

D99A11
Office of Administrative Hearings

Operating Budget Data

(\$ in Thousands)

	<u>FY 15 Actual</u>	<u>FY 16 Working</u>	<u>FY 17 Allowance</u>	<u>FY 16-17 Change</u>	<u>% Change Prior Year</u>
Special Fund	\$1,158	\$44	\$44	\$1	1.1%
Adjusted Special Fund	\$1,158	\$44	\$44	\$1	1.1%
Reimbursable Fund	13,772	15,343	15,231	-113	-0.7%
Adjusted Reimbursable Fund	\$13,772	\$15,343	\$15,231	-\$113	-0.7%
Adjusted Grand Total	\$14,930	\$15,387	\$15,275	-\$112	-0.7%

- The fiscal 2017 allowance is \$112,234, or 0.7%, less than the fiscal 2016 working appropriation.

Personnel Data

	<u>FY 15 Actual</u>	<u>FY 16 Working</u>	<u>FY 17 Allowance</u>	<u>FY 16-17 Change</u>
Regular Positions	114.00	119.00	119.00	0.00
Contractual FTEs	<u>3.31</u>	<u>5.50</u>	<u>0.50</u>	<u>-5.00</u>
Total Personnel	117.31	124.50	119.50	-5.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	3.57	3.00%
Positions and Percentage Vacant as of 12/31/15	2.00	1.68%

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

For further information contact: Benjamin B. Wilhelm

Phone: (410) 946-5530

D99A11 – Office of Administrative Hearings

- The fiscal 2017 allowance includes 119.0 regular positions, the same as the fiscal 2016 working appropriation. The allowance also includes a reduction of 5.0 contractual full-time equivalents (FTE) below the working appropriation. This change is due to the Board of Public Works action in August 2015 authorizing the conversion of these 5.0 contractual FTEs to permanent positions. The decrease in contractual FTEs in fiscal 2017 is a result of that already completed action.
- The budgeted turnover rate is 3.0%, which requires 3.57 vacancies. As of December 31, 2015, the agency reported 2.0 vacancies, for a rate of 1.68%.

Analysis in Brief

Major Trends

Total Number of Hearings Decreases, Fewer Cases on Most Dockets: The Office of Administrative Hearings (OAH) heard 4,715 fewer cases in fiscal 2015 than in fiscal 2014, a decrease of 9.4%. Declines in the agency's largest dockets – the Motor Vehicle Administration and the Department of Health and Mental Hygiene (DHMH) – are the primary cause of the decline, but there was also a 28.4% decrease in foreclosure mediations.

Time to Disposition Falls for Most Cases: The primary efficiency measure used by OAH is time to dispose of cases from filing. In fiscal 2015, the agency's overall time to disposition improved from 50.1 to 48.3 days. While most dockets showed improvement, some, including DHMH, did show marginal increases.

Satisfaction Ratings Fall Back Slightly but Remain High: OAH surveys participants in its hearings to assess their satisfaction with the preparation, organization, fairness, and outcome of the proceedings. There were slight decreases in the number of satisfactory responses for fairness and outcomes in fiscal 2015, but all three measures remained above 90% satisfaction and near the all-time high results of fiscal 2014.

Recommended Actions

1. Concur with Governor's allowance.

D99A11
Office of Administrative Hearings

Operating Budget Analysis

Program Description

The Office of Administrative Hearings (OAH) holds hearings in contested cases involving State agencies. The office was created in 1989 to centralize the hearing functions in various units of State government. Most cases originate from the Motor Vehicle Administration (MVA); the Department of Health and Mental Hygiene (DHMH); the Department of Human Resources (DHR); the Department of Housing and Community Development; and the Maryland State Department of Education. Funding primarily comes from those agencies that use OAH services. These agencies reimburse OAH based on the proportion of time spent on their cases.

Pursuant to Chapter 485 of 2010, homeowners who are subject to foreclosure may request mediation with an administrative law judge (ALJ). A portion of revenues paid to the Housing Counseling and Foreclosure Mediation Fund are used by OAH for the costs of conducting foreclosure mediations.

