

C81C
Office of the Attorney General

Operating Budget Data

(\$ in Thousands)

	<u>FY 15</u> <u>Actual</u>	<u>FY 16</u> <u>Working</u>	<u>FY 17</u> <u>Allowance</u>	<u>FY 16-17</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$17,050	\$17,825	\$18,596	\$771	4.3%
Deficiencies and Reductions	0	0	-44	-44	
Adjusted General Fund	\$17,050	\$17,825	\$18,552	\$728	4.1%
Special Fund	10,068	19,830	13,710	-6,119	-30.9%
Deficiencies and Reductions	0	0	-17	-17	
Adjusted Special Fund	\$10,068	\$19,830	\$13,693	-\$6,137	-30.9%
Federal Fund	3,032	3,637	3,582	-55	-1.5%
Deficiencies and Reductions	0	0	-9	-9	
Adjusted Federal Fund	\$3,032	\$3,637	\$3,573	-\$64	-1.8%
Reimbursable Fund	4,127	4,749	5,362	614	12.9%
Adjusted Reimbursable Fund	\$4,127	\$4,749	\$5,362	\$614	12.9%
Adjusted Grand Total	\$34,277	\$46,040	\$41,181	-\$4,859	-10.6%

- The fiscal 2017 allowance decreases by \$4.9 million, or 10.6%, from all funding sources. The general fund allowance increases by 4.1%.
- Spending from the Mortgage Loan Servicing Practices Settlement Fund decreases by \$6.6 million. The Office of the Attorney General (OAG) is in the process of distributing these one-time funds for foreclosure prevention programs. Excluding this fund, the fiscal 2017 allowance increases \$1.8 million, or 5.2%, above the fiscal 2016 working appropriation.

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

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Personnel Data

	<u>FY 15</u> <u>Actual</u>	<u>FY 16</u> <u>Working</u>	<u>FY 17</u> <u>Allowance</u>	<u>FY 16-17</u> <u>Change</u>
Regular Positions	248.50	262.50	263.50	1.00
Contractual FTEs	<u>23.15</u>	<u>30.45</u>	<u>18.60</u>	<u>-11.85</u>
Total Personnel	271.65	292.95	282.10	-10.85

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	19.53	7.44%
Positions and Percentage Vacant as of 12/31/15	32.00	12.19%

- The fiscal 2017 allowance increases by 1.0 regular position above the fiscal 2016 working appropriation. This position is associated with the new Public Information Ombudsman created by Chapters 135 and 136 of 2015.
- The fiscal 2017 allowance also includes 18.6 contractual full-time equivalents (FTE), a decrease of 11.85 from the fiscal 2016 working appropriation. In the Legal Counsel and Advise Program, there are 0.45 new contractual FTEs for two part-time positions: a special assistant to the Attorney General and a paralegal. There is also a reduction of 12.3 FTEs including:
 - 5.0 FTEs in the Criminal Investigations Divisions due to the end of two grants from the Governor’s Office of Crime Control and Prevention;
 - 4.3 FTEs in the Consumer Protection Division due to the end of grant-funding;
 - 2.0 FTEs due to the elimination of the Honors Program for early career attorneys; and
 - 1.0 FTE in the Securities Division due to the exhaustion of one-time settlement funds.
- Agency turnover expectancy is 7.44%, which requires 19.5 vacancies. As of December 31, 2015, there were 32.0 vacancies in the agency, for a rate of 12.19%. This figure includes 2.0 positions created by the Board of Public Works in December 2015, to support implementation of Chapters 135 and 136, which the agency is in the process of filling.

Analysis in Brief

Major Trends

Consumer Recoveries Continue to Increase: OAG assists consumers in resolving complaints against businesses and health insurance carriers. While these recoveries are volatile and vary depending on the number and nature of complaints brought to OAG, the agency does provide an estimate for projected recoveries and reports on actual results. In fiscal 2015, the Consumer Protection Division collected \$14.9 million, an increase of 71.6% above fiscal 2014, and nearly \$9.0 million above the agency estimate.

Medicaid Fraud Recoveries Fall Significantly, Still Hit Agency Target: OAG is tasked with investigating and prosecuting Medicaid fraud across the State. Because of the nature and national scope of some Medicaid fraud cases, the State has received several large settlements in recent years, including \$42.2 million in fiscal 2014. While recoveries fell to \$8.0 million in fiscal 2015, that figure was above the agency estimate of \$6.5 million. In fiscal 2015, Medicaid Fraud Control Unit investigations also led to 13 civil settlements and criminal charges in eight cases.

