

C81C
Office of the Attorney General

Operating Budget Data

(\$ in Thousands)

	<u>FY 13</u> <u>Actual</u>	<u>FY 14</u> <u>Working</u>	<u>FY 15</u> <u>Allowance</u>	<u>FY 14-15</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$18,084	\$17,301	\$17,679	\$377	2.2%
Contingent & Back of Bill Reductions	0	-407	-167	240	
Adjusted General Fund	\$18,084	\$16,895	\$17,512	\$617	3.7%
Special Fund	3,789	22,083	12,219	-9,864	-44.7%
Contingent & Back of Bill Reductions	0	0	-56	-56	
Adjusted Special Fund	\$3,789	\$22,083	\$12,163	-\$9,920	-44.9%
Federal Fund	2,570	3,367	2,999	-367	-10.9%
Contingent & Back of Bill Reductions	0	0	-27	-27	
Adjusted Federal Fund	\$2,570	\$3,367	\$2,972	-\$395	-11.7%
Reimbursable Fund	3,480	4,685	4,844	158	3.4%
Adjusted Reimbursable Fund	\$3,480	\$4,685	\$4,844	\$158	3.4%
Adjusted Grand Total	\$27,923	\$47,029	\$37,491	-\$9,539	-20.3%

- A proposed negative deficiency reduces the fiscal 2014 working appropriation by \$100,000 for cost containment in the form of salary reductions.
- The fiscal 2015 allowance decreases by \$9.5 million below the fiscal 2014 working appropriation, net of contingent and across-the-board reductions, mainly due to a \$10.0 million decrease in local grants from the Mortgage Settlement.

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

For further information contact: Jordan D. More

Phone: (410) 946-5530

Personnel Data

	<u>FY 13 Actual</u>	<u>FY 14 Working</u>	<u>FY 15 Allowance</u>	<u>FY 14-15 Change</u>
Regular Positions	239.50	248.50	248.50	0.00
Contractual FTEs	<u>15.00</u>	<u>26.75</u>	<u>27.25</u>	<u>0.50</u>
Total Personnel	254.50	275.25	275.75	0.50

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	11.31	4.55%
Positions and Percentage Vacant as of 12/31/13	20.50	8.25%

- There are no additional regular positions in the fiscal 2015 allowance for the Office of the Attorney General (OAG), although 11.75 contractual full-time equivalents (FTE) were added to the fiscal 2014 working appropriation and a 0.5 contractual FTE was added to the fiscal 2015 allowance.
- Turnover expectancy is increased to 4.55% in the allowance, a decrease of \$154,798. This will require the agency to maintain over 11.0 vacancies throughout fiscal 2015. As of December 31, 2013, the agency had 20.5 positions vacant, or 8.25%.

Analysis in Brief

Major Trends

Consumer Protection Recoveries Decline: Recoveries for consumers, exclusive of recoveries related to the Mortgage Loan Servicing Practices Settlement, declined by \$12 million in fiscal 2013 from the previous year.

Medicaid Fraud Recoveries Increase: Medicaid fraud recoveries more than doubled between fiscal 2012 and 2013.

Juvenile Justice Monitoring Unit Site Visits Increase Slightly: While visits are increasing, staffing levels and vacancies continue to place pressure on this unit.

Mortgage Settlement Metrics Higher Than Initially Estimated: The number of investigations conducted, transactions involved, actions or settlements reached, and especially the amount of recoveries to consumers realized have all exceeded the initial estimates for performance.

Recommended Actions

1. Add budget bill language to reduce general funds for 3 contractual full-time equivalents related to the Attorney General's Honors Program.

Updates

Mortgage Settlement Concludes First Year Under Budget: After the first year of funding, almost all programs funded by the Mortgage Loan Servicing Practices Settlement Fund completed fiscal 2013 below the respective appropriation. The fund is thus projected to have \$2 million left at the end of fiscal 2015, which is the last planned year of funding for these programs.

C81C
Office of the Attorney General

Operating Budget Analysis

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 Investigations; 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.

