

D99A11
Office of Administrative Hearings

Operating Budget Data

(\$ in Thousands)

	<u>FY 16</u> <u>Actual</u>	<u>FY 17</u> <u>Working</u>	<u>FY 18</u> <u>Allowance</u>	<u>FY 17-18</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
Special Fund	\$44	\$52	\$52	\$0	0.5%
Adjusted Special Fund	\$44	\$52	\$52	\$0	0.5%
Reimbursable Fund	14,916	15,231	15,447	216	1.4%
Adjusted Reimbursable Fund	\$14,916	\$15,231	\$15,447	\$216	1.4%
Adjusted Grand Total	\$14,960	\$15,282	\$15,499	\$216	1.4%

Note: Includes targeted reversions, deficiencies, and contingent reductions.

- The fiscal 2018 allowance increases by \$216,430, or 1.4%, above the fiscal 2017 working appropriation due to increased personnel expenditures.

Personnel Data

	<u>FY 16</u> <u>Actual</u>	<u>FY 17</u> <u>Working</u>	<u>FY 18</u> <u>Allowance</u>	<u>FY 17-18</u> <u>Change</u>
Regular Positions	119.00	118.00	118.00	0.00
Contractual FTEs	<u>3.31</u>	<u>0.50</u>	<u>0.50</u>	<u>0.00</u>
Total Personnel	122.31	118.50	118.50	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	3.54	3.00%
Positions and Percentage Vacant as of 12/31/16	9.00	7.63%

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

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- The fiscal 2018 allowance includes 118.0 regular positions and a 0.5 contractual full-time equivalent, the same as the fiscal 2017 working appropriation.
- The budgeted turnover rate is 3.0%, which requires 3.54 vacancies. As of December 31, 2016, the agency reported 9.0 vacancies for a rate of 7.63%.

Analysis in Brief

Major Trends

Total Number of Hearings Continues to Decline: In fiscal 2016, the Office of Administrative Hearings (OAH) disposed of 40,766 cases for State agencies and foreclosure mediation. This is a decrease of 3,118 cases, or 7.1%, below the 43,884 disposed in fiscal 2015. This decrease is largely due to fewer cases from the Department of Health and Mental Hygiene (DHMH), which OAH believes is due to changes to Medicaid eligibility requirements under the Affordable Care Act.

Time to Complete Cases Falls: In fiscal 2016, OAH showed substantial improvement in time to disposition across most dockets. Overall, average time to disposition fell from 48.1 to 45.9 days. Among the largest case types, the biggest improvements were for cases from DHMH and the Department of Public Safety and Correctional Services.

Satisfaction Ratings Remain Strong and Steady: The percentage of participants in OAH proceedings who rated the agency satisfactory or excellent remained above 90% in fiscal 2016, indicating that OAH has been largely successful in maintaining progress since fiscal 2012.

Recommended Actions

1. Concur with Governor's allowance.

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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; 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. A portion of revenues paid to the Housing Counseling and Foreclosure Mediation Fund are used by OAH for the costs of conducting foreclosure mediations.