Issues

Payments for Mortgage Loan Servicing Practices Settlement Remain Incomplete: In February 2012, the State was party to a national settlement with five national mortgage servicers and received nearly \$60.0 million for foreclosure prevention programs. At the end of fiscal 2015, only \$5.5 million for grants to Prince George’s County and Baltimore City had been spent, and, despite progress in fiscal 2016, there may be \$5.7 million still unspent at the start of fiscal 2017. Additionally, the spending plan appears to have several large changes from the original plan presented to the General Assembly. Moreover, the statutorily required annual report on the fund has been delayed by an inability to reconcile expenditures between OAG and the Department of Housing and Community Development. **The Department of Legislative Services (DLS) recommends that the agency provide the committees with an updated spending plan and explain deviations from the original plan. DLS also recommends that the agency comment on the status of the fiscal 2015 report on the Mortgage Settlement Fund, and when the General Assembly can expect to receive it. DLS further recommends that the agency comment on the disbursement of the remaining funds and when it anticipates that all settlement money will be distributed.**

Recommended Actions

	<u>Funds</u>
1. Eliminate funding for grants from the Mortgage Settlement Fund as duplicative with the fiscal 2016 appropriation.	\$ 5,000,000
Total Reductions	\$ 5,000,000

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 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.

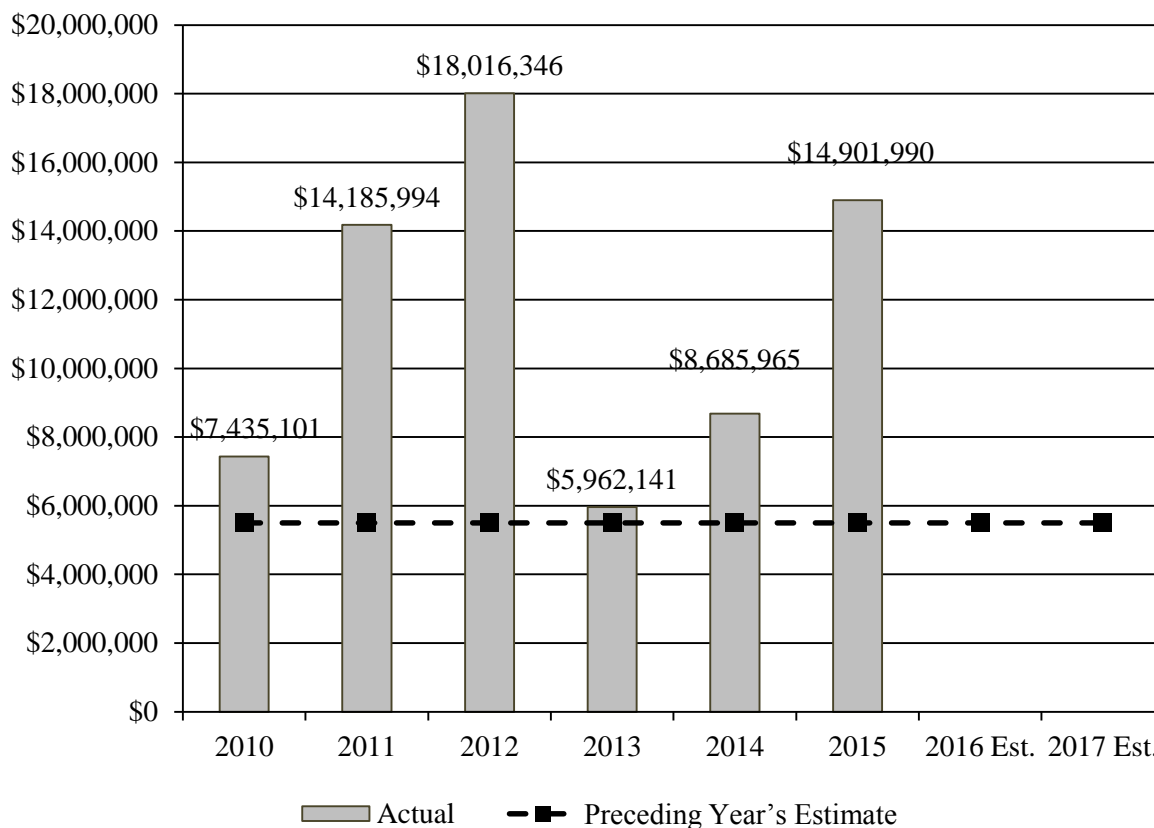
In addition to the aforementioned duties, OAG also provides assistant Attorneys General (AAG) and staff attorneys to State agencies. These positions are located within each of the respective agencies’ budgets. **Appendix 2** provides a list of significant civil litigation currently being handled by OAG.

