372.00	$382,951.25
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FY02 (actual) + FY03 Projected Revenue with Amended Torrens Law	$1,142,395.25	

Attachment A – ERERTF Funding Legislation

A bill for an act relating to relating to real estate; appropriating money; dedicating the proceeds of the surcharge collected during the fiscal year ending June 30, 2004 to the legislative coordinating commission for the real estate recording task force created by Laws 2000, chapter 391, for the purposes stated in Laws 2001, First Special Session, Chapter 10, Article 2 , sections 98 to 101.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. – [APPROPRIATION] All monies collected during the fiscal year ending June 30, 2004 pursuant to the additional surcharges imposed by Laws 2001, First Special Session, Chapter 10, Article 2, section 77 and Laws 2002, Chapter 365, are hereby appropriated to the legislative coordinating commission for the real estate task force established by Laws 2001, chapter 391, for the purposes set forth in Laws 2001, First Special Session, Chapter 10, Article 2, sections 98 to 101. $25,000 from those monies is to be retained by the legislative coordinating commission for the services described in Laws 2001, First Special Session, Chapter 10, Article 2, section 99 .

Section 2. [EFFECTIVE DATE.] Section 1 is effective the day following final enactment.

All of these Appendix items are located for review on the ERER web site: http://www.commissions.leg.state.mn.us/lcc/erertflegreport2003.htm.

Appendix A: ERERTF Standards v.1.0

Appendix B: 2001 Report to the Legislature

Appendix C: ERERTF Survey Participants

Appendix D: ERERTF Membership List

Appendix E: Meeting minutes for the Pilot Framework and Scope Subcommittee

Appendix F: Meeting minutes for the Legal Subcommittee

Appendix G: Meeting minutes for the Pilot Proposal Review Subcommittee

Appendix H: Meeting minutes for the Recording Content and Workflow Subcommittee

Appendix I: Meeting minutes for the Technology Subcommittee

Appendix J Meeting minutes for the GIS Subcommittee

Appendix K: Meeting minutes for the Private Sector Subcommittee

Appendix L: ERERTF Pilot County Evaluation Criteria

Appendix M: Technical Support Services RFP

Appendix N: The Navis Group, LLC. Proposal

Appendix O: Measurement Criteria for Pilot Counties

Appendix P: ERERTF Budget Detail