

**C81C**  
**Office of the Attorney General**

***Operating Budget Data***

(\$ in Thousands)

	<b><u>FY 14</u></b> <b><u>Actual</u></b>	<b><u>FY 15</u></b> <b><u>Working</u></b>	<b><u>FY 16</u></b> <b><u>Allowance</u></b>	<b><u>FY 15-16</u></b> <b><u>Change</u></b>	<b><u>% Change</u></b> <b><u>Prior Year</u></b>
General Fund	\$16,476	\$17,407	\$18,537	\$1,130	6.5%
Deficiencies and Reductions	0	-348	-869	-521	
<b>Adjusted General Fund</b>	<b>\$16,476</b>	<b>\$17,059</b>	<b>\$17,669</b>	<b>\$610</b>	<b>3.6%</b>
Special Fund	7,458	12,442	19,194	6,751	54.3%
Deficiencies and Reductions	0	0	-145	-145	
<b>Adjusted Special Fund</b>	<b>\$7,458</b>	<b>\$12,442</b>	<b>\$19,049</b>	<b>\$6,606</b>	<b>53.1%</b>
Federal Fund	2,850	3,323	3,544	222	6.7%
Deficiencies and Reductions	0	0	-73	-73	
<b>Adjusted Federal Fund</b>	<b>\$2,850</b>	<b>\$3,323</b>	<b>\$3,472</b>	<b>\$149</b>	<b>4.5%</b>
Reimbursable Fund	3,777	4,844	4,680	-164	-3.4%
<b>Adjusted Reimbursable Fund</b>	<b>\$3,777</b>	<b>\$4,844</b>	<b>\$4,680</b>	<b>-\$164</b>	<b>-3.4%</b>
<b>Adjusted Grand Total</b>	<b>\$30,561</b>	<b>\$37,668</b>	<b>\$44,869</b>	<b>\$7,201</b>	<b>19.1%</b>

Note: The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

- The fiscal 2016 allowance increases by \$7,200,990 above the adjusted fiscal 2015 working appropriation, net of contingent and across-the-board reductions, attributable to a \$6,646,847 increase in grants and a net \$852,660 increase in personnel-related expense.

Note: Numbers may not sum to total due to rounding.

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***Personnel Data***

	<b><u>FY 14 Actual</u></b>	<b><u>FY 15 Working</u></b>	<b><u>FY 16 Allowance</u></b>	<b><u>FY 15-16 Change</u></b>
Regular Positions	248.50	248.50	257.50	9.00
Contractual FTEs	<u>16.90</u>	<u>26.75</u>	<u>28.05</u>	<u>1.30</u>
<b>Total Personnel</b>	<b>265.40</b>	<b>275.25</b>	<b>285.55</b>	<b>10.30</b>

***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	16.92	6.81%
Positions and Percentage Vacant as of 1/1/15	28.00	11.27%

- There are 9.0 additional regular positions in the fiscal 2016 allowance for the Office of Attorney General (OAG), and a net increase of 1.3 contractual full-time equivalents. Of the new positions, 3.0 positions are with the Securities Division and 6.0 are with the Medicaid Fraud Control Unit.
- Turnover expectancy is increased by \$444,951 in the allowance, which translates to an increase in the turnover rate to 6.81%. This will require the agency to maintain 17.0 vacancies throughout fiscal 2016. As of January 1, 2015, the agency had 28.0 positions vacant, or 11.27%.

## ***Analysis in Brief***

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### **Major Trends**

***Consumer Protection Recoveries Increase:*** Recoveries for consumers increased by \$2.7 million over fiscal 2013.

***Medicaid Fraud Recoveries Increase:*** Medicaid fraud recoveries increased by 224% over the preceding year's estimate of fiscal 2014.

***Juvenile Justice Monitoring Site Visits Increase:*** Visits increase slightly despite staffing vacancies that continue to place pressure on this unit.

### **Issues**

***State Procurement Law Reform:*** The Department of Legislative Services undertook a comprehensive assessment of the State's procurement system and issued the report, *Review of Maryland's Procurement Policies and Structures*. One recommendation of the report was to create a specialized unit of assistant Attorneys General to advise the Board of Public Works on procurement law. **OAG should comment on the proposed recommendation to create a specialized unit of procurement attorneys assigned to the proposed chief procurement officer, including the feasibility of such a program and the fiscal impact.**

### **Recommended Actions**

1. Concur with Governor's allowance.

### **Updates**

***Mortgage Loan Servicing Practices Settlement:*** In the last year of the planned funding for programs related to the Mortgage Loan Servicing Practices Settlement, OAG allocated the remaining grant money. The fund had a balance of approximately \$36 million at the end of fiscal 2014 and will be able to continue to fund programs through fiscal 2016.



**C81C**  
**Office of the Attorney General**

***Operating Budget Analysis***

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**Program Description**

The Attorney General acts as legal counsel to the Governor; General Assembly; Judiciary; and all departments, boards, and commissions (except the Commission on Civil Rights, Public Service Commission, and State Ethics Commission). The Office of the Attorney General (OAG) represents the State in all matters of interest to the State, including civil litigation and criminal appeals in all State and federal courts. The office also reviews legislation passed by the General Assembly prior to consideration by the Governor. The office is currently supported by 13 divisions: Legal Counsel and Advice; Securities; Consumer Protection; Anti-trust; Medicaid Fraud Control; Civil Litigation; Criminal Appeals; Criminal Investigation; Educational Affairs; Correctional Litigation; Contract Litigation; People's Insurance Counsel; and the Juvenile Justice Monitoring Unit. The office is also currently overseeing the expenditures of the Mortgage Loan Servicing Practices Settlement Fund.

