

E20B
State Treasurer

Operating Budget Data

(\$ in Thousands)

	<u>FY 12</u> <u>Actual</u>	<u>FY 13</u> <u>Working</u>	<u>FY 14</u> <u>Allowance</u>	<u>FY 13-14</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$4,510	\$5,118	\$5,123	\$5	0.1%
Contingent & Back of Bill Reductions	0	0	-4	-4	
Adjusted General Fund	\$4,510	\$5,118	\$5,119	\$1	0.0%
Special Fund	1,132	2,617	2,486	-131	-5.0%
Adjusted Special Fund	\$1,132	\$2,617	\$2,486	-\$132	-5.0%
Reimbursable Fund	30,650	33,321	34,907	1,586	4.8%
Adjusted Reimbursable Fund	\$30,650	\$33,321	\$34,907	\$1,586	4.8%
Adjusted Grand Total	\$36,292	\$41,056	\$42,512	\$1,456	3.5%

- The fiscal 2014 allowance increases by \$1.5 million over the current year working appropriation. Most of the increase occurs in reimbursable funds and represents an increase in insurance coverage costs through the State Insurance Trust Fund.

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

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Personnel Data

	<u>FY 12 Actual</u>	<u>FY 13 Working</u>	<u>FY 14 Allowance</u>	<u>FY 13-14 Change</u>
Regular Positions	59.00	57.00	57.00	0.00
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Personnel	59.00	57.00	57.00	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	2.21	3.88%
Positions and Percentage Vacant as of 12/31/12	10.00	17.54%

- The number of both regular positions and contractual full-time equivalents remains unchanged between the current year and the allowance.
- The State Treasurer’s Office (STO) had 10 positions vacant as of the end of calendar 2012 for a vacancy rate of 17.5%. A majority of these positions are part of a reorganization of the banking and investment functions which previously each had a director. The new, single director has been in the job for three months and is in the process of downgrading 1 position to serve as an assistant director.
- STO has been attempting to fill 1 position to serve as an internal auditor for over a year. Several offers have been, but none of the applicants elected to take the job. STO is currently trying to get the position upgraded in order to offer a competitive salary.

Analysis in Brief

Major Trends

Bank Accounts Are Reconciled Timely: Despite the continued increase in both the number and total dollar amount of transactions, the average number of days to reconcile accounts has remained under four days since fiscal 2008.

Claims Are Adjusted Accurately and Timely: In fiscal 2012, STO closed 152 more claims than were opened during the year. This trend is projected to continue.

Recommended Actions

1. Concur with Governor's allowance.

E20B
State Treasurer

Operating Budget Analysis

Program Description

The State Treasurer is responsible for the management and protection of State funds and property. In this capacity, the Treasurer selects and manages the depository facilities for State funds, issues or authorizes agents to issue payments of State funds, invests excess funds, safeguards all State securities and investments, and provides insurance protection against sudden and unanticipated damage to State property or liability of State employees. The State Treasurer plans, prepares, and advertises State of Maryland general obligation bond issues, and through the Capital Debt Affordability Committee, reviews the size and condition of State tax-supported debt and other debt of State units on a continuing basis. The State Treasurer annually reviews the total amount of State debt that prudently may be authorized for the next fiscal year.

The key goals of the State Treasurer's Office (STO) are to:

