

Fiscal Year 2026 Operating Budget
Response to Department of Legislative Services Budget Analysis

House Appropriations Committee
Public Safety and Administration Subcommittee
Delegate Jazz Lewis (District 24)
House Office Building, Room 145, Annapolis, MD
1:00PM | February 12, 2025

Senate Budget and Taxation Committee
Public Safety, Transportation, and Environment Subcommittee
Michael A. Jackson (District 27)
Miller Senate Building, Schweinhaut Room, 4th Floor, Annapolis, MD
1:00 PM | February 13, 2025

Thank you for the opportunity to respond to the Department of Legislative Services' Fiscal Year (FY) 2026 budget analysis. I appreciate and support the dedicated work of the General Assembly.

As the Chief Legal Officer for the State of Maryland, I am elected by the citizens of Maryland to supervise and direct the legal business of the State. Under my leadership, the attorneys and professional staff who comprise the Office of the Attorney General (OAG) work together to advise and represent the State, its institutions, agencies, boards, commissions, and officials. I also enforce and uphold the rule of law, using the authority of my Office to protect Marylanders and promote the public good. I lead the OAG with a key focus on equity, justice, and fairness.

I am deeply committed to ensuring that my Office has the resources it needs to deliver excellent services for our clients and Marylanders. This includes making sure that the members of my team have the tools they need to do their jobs well and to grow in their professional roles and pursuits. It is because of our talented attorneys, investigators, paralegals, administrative and operational staff, clerks, and volunteers that OAG has a meaningful impact across our State.

Fiscal Year 2024 and Fiscal Year 2025 (Year-To-Date) In Review

Since taking office two years ago, we've made many positive changes at the Office of the Attorney General. We have expanded our authority to protect and defend the rights of all Marylanders; improved our organizational efficiency; and ensured our ability to deliver data-driven results when advising and representing our state government and its agencies. I am incredibly proud of what our team of over 1,000 attorneys and professional staff has accomplished in just two short years.

The challenges my Office faces are more complex than ever, and to keep pace with these demands, OAG has committed itself to modernizing our resources and improving our organizational efficiency to produce data-driven, cost-effective solutions for our workforce, clients, and the public.

Francis Scott Key Bridge Response

We cannot reflect on 2024 without acknowledging the unprecedented tragedy of the Francis Scott Key Bridge collapse. This moment marked a profound loss of life and a devastating impact on our communities. Yet, in the face of this tragedy, OAG took swift action.

Immediately following the collapse, OAG attorneys and administrative staff launched a complex, coordinated response closely working with more than 15 state agencies. The bridge's collapse and the shipping channel closure caused immediate and ongoing harm to the State of Maryland, county and local jurisdictions, and individuals and businesses in Maryland and nationwide. Immediately after the DALI allied with the Key Bridge, I appointed a Special Assistant Attorney General to oversee my Office's day-to-day coordination of legal efforts and developed three dedicated teams of existing personnel focused on Litigation, the Public Information Act (PIA), and Procurement to help organize and streamline our response, recovery, and restoration work.

OAG's efforts ensured that Marylanders and their government had the necessary resources in the immediate aftermath of this tragedy. Our diligent work positioned us to take the next critical step – filing a lawsuit to seek damages on behalf of Marylanders. It is our duty to protect our Maryland communities from the economic and environmental consequences of this catastrophe. I remain committed to that mission. Since March 26th, my Office's attorneys have been working diligently to protect Marylanders and the interests of the State. I intend to identify and hold accountable the parties responsible for the Key Bridge collapse and to recover compensation for damages and other harm suffered by the State.

Key Strategic, Personnel, and Budget Highlights

Earlier this year, I announced OAG's [Strategic Plan](#). The plan details the mission, vision, and values, as well as five strategic priorities that my office is committed to for the remainder of my first term:

1. Strengthening public safety and law enforcement;
2. Protecting consumers, workers, and promoting fair business practices;
3. Upholding civil rights and promoting equal justice;
4. Safeguarding good stewardship of our public and natural resources; and
5. Modernizing the Office of the Attorney General and improving organizational efficiency.

This plan forms the roadmap for OAG to continue building on the successes of the last two years. In the months and years ahead, I will have more details on how we will achieve these goals and deliver on these priorities.