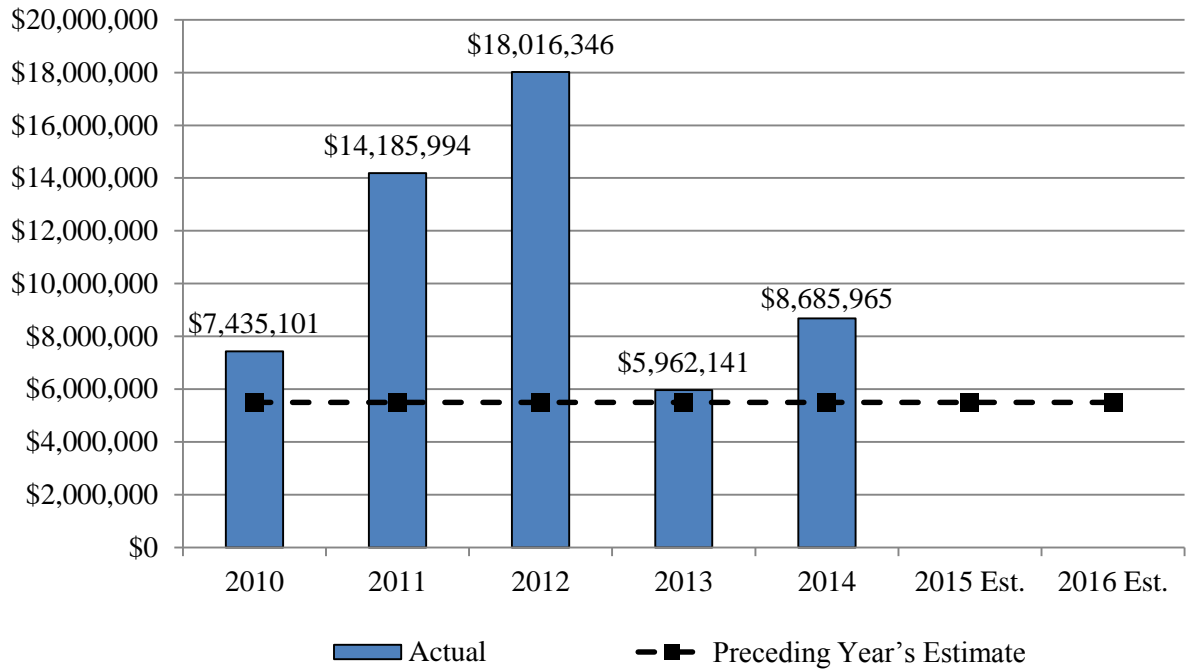
In addition to the aforementioned duties, OAG also provides assistant Attorneys General and staff attorneys to State agencies. These positions are located within each of the respective agencies' budgets. **Appendix 2** provides a list of significant civil litigation currently being handled by OAG.

**Performance Analysis: Managing for Results**

**1. Consumer Protection Recoveries Increase**

**Exhibit 1** displays the amount of money recovered for consumers via OAG's Consumer Protection Division compared to the preceding year's Managing for Results (MFR) estimate. The Consumer Protection Division provides mediation and arbitration service to consumers to help resolve complaints against businesses and health insurance carriers. In fiscal 2014, OAG collected \$8,685,695, which is an increase of approximately \$2.7 million over fiscal 2013, and above the preceding year's estimate. Recoveries are sometimes paid directly to the affected consumers or otherwise restricted to consumer protection activities of OAG. As such, the amount of recoveries received by consumers can be volatile from year to year. These amounts do not include recoveries for consumers under the Mortgage Loan Servicing Practices Settlement, which will be discussed further in this analysis. OAG notes that it is challenging to predict both the timing of settlements and the amounts that will be recovered.

**Exhibit 1**  
**Consumer Protection Division – Consumer Recoveries**  
**Fiscal 2010-2016 Est.**



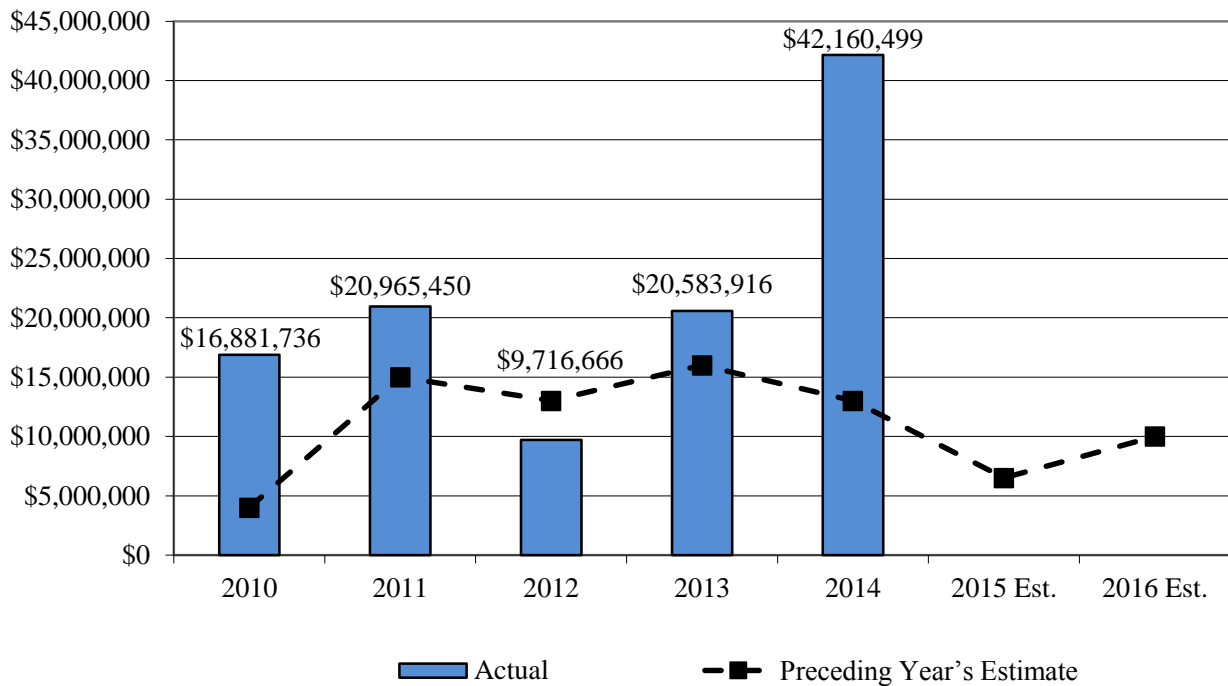
Note: Does not include recoveries related to the Mortgage Loan Servicing Practices Settlement.