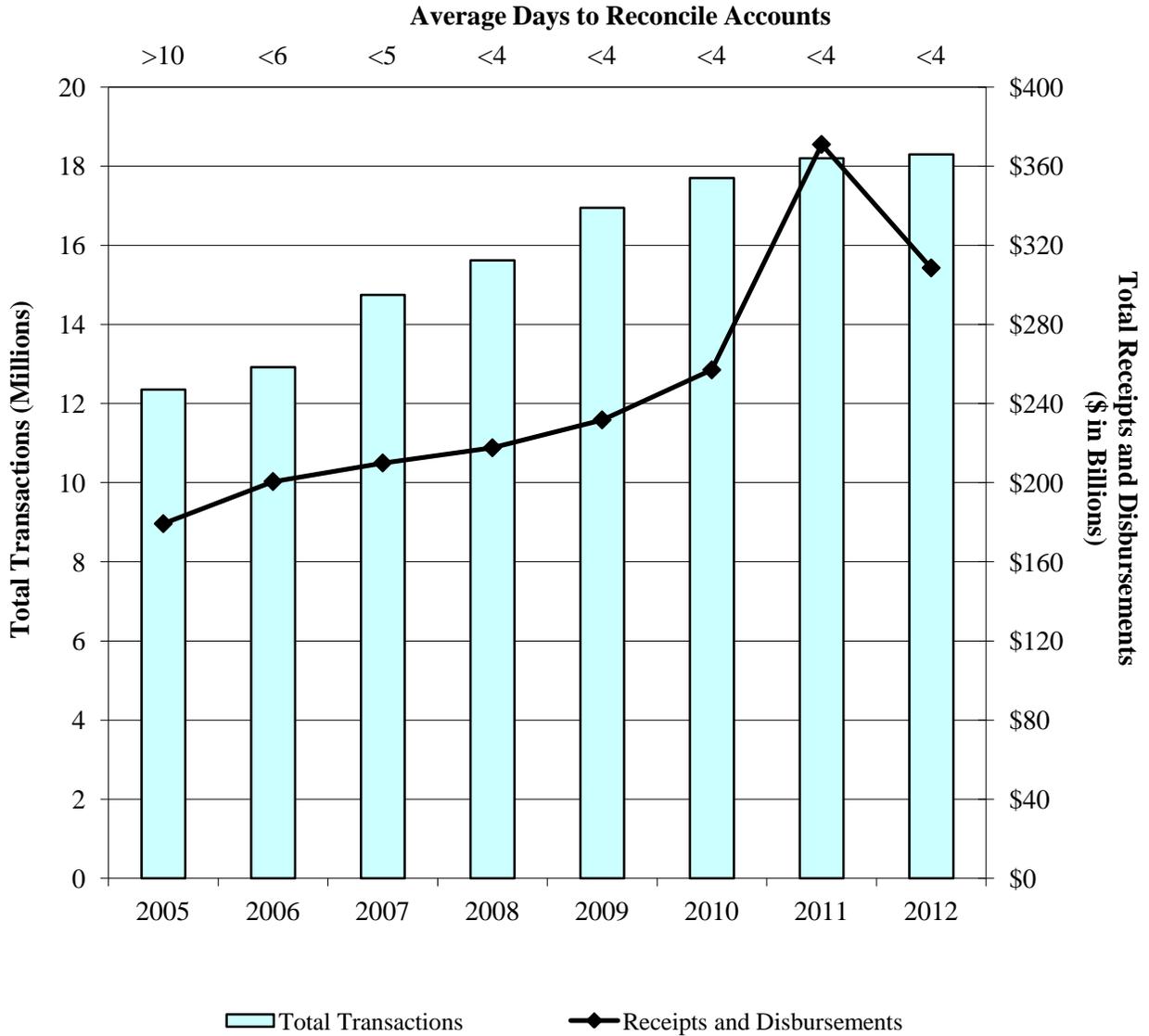
- accurately reconcile all Treasury State bank accounts;
- maximize investment earnings for the State's surplus funds in accordance with State law;
- maintain and enhance the information technology capability and infrastructure to meet the diverse needs of STO and the agencies it serves; and
- process all agency and third party claims submitted to the Insurance Division.