Performance Analysis: Managing for Results

1. Consumer Recoveries Continue to Increase

Exhibit 1 displays the amount of money recovered for consumers via the Consumer Protection Division compared to the preceding year’s Managing for Results estimate. The Consumer Protection Division provides mediation and arbitration service to consumers to help resolve complaints against businesses and health insurance carriers. In fiscal 2015, OAG collected \$14,901,990, which is an increase of approximately \$6.2 million, or 71.6%, over fiscal 2014 collections, and above estimate by \$9.5 million. Recoveries are sometimes paid directly to the affected consumers or otherwise restricted to consumer protection activities at OAG. As such, the amount of recoveries received by consumers can be volatile from year to year. OAG has also noted 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 2010-2017 Est.**



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

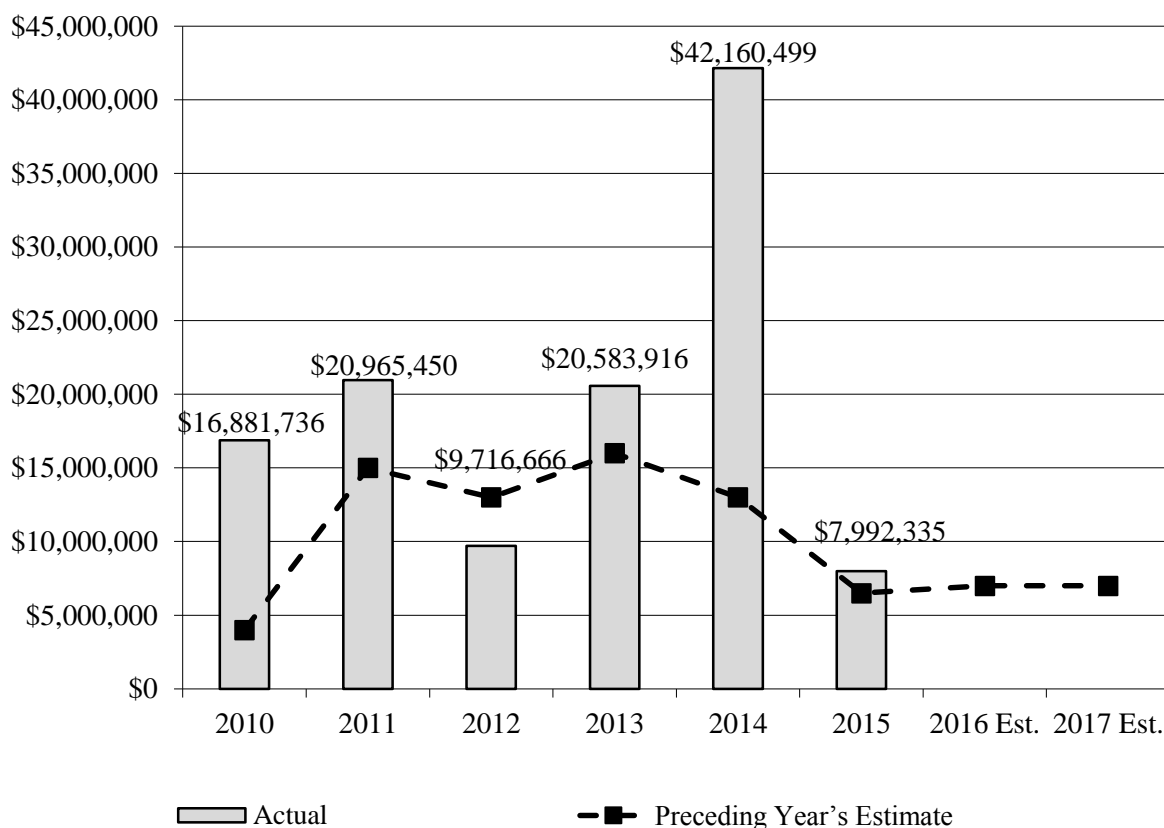
Source: Department of Budget and Management

2. Medicaid Fraud Recoveries Fall Significantly, Still Hit Agency Target

Exhibit 2 shows the amount of money collected by the Medicaid Fraud Control Unit compared to the preceding year's estimate. This unit investigates and prosecutes provider fraud in statewide Medicaid programs. In fiscal 2015, this unit collected \$8.0 million, a decrease of \$34.2 million, or 81%, below fiscal 2014. Despite this significant decrease, fiscal 2015 collections exceeded the agency estimate by \$1.5 million. In the beginning of fiscal 2014, OAG had 295 pending cases and generated 370 new cases. The unit completed 295 investigations that resulted in criminal charges in 8 cases and 13 civil settlements. 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 difficult 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 2010-2017 Est.