OAH decisions may be appealed on the record to the circuit court. In certain cases, the OAH decision is advisory, and the originating agency may overrule or reject the OAH ruling. When an agency has rejected the OAH decision, recourse again is with the circuit court.

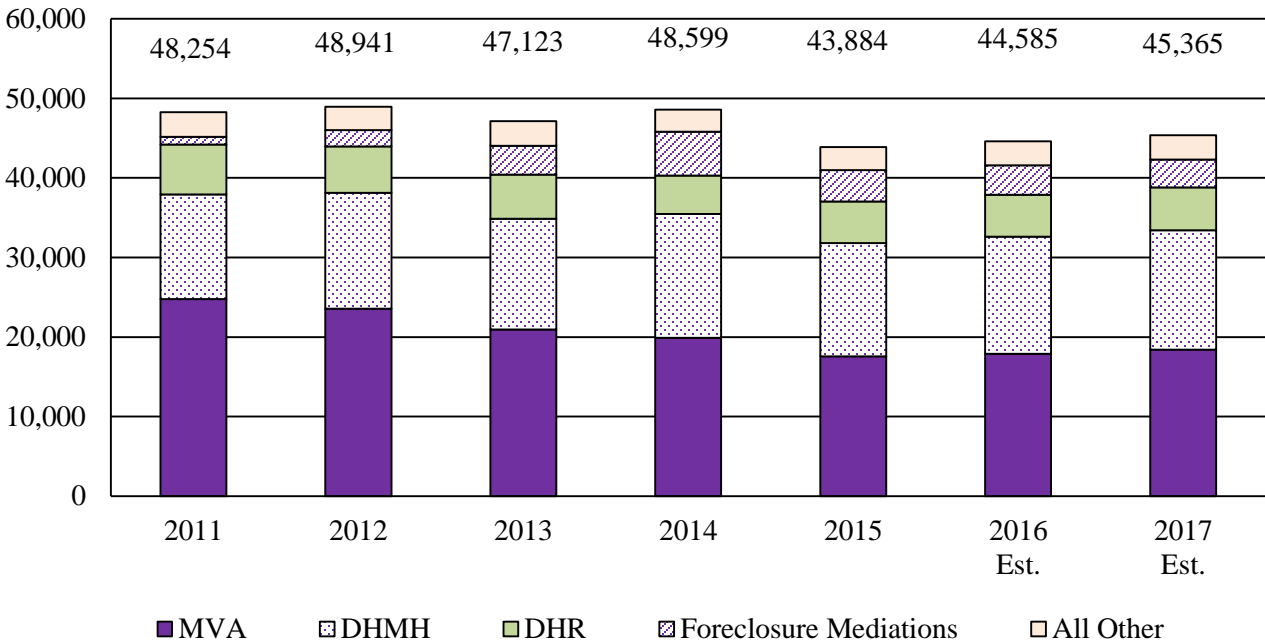
The chief ALJ is the administrative head of the agency. The State Advisory Council on Administrative Hearings oversees all activities of the agency and provides guidance and direction to the chief ALJ.

Performance Analysis: Managing for Results

1. Total Number of Hearings Decreases, Fewer Cases on Most Dockets

In fiscal 2015, OAH disposed of 43,884 cases for State agencies and under the foreclosure mediation program. This is a decrease of 4,715 cases, or 9.7%, below the 48,599 disposed in fiscal 2014. This decrease is largely attributable to decreases for three of the agency's four largest dockets. MVA cases fell by 2,333 to 17,574. DHMH cases were down 1,321 to 14,249. There were also 3,950 mortgage foreclosure mediations, 1,564 fewer than in fiscal 2015. **Exhibit 1** breaks down the agency caseloads since fiscal 2011 in more detail.