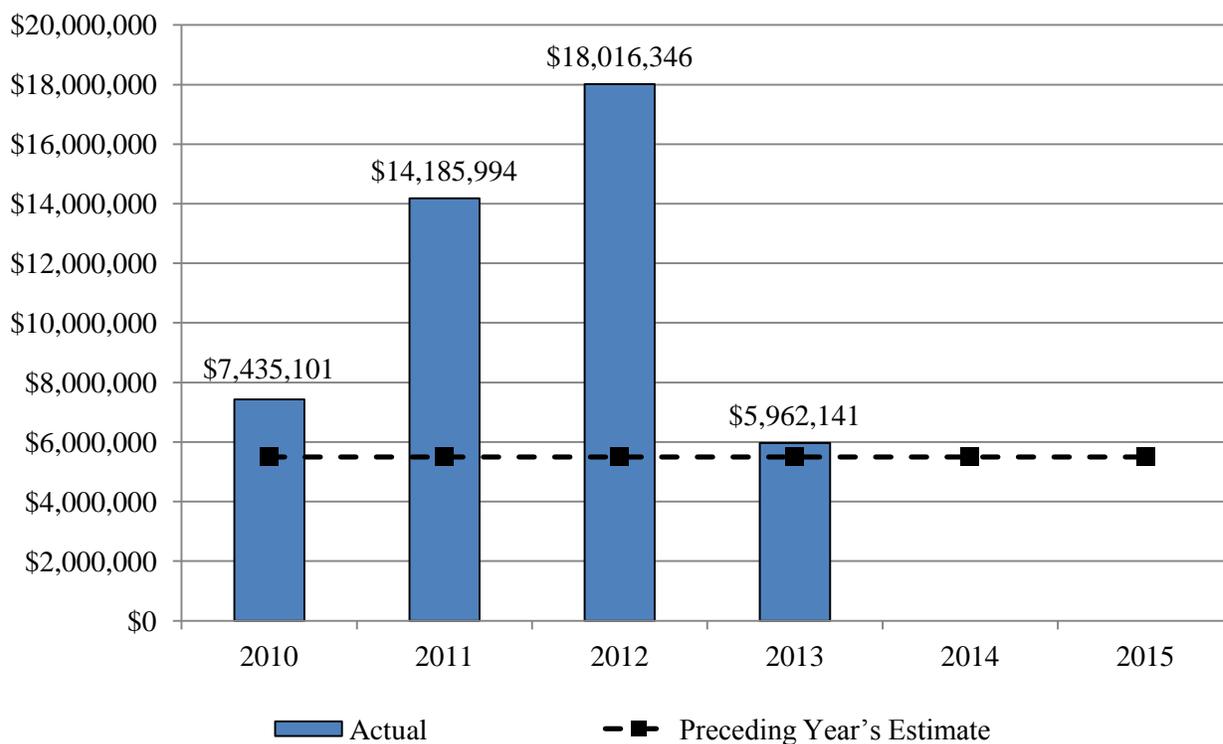
In addition to the aforementioned duties, OAG also provides assistant attorneys general and staff attorneys to State agencies. These positions are located within each of the respective agencies’ budgets. **Appendix 2** provides a list of significant civil litigation currently being handled by OAG.

Performance Analysis: Managing for Results

1. Consumer Protection Recoveries Decline

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 2013, OAG collected almost \$6 million, which is a \$12 million decrease compared to fiscal 2012. However, the amount collected did exceed 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. Further, these amounts do not include recoveries for consumers under the Mortgage Loan Servicing Practices Settlement, which will be discussed further in this analysis.

**Exhibit 1
Consumer Protection Division – Consumer Recoveries
Fiscal 2010-2015**



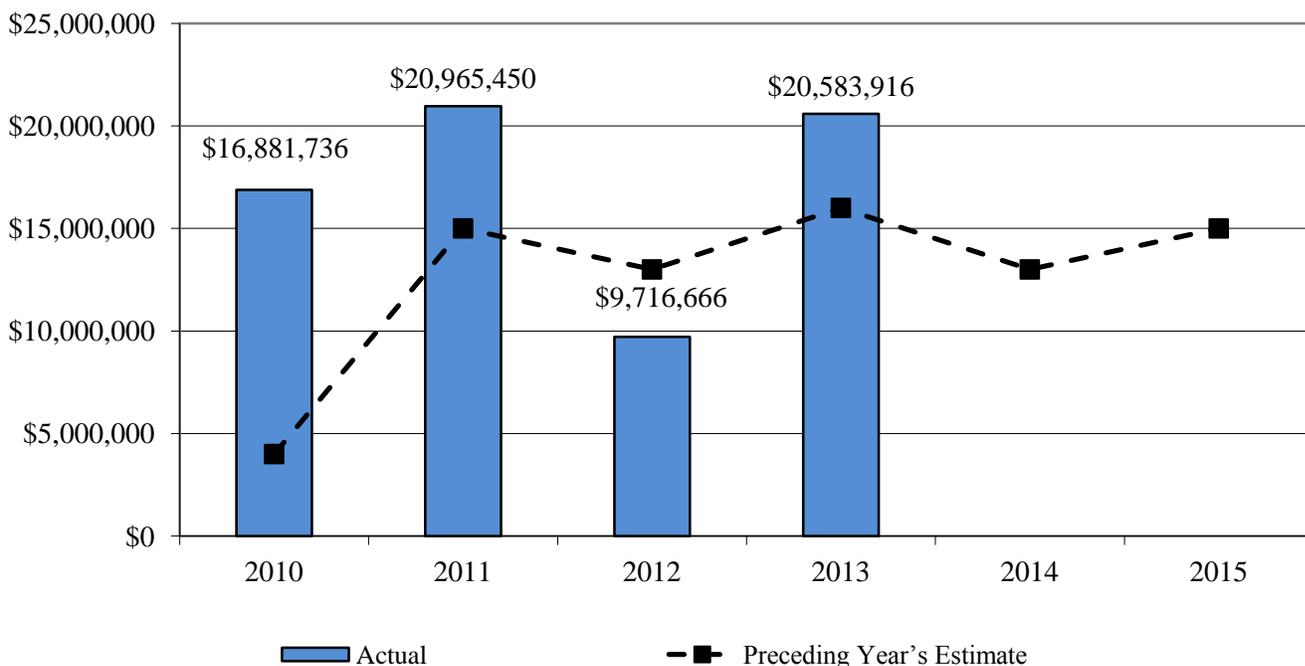
Note: Does not include recoveries related to the Mortgage Loan Servicing Practices Settlement.