Source: Office of the Attorney General

## 2. Medicaid Fraud Recoveries Increase

**Exhibit 2** displays the amount of money collected by OAG's Medicaid Fraud Control Unit compared to the preceding year's estimate. This unit investigates and prosecutes provider fraud in statewide Medicaid programs. In fiscal 2014, this unit collected \$42,160,499, which is an approximate \$22 million increase from fiscal 2013. This amount also exceeded the preceding year's estimate by 224%. In the beginning of fiscal 2014, OAG had 328 pending cases and generated 261 new cases. The unit completed 294 investigations that resulted in 17 criminal charges and 30 civil settlements. OAG notes that a significant portion of Medicaid fraud settlements are global cases that involve multiple jurisdictions and the U.S. Department of Justice. Most of these settlements are filed under seal in federal court and can take years in pretrial review. The complexities of the cases and settlements make it very hard to predict both the timing of the settlement and the exact amounts that will be recovered. For example, one of the large settlements in fiscal 2014 was a case that had been in mediation since November 2011. Thus, the amount of recoveries realized can be volatile from year to year.

**Exhibit 2**  
**Medicaid Fraud Control Unit – Fines and Collections**  
**Fiscal 2010-2016 Est.**



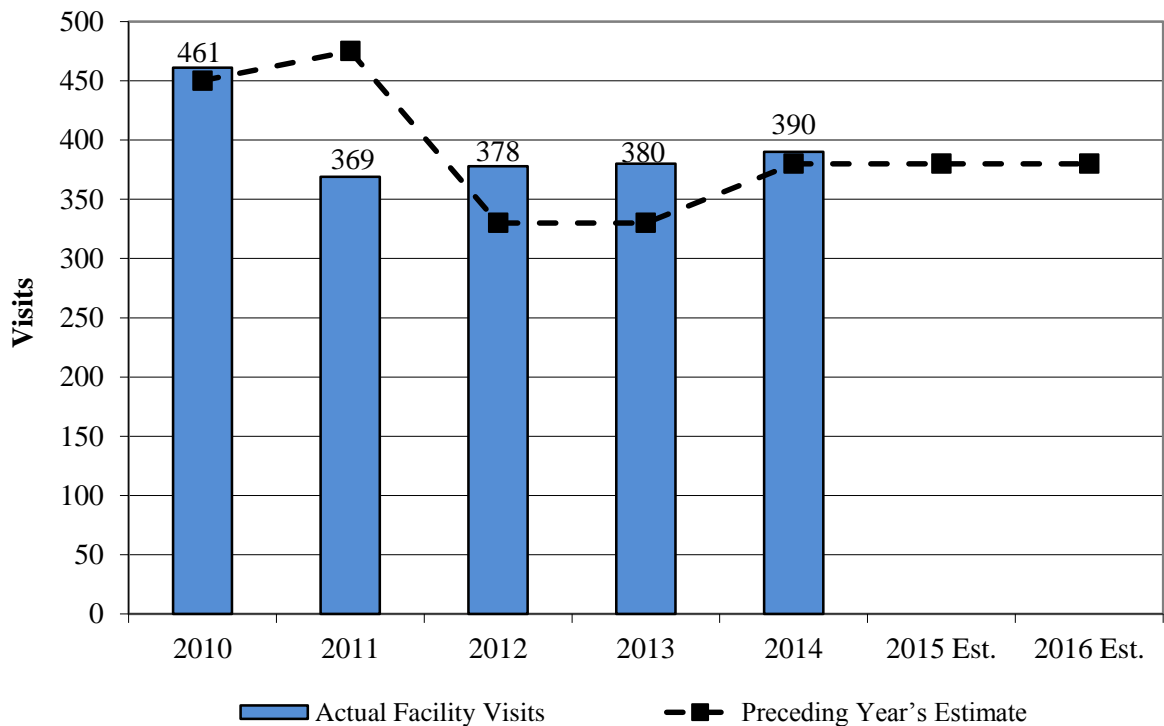
Note: Includes State and federal collections.

Source: Office of the Attorney General

### 3. Juvenile Justice Monitoring Site Visits Increase

**Exhibit 3** shows the actual number of facility visits made by the Juvenile Justice Monitoring Unit (JJMU) compared to the preceding year's MFR estimate. JJMU made 390 visits in fiscal 2014, an increase of 10 visits from fiscal 2013. The level of visits is projected based upon staffing levels of JJMU, which continues to suffer from long-term vacancies. JJMU continues to have 2 vacancies, out of a total of 6 positions, which have been vacant since fiscal 2011, but was able to exceed last year's preceding year estimate by 10 visits.

**Exhibit 3**  
**Juvenile Justice Monitoring Unit**  
**Fiscal 2010-2016 Est.**



Source: Office of the Attorney General

## **Fiscal 2015 Actions**

### **Cost Containment**

On July 2, 2014, the Board of Public Works (BPW) withdrew \$77.1 million in appropriations and abolished 61 positions statewide as fiscal 2015 cost containment. This agency's share of the reduction was \$50,000 to achieve salary savings from holding positions vacant.

On January 7, 2015, BPW implemented a 2% across-the-board reduction in general funds as further fiscal 2015 cost containment. OAG's share of the reduction was \$348,144, as shown in **Exhibit 4**.