Note: Includes State and federal collections.

Source: Department of Budget and Management

Fiscal 2016 Actions

Cost Containment

The 2015 budget bill included an across-the-board 2% general fund reduction for State agencies due to the State’s fiscal condition. The OAG share of this reduction was \$363,000. The agency reports that it will achieve these savings by holding open vacancies in the Securities, Educational Affairs, and Antitrust Divisions and the Juvenile Justice Monitoring Unit.

Proposed Budget

The fiscal 2017 allowance for OAG decreases by \$4.9 million, or 10.6%, below the fiscal 2016 working appropriation, as shown in **Exhibit 3**. This decrease is attributable to a reduction of \$6.6 million in expenditures from the Mortgage Settlement Fund, which is being spent down for foreclosure mitigation programs. Excluding the Mortgage Settlement Fund, the OAG budget increases by \$1.8 million, or 5.2%, due to health insurance and retirement contribution increases and funding for a new case management system.

The Governor’s budget also includes an appropriation for employee increments totaling \$401,656 for this agency. This funding is 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.

Exhibit 3
Proposed Budget
Office of the Attorney General
(\$ in Thousands)

How Much It Grows:	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
Fiscal 2015 Actual	\$17,050	\$10,068	\$3,032	\$4,127	\$34,277
Fiscal 2016 Working Appropriation	17,825	19,830	3,637	4,749	46,040
Fiscal 2017 Allowance	<u>18,552</u>	<u>13,693</u>	<u>3,573</u>	<u>5,362</u>	<u>41,181</u>
Fiscal 2016-2017 Amount Change	\$728	-\$6,137	-\$64	\$614	-\$4,859
Fiscal 2016-2017 Percent Change	4.1%	-30.9%	-1.8%	12.9%	-10.6%

Where It Goes:

Personnel Expenses

Employee and retiree health insurance	\$561
Turnover expectancy.....	496
Employee retirement.....	495
New positions.....	128
Other fringe benefit adjustments.....	75
Other compensation	-256

Other Changes

New case management system.....	600
Non-Department of General Services rent.....	143
Legal publications	78
Communications	43
Other	-53
Contractual employee compensation	-557
Mortgage settlement payments	-6,612

Total **-\$4,859**

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

Across-the-board Reductions

The fiscal 2017 budget bill includes an across-the-board reduction for employee health insurance, based on a revised estimate of the amount of funding needed. This agency’s share of these reductions is \$43,536 in general funds, \$17,478 in special funds, and \$9,013 in federal funds. There is an additional across-the-board reduction to abolish positions statewide, but the amounts have not been allocated by agency.

Personnel

Personnel expenditures increase by \$1.5 million. The increase is largely attributable to statewide increases for health insurance (\$561,263) and employee retirement (\$495,209). There is also a decrease in turnover expectancy (\$495,809), which was increased in fiscal 2016 as a cost containment measure. Finally, \$127,560 is added for a new AAG position related to the new Public Information Ombudsman created by Chapters 135 and 136 of 2015.

Other Changes

The largest driver of the change in the OAG budget for fiscal 2017 are payments from the Mortgage Settlement Fund, which contains one-time funds from a national settlement against the five largest mortgage servicers in the United States. Expenditures from the fund decrease by

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\$6.6 million. If all planned expenditures (\$5.7 million) occur in fiscal 2017, the entire settlement will have been disbursed, and the fund balance will be zero.

There are two other significant changes in the allowance. The first is the addition of \$600,000 in reimbursable funds for a new electronic case management system. This system will be funded by an increase to the assessments charged to other State agencies for OAG services. The second significant change is a decrease of \$557,433 for contractual employees. The fiscal 2017 allowance includes a net reduction of 11.85 contractual full-time equivalents (FTE), including the following reductions:

- 5.0 FTEs in the Criminal Investigations Divisions due to the end of two grants from the Governor’s Office of Crime Control and Prevention;
- 4.3 FTEs in the Consumer Protection Division due to the end of grant funding;
- 2.0 FTEs due to the elimination of the Honors Program from early career attorneys; and
- 1.0 FTE in the Securities Division due to the exhaustion of one-time settlement funds.