Source: Office of the Attorney General

2. Medicaid Fraud Recoveries Increase

Exhibit 2 displays the amount of money collect 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 2013, this unit collected \$20,583,916, which is a \$10,867,250 increase from fiscal 2012. This amount also exceeded the preceding year’s estimate by 29%. OAG notes that the complexities of the cases and the settlements make it very hard to predict both the timing of the settlements and the exact amounts that will be recovered. Thus, the amount of recoveries realized can be volatile from year to year.

**Exhibit 2
Medicaid Fraud Control Unit – Fines and Collections
Fiscal 2010-2015**



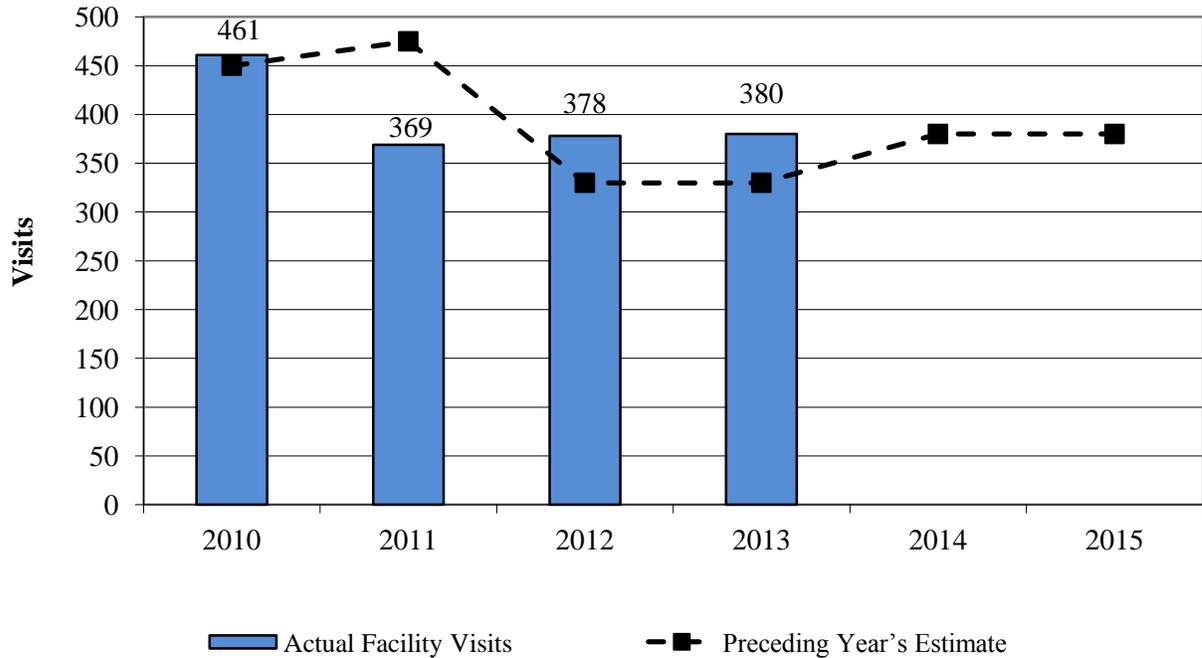
Note: Includes State and Federal collections.

Source: Office of the Attorney General

3. Juvenile Justice Monitoring Unit Site Visits Increase Slightly

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 380 visits in fiscal 2013, which is an increase of 2 visits from fiscal 2012. The level of visits is projected based upon the staffing levels of JJMU, which in recent years has suffered from long-term vacancies. JJMU continues to have 2 vacancies, out of a total of 6 positions, which have been vacant since fiscal 2011. However, out-year estimates of the number of visits to be made by JJMU have increased to 380 from the previous estimates of 330.

**Exhibit 3
Juvenile Justice Monitoring Unit
Fiscal 2010-2015**



Source: Office of the Attorney General

4. Mortgage Settlement Metrics Higher Than Initially Estimated

Exhibit 4 displays the early performance indicators for the Mortgage Services Settlement Program, which was started in fiscal 2013 with funds from the Mortgage Loan Servicing Practices Settlement Fund. This program is tasked with assisting consumers and investigating mortgage practices throughout the State in conjunction with OAG’s Consumer Protection Division and the Securities Commissioner. Despite some difficulties in hiring enough personnel for the program, the program has exceeded preceding year estimates in terms of both the number of investigations conducted as well as the number of transactions involved and the number of actions or settlements reached in fiscal 2013. Projections for future years assume a diminishing foreclosure problem and anticipate a shift of effort from handling complaints and investigations to the resolution of matters through settlements or litigation. Furthermore, the dollar amount of recoveries received by consumers has vastly exceeded the initial estimate. Recoveries over fiscal 2012 and 2013 totaled \$1,259,698,208, which is 40% higher than the initial estimate of approximately \$897 million.