**OAG should comment on how it plans to implement the reduction and the impact the reduction will have on operations.**



**Exhibit 4**  
**Fiscal 2015 Reconciliation**  
(\$ in Thousands)

<u>Action</u>	<u>Description</u>	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
<b>Legislative Appropriation with Budget Amendments</b>		<b>\$17,457</b>	<b>\$12,442</b>	<b>\$3,323</b>	<b>\$4,844</b>	<b>\$38,066</b>
July BPW	Increase turnover by \$50,000.	-50	0	0	0	-50
<b>Working Appropriation</b>		<b>\$17,407</b>	<b>\$12,442</b>	<b>\$3,323</b>	<b>\$4,844</b>	<b>\$38,016</b>
January BPW Across the Board	2% across-the-board reduction.	-348	0	0	0	-348
<b>Total Actions Since January 2015</b>		<b>-\$348</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>-\$348</b>
<b>Adjusted Working Appropriation</b>		<b>\$17,059</b>	<b>\$12,442</b>	<b>\$3,323</b>	<b>\$4,844</b>	<b>\$37,668</b>

BPW: Board of Public Works

Source: Department of Legislative Services

## Proposed Budget

As shown in **Exhibit 5**, OAG's fiscal 2016 allowance increases approximately \$7.2 million above the fiscal 2015 working appropriation net of contingent and across-the-board reductions. The majority of this increase is due to a \$6.7 million increase in grants and a \$852,660 million increase in personnel-related expenses, net of contingent reductions.

**Exhibit 5**  
**Proposed Budget**  
**Office of the Attorney General**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
Fiscal 2014 Actual	\$16,476	\$7,458	\$2,850	\$3,777	\$30,561
Fiscal 2015 Working Appropriation	17,059	12,442	3,323	4,844	37,668
Fiscal 2016 Allowance	<u>17,669</u>	<u>19,049</u>	<u>3,472</u>	<u>4,680</u>	<u>44,869</u>
Fiscal 2015-2016 Amt. Change	\$610	\$6,606	\$149	-\$164	\$7,201
Fiscal 2015-2016 Percent Change	3.6%	53.1%	4.5%	-3.4%	19.1%
<b>Where It Goes:</b>					
<b>Personnel Expenses</b>					
New positions: Securities Division and Medicaid Fraud Control Unit .....					\$740
Increments and other compensation (prior to cost containment) .....					393
Employee and retiree health insurance .....					613
Employees' retirement system .....					257
Workers' compensation premium assessment .....					-24
Turnover adjustments .....					-445
Other fringe benefit adjustments .....					42
Section 20: abolition of prior year 2% general salary increase .....					-372
Section 21: abolition of employee increments .....					-351
<b>Other Changes</b>					
Grants .....					6,647
Contractual turnover adjustment .....					128
Rent .....					43
Statewide budget system allocation .....					32
Library and office supply .....					-16
Other .....					66
Contractual payroll .....					-333
Advertising and legal publication .....					-135
Communication .....					-69
Section 19: difference in 2% across-the-board reduction .....					-15
<b>Total</b>					<b>\$7,201</b>

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

## **Cost Containment**

In fiscal 2016, the Administration has implemented several across-the-board reductions. This includes a general 2% reduction, elimination of employee increments, and a revision to the salary plan, which reflects the abolition of the 2% general salary increase provided on January 1, 2015. This agency's share of these reductions is \$868,744 in general funds, \$144,860 in special funds, and \$72,536 in federal funds.

**The agency should comment on how it will implement these reductions and the impact they will have on operations.**

## **Revenue Assumption**

The Governor's fiscal 2016 allowance assumes \$5,300,000 in additional revenue relating to the Medicaid Fraud Control Unit and Securities Division. This estimate is based on the added positions in these two divisions in the fiscal 2016 allowance and the increase in settlements these positions will ideally realize. A majority of the revenue estimate is attributable to the Medicaid Fraud Control Unit. Chapter 4 of 2010, the Maryland False Health Claims Act of 2010, among other things, prohibits making false claims against a State health plan or State health program and provides penalties for making false claims. A significant portion of the settlements related to this Act, however, are global cases across multiple jurisdictions. **The Department of Legislative Services (DLS) notes that the complexities of the cases and settlements make it very hard to predict both the timing of the settlements and the exact amount of the recovery, making revenue projections unreliable.**

## **Personnel**

Funding for personnel-related expenses increase by \$852,660, net of contingent reductions, in the allowance. The largest increase is \$739,868 in expenses related to 9 additional regular positions, including 3 positions with the Securities Division and 6 positions with the Medicaid Fraud Control Unit.

The Securities Division has been the sole regulator of most investment advisers in Maryland since 1996 when Congress adopted the National Securities Markets Improvement Act (NSMIA). Since NSMIA was enacted, the division has had as many as 7 positions to handle this responsibility but currently only has 2 positions. The division is the sole regulator for over 450 Maryland-based investment advisers. With the addition of these 3 positions, the division anticipates that an effective regulatory program can be established and maintained and hopes to create a program to audit each investment adviser in the State at least once every five years. The 3 positions would be able to conduct routine audits on the anticipated schedule while continuing to handle investment registration functions. These positions should also be able to make available attorney time for other divisions.

The allowance also includes 6 additional positions for the Medicaid Fraud Control Unit. This unit would like to pursue more cases based on the failure of nursing homes, assisted living facilities, and group homes for individuals with developmental disabilities to provide appropriate care. Many of

these facilities in Maryland appear to fall short of the required standard of care, and failure of care is a significant issue due to the aging population and increase of abuse and neglect of vulnerable adults in the State. To prove that an institution systemically failed to provide appropriate care requires a detailed, time-intensive investigation into staffing patterns, staff training, the ordering of equipment and supplies, *etc.*, to establish that the care provided was so deficient as to not constitute a reimbursable service. The 6 additional positions would, when possible, seek recoveries under the False Claims Act and appropriate criminal prosecution.

Other personnel increases include a \$393,091 increase for increments and compensation, offset by across-the-board reductions of increments and the 2% general salary increase funded in fiscal 2015. There is also \$612,744 for employee and retiree health insurance, and \$256,654 for employee retirement. These increases are partially offset by an increase in turnover of \$444,951.