Issues

1. Payments for Mortgage Loan Servicing Practices Settlement Remain Incomplete

In February 2012, a national settlement was announced between 49 states, the District of Columbia, 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 just under \$60 million to be used by the State to fund foreclosure prevention programs.

Chapter 1 of 2012 (the Budget Reconciliation and Financing Act) created the Mortgage Settlement Fund in OAG. The Attorney General appointed a workgroup to determine how the funds would be expended, and in May 2012, the workgroup presented a three-year spending plan. The original plan had six elements: enforcement activity in OAG; \$10 million each in grants to Baltimore City and Prince George's County; Department of Housing and Community Development (DHCD) housing counselors; DHCD legal assistance for homeowners; DHCD neighborhood revitalization; and financial fraud prevention in the Office of the Commissioner of Financial Regulation in the Department of Labor, Licensing, and Regulation. Since that time, the agencies have worked with stakeholders to implement all of these projects.

Disbursal of Funds May Take Two Years Longer than Planned

Under the original plan, all funds were to be distributed and expended from fiscal 2013 to 2015. OAG has previously reported to the General Assembly that expenditures were below programmed targets for fiscal 2013 and 2014 due to delays in hiring personnel to administer programs. By the end of fiscal 2015, OAG could only verify that \$28.8 million of the settlement funds had been spent and only \$5.5 million in grants had been disbursed in Baltimore City and Prince George's County. In fall 2015, after Prince George's County reported it was not ready to spend its portion of the funds, DHCD stepped-in to assist by obligating \$4.7 million of the county's share as part of the agency's Triple Play program, which provides assistance and financial incentives to homebuyers.

As shown in **Exhibit 4**, OAG reports that not all funds will have been spent by the end of fiscal 2016. If Prince George's County and Baltimore City are able to spend the \$11.6 million included in the working appropriation for fiscal 2016, they will have spent all the funds currently available for this purpose, which is \$2.9 million less than the original plan. The remaining funds have been recommitted to other projects. **OAG should comment on whether Baltimore City and Prince George's County will ultimately receive \$10.0 million each.**

Exhibit 4
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	-	878,473	705,494	-	179,715	1,800,949
Fiscal 2014 Actual	284,647	1,887,932	3,499,732		6,596,162	589,496	15,544,014
Fiscal 2015 Actual	370,629	3,605,696	2,405,448		2,784,822		11,431,295
Fiscal 2016 Working Appropriation	656,813	11,612,068	-	-	-	-	12,268,881
Total 2013-2016	\$1,349,356	\$17,105,696	\$6,783,653	\$5,125,663	\$9,380,984	\$1,299,787	\$41,045,139
Difference from Spending Plan	-\$1,412,504	-\$2,894,304	-\$1,816,348	-\$1,102,200	-\$7,612,146	-\$838,213	-\$15,675,714

DHCD: Department of Housing and Community Development
 DLLR: Department of Labor, Licensing, and Regulation
 OAG: Office of the Attorney General

*OAG has reimbursed additional funds to DHCD that have been encumbered or are awaiting expenditure.

Note: The fiscal 2017 allowance includes expenditures of \$5,654,338 from the fund; however these monies are also appropriated in fiscal 2016 and, therefore, are not included in this table.

Source: Office of the Attorney General; Department of Legislative Services

Further, DHCD expenditures identified and verified by the OAG are \$10.5 million below planned expenditures. However, OAG reports that DHCD has received and encumbered additional funds, which are not accounted for in its report as actual expenditures. In total, including planned fiscal 2016 expenditures, OAG shows \$15.7 million from the fund unspent at the end of fiscal 2016. OAG has also reported that the \$12.3 million in expenditures in fiscal 2016 is the entire amount of uncommitted funds available for OAG to distribute from the account at the end of fiscal 2015.