Exhibit 4
Mortgage Foreclosure Settlement Program
Fiscal 2012-2015

	<u>2012</u>	<u>2013 Est.</u>	<u>2013</u>	<u>2014 Est.</u>	<u>2015 Est.</u>
Complaints/inquiries addressed	0	500	390	250	200
Consumer protection investigations	0	5	26	24	22
Securities investigations	0	0	2	2	2
Transactions involved	0	10,000	84,000	15,000	15,000
Actions/settlements	0	0	1	3	3
Consumer recoveries*	\$222,158,424	\$896,581,000	\$1,037,539,784	\$5,000,000	\$0

*2013 estimate represents estimate for entire duration of the program.

Source: Office of the Attorney General

Fiscal 2014 Actions

Cost Containment

There is a proposed negative deficiency for OAG of \$100,000 in fiscal 2014 to implement cost containment reductions in the form of salary savings. Further, there are three across-the-board withdrawn appropriations that offset the increase in deficiency appropriations. This includes reductions to employee/retiree health insurance, funding for a new Statewide Personnel information technology (IT) system, and retirement reinvestment. These actions are fully explained in the analyses of The Department of Budget and Management (DBM) – Personnel, the Department of Information Technology, and the State Retirement Agency (SRA), respectively.

Proposed Budget

As shown in **Exhibit 5**, OAG’s fiscal 2015 allowance is approximately \$9.5 million below the fiscal 2014 working appropriation net of contingent and across-the-board reductions. The majority of this decrease is due to a decline of \$10.0 million in grants to Baltimore City and Prince George’s County from the Mortgage Loan Servicing Practices Settlement Fund. Net of this decrease, expenses are increasing by \$461,174, most of which is related to personnel.

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

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
2014 Working Appropriation	\$16,895	\$22,083	\$3,367	\$4,685	\$47,029
2015 Allowance	<u>17,512</u>	<u>12,163</u>	<u>2,972</u>	<u>4,844</u>	<u>37,491</u>
Amount Change	\$617	-\$9,920	-\$395	\$158	-\$9,539
Percent Change	3.7%	-44.9%	-11.7%	3.4%	-20.3%

Where It Goes:

Personnel Expenses

Annualized salary increase	\$749
Employee retirement contribution	338
Other fringe benefit adjustments.....	-6
Increments and other compensation.....	-77
Turnover adjustments	-155
Employee and retiree health insurance	-252

Other Changes

Honors program full-time-equivalents (FTE).....	179
New contractual FTEs	142
Other	-18
Expiring FTEs.....	-183
Expiring federal grants.....	-256
Mortgage settlement local grants	-10,000

Total **-\$9,539**

Note: The fiscal 2014 working appropriation reflects negative deficiencies and contingent reductions. The fiscal 2015 allowance reflects back of the bill and contingent reductions. Numbers may not sum to total due to rounding.

Cost Containment

There is one across-the-board reduction and one contingent reduction reflected in the Governor's spending plan for the fiscal 2015 allowance. This affects funding for employee/retiree health insurance and retirement reinvestment. These actions are fully explained in the analyses of DBM – Personnel and SRA.

Personnel

Funding for personnel-related expenses increase by \$597,310 in the allowance. Large increases include \$749,026 due to the annualization of the cost-of-living adjustment (COLA) and increment payments from fiscal 2014 as well as \$337,579 for employee retirement contributions. These increases are partially offset by decreases, including \$76,555 in salary adjustments which are decreasing overall due to expiring federal grants, \$154,798 in increased turnover expectancy, and \$251,774 in lower employee and retiree health insurance contributions.

Nonpersonnel Changes

Changes in funding for contractual full-time equivalents (FTE) represent some of the larger nonpersonnel changes. The largest increase is \$179,091 to restart the Attorney General Honors Program where distinguished law school graduates are hired on a two-year contractual basis for work in the Civil Litigation, Criminal Appeals, and Legal Counsel and Advice programs. There is also an increase of \$142,051 for other new contractual FTEs including assistant attorneys general for the Consumer Protection and Criminal Investigation divisions. These increases are partially offset by \$183,194 in decreased funding for other contractual FTEs across numerous programs due to expiring grants.

Beyond contractual FTE funding, other major decreases include \$255,973 in expiring federal grants related to operating costs as well as \$10 million in local funding from the Mortgage Loan Servicing Practices Settlement Fund.