**Exhibit 1
OAH Case Count by Major Component
Fiscal 2011-2017**



DHMH: Department of Health and Mental Hygiene

DHR: Department of Human Resources

MVA: Motor Vehicle Administration

OAH: Office of Administrative Hearings

Source: Department of Budget and Management

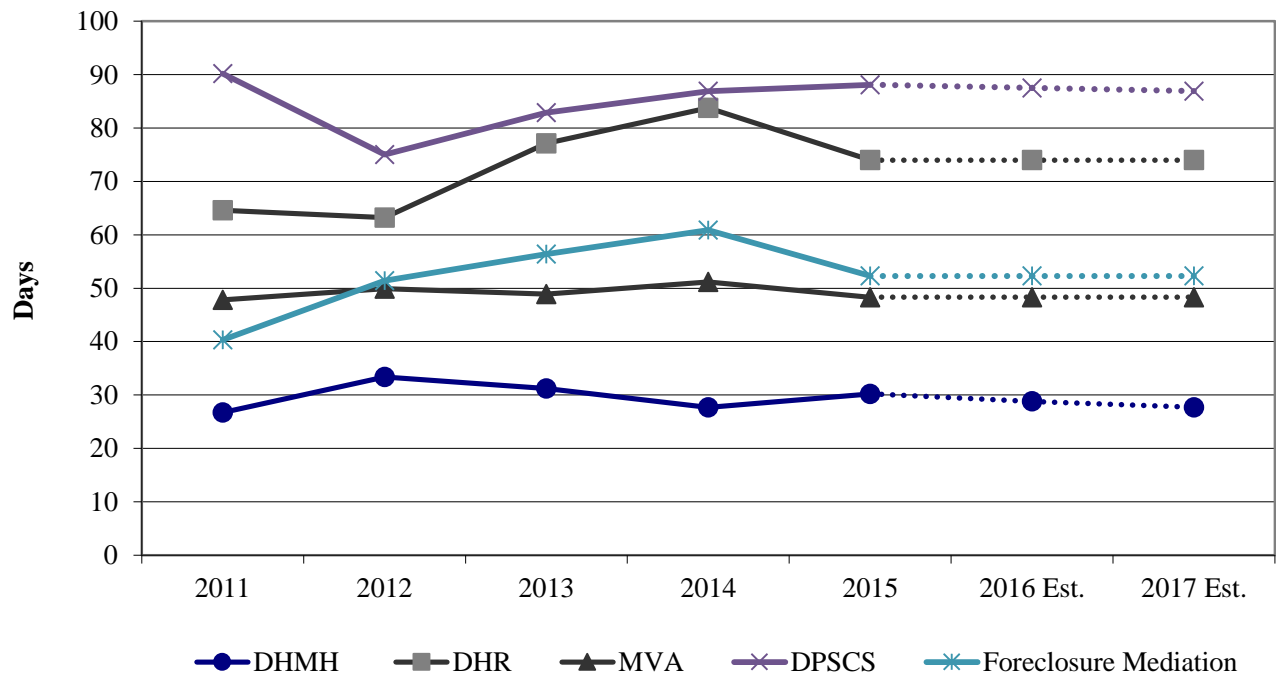
The caseload for OAH fluctuates from year to year depending on a variety of factors that affect the agencies that refer cases to OAH. For fiscal 2015, there are three main factors that can explain this decrease in the agency’s caseload. First, while the number of DHMH cases fell by almost 10.0%, this is not even the largest change in this docket in the last five years and appears to be a normal fluctuation. Second, the fall in MVA cases is part of a larger trend that has seen the total number of MVA cases fall by 29.1% since fiscal 2011. Increased filing fees for hearings and the availability of ignition locks in lieu of license suspensions in many driving while intoxicated cases have driven fewer people to seek OAH hearings. Third, an improving economy and housing market, along with changing behavior by homeowners and lenders, appears to be responsible for the decrease in foreclosure mediations in fiscal 2015. As this program matures and the economy continues to recover, the number of mediations is expected to stabilize. However, OAH has reported that the number of foreclosure mediations in the first half of fiscal 2016 increased relative to fiscal 2015.