With a plan for the future of the state's legal services in place, it is critical that OAG is well-resourced to deliver on its commitments to Marylanders.

OAG's current FY2025 budget funds 401 positions (369.50 regular and 31.45 contractual). Nonetheless, I oversee approximately 1,000 attorneys and administrative professionals across the State government. Since taking office, we have hired, promoted, or transferred **596 employees** –

389 attorneys and 207 administrative professionals – reducing OAG’s vacancy rate to **3%**, the lowest in many years. I project I will be close to a near zero vacancy rate in a few weeks.

In FY2024, I spent **99.8%** of my General Funds appropriation, showing my commitment to ensuring the efficient use of my Office’s resources. Without seeking additional funds, I was able to upgrade critical functions of OAG’s operations and aging infrastructure, including systems and processes in information technology, human resources, facilities, and our professional development program. In FY2025, I continue to prioritize the modernization of OAG’s operations to effectively support our state government in the 21st century.

I want to extend my gratitude to the Department of Budget and Management (DBM) for their partnership as we have worked to allocate **31 positions** in our FY2026 allowance (11 new PINs and converting 20 contractual employees). These positions will provide critical support and capacity within our Consumer Protection Division, Criminal Division, and Civil Division (Federal Accountability Unit). This will bring our total positions to **409.95** (400.5 regular and 9.45 contractual) in FY2026.

Of particular importance, OAG worked with DBM to receive six (6) new PINs for our new Federal Accountability Unit (FAU) within the Civil Litigation Division. This Unit will be instrumental for safeguarding Marylanders’ rights and countering federal actions that may jeopardize the health and wellbeing of Maryland residents. FAU will lead, coordinate, and participate in critical federal and multistate litigation efforts, from opposing federal funding and regulatory rollbacks to defending environmental laws, protecting civil rights and ensuring the rule of law in Maryland. FAU will work to protect and defend Maryland across many issue areas, including immigration status, use of the military for unauthorized purposes, attempts to undermine the federal civil service, measures against free and fair elections, restrictions on reproductive rights, and taking punitive actions against states and individuals based on political affiliations. This work will focus on individual and community rights, and we’ll work across the entire state to take legal actions, issue legal guidance, and provide reassurance where needed. OAG is working to protect millions of dollars in federal funds as appropriated by Congress. The investment in this unit is minimal yet critical compared to the substantial savings and financial stability it helps secure.

However, with a greater focus on efficient hiring processes, excellent budget management, and staying within my means to continue to modernize the OAG, continuing reductions to my General Funds severely limit my ability to fully support the agency’s operational and legal priorities. Funding reductions are also hindering OAG’s flexibility to maintain a well-resourced office capable of fulfilling its many and complex responsibilities.

FY2026 OAG Budget Outlook

Continuing General Funds Reductions

In FY2025, OAG’s General Funds were **reduced by \$2.8M**. OAG’s FY2026 General Funds allowance also faces an **additional reduction of \$1.7M**. To achieve this new target reduction, DBM is transferring certain salaries and fringes from the General Funds of two Programs (Legal Counsel and Advice and Civil Litigation Division) to the Securities Registration Special Fund

(“Securities Fund”). My FY2026 budget maintains the OAG’s personnel levels in these programs by leveraging special revenue resources. We have taken this approach to ensure that OAG can maintain existing legal services to clients like the General Assembly, the Judiciary, State’s Attorneys, Clerks of the Court, State Boards of Elections, and several others. Understanding the precarious financial posture of the state, I ask for your support with approving the Budget Reconciliation and Financing Act (BRFA) provision allowing OAG to use our Securities Fund to fund these and other essential legal operations of the agency. For example, **this BRFA provision will also allow OAG to self-fund the Federal Accountability Unit using \$1.17M of the Securities Fund starting July 1, 2025**. Until then, between February and June, OAG is funding the Unit with the Consumer Protection Special Revenue Fund. DBM did not provide General Funds for the Unit.

Greater Dependency on Diminishing Special Revenue Funds

OAG has two primary special revenue funds that support the personnel and operations of two divisions: the Securities Fund, which funds the Securities Division, and the Consumer Protection Special Revenue Fund, which funds the Consumer Protection Division. Both funds are at risk of being depleted in a few years due to limited revenue projections and recently added expenditures.