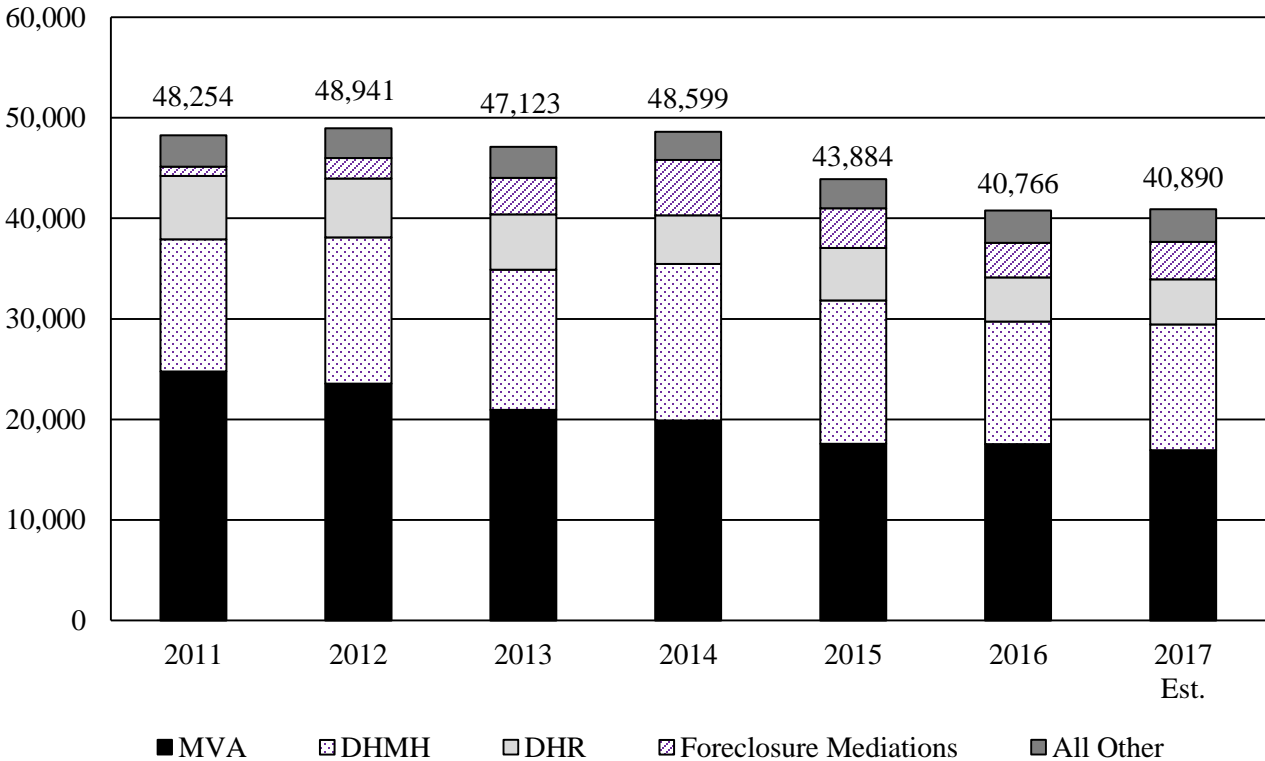
OAH decisions may be appealed on the record to the circuit court. In certain cases, the OAH decision is advisory, and the originating agency may overrule or reject the OAH ruling. When an agency has rejected the OAH decision, recourse again is with the circuit court.

Performance Analysis: Managing for Results

1. Total Number of Hearings Continues to Decline

In fiscal 2016, OAH disposed of 40,766 cases for State agencies and foreclosure mediation. This is a decrease of 3,118 cases, or 7.1%, below the 43,884 disposed in fiscal 2015. Since reaching the most recent highpoint in fiscal 2014, total caseload has fallen 15.9%. **Exhibit 1** breaks down the agency caseloads since fiscal 2011 in more detail. This decrease is largely attributable to decreases for the agency's largest dockets. OAH heard 2,372 fewer DHMH cases in fiscal 2016 than 2014, and the agency has reported that a large portion of this decrease is probably attributable to the impact of the Affordable Care Act's expansion of Medicaid eligibility, which has led to fewer eligibility denials. There were also 2,372 fewer MVA cases in fiscal 2016 than two years prior. This decline is likely attributable to the availability of ignition interlock devices for drivers convicted of driving under the influence to be allowed to keep their license in lieu of OAH hearings.