2. Time to Disposition Falls for Most Cases

Performance goals for OAH center on efficiency and quality. Time to dispose of cases from filing is the standard measurement for efficiency. In fiscal 2015, OAH showed overall improvement in time to disposition across all cases and within most dockets. Overall, average time to disposition fell from 50.3 to 48.1 days. **Exhibit 2** provides a more detailed breakdown of the disposition time for major classes of cases.

Time to disposition for DHMH cases increased from 27.7 to 30.2 days. Department of Public Safety and Correctional Services disposition time grew from 86.9 to 88.1 days. However, the disposition time for other large dockets decreased – DHR cases fell from 83.8 to 74.0 days, MVA cases fell from 83.8 to 74.0 days, MVA cases fell from 51.2 to 48.3 days, and mortgage foreclosure mediations fell from 60.9 to 52.3 days.

Exhibit 2
Average Number of Days Between Receipt and Disposition of Selection Cases
Fiscal 2011-2017 Est.



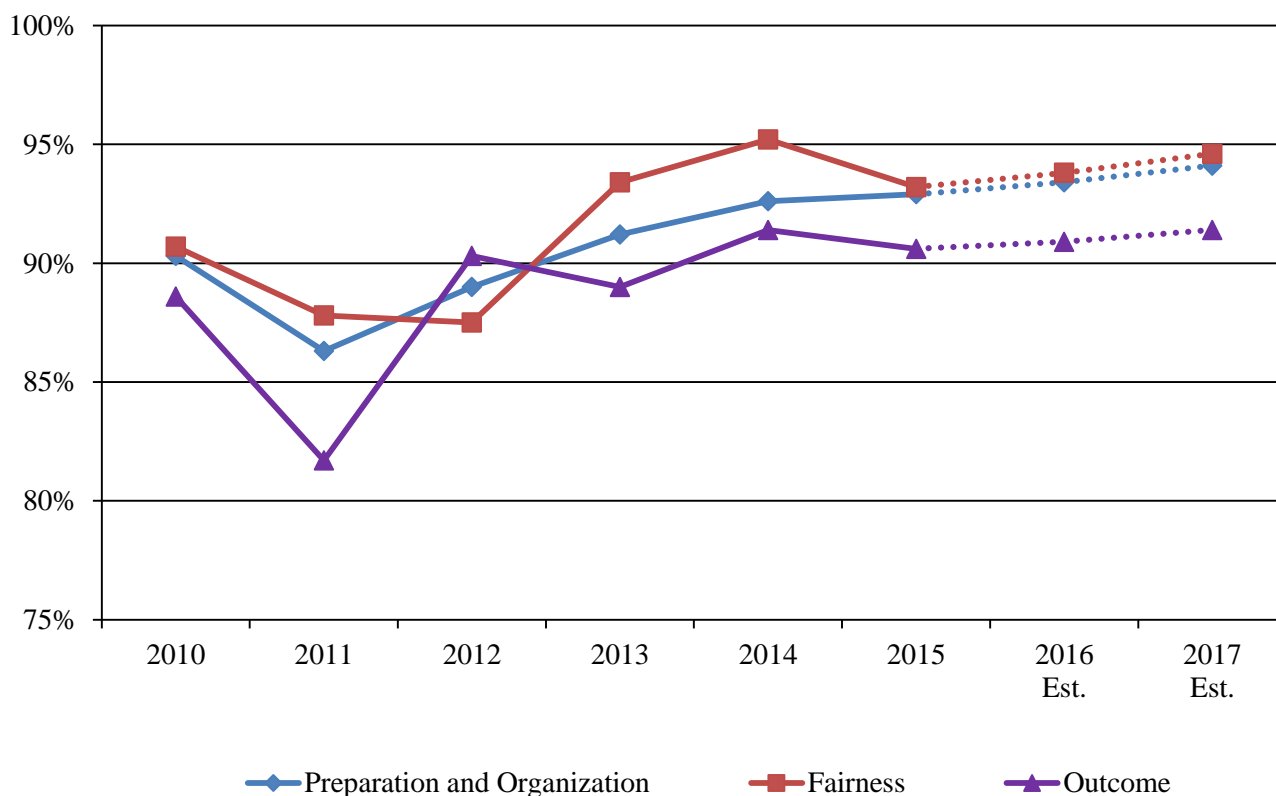
DHMH: Department of Health and Mental Hygiene
 DHR: Department of Human Resources
 DPSCS: Department of Public Safety and Correctional Services
 MVA: Motor Vehicle Administration