Consumer Protection Recoveries

Further, it is worth noting that the Consumer Protection Division is entirely special funded in the fiscal 2015 allowance, similar to the fiscal 2014 working appropriation. The main source of these special funds is consumer protection recoveries for the State, which OAG has been increasingly reliant upon from fiscal 2007 through 2014 and into the current allowance. Use of these funds is dependent upon the amount of recoveries that OAG obtains in multi-state consumer protection settlements. Recoveries to the State were especially high in fiscal 2013 at approximately \$10.4 million, of which \$5.8 million was related to a single pharmaceutical case which started more than five years ago and is one of the largest cases ever settled. These large settlements have allowed the Consumer Protection Division to be funded almost entirely from recoveries for both fiscal 2014 and 2015, resulting in significant general fund savings. However, the extent to which Consumer Protection can continue to rely on recoveries for general fund relief in the future is uncertain due to

C81C – Office of the Attorney General

the difficulty in projecting recovery amounts from specific cases and in specific years. For example, while recoveries from fiscal 2005 through 2012 averaged about \$1.7 million, the amount of recoveries in each of those fiscal years ranged from \$0.4 million to \$3.7 million. If recoveries decline, then these funds would once again be replaced with general funds in future fiscal years.

Recommended Actions

1. Add the following language:

Provided that a \$179,091 general fund reduction is made for contractual full-time equivalent expenses. This reduction may be allocated across the agency.

Explanation: This action reduces the Office of the Attorney General’s fiscal 2015 allowance for 3 contractual full-time equivalents related to the Attorney General’s Honors Program across the following programs: Legal Counsel and Advice (1); Civil Litigation Division (1); and Criminal Appeals Division (1). The contractual full-time equivalents may continue to be funded with existing resources.

Updates

1. Mortgage Settlement Concludes First Year Under Budget

The Mortgage Loan Servicing Practices Settlement (“Mortgage Settlement”) is a significant national settlement announced in February 2012 between the nation’s five largest mortgage servicers and 49 states and the District of Columbia. The settlement included the establishment of new servicing standards to prevent a repeat of the foreclosure practices, which initially prompted the investigation into servicing practices as well as provided approximately \$957 million in monetary relief to Marylanders in the form of homeowner relief programs, direct payments to borrowers, and refinancing options for homeowners. The settlement also provided approximately \$60 million for the State to fund programs for housing and foreclosure relief purposes and for related investigations and enforcement activities.

During the First Special Session of 2012, the General Assembly created the Mortgage Loan Servicing Practices Settlement Fund in the Budget Reconciliation and Financing Act (BRFA) (Chapter 1) and outlined the appropriate uses and conditions for the expenditure of these funds. This was done to ensure legislative oversight of State spending.

During summer 2012, a Mortgage Settlement Funds Workgroup, which was appointed by the Attorney General and contained representatives from the Senate, House of Delegates, the Governor’s Office, and various State agencies, came up with a three-year plan for allocating and spending the \$60 million. After numerous budget amendments related to the settlement were submitted, both of the budget committees held informational hearings in October 2012 where the Attorney General and other members of the workgroup explained how the funds were to be spent and why the allocations were determined to be the best uses for these funds. Most of the budget amendments were approved for the Department of Housing and Community Development (DHCD), the Department of Labor, Licensing, and Regulation (DLLR), and OAG in order to begin the programs in fiscal 2013, and further funding has been included in the fiscal 2014 budget and fiscal 2015 allowance.

Review of Fiscal 2013 Activity

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. Below is a review of the activities and expenditures of the three agencies involved in the Mortgage Settlement.

OAG established the Mortgage Services Settlement Unit in fiscal 2013 and hired four lawyers to staff the unit after January 1, 2013. One lawyer subsequently left, and OAG notes that it has had a difficult time recruiting further lawyers or investigators to fill the contractual positions. The unit has begun assisting consumers and investigating mortgage practices. In addition to the indicators listed above, the unit in conjunction with the Consumer Protection Division and Securities Commissioner has reached a multi-million dollar settlement and two further agreements. The settlement was with Lender Processing Services, Inc. and its subsidiaries LPS Default Solutions, Inc. and DocX, LLC,

and totaled \$2,993,130. These funds were credited to the Mortgage Loan Servicing Practices Settlement Fund, and subsequently spent by DHCD.

Due to a slow recruitment and hiring process, OAG significantly under spent what was appropriated for fiscal 2013. While the original funding plan called for \$920,620 to be spent each year, the appropriation only totaled \$393,345. However, actual spending from the fund only totaled \$37,267.

The Mortgage Settlement also provided DHCD with funds for housing counselors, legal assistance, and neighborhood revitalization in fiscal 2013. Housing counselor grants were made to a total of 39 agencies across the State, totaling \$3,273,058 in fiscal 2013, which was \$226,942 below the appropriation. Legal assistance grants went to nine different legal assistance organizations with a total funding amount of \$2,821,976 in fiscal 2013, which was \$155,887 below the appropriation. Funds were also spent across the State on 17 different neighborhood revitalization projects, with a total funding amount of \$16,993,130, which equaled the appropriation.