## **Other**

The largest change in the fiscal 2016 allowance is a net increase of \$6,646,847 in grants, most of which is attributable to an allocation of the balance of each of Baltimore City's and Prince George's County's original \$10 million grants as part of the Mortgage Loan Servicing Practices Settlement.

Contractual payroll decreases by \$332,537. Although there is a net increase of 1.3 full-time equivalents for the agency in the allowance, this increase is offset by one-time budget amendments in fiscal 2015 that added funds related to litigation expenses and an expiring federal grant for the Consumer Protection Division. Advertising and legal publications decrease by \$134,934 as the result of expiring grants for advertising and public outreach in the Health Advocacy Unit. These decreases are partially offset by a decrease in contractual turnover of \$128,327.

## ***Issues***

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### **1. State Procurement Law Reform**

During the 2014 interim, DLS undertook a comprehensive assessment of the State's procurement system and published the report, *Review of Maryland's Procurement Policies and Structures*, in November 2014. DLS made a number of recommendations for statutory and administrative changes to enhance the cost effectiveness and transparency of State procurement.

Each year, the State procures about \$7.0 billion in construction, services, and commodities from outside vendors. The basic organization and structure of State procurement, despite changes to the laws over the year, have remained largely unchanged since 1980. The driving recommendation in the review conducted by DLS was to establish the position of chief procurement officer (CPO) within BPW to report directly to the board and carry out the board's procurement control functions as the head of a new Office of the Chief Procurement Officer. DLS noted in its report that Maryland was one of only a few states that lacked a CPO, and it has hampered its ability to institute meaningful procurement reform that maximizes the State's buying power. Consolidating procurement control under one office should enhance coordination, efficiency, transparency, and vendor satisfaction.

DLS noted that several states have recently established centralized procurement attorney offices. Currently, assistant Attorneys General (AAGs) in different control and primary procurement units often interpret State procurement laws and regulations in different ways, contributing to confusion and frustration on the part of procurement officers and vendors. BPW's general counsel provides legal advice to the board and to procurement staff throughout the State but has no authority to direct the advice of agency AAGs. The need for consistent interpretation of State procurement law may require the creation of a well-staffed legal office within BPW that could advise on procurement law. As an alternative, DLS offers that the Attorney General could create a specialized unit of procurement attorneys that were specially assigned to the newly created CPO.

**OAG should comment on the proposed recommendation to create a specialized unit of procurement attorneys assigned to the proposed CPO, including the feasibility of such a program and the fiscal impact.**

## ***Recommended Actions***

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1. Concur with Governor's allowance.

## ***Updates***

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### **1. Mortgage Loan Servicing Practices Settlement**

In February 2012, a significant national settlement was announced between 49 states, the District of Columbia (Oklahoma was not a party to the settlement), and the nation's five largest mortgage servicers: Bank of America, JP Morgan Chase, Wells Fargo, Citigroup, and Ally Bank (formerly GMAC). Maryland's share of the Mortgage Loan Servicing Practices Settlement (Mortgage Settlement) was approximately \$60 million for the State to spend on foreclosure prevention programs, including foreclosure fraud prevention, housing counseling, and neighborhood stabilization.

The Budget Reconciliation and Financing Act (BRFA)(Chapter 1) of the first special session of 2012 created a statutory account for this money called the Mortgage Loan Servicing Practices Settlement Fund (Mortgage Settlement Fund). A workgroup appointed by the Attorney General completed a three-year spending plan for this money in May 2012. The three agencies involved in the Mortgage Settlement are OAG, the Department of Housing and Community Development (DHCD), and the Department of Labor, Licensing, and Regulation (DLLR). The BRFA of 2012 further required that OAG submit a report to the General Assembly annually on October 1 outlining the activities and expenditures related to the Mortgage Settlement. As of December 31, 2014, the balance of this account was \$37,594,187.

The Mortgage Services Settlement Unit of OAG was established in fiscal 2013. Since the start of the program, OAG has hired 4 lawyers and 2 investigators to investigate and take enforcement action involving mortgage lending and foreclosure-related violation of consumer protection and securities laws.

During fiscal 2014, OAG entered into joint federal-state settlements with two major mortgage servicers. The first settlement was entered on December 2013 with Ocwen, Litton Loan Servicing LP and Homeward Residential Holdings LLC for \$2 billion in first lien principal reductions and \$125.0 million in cash payments to borrowers on foreclosed loans. Maryland is projected to receive \$85.7 million in first lien principal reductions for distressed borrowers and an additional payment estimated at \$2.5 million for eligible Maryland borrowers whose homes have been foreclosed. This settlement does not include any cash payments to the State to be credited to the Mortgage Settlement Fund, but borrowers are expected to receive in excess of \$1,000 each. Another settlement was one that OAG entered into with SunTrust Mortgage, Inc. in June 2014. SunTrust agreed to pay \$500.0 million nationwide with the amount of relief and assistance for Maryland consumers estimated to exceed \$33.0 million. This settlement also does not include any cash payment to the State.

OAG worked closely with DHCD to monitor awards made to grantees of funds from the Mortgage Settlement Fund. Awards have been made to Prince George's County (\$10.0 million), to Baltimore City (\$10.0 million), to housing counseling organizations (\$8.6 million), to legal assistance organizations (\$6.2 million), and to nonprofit organizations and governmental agencies engaged in neighborhood stabilization and redevelopment efforts (\$16.9 million). As shown in **Exhibit 6**, in fiscal 2014, OAG paid \$510,022 in expenditures for Prince George's County and \$1,377,811 in