The OAG fiscal 2016 working appropriation authorizes the agency to disburse the entire remaining balance in the Mortgage Settlement Fund, but this will only occur if the agency's partners are prepared to deploy the funds. While the intervention of DHCD in Prince George's County has helped reduce the remaining balance, and OAG has reported progress in Baltimore City as well, the fiscal 2017 allowance for OAG still includes an appropriation of \$5.6 million from the Mortgage Settlement Fund. This implies that as much as 45% of the remaining uncommitted funds may go unspent in fiscal 2016. This delay in expenditures is particularly problematic because these funds are intended to help individuals and communities harmed by illegal mortgage underwriting practices that occurred nearly a decade ago and are still struggling to recover. Further, the State is currently making significant general fund investments in revitalization projects, particularly in Baltimore City, while only \$5.5 million of the \$20.0 million dedicated for this purpose had been spent by the end of fiscal 2015.

Additionally, tracking the progress of the program has been hindered by a significant delay in the publication of the program's annual report by OAG. To date, the General Assembly has not received the 2015 report, which was due October 1, 2015, and would provide an exact accounting of expenditures through the end of the original program period. The Department of Legislative Services (DLS) has been in communication with OAG regarding the report status, and received the preliminary accounting reflected in Exhibit 4, as well as the fronting letter that will accompany the final report, but has been informed that the report is delayed by the agency's inability to reconcile some expenditure data with DHCD records. The fronting letter from OAG, received February 18, 2016, does state that it anticipates that the entire \$10.0 million grant to Baltimore City will be expended by May 2016 for the demolition of a total of 681 vacant homes. The letter also notes that, in addition to the \$4.7 million in Prince George's County grants distributed by DHCD, the county has been reimbursed an additional \$3.4 million thus far in fiscal 2016.

DLS recommends that the agency provide the committees with an updated spending plan and explain deviations from the original plan. DLS also recommends that the agency comment on the status of the fiscal 2015 report on the Mortgage Settlement Fund, and when the General Assembly can expect to receive it. DLS further recommends that the agency comment on the disbursement of the remaining funds and when it anticipates that all settlement money will be distributed.

Recommended Actions

	<u>Amount Reduction</u>
1. Eliminate funding for grants from the Mortgage Settlement Fund. The agency already has authorization to expend these one-time funds in fiscal 2016.	\$ 5,000,000 SF
Total Special Fund Reductions	\$ 5,000,000

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 2015					
Legislative Appropriation	\$17,334	\$12,265	\$2,955	\$4,844	\$37,398
Deficiency Appropriation	0	0	0	0	0
Cost Containment	-398	0	0	0	-398
Budget Amendments	123	195	367	0	685
Reversions and Cancellations	-9	-2,392	-291	-717	-3,409
Actual Expenditures	\$17,050	\$10,068	\$3,032	\$4,127	\$34,277
Fiscal 2016					
Legislative Appropriation	\$17,461	\$19,018	\$3,443	\$4,680	\$44,602
Budget Amendments	364	811	194	69	1,438
Working Appropriation	\$17,825	\$19,830	\$3,637	\$4,749	\$46,040

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

Fiscal 2015

OAG finished fiscal 2015 \$3,121,478 below the legislative appropriation. Cost containment reduced the appropriation by \$398,144, and \$3,408,729 was canceled or reverted. Budget amendments added \$685,395 to the appropriation.

General Funds

Actual expenditures were \$284,219 below the legislative appropriation. The decrease is attributable to a reduction of \$398,144 due to cost containment actions and the reversion of \$9,429 in unspent funds. The decrease is partially offset by an increase of \$123,354 for the cost-of-living adjustment (COLA).

Special Funds

Actual expenditures were \$2,197,169 below the legislative appropriation. This total includes the cancellation of \$2,391,907 of unspent funds, largely from the Mortgage Settlement Fund that will be expended in future fiscal years. This reduction is partially offset by an increase of \$194,738 for budget amendments, which included:

- \$43,016 increase for the COLA;
- \$9,232 increase for litigation expenses;
- \$99,757 increase for an attorney in the Securities Division; and
- \$42,733 increase for the Thurgood Marshall Opportunity Program.

Federal Funds

Actual expenditures were \$76,464 above the legislative appropriation. This includes budget amendments increasing the appropriation by \$367,303. These budget amendments include \$20,371 for the COLA and \$346,932 for the Consumer Protection Division. This increase is partially offset by the cancellation of \$290,839 in unspent funds.

Reimbursable Funds

Actual expenditures were \$716,555 below the legislative appropriation. This decrease is entirely attributable to the cancellation of unspent funds.

Fiscal 2016

The fiscal 2016 working appropriation for OAG is \$1.4 million above the legislative appropriation due to nine budget amendments.