The Mortgage Settlement is also providing funding for 8 positions within the Office of the Commissioner of Financial Regulation. These positions are responding to consumer complaints, investigating financial fraud, and bringing administrative enforcement actions. Activities and actions related to the mortgage settlement included 685 related consumer complaints, 106 mortgage related fraud investigations, and 42 cease and desist orders.

During fiscal 2013, \$560,305 was appropriated from the Mortgage Loan Servicing Practices Settlement Fund for the 8 positions. However, only \$179,713 was actually spent from this special fund for this purpose. This is mainly due to the fact that 3 of the positions were funded through an expiring federal grant. DLLR notes, however, that without the mortgage settlement funding, these positions would likely have been vacated during the year. Delays in hiring have also led to cancellations of funds.

Appropriations for Fiscal 2014 and 2015 Allowance

Exhibit 6 displays the total original spending plan by agency and program as well as the scheduled spending from fiscal 2013 through the 2015 allowance. As seen in the exhibit, current appropriations and the allowance, when added to actual spending figures from fiscal 2013, are projected to be \$2 million below the original spending plan.

In fiscal 2014, OAG's working appropriation includes \$657,822 for enforcement positions and \$15,000,000 for grants to Baltimore City and Prince George's County for neighborhood revitalization projects, which will be overseen by those respective jurisdictions. Individual memoranda of understanding were completed between each respective jurisdiction and OAG early in fiscal 2014, which contained detailed plans on how the funds were to be spent. The allowance in fiscal 2015 includes \$642,153 for enforcement FTEs and \$5,000,000 for the local grants.

Exhibit 6
Mortgage Settlement Fund Spending
By Program and Fiscal Year
Fiscal 2013-2015

	<u>OAG</u> <u>Enforcement</u>	<u>OAG</u> <u>Local</u> <u>Grants</u>	<u>DHCD</u> <u>Housing</u> <u>Counselors</u>	<u>DHCD</u> <u>Legal</u> <u>Assistance</u>	<u>DHCD</u> <u>Neighborhood</u> <u>Revitalization</u>	<u>DLLR</u>	<u>Total</u>
Original Total							
Spending Plan	\$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							
Appropriation	657,822	15,000,000	3,000,000	2,000,000	0	831,986	21,489,808
Fiscal 2015 Allowance	642,153	5,000,000	2,100,000	1,250,000	0	881,709	9,873,862
Total 2013-2015	\$1,337,242	\$20,000,000	\$8,373,058	\$6,071,976	\$16,993,130	\$1,893,410	\$54,668,816
Difference to Spending							
Plan	\$1,424,618	\$0	\$226,942	\$155,887	\$0	\$244,590	\$2,052,037
Fiscal 2013							
Appropriation	\$393,345	\$0	\$3,500,000	\$2,977,863	\$16,993,130	\$560,305	\$24,424,643
Fiscal 2013 Actual	37,267	0	3,273,058	2,821,976	16,993,130	179,715	23,305,146
Cancelled Funds	\$356,078	\$0	\$226,942	\$155,887	\$0	\$380,590	\$1,119,497

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

In fiscal 2014 and 2015, DHCD will continue granting funds for housing counselors and legal assistance agencies. The fiscal 2014 working appropriation includes \$5,000,000 combined for these purposes, while the fiscal 2015 allowance includes \$3,350,000.

The fiscal 2014 working appropriation and fiscal 2015 allowance finally also contains \$831,986 and \$881,709, respectively, for DLLR to continue funding mortgage investigators.

Current and Prior Year Budgets

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2013					
Legislative Appropriation	\$18,178	\$4,632	\$2,300	\$3,892	\$29,002
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	950	1,101	307	2,357
Reversions and Cancellations	-94	-1,794	-830	-718	-3,437
Actual Expenditures	\$18,084	\$3,789	\$2,570	\$3,480	\$27,923
Fiscal 2014					
Legislative Appropriation	\$17,061	\$6,989	\$2,796	\$4,685	\$31,531
Budget Amendments	241	15,094	571	0	15,905
Working Appropriation	\$17,301	\$22,083	\$3,367	\$4,685	\$47,436

Note: The fiscal 2014 working appropriation does not include deficiencies or contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2013

OAG completed fiscal 2013 with \$1,079,137 below the legislative appropriation.

General Funds: Actual expenditures were \$94,239 below the legislative appropriation mostly due to a reversion of \$60,993 related to the assessed fee for the development of a new Statewide Personnel System, which spent approximately 48% of this major IT project's appropriated budget. \$33,246 was also reverted for various other reasons.

Special Funds: Actual expenditures were \$843,543 below the legislative appropriation. Budget amendments added \$950,067 in special funds, including:

- \$405,000 for the Consumer Protection Division to cover expenses and a fellowship position;
- \$393,345 related to the Mortgage Servicing Practices Settlement for enforcement positions;
- \$101,722 related to the COLA from the Budget Restoration Fund;
- \$25,000 to cover expenses related to a multi-state data breach investigation; and
- \$25,000 for the Thurgood Marshall Opportunity Program.