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



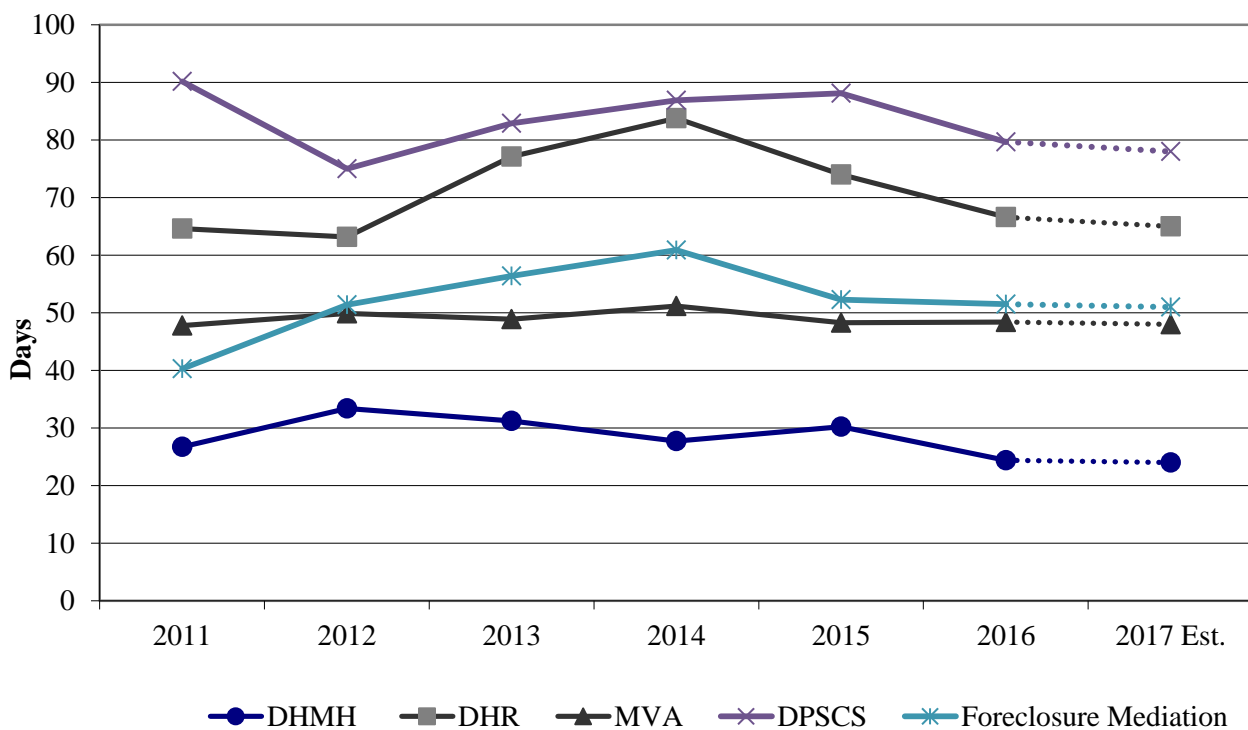
DHMH: Department of Health and Mental Hygiene
 DHR: Department of Human Resources
 MVA: Motor Vehicle Administration
 OAH: Office of Administrative Hearings

Source: Department of Budget and Management

2. Time to Complete Cases Falls

Performance goals for OAH center on efficiency and quality. Time to dispose of cases from filing is the standard measurement for efficiency. In fiscal 2016, OAH showed substantial improvement in time to disposition across most dockets. Overall, average time to disposition fell from 48.1 to 45.9 days. **Exhibit 2** provides a more detailed breakdown of the disposition time for major classes of cases. Of particular note, time to disposition for DHMH decreased from 30.2 to 24.4 days, after increasing in fiscal 2015, and the Department of Public Safety and Correctional Services disposition time fell nearly 10% to 78.7 days.