Source: Department of Budget and Management

3. Satisfaction Ratings Fall Back Slightly but Remain High

Quality is measured through the use of hearing participant surveys that quantify satisfaction with elements such as preparation, organization, and fairness of the proceedings. Participants are also surveyed on satisfaction with the outcome of the proceeding. As shown in **Exhibit 3**, the percentage of participants who rated these elements as satisfactory or excellent was down slightly for two of the three measures, but all three remain above 90% and indicate that the agency has been largely successful in maintaining progress shown since fiscal 2012. Specifically, the metrics for fairness and outcome decreased by 2.0 and 0.8 percentage points, respectively from fiscal 2014, while the metric for preparation increased by 0.3 percentage points.

Exhibit 3
Participants Rating Hearing Elements as Satisfactory or Excellent
 Fiscal 2010-2017 Est.



Source: Department of Budget and Management

Fiscal 2016 Actions

Cost Containment

Section 45 of the 2015 budget bill included language reducing the OAH appropriation by at least \$425,881 for fiscal 2016 spending and requiring the Governor to develop a plan for the allocation of that reduction to the agencies charged for OAH services. This action resulted in a reduction in the agency’s fiscal 2016 appropriation of \$459,831. OAH is managing this reduction by holding positions open and delaying nonessential equipment purchases.

Proposed Budget

As shown in **Exhibit 4**, the agency’s allowance for fiscal 2017 is \$15.3 million, a decrease of \$112,234, or 0.7%, from the fiscal 2016 working appropriation.

Exhibit 4
Proposed Budget
Office of Administrative Hearings
(\$ in Thousands)

How Much It Grows:	Special Fund	Reimb. Fund	Total
Fiscal 2015 Actual	\$1,158	\$13,772	\$14,930
Fiscal 2016 Working Appropriation	44	15,343	15,387
Fiscal 2017 Allowance	<u>44</u>	<u>15,231</u>	<u>15,275</u>
Fiscal 2016-2017 Amount Change	\$1	-\$113	-\$112
Fiscal 2016-2017 Percent Change	1.1%	-0.7%	-0.7%

Where It Goes:

Personnel Expenses

Employee and retiree health insurance.....	\$235
Employee retirement	85
Reclassification	28
Turnover.....	-34
Other fringe benefit adjustments	-41
Compensation.....	-333

D99A11 – Office of Administrative Hearings

Where It Goes:

Other Changes

New telephone system.....	75
Office, library, and data processing supplies	46
Transcription and interpreter services	31
Security services.....	25
Conferences and training.....	22
Statewide services allocations.....	7
Other communications	-25
Conversion of 5 contractual full-time equivalents	-233
Total	-\$112

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

Personnel

In fiscal 2017, agency personnel expenditures decrease by \$59,006 from the fiscal 2016 working appropriation. This decrease is largely attributable to a net reduction of \$332,808 in employee compensation due to the abolition of 6 positions as part of the Voluntary Separation Program. This decrease is partially offset by the conversion of 5 contractual full-time equivalents (FTE) to regular positions as approved by the Board of Public Works in December 2015. There are also changes for health insurance (\$235,174) and retirement contributions (\$85,406).

The Governor’s budget also includes an appropriation for employee increments totaling \$172,833 for this agency. This funding and associated expenses are included in the budget of the Department of Budget and Management and will be distributed to each agency by budget amendment at the start of the fiscal year.