Performance Analysis: Managing for Results

1. Bank Accounts Are Reconciled Timely

As shown in **Exhibit 1**, the number and dollar value of total receipts and disbursements from the bank accounts administered by STO have increased since fiscal 2005. Despite the continued increase in both the number and total dollar amount of transactions, the average number of days to reconcile accounts has remained under 4 days since fiscal 2008. This is a dramatic improvement over the 30 plus days it was taking for reconciliations at the beginning of that decade. The spike in fiscal 2011 in the dollar amount of receipts and disbursements reflects the policy adopted in response to the financial crisis to keep higher liquid balances. These balances were invested over night, resulting in an increased volume of outflows and inflows. As the markets settled down, balances were invested for longer periods.

**Exhibit 1
Total Receipts and Disbursements and Days to Reconcile All Accounts
Fiscal 2005-2012**

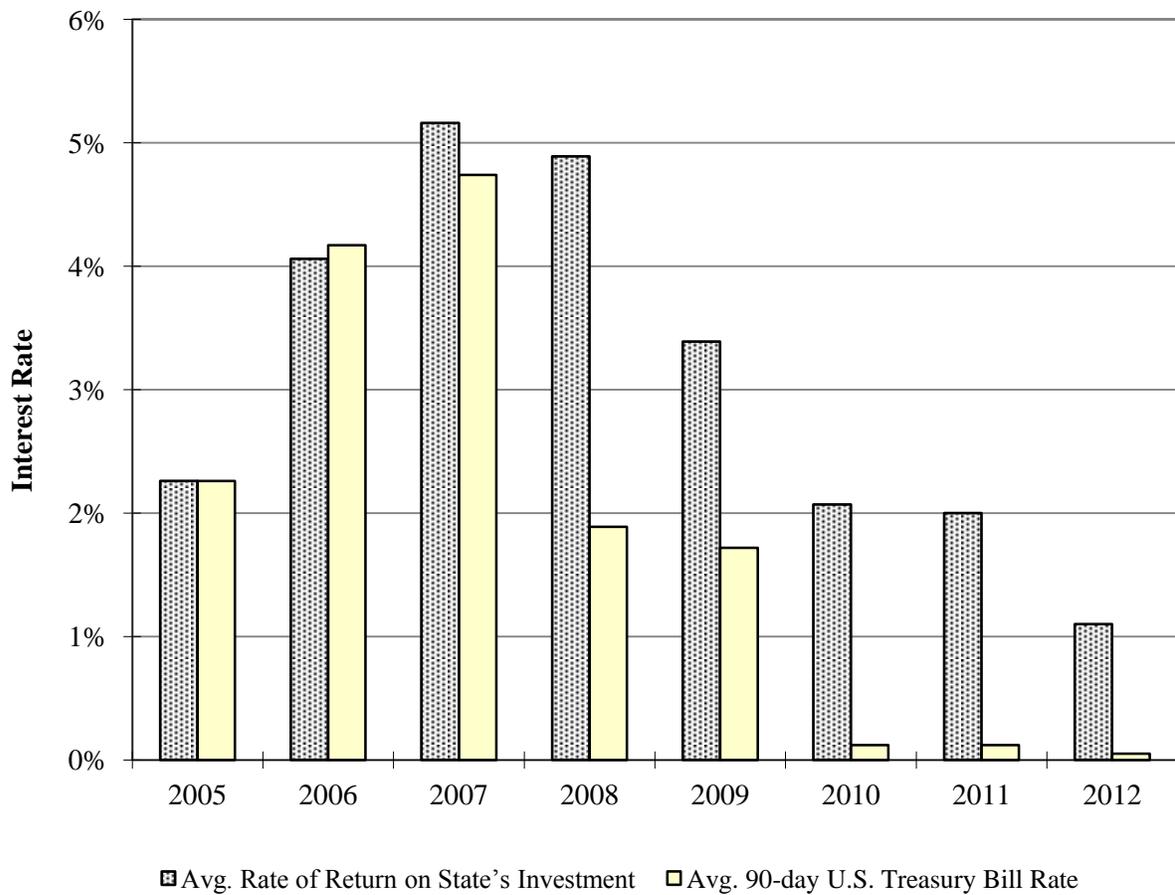


Source: Governor’s Budget Books, Fiscal 2007-2014

2. Investment Earnings Are Maximized

STO is responsible for maximizing investment earnings for the State’s surplus funds. It is limited by law in the types of investments it may make. **Exhibit 2** compares the rate of return on the State’s investment portfolio to the average 90-day U.S. Treasury Bill rate. The economic downturn has reduced the rate of return on investments, but the State’s return has continued to be greater than the 90-day Treasury Bill rate.