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



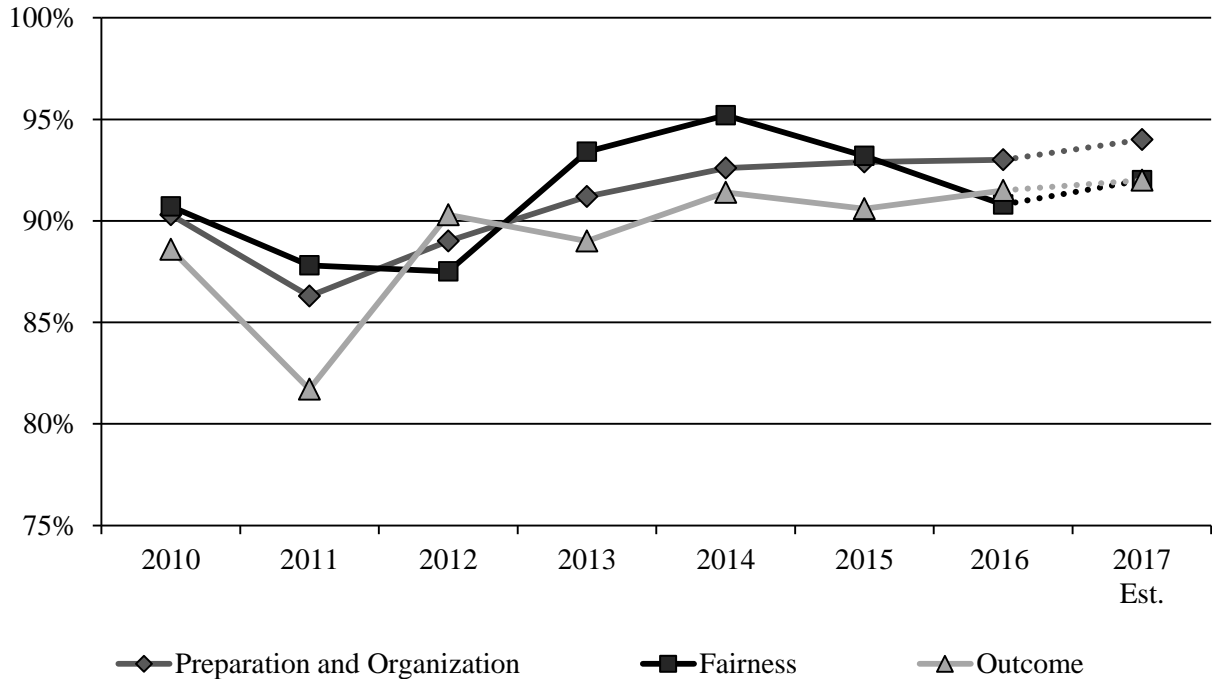
DHMH: Department of Health and Mental Hygiene
 DHR: Department of Human Resources
 DPSCS: Department of Public Safety and Correctional Services
 MVA: Motor Vehicle Administration

Source: Department of Budget and Management

3. Satisfaction Ratings Remain Strong and Steady

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 increased slightly for two of the three measures, and all three remain above 90%, indicating that OAH has been largely successful in maintaining progress since fiscal 2012.

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



Source: Department of Budget and Management

Fiscal 2017 Actions

Section 20 Position Abolitions

Section 20 of the 2016 budget bill authorized the Governor to abolish 657 vacant positions and eliminate \$25 million across the Executive Branch during fiscal 2017. For this agency, the impact of this action was the abolition of 1 position in fiscal 2017. This reduction has been incorporated into the fiscal 2017 working appropriation. For fiscal 2018, the savings associated with the abolition of this position are \$53,200.

Proposed Budget

As shown in **Exhibit 4**, the agency’s allowance for fiscal 2018 is \$15.5 million, an increase of \$216,430, or 1.4%, above the fiscal 2017 working appropriation. This increase is largely attributable to personnel expenditures.