While current projections suggest that OAG can offset General Fund reductions using the Securities Fund as described above, DBM has proposed a **one-time \$5M reduction** from the Securities Fund to be transferred to the General Fund on or before June 30, 2025. This is in addition to the \$1.17M cost to the Securities Fund for the Federal Accountability Unit. This is concerning, as we must now allocate funds to support both the Securities Division and other OAG divisions and units, which we anticipate will significantly impact our ability to sustain these critical functions over the next two to three years. **By the end of FY2026, the Securities Fund balance could decrease from \$15M to \$5M**, making it impossible to maintain current staffing levels.

I would like to emphasize the need to ensure that OAG’s Opioids Enforcement Unit is funded appropriately through the Opioids Restitution Fund (ORF) rather than the Consumer Protection Special Revenue Fund. The latter has declining projected revenues and is essential for funding the entire Consumer Protection Division. **By the end of FY2026, the Consumer Protection Fund balance could decrease from \$13M to \$7M**, making it incredibly difficult to fund the Divisions’ staffing levels in FY2027.

Potential Solutions to Maximize or Increase Special Revenues

As OAG explores potential solutions to address the projected depletion of the Securities Fund, we have proposed an increase in the securities stockbroker fee to DBM. Currently, Maryland’s fee of \$50 is lower than the national average of \$65 or more and places the state in the bottom 25% nationwide. In the region, broker fees vary: \$45 in DC, \$40 in Virginia, \$135 in Pennsylvania, and \$96 in West Virginia. While some neighboring states charge less, others charge significantly more, highlighting the disparity and the opportunity for adjustment.

This fee applies to new registrations (including transfers between firms) and annual renewals, which must be paid by December 31. Of the current \$50 registration fee, \$35 is allocated to the

General Fund, while \$15 goes to the Securities Registration Fund, which supports the Securities Division. I recommend increasing the fee by \$10 (to \$60) and directing the additional \$10 entirely to the Securities Registration Fund. This increase would generate approximately \$2.5 million, strengthening the Fund and ensuring dedicated resources for its critical functions. If this proposal is under consideration by DBM or included in pending legislation, its approval would be a prudent step toward financial stability. I seek the General Assembly's support in advancing this measure.

Another solution is to fund my Opioids Enforcement Unit through the Opioids Restitution Fund (ORF), shifting costs from the Consumer Protection Special Revenue Fund to the ORF.

Maryland's Opioid Restitution Fund was established in 2019 to receive all monies awarded to the State of Maryland through prescription opioid-related legal action. The Opioids Enforcement Unit's mission is to hold the opioids industry (from manufacturers to retailers, including many intermediaries) accountable for their roles in the opioid crisis. We do this by seeking injunctions and changes in market behavior that protect Marylanders. We also recover compensation that can be used by the State and local government for opioid remediation to relieve the harm to communities impacted by the opioid crisis.

For OAG's FY2026 budget, DBM has approved the use of ORF funds for the Opioids Enforcement Unit as an allowable and appropriate use of Fund dollars. Over the past eight years, the Unit has secured more than **\$670 million** in settlement commitments for both the State and its local jurisdictions. Of that, over \$150 million has already been paid, including more than \$78 million in the State's discretionary share of the initial payments. These funds are available for discretionary spending on opioid abatement, which includes supporting the Unit's operations.

In the near future, the Unit expects to recover an additional \$27.3 million for the State and local jurisdictions, with \$9 million available for discretionary State spending. Additionally, over the next 11 years, the State will receive another \$126 million for discretionary use.

The cost of securing these funds has been minimal – **less than 1.7% of the total \$670 million** in settlement commitments received over the past eight years. This is considerably less than what many states pay outside counsel in contingency fee arrangements that average 25% of those states' recoveries.