Other

The most significant other change is a reduction of \$232,721 for contractual employee compensation, resulting from the reclassification of the 5 contractual FTEs as discussed above. Other changes included \$75,000 for a new telephone system and \$25,000 to increase security from four to five days a week at the main OAH office.

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

Current and Prior Year Budgets Office of Administrative Hearings (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2015					
Legislative Appropriation	\$0	\$897	\$0	\$14,301	\$15,198
Deficiency Appropriation	0	0	0	0	0
Cost Containment	0	0	0	0	0
Budget Amendments	0	303	0	0	303
Reversions and Cancellations	0	-43	0	-529	-571
Actual Expenditures	\$0	\$1,158	\$0	\$13,772	\$14,930
Fiscal 2016					
Legislative Appropriation	\$0	\$44	\$0	\$15,343	\$15,387
Budget Amendments	0	0	0	0	0
Working Appropriation	\$0	\$44	\$0	\$15,343	\$15,387

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. Numbers may not sum to total due to rounding.

Fiscal 2015

OAH finished fiscal 2015 \$267,897 below its legislative appropriation, due to unspent funds. Amendments for the cost-of-living adjustment (COLA) and additional staff for foreclosure mediations increased the appropriation by \$303,256.

Special Funds

Actual expenditures were \$260,628 above the legislative appropriation, due to \$303,256 in amendments including:

- \$300,000 increase related to foreclosure mediation hearings to comply with Chapter 156 of 2012. The entire amount was directed to salaries and benefits for 3 ALJs.
- \$3,256 increase for the COLA.

These increased funds were offset by the cancellation of \$42,628 in unspent funds.

Reimbursable Funds

Actual expenditures were \$528,525 below the legislative appropriation, all due to unspent funds. OAH was not subject to statewide cost containment actions but reduced expenditures in line with those actions.

Fiscal 2016

To date, there have been no changes to the fiscal 2016 legislative appropriation of \$15.4 million.

**Object/Fund Difference Report
Office of Administrative Hearings**

<u>Object/Fund</u>	<u>FY 15 Actual</u>	<u>FY 16 Working Appropriation</u>	<u>FY 17 Allowance</u>	<u>FY 16 - FY 17 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	114.00	119.00	119.00	0.00	0%
02 Contractual	3.31	5.50	0.50	-5.00	-90.9%
Total Positions	117.31	124.50	119.50	-5.00	-4.0%
Objects					
01 Salaries and Wages	\$ 12,406,430	\$ 12,917,823	\$ 12,858,817	-\$ 59,006	-0.5%
02 Technical and Spec. Fees	231,534	248,001	15,280	-232,721	-93.8%
03 Communication	186,527	196,659	246,475	49,816	25.3%
04 Travel	158,316	138,444	165,000	26,556	19.2%
06 Fuel and Utilities	116,381	134,715	119,872	-14,843	-11.0%
07 Motor Vehicles	3,879	16,144	11,494	-4,650	-28.8%
08 Contractual Services	659,387	627,532	699,323	71,791	11.4%
09 Supplies and Materials	162,625	126,122	173,000	46,878	37.2%
10 Equipment – Replacement	19,499	6,980	41,980	35,000	501.4%
11 Equipment – Additional	43,903	35,000	0	-35,000	-100.0%
13 Fixed Charges	942,008	939,434	943,379	3,945	0.4%
Total Objects	\$ 14,930,489	\$ 15,386,854	\$ 15,274,620	-\$ 112,234	-0.7%
Funds					
03 Special Fund	\$ 1,158,096	\$ 43,500	\$ 44,000	\$ 500	1.1%
09 Reimbursable Fund	13,772,393	15,343,354	15,230,620	-112,734	-0.7%
Total Funds	\$ 14,930,489	\$ 15,386,854	\$ 15,274,620	-\$ 112,234	-0.7%

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.