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

How Much It Grows:	<u>Special</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
Fiscal 2016 Actual	\$44	\$14,916	\$14,960
Fiscal 2017 Working Appropriation	52	15,231	15,282
Fiscal 2018 Allowance	<u>52</u>	<u>15,447</u>	<u>15,499</u>
Fiscal 2017-2018 Amount Change	\$0	\$216	\$216
Fiscal 2017-2018 Percent Change	0.5%	1.4%	1.4%

Where It Goes:

Personnel Expenses

Fiscal 2017 increments and compensation	\$239
Reclassifications	39
Employee retirement.....	22
Other fringe benefit adjustments.....	18
Employee and retiree health insurance	-146

Other Changes

Rent.....	54
Contractual employee health insurance	44
New computers	40
Case management system upgrades.....	14
Supplies.....	-8
Other adjustments	-10
Utilities	-15
Phone system upgrades.....	-75

Total **\$216**

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

Personnel

Personnel expenditures increase by \$171,967. Significant changes include an increase for compensation, including increments authorized in the 2016 budget bill (\$238,733). These increments have already been included in fiscal 2017 working appropriations for other agencies and will be added to OAH's fiscal 2017 appropriation by budget amendment at a later date. This increase is partially offset by a decrease for health insurance (\$145,522).

Other Changes

Other significant changes include increases for contractual employee health insurance (\$43,684), new computers (\$40,000), and case management system upgrades (\$14,000).

Recommended Actions

1. Concur with Governor's allowance.

**Appendix 1
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 2016					
Legislative Appropriation	\$0	\$44	\$0	\$15,343	\$15,387
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	0	0	0	-427	-427
Actual Expenditures	\$0	\$44	\$0	\$14,916	\$14,960
Fiscal 2017					
Legislative Appropriation	\$0	\$44	\$0	\$15,231	\$15,275
Cost Containment	0	0	0	0	0
Budget Amendments	0	8	0	0	8
Working Appropriation	\$0	\$52	\$0	\$15,231	\$15,282

Note: Does not include targeted reversions, deficiencies, and contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2016

The Office of Administrative Hearings finished fiscal 2016 \$427,285 below its legislative appropriation. This is attributable to the cancellation of unspent funds due to a large number of agency employees taking advantage of the Voluntary Separation Program.

Fiscal 2017

To date, there has been one adjustment to the fiscal 2017 appropriation, an increase of \$7,754 in special funds for employee increments.

**Appendix 2
Object/Fund Difference Report
Office of Administrative Hearings**

<u>Object/Fund</u>	<u>FY 16 Actual</u>	<u>FY 17 Working Appropriation</u>	<u>FY 18 Allowance</u>	<u>FY 17 - FY 18 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	119.00	118.00	118.00	0.00	0%
02 Contractual	3.31	0.50	0.50	0.00	0%
Total Positions	122.31	118.50	118.50	0.00	0%
Objects					
01 Salaries and Wages	\$ 12,468,386	\$ 12,858,817	\$ 13,030,784	\$ 171,967	1.3%
02 Technical and Spec. Fees	30,140	15,280	58,865	43,585	285.2%
03 Communication	149,115	246,475	171,612	-74,863	-30.4%
04 Travel	162,676	165,000	175,000	10,000	6.1%
06 Fuel and Utilities	100,113	119,872	105,119	-14,753	-12.3%
07 Motor Vehicles	5,868	11,494	11,134	-360	-3.1%
08 Contractual Services	747,231	707,077	700,341	-6,736	-1.0%
09 Supplies and Materials	139,763	173,000	165,000	-8,000	-4.6%
10 Equipment – Replacement	106,827	41,980	42,068	88	0.2%
11 Equipment – Additional	100,073	0	40,000	40,000	N/A
13 Fixed Charges	949,377	943,379	998,881	55,502	5.9%
Total Objects	\$ 14,959,569	\$ 15,282,374	\$ 15,498,804	\$ 216,430	1.4%
Funds					
03 Special Fund	\$ 43,500	\$ 51,754	\$ 52,000	\$ 246	0.5%
09 Reimbursable Fund	14,916,069	15,230,620	15,446,804	216,184	1.4%
Total Funds	\$ 14,959,569	\$ 15,282,374	\$ 15,498,804	\$ 216,430	1.4%

Note: Does not include targeted reversions, deficiencies, and contingent reductions.