**Exhibit 6**  
**Mortgage Settlement Fund Spending**  
**By Program and Fiscal Year**  
**Fiscal 2013-2016**

	<u>OAG Enforcement</u>	<u>OAG Local Grants</u>	<u>DHCD Housing Counselors</u>	<u>DHCD Legal Assistance</u>	<u>DHCD Neighborhood Revitalization</u>	<u>DLLR</u>	<u>Total</u>
Original Total Spending Plan (2013-2015)	\$2,761,860	\$20,000,000	\$8,600,000	\$6,227,863	\$16,993,130	\$2,138,000	\$56,720,853
Fiscal 2013 Actual	\$37,267	\$0	\$3,273,058	\$2,821,976	\$16,993,130	\$179,715	\$23,305,146
Fiscal 2014 Actual	2,172,579	1,887,833	3,000,000	2,000,000	0	589,496	9,649,908
Fiscal 2015 Appropriation	642,153	5,000,000	2,100,000	1,250,000	0	881,709	9,873,862
Fiscal 2016 Allowance	656,813	11,612,068	0	0	0	688,119	12,957,000
<b>Total 2013-2016</b>	<b>\$3,508,812</b>	<b>\$18,499,901</b>	<b>\$8,373,058</b>	<b>\$6,071,976</b>	<b>\$16,993,130</b>	<b>\$2,339,039</b>	<b>\$55,785,916</b>
<b>Difference to Spending Plan</b>	<b>\$746,952</b>	<b>-\$1,500,099</b>	<b>-\$226,942</b>	<b>-\$155,887</b>	<b>\$0</b>	<b>\$201,039</b>	<b>-\$934,937</b>
Fiscal 2014 Appropriation	657,822	15,000,000	3,000,000	2,000,000	0	831,986	21,489,808
Fiscal 2014 Actual	2,172,579	1,887,833	3,000,000	2,000,000	0	589,496	9,649,908
<b>Cancelled Funds</b>	<b>-\$1,514,757</b>	<b>\$13,112,167</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$242,490</b>	<b>\$11,839,900</b>

DHCD: Department of Housing and Community Development

DLLR: Department of Labor, Licensing, and Regulation

OAG: Office of the Attorney General

Source: Office of the Attorney General; Department of Budget and Management

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expenditures by Baltimore City for local grants. OAG also provided funding to the DHCD monitor grants, of which the following was expended in fiscal 2014: \$3,000,000 was spent by housing counseling organizations, and \$2,000,000 was spent by legal assistance organizations.

The Office of the Commissioner of Financial Regulation (OCFR) within DLLR also received funding for \$589,496 in fiscal 2014 as part of the original Mortgage Settlement for its ongoing efforts to prevent and combat financial fraud. The funding supports 8 positions and will continue to fund these positions through fiscal 2016. During fiscal 2014, OCFR responded to over 2,100 consumer complaints, of which 683 related to mortgage activities. The Enforcement Unit of OCFR completed 140 investigations, of which 90 were mortgage related. Cases once investigated are referred to OCFR legal staff for administrative enforcement; 64 cases were referred for administrative action, and 27 were issued charging documents by the commissioner.

The original spending plan only accounted for expenditures in fiscal 2013 through 2015. However, because expenditures were less than originally expected in fiscal 2013 and 2014 and because of delays in hiring qualified personnel, funding for programs and positions supported by the Mortgage Settlement will continue into fiscal 2016. In the fiscal 2016 allowance, OAG is allocating the remainder of the unspent balance of the grants to Baltimore City and Prince George's County.

## ***Current and Prior Year Budgets***

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### **Current and Prior Year Budgets Office of the Attorney General (\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2014</b>					
Legislative Appropriation	\$17,061	\$6,989	\$2,796	\$4,685	\$31,531
Deficiency Appropriation	-590	-97	-39	0	-727
Budget Amendments	242	5,149	570	121	6,083
Reversions and Cancellations	-237	-4,582	-477	-1,029	-6,326
<b>Actual Expenditures</b>	<b>\$16,476</b>	<b>\$7,458</b>	<b>\$2,850</b>	<b>\$3,777</b>	<b>\$30,561</b>
<b>Fiscal 2015</b>					
Legislative Appropriation	\$17,334	\$12,265	\$2,955	\$4,844	\$37,398
Cost Containment	-50	0	0	0	-50
Budget Amendments	123	177	367	0	668
<b>Working Appropriation</b>	<b>\$17,407</b>	<b>\$12,443</b>	<b>\$3,323</b>	<b>\$4,844</b>	<b>\$38,016</b>

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies.

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## **Fiscal 2014**

OAG finished fiscal 2014 \$969,621 below its legislative appropriation. Retirement contributions were reduced by \$296,892, and health care contributions were reduced by \$288,163 through deficiency appropriations. Amendments for the cost-of-living adjustment (COLA) and salary increment increased the appropriation by \$356,804.

### **General Funds**

Actual expenditures were \$585,024 below the legislative appropriation due to deficiency appropriations and reversions, which included:

- \$244,078 in statewide reductions for health savings;
- \$204,610 in statewide reductions for retirement;
- \$41,759 for statewide reductions to the agency's share of funding for a new Statewide Personnel Information Technology System;
- \$100,000 to reduce the fiscal 2014 appropriation to implement cost containment reductions in the form of salary savings; and
- \$237,005 in general fund reversions.

The reverted funds were partially offset by budget amendments that added \$240,583 related to salary increments and the COLA and a \$1,844 increase for telecommunication expenses.

### **Special Funds**

Actual expenditures were \$469,798 above the legislative appropriation. Budget amendments added \$5,149,210 but were offset with \$4,582,347 in cancelled funds. Changes to the legislative appropriation included:

- \$5,000,000 increase for the grants to local governments from the Mortgage Settlement Fund;
- \$39,259 increase for the Thurgood Marshall Opportunity Program;
- \$25,000 to pay for litigation expenses for the Consumer Protection Division;
- \$5,000 increase for the American Bar Association, Janet D. Steiger Fellowship Project for Consumer Protection; and
- \$79,951 increase for COLAs and increment payments.

These increased funds were partially offset by deficiency appropriations of \$67,501 for retirement savings and \$29,564 in statewide reductions for health savings. A total of \$4,582,347 of special funds were unspent at the end of fiscal 2014, due mostly to the Mortgage Services Settlement and grant money that was unspent by Baltimore City and Prince George's County. These funds will carry over to fiscal 2015.