Exhibit 2
Comparison of State’s Investment Portfolio and 90-day U.S. Treasury Bill Rates
Fiscal 2005-2012

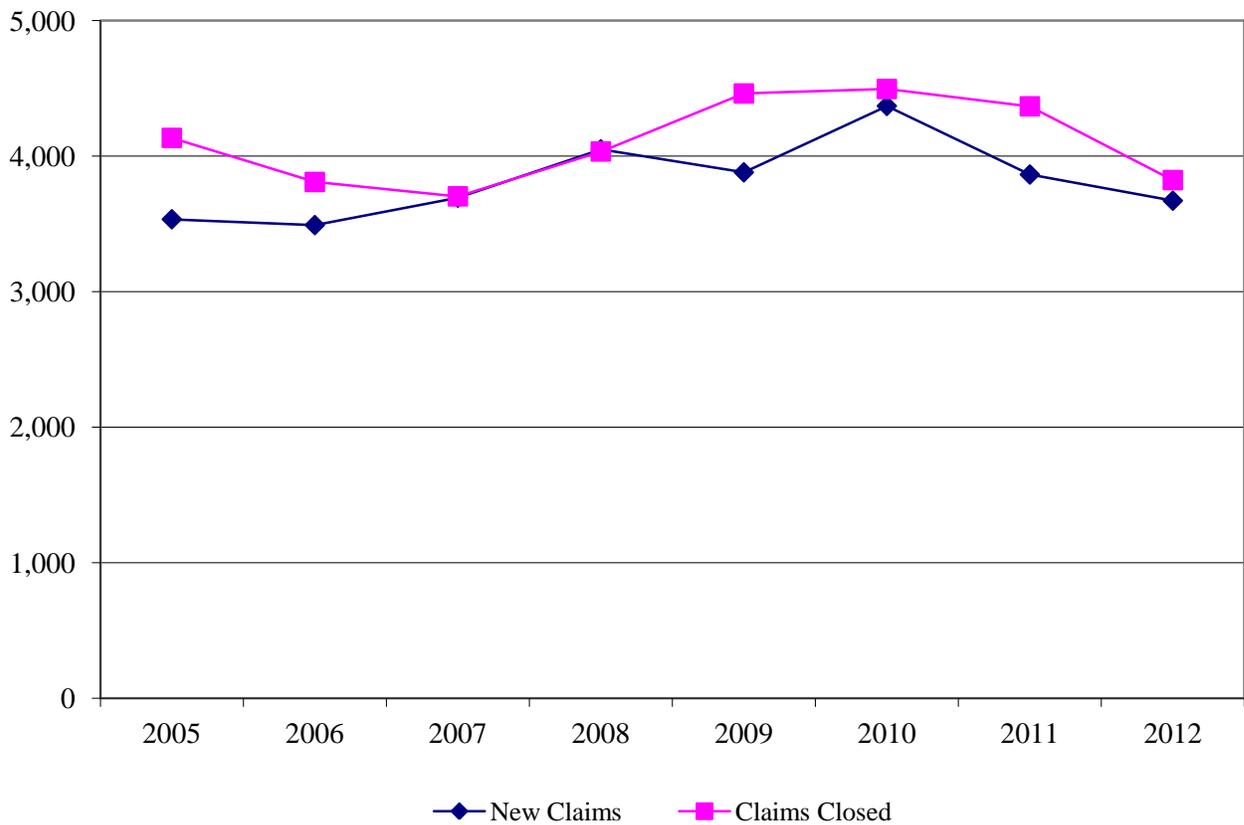


Source: Governor’s Budget Books, Fiscal 2007-2014

3. Claims Are Adjusted Accurately and Timely

STO is responsible for the efficient and cost-effective administration of the State Insurance Program that includes self-insurance and procurement of commercial insurance. **Exhibit 3** compares the number of new claims received with the number of claims closed. In fiscal 2012, there were 152 more claims closed than were opened.