These increases were offset by \$1,793,610 in cancellations including:

- \$726,788 in unspent funds for experts in the Tobacco Enforcement office;
- \$592,472 in unspent funds related to the Consumer Protection Division;
- \$356,077 due to delays in hiring Mortgage Settlement employees; and
- \$118,273 in unspent funds related to experts in the People's Insurance Counsel's office.

Federal Funds: Actual expenditures were \$270,311 above the legislative appropriation. This was due to budget amendments adding \$1,100,759 in federal funds, which include \$1,086,691 in Consumer Protection Grants to fund personnel, outreach programs, and a website to assist consumers with health insurance appeals and the grievance process related to the federal Affordable Care Act and \$14,068 related to the COLA from the Budget Restoration Fund. These were offset by \$830,448 in cancelled funds, the majority of which were rolled over into fiscal 2014.

C81C – Office of the Attorney General

Reimbursable Funds: Actual expenditures were \$411,665 below the legislative appropriation. Budget amendments added \$306,652 in reimbursable funds including:

- \$109,000 from the Department of Public Safety and Correctional Services for an assistant attorney general position in the Correctional Litigation Unit;
- \$100,427 from the Maryland Health Benefit Exchange for contractual FTEs in the Health Education and Advocacy Unit; and
- \$97,225 from the Governor’s Office of Crime Control and Prevention to hire an assistant attorney general to investigate and prosecute gang activity in the Washington Metropolitan area.

These additions were more than offset by \$718,317 in cancellations due to vacancies in various programs.

Fiscal 2014

To date, the fiscal 2014 legislative appropriation for OAG has been increased by budget amendments totaling \$15,905,346.

General Funds: Budget amendments have added \$240,583 for State employee COLAs and increment payments.

Special Funds: Budget amendments have added \$15,094,210, including \$15,000,000 for the grants to local governments from the Mortgage Loan Servicing Practices Settlement Fund, \$79,951 for State employee COLAs and increment payments, and \$14,259 for the Thurgood Marshall Opportunity Program.

Federal Funds: Budget amendments have added \$570,553, including \$534,283 in Consumer Protection Grants to fund personnel, outreach programs, and finish design on a website to assist consumers with health insurance appeals and the grievance process related to the federal Affordable Care Act and \$36,270 for State employee COLAs and increment payments.

**Office of the Attorney General Significant Civil Litigation Report
As of January 22, 2014
Claims of \$2 Million or More**

<u>Agency</u>	<u>Case Name</u>	<u>Description</u>
Civil	Atlantic Coast Conference (ACC) v. University of Maryland College Park and Board of Regents, University System of Maryland	The ACC seeks a declaratory judgment that it is entitled, under the ACC's constitution, to a "withdrawal payment" of \$52,266,342 from the university.
Civil	Goldberg, Stanley, et al. v. State of Maryland	Challenge to ground rent legislation.
Civil	Jones v. Murphy, et al.	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.
Comptroller	Branch Banking and Trust Company v. Comptroller	Refund claim for alleged discrimination against federal tax obligations.
Comptroller	New Cingular Wireless PSC, et al. 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	Mt. Vernon Center Associates, LLC v. DGS	Claim for breach of lease.
Department of Health and Mental Hygiene (DHMH)	Park West v. DHMH	Federally qualified health center seeks reimbursement for cost of medical services provided to low income clients.
DHMH	Geier, et al v. Maryland Board of Physicians, et al.	Filed under seal. Alleged release of confidential medical information and invasion of privacy.
Department of Human Resources (DHR)	Green v. State of Maryland	Alleged injuries sustained by a former foster parent, inflicted by a foster child.
DHR	Wright v. Kent County DSS, et al.	Alleged employment discrimination based on age, race, gender, and disability.

C81C – Office of the Attorney General

<u>Agency</u>	<u>Case Name</u>	<u>Description</u>
DHR	L.J., et al v. Dallas, et al.	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.
Education Affairs	Coalition for Equity and Excellence in MD 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.
Education Affairs	Samuel H. Mwabira-Simera v. Morgan State University, et al.	Suit involving multiple counts of alleged civil rights act violations.
Maryland Aviation Administration	Butler v. Maryland Aviation Administration	Alleged discrimination claim based on gender and race.
Maryland Department of the Environment (MDE)	Donnelly v. Board of County Commissioner for Calvert County	Alleged breach of contract, anticipatory breach of contract, and declaratory judgment.
Maryland Insurance Administration	Arbaugh v. Maryland Insurance Administration	Alleged employment discrimination based on retaliation and harassment.
Maryland Port Administration (MPA)	MDE v. Honeywell International, Inc. and MPA	Case involving MDE, MPA, and Honeywell addressing final remedy to treat and mitigate release of chromium from the Dundalk Marine Terminal.
Maryland State Police	Perkins, Dean, et al. v. Corbin, Eric, et al	Wrongful death action arising from fatal shooting by trooper.
Morgan State University (Education Affairs)	Mwabira-Simera, Samuel H. v. Morgan State University, et al.	Claim by student allegedly denied rights under the Americans with Disabilities Act and other civil rights law.
State Department of Assessments and Taxation (SDAT)	Baltimore Gas and Electric (BGE) v. SDAT	Claim for refund of franchise tax paid on BGE electricity charges.