## **Federal Funds**

Actual expenditures were \$54,075 above the legislative appropriation. Budget amendments added a net of \$570,553 in federal funds, which included:

- \$534,283 in Consumer Protection Grants to fund personnel, outreach programs, and to finish design on a website to assist consumers with health insurance appeals and the grievance process related to the federal Affordable Care Act.
- \$36,270 for COLA and increment payments.

Increases in federal funds were partially offset by a statewide reduction for health savings \$14,521 and retirement savings, \$24,781. A total of \$477,175 was unspent at the end of fiscal 2014 because expenditures were less than anticipated for the Consumer Protection Division and the Medicaid Fraud Control Unit.

## **Reimbursable Funds**

Actual expenditures were \$908,469 below the legislative appropriation, mainly due to unspent funds of \$1,029,469, with a majority of this money being carried over into fiscal 2015. Unspent funds were offset by a grant for \$121,000 from the Governor's Office of Crime Control and Prevention to focus on reducing firearms-related violence and gang activity.

## **Fiscal 2015**

On July 2, 2014, BPW withdrew \$77.1 million in appropriations and abolished 61 positions statewide as fiscal 2015 cost containment. OAG's share of the reduction was \$50,000 to achieve salary savings from holding positions vacant.

To date, \$667,662 has been added through budget amendments to the legislative appropriation for fiscal 2015. The COLA adjustment accounts for \$123,354 in general funds, \$43,106 in special funds, and \$20,371 in federal funds. Other budget amendments added \$133,989 to special funds: \$9,232 to pay for litigation expenses in multi-state data breach investigation, \$99,757 to pay for a staff attorney in the Securities Division, and \$25,000 for the Thurgood Marshall Opportunity Program. Another budget amendment added \$346,932 in federal funds for a grant that assists the Consumer Protection Division.

**Office of the Attorney General**  
**Significant Civil Litigation Report**  
**As of January 31, 2015**  
**Claims of \$2 Million or More**

<u>Agency</u>	<u>Case Name</u>	<u>Description</u>
Civil	Goldberg, Stanley, <i>et al.</i> v. State of Maryland	Challenge to ground rent legislation.
Civil	Jones v. Murphy, <i>et al.</i>	Claim alleges that detainees, upon entering Central Booking, were illegally strip searched and that some detainees did not receive a prompt determination of probable cause.
Civil/Comptroller	Maryland State Comptroller of the Treasury v. Brian Wynne, <i>et ux.</i>	Alleged violation of the U.S. Constitution's commerce clause regarding tax credits. The case was argued before the U.S. Supreme Court on November 12, 2014, and a decision will be issued in 2015.
Comptroller	Branch Banking and Trust Company v. Comptroller	Refund claim for alleged discrimination against federal tax obligations.
Comptroller	New Cingular Wireless PSC, <i>et al.</i> v. Comptroller	Refund claim seeking payment of sales and use taxes collected erroneously.
Comptroller	Potomac Edison Company v. Comptroller	Refund claim seeking payment of sales and use taxes collected erroneously.
Contract Litigation	Hunt Corporation v. Maryland Aviation Administration	Contract claim alleging costs arising out of delay in the project completion, as well as other costs for the performance of alleged extra/change work, and for alleged acceleration of work at the direction of the Maryland Aviation Administration.
DHMH	Geier, et al. v. Maryland Board of Physicians, <i>et al.</i>	(Filed under seal). Alleged release of confidential medical information and invasion of privacy.
DHR	Green v. State of Maryland	Alleged injuries sustained by a former foster parent, inflicted by a foster child.

*C81C – Office of the Attorney General*

<u>Agency</u>	<u>Case Name</u>	<u>Description</u>
DHR	<i>L.J., et al. v. Dallas, et al.</i>	Class action brought on behalf of children placed by Baltimore City Department of Social Services in foster homes. Consent decree was entered in 1988 and modified in 1991 and again in 2009. Attorneys' fees for the period from December 2007 through the present remain unresolved.
Ed. Affairs	Coalition for Equity and Excellence in Maryland Higher Education v. Ehrlich	Complaint alleges that Maryland maintains a racially segregated system of higher education and has engaged in a pattern and practice of racial discrimination that has prevented historically black institutions from achieving parity with traditionally white institutions.
Ed. Affairs	Hayes, Kevin v. Alpha Phi Alpha Fraternity, Inc.	Assault and battery charge, alleging hazing, battery, false imprisonment and gross negligence against Alpha Phi Alpha Fraternity and Bowie State University employee Mark Guthrie, former student Mike Ross, and graduate student Keenan Goins.
Environment	Donnelly v. Board of County Commissioners for Calvert County	Breach of contract claim that alleges anticipatory breach of contract and declaratory judgment.
Environment	Terrapin Run, LLC v Maryland Department of the Environment, <i>et al.</i>	Claim regarding a wastewater treatment system in Allegany County.
MAA	Butler v. Maryland Aviation Administration	Title VII discrimination case, based on gender and race.
MDE	Donnelly v. Board of County Commissioners for Calvert County	Alleged breach of contract, anticipatory breach of contract and declaratory judgment.
MPA	Maryland Department of the Environment v. Honeywell International, Inc. and Maryland Port Administration	Case involving MDE, MPA, and Honeywell addressing the final remedy to treat and mitigate release of chromium from the Dundalk Marine Terminal.
SDAT	BGE v. State Department of Assessments and Taxation	Claim for refund of franchise tax paid on BGE electricity charges.
SHA	68th Street Landfill, Baltimore County	Superfund case involving federal EPA determination that the State was the owner/operator of a large former landfill and is charged with the clean-up of the site.