Exhibit 3
New Claims vs. Claims Closed
Fiscal 2005-2012



Source: Governor’s Budget Books, Fiscal 2007-2014

Proposed Budget

As shown in **Exhibit 4**, the fiscal 2014 allowance for STO increases by \$1.5 million over the current year working appropriation. Personnel expenses add a net \$23,000 with increases driven by retirement contributions, annualization of the general salary increase, and employee and retiree health insurance. The bulk of the nonpersonnel-related increase occurs in insurance coverage which increases by \$1.6 million.

Exhibit 4
Proposed Budget
State Treasurer
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Reimb. Fund	Total
2013 Working Appropriation	\$5,118	\$2,617	\$33,321	\$41,056
2014 Allowance	<u>5,123</u>	<u>2,486</u>	<u>34,907</u>	<u>42,516</u>
Amount Change	\$5	-\$131	\$1,586	\$1,460
Percent Change	0.1%	-5.0%	4.8%	3.6%
 Contingent Reductions	 -\$4	 \$0	 \$0	 -\$4
Adjusted Change	\$1	-\$132	\$1,586	\$1,456
Adjusted Percent Change	0.0%	-5.0%	4.8%	3.5%

Where It Goes:

Personnel Expenses

Retirement contributions	\$91
Annualized general salary increase.....	45
Employee and retiree health insurance net of across-the-board reductions to reflect health insurance savings	32
Accrued leave payout	-10
Turnover adjustments	-10
Reclassifications	-38
Reset salaries for vacant positions to base.....	-86
Other fringe benefit adjustments	-1

Where It Goes:

Operations

Insurance coverage	1,640
Banking financial services contracts.....	50
Rent.....	4
Advertising and legal publication contracts.....	-10
Data processing supplies.....	-10
Bond sale expenses	-109
Department of Budget and Management-paid telecommunications.....	-137
Other changes	5
Total	\$1,456

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

Budget Reconciliation and Financing Act of 2013

Section 3 of the Budget Reconciliation and Financing Act of 2013 authorizes the transfer of \$1 million from the State Insurance Trust Fund to the general fund in fiscal 2013. The fiscal 2014 estimated closing balance, with the transfer factored in, is slightly higher than the actuarially recommended minimum balance.

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

Current and Prior Year Budgets Office of the State Treasurer (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2012					
Legislative Appropriation	\$4,694	\$2,803	\$0	\$32,215	\$39,712
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	23	2	0	0	24
Reversions and Cancellations	-206	-1,673	0	-1,565	-3,444
Actual Expenditures	\$4,510	\$1,132	\$0	\$30,650	\$36,292
Fiscal 2013					
Legislative Appropriation	\$5,118	\$2,602	\$0	\$33,321	\$41,041
Budget Amendments	0	15	0	0	15
Working Appropriation	\$5,118	\$2,617	\$0	\$33,321	\$41,056

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

Fiscal 2012

The fiscal 2012 budget for STO closed out \$3,491,462 lower than the legislative appropriation. During the year, \$24,437 was added by budget amendment for the one-time \$750 employee bonuses. This was more than offset by year-end reversions and cancellations totaling \$3,443,899. General fund reversions totaled \$205,944 and represent unexpended bank fees and reduced usage of financial advisor services and legal counsel related to bond sales. Special fund cancellations totaled \$1,673,142. The majority of the special fund cancellation (\$1,429,375) represents the budget for issuing variable rate debt which was not used due to unfavorable market conditions; the remainder of the special fund cancellation (\$243,767) reflects salary savings from filling positions at entry level salaries and from savings associated with new banking contracts. The reimbursable fund cancellation of \$1,564,813 resulted from personnel savings associated with the elimination of the Tort Litigation Unit, salary savings from position vacancies, and unneeded capital lease payments due to the deferral of the purchase of a new check printer.