I respectfully ask the General Assembly for two considerations: **(1) to support the passage of Senate Bill 495/House Bill 728, which clarifies the allowable use of the Opioid Restitution Fund (ORF) to cover operating expenses and personnel costs for investigations, enforcement actions, and other activities conducted by the Opioids Enforcement Unit related to recovering funds from opioid-related judgments and settlements.** This bill simply codifies DBM's commitment into law and will provide \$1.5M in relief to the CPD special revenue fund, ensuring we can sustain our consumer protection efforts over the next few years. **(2) To allow my Office to begin using ORF funds this fiscal year to cover the Unit's costs and provide much-needed relief to the CPD special fund. This request does not require an amendment to the BRFA.**

Finally, in addition to these reductions and greater dependability of special revenues, which is not sustainable, it is OAG's understanding that DBM will, or already has, transferred approximately **\$10M** of the OAG's Mortgage Services Settlement Fund to the Department for Housing and Community Development (DHCD) for housing-related activities in FY2026. This will leave \$5M as a fund balance to continue the operations of CPD's Housing Unit, which at some point will run out of funding due to this transfer of funds out of the Mortgage Services Settlement Fund.

Federal Funding Uncertainty

Like many other parts of the state and the nation, OAG faces significant uncertainty regarding federal funding. This is particularly concerning for our Medicaid Fraud and Vulnerable Victims Unit (MFVVU), which relies on 75% federal funding from the U.S. Department of Health and Human Services, with a 25% match from OAG's General Funds. The Unit's mission is threefold:

1. Investigating and prosecuting fraud committed by healthcare providers in the Medicaid system, as well as fraud in the administration of the Medicaid program itself.
2. Investigating and prosecuting crimes involving the abuse or neglect – including financial exploitation – of vulnerable adults in the state, particularly those in long-term care facilities such as nursing homes, assisted living facilities, and DDA programs.
3. Addressing the opioid crisis by investigating, often in partnership with federal law enforcement, the diversion of pharmaceuticals and the improper dispensing of opioids by unscrupulous healthcare providers.

A loss of federal funding would severely impact MFVVU's work, affecting more than 47 attorneys, investigators, and auditors. It would hinder our ability to investigate complex fraud schemes and prevent egregious abuse in the state's long-term care system. Additionally, it would disrupt criminal and civil cases pursued under both the Maryland False Health Claims Act and other relevant statutes. I am committed to working with the Governor, DBM, and the General Assembly to develop a contingency plan that ensures the continued operation of this critical unit should federal cuts or funding suspensions occur.

In addition, OAG houses several key programs within the Office of Equity, Policy, and Engagement (OEPE) that depend on federal funds, including the Truth and Reconciliation Commission, the Sexual Assault Kit Initiative (SAKI), and the Commission on Hate Crime Response and Prevention. Any reduction or elimination of these funds would directly impact the personnel and operations they support. It is crucial to acknowledge the potential decline in federal funding, as it would further strain my resources and limit our ability to fulfill essential mandates and services to Marylanders.

OAG FY2025 Projected Deficit

As OAG partners with DBM to do the best we can to support addressing the state's deficit, my ask from the Governor, DBM, and the General Assembly is that OAG have its cuts restored once the state's fisc is in a better place. In the meantime, my team and I will explore different payment and reimbursement models to ensure that OAG is paid by all its clients for the legal services we provide. Otherwise, with the potential for further cuts, OAG will not be able to maintain current

legal and enforcement service levels on behalf of the state. In fact, as the DLS Budget Analysis suggests, in FY2025, OAG is projected to spend above 100% of its General Funds appropriation due to faster hiring as the agency's positions are below the number of necessary vacancies for OAG's budgeted turnover amount. The agency is expected to fill all its positions soon and will require additional funding to fully fund the agency's personnel expenses. This further reinforces the need for OAG's funding levels not to be reduced so that I can solve our problems internally without the need to ask for more resources. In this case, I project that **I will need to submit a deficiency of \$2M to address my agency's deficit forecast.**

I appreciate the General Assembly's support with ensuring my Office is adequately resourced.

DLS Recommendations

In response to DLS's recommendations:

- I understand that all Access to Counsel in Evictions (ACE) recommendations were appropriately provided to the Maryland Legal Services Corporation (MLSC), and that MLSC has or is planning to file their responses.
- I support DLS's recommendation to amend the budget bill language on page 12 (items 2 and 3) to make the contingent language and technical corrections more clearly aligned with the BRFA provision.

In response to DLS's request for information regarding the Child Victims Act:

- Ideally, a negotiated settlement would be reached before the end of the legislative session, but the likely timeline and outcome are uncertain at this juncture.

I appreciate your consideration of my requests and look forward to answering any questions. Thank you.