General Funds

The working appropriation has increased by \$363,880 due to two budget amendments. There are increases of \$246,000 to restore employee salaries that would have been reduced 2% effective July 1, 2015, and \$117,880 to fund 2 positions created by the Board of Public Works to implement Chapters 135 and 136 of 2015.

Special Funds

Special funds increase by a total of \$811,301 due to five budget amendments:

- \$338,374 is added to fund 3 AAG positions assigned to the Maryland Technology Development Corporation. These positions were relocated as part of the reorganization of the Department of Commerce under Chapter 141 of 2015;
- \$300,000 for overhead in the Consumer Protection Division;
- \$86,000 is added to restore employee salaries that would have been reduced 2% effective July 1, 2015;
- \$61,927 due to a settlement by the Securities Division; and
- \$25,000 for the Thurgood Marshall Opportunity Program.

Federal Funds

Federal funds increase by \$194,174 due to two budget amendments. \$40,000 is added to restore employee salaries that would have been reduced 2% effective July 1, 2015, and \$154,174 in grant funding is added for the Health Education and Advocacy Unit.

Reimbursable Funds

Reimbursable funds increase by \$69,000 for partial support of an AAG position in the Correctional Litigation Unit that the Department of Public Safety and Correctional Services has agreed to fund.

OFFICE OF THE ATTORNEY GENERAL
Significant Civil Litigation Report
As of January 31, 2016
Claims of \$2 Million or More

<u>Agency</u>	<u>Case Name</u>	<u>Description</u>
Civil Litigation	Goldberg, Stanley, <i>et al.</i> v. State of Maryland	Challenge to ground rent legislation, with regard to attorneys' fees only.
Civil Litigation	Jerome Duvall, <i>et al.</i> v. Hogan, <i>et al.</i>	In July 2015, the plaintiffs in this longstanding class action litigation over conditions of confinement at the Baltimore City Detention Center ("BCDC") moved to reopen the litigation based on allegations of deficiencies in medical health care, mental health care, and the physical plant at BCDC. In November 2015, the parties reached a settlement in which the State has agreed to implement certain improvements at BCDC. The settlement, which was approved by the Board of Public Works, is still subject to approval by the federal District Court at a hearing scheduled for April 15, 2016.
Civil Litigation	Stephen V. Kolbe, <i>et al.</i> v. Hogan	Constitutional claim regarding Maryland's Firearm Safety Act.
Civil Litigation	Michael J. Holzheid, <i>et al.</i> v. Comptroller	Class action complaint arguing that the State's interest rate on refunds due as the result of the <i>Wynne</i> decision is unconstitutional.
Civil Litigation	Michael Ross v. Shaidon Blake	United States Supreme Court case involving the Prison Litigation Reform Act.
Civil Litigation	Health Insurance Exchange claim against Noridian Healthcare Solutions	The Office of the Attorney General represented the Maryland Health Benefit Exchange in a pre-litigation settlement against Noridian Healthcare Solutions, the vendor that was retained to implement the original Health Insurance Exchange ("HIX"). In the settlement, Noridian agreed to pay \$45 million to settle claims based on the failure of its HIX to perform as required. That money is being split between the State and the federal government based on their respective losses.

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<u>Agency</u>	<u>Case Name</u>	<u>Description</u>
Comptroller	Branch Banking and Trust Company v. Comptroller	Refund claim for alleged discrimination against federal tax obligations.
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 extra/change work, and acceleration of work at the direction of MAA.
DHMH	Geier, <i>et al.</i> v. Maryland Board of Physicians, <i>et al.</i>	(Filed under seal). Alleged release of confidential medical information and invasion of privacy.
DHR	L.J., <i>et al.</i> v. Dallas, <i>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 period from December 2007 through the present remain unresolved.
Ed. Affairs	Coalition for Equity and Excellence in Maryland Higher Education v. Hogan	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.
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 MDE, <i>et al.</i>	Takings claim regarding a wastewater treatment system in Allegany County.
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.
SHA	68th Street Landfill, Baltimore County	Superfund case involving federal Environment Protection Administration determination that the State was the owner/operator of a large former landfill and is charged with clean-up of the site.

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<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 manufactures 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.

DHMH: Department of Health and Mental Hygiene
DHR: Department of Human Resources
MAA: Maryland Aviation Administration
MPA: Maryland Port Administration
SHA: Maryland State Highway Administration

Source: Office of the Attorney General

Audit Findings

Audit Period for Last Audit:	March 8, 2011 – July 17, 2014
Issue Date:	March 2015
Number of Findings:	1
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	n/a

Finding 1: Controls were not established to ensure collections were properly accounted for and deposited.