*C81C – Office of the Attorney General*

<u>Agency</u>	<u>Case Name</u>	<u>Description</u>
Tobacco Litigation	Tobacco Diligent Enforcement Arbitration	In pending arbitration proceedings, the cigarette manufacturers that participated in the 1998 Master Settlement Agreement (MSA) claim that they are entitled to a substantial reduction of their 2003 MSA payments, because the State allegedly did not “diligently enforce” the obligation that Maryland law imposes on tobacco manufacturers who do <u>not</u> participate in the MSA to make certain payments into escrow. The participating manufacturers make an analogous claim with respect to all of the 52 states and territories that signed the MSA, and the pending arbitration proceeding, before three retired federal judges, involve all of the parties to the MSA, including all of the participating manufacturers and all of the states and territories.

BGE: Baltimore Gas and Electric  
DHMH: Department of Health and Mental Hygiene  
DHR: Department of Human Resources  
EPA: Environmental Protection Agency  
MAA: Maryland Aviation Administration  
MDE: Maryland Department of the Environment  
MPA: Maryland Port Administration  
PSC: Public Service Commission  
SDAT: State Department of Assessments and Taxation  
SHA: State Highway Administration

**Object/Fund Difference Report  
Office of the Attorney General**

<u>Object/Fund</u>	<u>FY 14 Actual</u>	<u>FY 15 Working Appropriation</u>	<u>FY 16 Allowance</u>	<u>FY 15 - FY 16 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	248.50	248.50	257.50	9.00	3.6%
02 Contractual	16.90	26.75	28.05	1.30	4.9%
<b>Total Positions</b>	<b>265.40</b>	<b>275.25</b>	<b>285.55</b>	<b>10.30</b>	<b>3.7%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 23,263,626	\$ 25,748,467	\$ 27,324,267	\$ 1,575,800	6.1%
02 Technical and Spec. Fees	860,615	2,027,118	1,695,872	-331,246	-16.3%
03 Communication	165,748	317,245	248,052	-69,193	-21.8%
04 Travel	124,527	89,365	98,515	9,150	10.2%
07 Motor Vehicles	175,664	187,610	168,837	-18,773	-10.0%
08 Contractual Services	1,066,742	1,501,629	1,602,046	100,417	6.7%
09 Supplies and Materials	491,651	377,200	361,584	-15,616	-4.1%
11 Equipment – Additional	74,093	68,200	62,400	-5,800	-8.5%
12 Grants, Subsidies, and Contributions	2,236,120	5,424,456	12,071,303	6,646,847	122.5%
13 Fixed Charges	2,102,204	2,274,620	2,322,020	47,400	2.1%
<b>Total Objects</b>	<b>\$ 30,560,990</b>	<b>\$ 38,015,910</b>	<b>\$ 45,954,896</b>	<b>\$ 7,938,986</b>	<b>20.9%</b>
<b>Funds</b>					
01 General Fund	\$ 16,475,802	\$ 17,407,215	\$ 18,537,411	\$ 1,130,196	6.5%
03 Special Fund	7,458,394	12,442,439	19,193,779	6,751,340	54.3%
05 Federal Fund	2,850,155	3,322,649	3,544,189	221,540	6.7%
09 Reimbursable Fund	3,776,639	4,843,607	4,679,517	-164,090	-3.4%
<b>Total Funds</b>	<b>\$ 30,560,990</b>	<b>\$ 38,015,910</b>	<b>\$ 45,954,896</b>	<b>\$ 7,938,986</b>	<b>20.9%</b>

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.



**Fiscal Summary  
Office of the Attorney General**

<u>Program/Unit</u>	<u>FY 14 Actual</u>	<u>FY 15 Wrk Approp</u>	<u>FY 16 Allowance</u>	<u>Change</u>	<u>FY 15 - FY 16 % Change</u>
01 Legal Counsel and Advice	\$ 6,451,330	\$ 6,864,124	\$ 6,993,949	\$ 129,825	1.9%
04 Securities Division	2,451,422	2,441,674	2,711,395	269,721	11.0%
05 Consumer Protection Division	5,311,279	6,573,710	6,381,171	-192,539	-2.9%
06 Antitrust Division	825,499	889,265	924,634	35,369	4.0%
09 Medicaid Fraud Control Unit	3,363,283	3,877,369	4,588,493	711,124	18.3%
10 People's Insurance Counsel Division	461,055	585,663	591,133	5,470	0.9%
12 Juvenile Justice Monitoring Program	422,363	543,563	575,682	32,119	5.9%
14 Civil Litigation Division	2,474,559	3,026,880	3,169,054	142,174	4.7%
15 Criminal Appeals Division	2,680,139	2,733,206	2,870,415	137,209	5.0%
16 Criminal Investigation Division	1,751,786	1,908,677	1,926,082	17,405	0.9%
17 Educational Affairs Division	230,574	440,619	463,951	23,332	5.3%
18 Correctional Litigation Division	372,021	439,291	433,478	-5,813	-1.3%
20 Contract Litigation Division	1,593,101	2,049,716	2,056,578	6,862	0.3%
21 Mortgage Services Settlement Fund	2,172,579	5,642,153	12,268,881	6,626,728	117.5%
<b>Total Expenditures</b>	<b>\$ 30,560,990</b>	<b>\$ 38,015,910</b>	<b>\$ 45,954,896</b>	<b>\$ 7,938,986</b>	<b>20.9%</b>
General Fund	\$ 16,475,802	\$ 17,407,215	\$ 18,537,411	\$ 1,130,196	6.5%
Special Fund	7,458,394	12,442,439	19,193,779	6,751,340	54.3%
Federal Fund	2,850,155	3,322,649	3,544,189	221,540	6.7%
<b>Total Appropriations</b>	<b>\$ 26,784,351</b>	<b>\$ 33,172,303</b>	<b>\$ 41,275,379</b>	<b>\$ 8,103,076</b>	<b>24.4%</b>
Reimbursable Fund	\$ 3,776,639	\$ 4,843,607	\$ 4,679,517	-\$ 164,090	-3.4%
<b>Total Funds</b>	<b>\$ 30,560,990</b>	<b>\$ 38,015,910</b>	<b>\$ 45,954,896</b>	<b>\$ 7,938,986</b>	<b>20.9%</b>

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.