C81C – Office of the Attorney General

<u>Agency</u>	<u>Case Name</u>	<u>Description</u>
State Highway Administration	68th Street Landfill, Baltimore County	Superfund case involving federal Environmental Protection Agency determination that the State was the owner/operator of a large former landfill and is charged with clean-up of the site.
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 not 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.

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

<u>Object/Fund</u>	<u>FY 13 Actual</u>	<u>FY 14 Working Appropriation</u>	<u>FY 15 Allowance</u>	<u>FY 14 - FY 15 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	239.50	248.50	248.50	0.00	0%
02 Contractual	15.00	26.75	27.25	0.50	1.9%
Total Positions	254.50	275.25	275.75	0.50	0.2%
Objects					
01 Salaries and Wages	\$ 22,507,315	\$ 25,536,006	\$ 26,018,310	\$ 482,304	1.9%
02 Technical and Spec. Fees	512,417	1,496,156	1,631,368	135,212	9.0%
03 Communication	147,795	355,117	317,245	-37,872	-10.7%
04 Travel	125,390	77,553	84,865	7,312	9.4%
07 Motor Vehicles	210,538	187,613	187,610	-3	0%
08 Contractual Services	1,308,015	1,650,126	1,358,091	-292,035	-17.7%
09 Supplies and Materials	549,498	386,015	376,200	-9,815	-2.5%
11 Equipment – Additional	119,980	85,600	67,600	-18,000	-21.0%
12 Grants, Subsidies, and Contributions	374,542	15,364,198	5,424,456	-9,939,742	-64.7%
13 Fixed Charges	2,067,153	2,297,572	2,274,620	-22,952	-1.0%
Total Objects	\$ 27,922,643	\$ 47,435,956	\$ 37,740,365	-\$ 9,695,591	-20.4%
Funds					
01 General Fund	\$ 18,084,130	\$ 17,301,409	\$ 17,678,515	\$ 377,106	2.2%
03 Special Fund	3,788,590	22,082,806	12,218,990	-9,863,816	-44.7%
05 Federal Fund	2,569,974	3,366,633	2,999,253	-367,380	-10.9%
09 Reimbursable Fund	3,479,949	4,685,108	4,843,607	158,499	3.4%
Total Funds	\$ 27,922,643	\$ 47,435,956	\$ 37,740,365	-\$ 9,695,591	-20.4%

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.

**Fiscal Summary
Office of the Attorney General**

<u>Program/Unit</u>	<u>FY 13 Actual</u>	<u>FY 14 Wrk. Approp.</u>	<u>FY 15 Allowance</u>	<u>Change</u>	<u>FY 14 - FY 15 % Change</u>
01 Legal Counsel and Advice	\$ 6,541,191	\$ 6,858,574	\$ 6,941,435	\$ 82,861	1.2%
04 Securities Division	2,368,999	2,347,311	2,373,775	26,464	1.1%
05 Consumer Protection Division	5,405,225	6,421,265	6,120,692	-300,573	-4.7%
06 Antitrust Division	870,540	897,961	901,982	4,021	0.4%
09 Medicaid Fraud Control Unit	2,818,653	3,776,411	3,910,354	133,943	3.5%
10 People's Insurance Counsel Division	448,412	568,780	589,697	20,917	3.7%
12 Juvenile Justice Monitoring Program	395,577	538,871	552,114	13,243	2.5%
14 Civil Litigation Division	2,405,579	3,030,984	3,061,673	30,689	1.0%
15 Criminal Appeals Division	2,561,435	2,649,186	2,772,658	123,472	4.7%
16 Criminal Investigation Division	1,778,546	1,852,177	1,934,098	81,921	4.4%
17 Educational Affairs Division	253,320	434,461	446,770	12,309	2.8%
18 Correctional Litigation Division	387,266	432,700	443,248	10,548	2.4%
20 Contract Litigation Division	1,650,632	1,969,453	2,049,716	80,263	4.1%
21 Mortgage Services Settlement Fund	37,268	15,657,822	5,642,153	-10,015,669	-64.0%
Total Expenditures	\$ 27,922,643	\$ 47,435,956	\$ 37,740,365	-\$ 9,695,591	-20.4%
General Fund	\$ 18,084,130	\$ 17,301,409	\$ 17,678,515	\$ 377,106	2.2%
Special Fund	3,788,590	22,082,806	12,218,990	-9,863,816	-44.7%
Federal Fund	2,569,974	3,366,633	2,999,253	-367,380	-10.9%
Total Appropriations	\$ 24,442,694	\$ 42,750,848	\$ 32,896,758	-\$ 9,854,090	-23.1%
Reimbursable Fund	\$ 3,479,949	\$ 4,685,108	\$ 4,843,607	\$ 158,499	3.4%
Total Funds	\$ 27,922,643	\$ 47,435,956	\$ 37,740,365	-\$ 9,695,591	-20.4%

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.