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

<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	248.50	262.50	263.50	1.00	0.4%
02 Contractual	23.15	30.45	18.60	-11.85	-38.9%
Total Positions	271.65	292.95	282.10	-10.85	-3.7%
Objects					
01 Salaries and Wages	\$ 24,639,117	\$ 27,014,129	\$ 28,582,624	\$ 1,568,495	5.8%
02 Technical and Spec. Fees	1,273,751	1,904,376	1,346,943	-557,433	-29.3%
03 Communication	329,754	248,052	291,869	43,817	17.7%
04 Travel	168,905	100,634	110,850	10,216	10.2%
07 Motor Vehicles	156,514	168,837	166,395	-2,442	-1.4%
08 Contractual Services	882,277	1,786,272	2,228,847	442,575	24.8%
09 Supplies and Materials	543,678	361,584	431,200	69,616	19.3%
11 Equipment – Additional	187,176	63,000	57,900	-5,100	-8.1%
12 Grants, Subsidies, and Contributions	4,026,690	12,071,303	5,563,459	-6,507,844	-53.9%
13 Fixed Charges	2,068,909	2,322,020	2,470,832	148,812	6.4%
Total Objects	\$ 34,276,771	\$ 46,040,207	\$ 41,250,919	-\$ 4,789,288	-10.4%
Funds					
01 General Fund	\$ 17,049,642	\$ 17,824,801	\$ 18,596,000	\$ 771,199	4.3%
03 Special Fund	10,068,265	19,829,733	13,710,246	-6,119,487	-30.9%
05 Federal Fund	3,031,810	3,637,156	3,582,387	-54,769	-1.5%
09 Reimbursable Fund	4,127,054	4,748,517	5,362,286	613,769	12.9%
Total Funds	\$ 34,276,771	\$ 46,040,207	\$ 41,250,919	-\$ 4,789,288	-10.4%

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

**Fiscal Summary
Office of the Attorney General**

<u>Program/Unit</u>	<u>FY 15 Actual</u>	<u>FY 16 Wrk Approp</u>	<u>FY 17 Allowance</u>	<u>Change</u>	<u>FY 16 - FY 17 % Change</u>
01 Legal Counsel and Advice	\$ 6,715,359	\$ 7,379,469	\$ 8,320,777	\$ 941,308	12.8%
04 Securities Division	2,490,893	2,701,303	2,854,630	153,327	5.7%
05 Consumer Protection Division	5,829,305	6,609,086	6,530,715	-78,371	-1.2%
06 Antitrust Division	835,486	885,364	917,904	32,540	3.7%
09 Medicaid Fraud Control Unit	3,739,677	4,503,921	4,785,615	281,694	6.3%
10 People's Insurance Counsel Division	515,533	583,446	573,509	-9,937	-1.7%
12 Juvenile Justice Monitoring Program	434,660	454,744	588,127	133,383	29.3%
14 Civil Litigation Division	2,771,300	3,105,480	3,202,897	97,417	3.1%
15 Criminal Appeals Division	2,782,063	2,798,527	2,825,692	27,165	1.0%
16 Criminal Investigation Division	1,607,667	1,880,634	1,830,617	-50,017	-2.7%
17 Educational Affairs Division	299,336	316,677	481,020	164,343	51.9%
18 Correctional Litigation Division	393,039	496,097	583,582	87,485	17.6%
20 Contract Litigation Division	1,886,128	2,056,578	2,101,496	44,918	2.2%
21 Mortgage Services Settlement Fund	3,976,325	12,268,881	5,654,338	-6,614,543	-53.9%
Total Expenditures	\$ 34,276,771	\$ 46,040,207	\$ 41,250,919	-\$ 4,789,288	-10.4%
General Fund	\$ 17,049,642	\$ 17,824,801	\$ 18,596,000	\$ 771,199	4.3%
Special Fund	10,068,265	19,829,733	13,710,246	-6,119,487	-30.9%
Federal Fund	3,031,810	3,637,156	3,582,387	-54,769	-1.5%
Total Appropriations	\$ 30,149,717	\$ 41,291,690	\$ 35,888,633	-\$ 5,403,057	-13.1%
Reimbursable Fund	\$ 4,127,054	\$ 4,748,517	\$ 5,362,286	\$ 613,769	12.9%
Total Funds	\$ 34,276,771	\$ 46,040,207	\$ 41,250,919	-\$ 4,789,288	-10.4%

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