

Office of the County Auditor

Auditor's Analysis

Council Bill No. 7-2024

Introduced: February 5, 2024

Auditors: Lori Buchman and Rebecca Gold

Fiscal Impact:

Based on information provided by the Administration, estimated expenses related to the organizational changes proposed in Council Bill 7-2024 will be approximately \$372,000 in one-time costs and \$749,000 in annual recurring costs to the County, starting in Fiscal Year 2025.

The Administration provided an overview of the potential cost impacts and, to the extent available, estimated costs of these changes. See **Attachment A** for a schedule of this information.

Purpose:

Council Bill 7-2024 proposes a number of organizational changes within the Executive Branch:

- Moving the Office of Consumer Protection (OCP) to the Department of County Administration
- Establishing an Office of Agriculture within the Department of County Administration, which will assume responsibility for some current functions of the Office of Community Sustainability
- Establishing an Opioid Restitution Fund Commission within the Department of Community Resources and Services (DCRS)
- Stipulating that the Office of Community Partnerships within the DCRS shall manage receipt of Opioid Restitution Funds
- Moving the function of administering Homelessness Services to the Department of Housing and Community Development

Other Comments:

Opioid Litigation Settlements

We reached out to the Office of Law regarding expected opioid settlements. The County Solicitor provided estimated settlement amounts and updates on various opioid cases, which we summarize in **Attachment B**.

Homelessness Services

The Administration indicated that Homelessness Services are similarly managed by the Department of Housing in the following local jurisdictions:

- State of Maryland
- Baltimore County
- Harford County
- Montgomery County

Relocations of Staff

The proposed reorganizations/relocations will not require the County to enter into any new lease agreements:

- Homelessness Services will remain at its current Patuxent Woods Drive location.
- The Office of Agriculture will be moving to West Friendship Park, which is already owned by the County. Estimated renovation costs are included in **Attachment A**.
- The Administration is evaluating space needs across the County to support the Office of Consumer Protection relocation. At this point, minimal renovations are anticipated to accommodate new staff during this relocation.
- The Opioid Restitution Fund Commission will operate from within existing DCRS office space at Patuxent Woods Drive.

Attachment A
Breakdown of Estimated County Expenses
Provided by the County Administration

Estimated One-Time Expenses: Approximately \$372,000

Expected to occur in FY 2025

Relocation Costs	Capital Project	Amount
Office of Agriculture Renovations	C0365-Systemic Facility Improvements	\$ 372,000
Consumer Protection Renovations*	C0365-Systemic Facility Improvements	NA

*The Office of Consumer Protection will likely utilize existing space. There will be a minimal need for renovations, which will be incurred in the FY 2025 Capital Budget.

Estimated New Recurring Expenses: Approximately \$749,000

Expected to begin in FY 2025

Opioid Restitution	Fund	First Year \$
New Contingent Position*	Opioid Abatement Fund	\$ 92,000

Consumer Protection	Fund	First Year \$
Reclassified Manager Position	General Fund	\$ 8,000
New Staff Position	General Fund	120,000
Additional Operating Costs	General Fund	30,000

Homelessness Services	Fund	First Year \$
New Administrator Position	Community Renewal	178,000

Office of Agriculture	Fund	First Year \$
3 New Positions	Agricultural Land Preservation	\$ 305,000
Additional Operating Costs	Agricultural Land Preservation	16,000

*Funding for the Contingent Position is an allowable use of the Opioid Abatement Fund. Senate Bill 1282 (Bates) states: "Qualifying expenditures may include reasonable related administrative expenses."¹

NOTE: Recurring expenses are expected to increase annually as employees receive step increases and cost of living adjustments.

¹ Source: https://sjud.senate.ca.gov/sites/sjud.senate.ca.gov/files/sb_1282_bates_sjud_analysis.pdf

Attachment B

Opioid Settlements Update

Provided by the Office of Law

Final Settlements

- \$12,306,701 is expected from the Big 3 Distributors' (McKesson Corporation, Cardinal Health, Inc., and AmerisourceBergen Corporation) and Janssen's settlements.
 - To date, the County has received settlement payments totaling \$2,360,839.
 - Janssen's payments will end by 2031 and the Big 3 Distributors' payments will end by 2039.

Pending Litigation

- \$7,100,932 is estimated from Teva, Allergan, Walmart, and Walgreens upon conclusion of the settlement.
- A national settlement for McKinsey & Company, Inc. was approved in February 2024. The total settlement is \$207 million less fees and costs of 15 percent, to be divided among various jurisdictions. The County's share will be received in a lump-sum payment and the amount is unknown at this time.

Ongoing Litigation

- Purdue Pharma L.P. is in bankruptcy, and the case is currently pending before the U.S. Supreme Court. If the bankruptcy plan is eventually approved, Maryland is estimated to receive a settlement of \$84,424,362, to be divided among various counties and subdivisions. At this time, there is no indication if or when that settlement would be paid.
- Endo Health Solutions, Inc., and Rite Aid Corporation are likewise in bankruptcy proceedings, with settlement recovery (if any) expected to be minimal.
- The State has not settled with CVS Pharmacy, Inc., and the outcome of this case remains pending.
- Recoveries from other remaining defendants are expected to be insubstantial.