Fiscal 2013

The fiscal 2013 working appropriation for STO has increased by \$15,233 over the legislative appropriation reflecting special funds added by budget amendment for the general salary increase.

**Object/Fund Difference Report
State Treasurer**

<u>Object/Fund</u>	<u>FY 12 Actual</u>	<u>FY 13 Working Appropriation</u>	<u>FY 14 Allowance</u>	<u>FY 13 - FY 14 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	59.00	57.00	57.00	0.00	0%
Total Positions	59.00	57.00	57.00	0.00	0%
Objects					
01 Salaries and Wages	\$ 4,767,321	\$ 5,280,930	\$ 5,308,007	\$ 27,077	0.5%
02 Technical and Spec. Fees	2,531	3,125	2,000	-1,125	-36.0%
03 Communication	79,889	206,206	72,287	-133,919	-64.9%
04 Travel	21,423	7,000	7,550	550	7.9%
07 Motor Vehicles	31,977	8,975	7,039	-1,936	-21.6%
08 Contractual Services	3,537,756	5,677,919	5,618,264	-59,655	-1.1%
09 Supplies and Materials	97,225	199,301	187,054	-12,247	-6.1%
10 Equipment – Replacement	1,671	112,622	106,956	-5,666	-5.0%
11 Equipment – Additional	785	0	0	0	0.0%
13 Fixed Charges	27,751,504	29,559,769	31,206,847	1,647,078	5.6%
Total Objects	\$ 36,292,082	\$ 41,055,847	\$ 42,516,004	\$ 1,460,157	3.6%
Funds					
01 General Fund	\$ 4,510,483	\$ 5,117,693	\$ 5,122,649	\$ 4,956	0.1%
03 Special Fund	1,131,603	2,617,382	2,486,088	-131,294	-5.0%
09 Reimbursable Fund	30,649,996	33,320,772	34,907,267	1,586,495	4.8%
Total Funds	\$ 36,292,082	\$ 41,055,847	\$ 42,516,004	\$ 1,460,157	3.6%

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.

**Fiscal Summary
State Treasurer**

<u>Program/Unit</u>	<u>FY 12 Actual</u>	<u>FY 13 Wrk Approp</u>	<u>FY 14 Allowance</u>	<u>Change</u>	<u>FY 13 - FY 14 % Change</u>
01 Treasury Management	\$ 5,491,898	\$ 6,787,770	\$ 6,803,616	\$ 15,846	0.2%
01 Insurance Management	2,300,384	2,708,402	2,621,441	-86,961	-3.2%
02 Insurance Coverage	27,720,040	29,538,675	31,179,072	1,640,397	5.6%
01 Bond Sale Expenses	779,760	2,021,000	1,911,875	-109,125	-5.4%
Total Expenditures	\$ 36,292,082	\$ 41,055,847	\$ 42,516,004	\$ 1,460,157	3.6%
General Fund	\$ 4,510,483	\$ 5,117,693	\$ 5,122,649	\$ 4,956	0.1%
Special Fund	1,131,603	2,617,382	2,486,088	-131,294	-5.0%
Total Appropriations	\$ 5,642,086	\$ 7,735,075	\$ 7,608,737	-\$ 126,338	-1.6%
Reimbursable Fund	\$ 30,649,996	\$ 33,320,772	\$ 34,907,267	\$ 1,586,495	4.8%
Total Funds	\$ 36,292,082	\$ 41,055,847	\$ 42,516,004	\$ 1,460,157	3.6%

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.