

E20B
State Treasurer

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	\$4,799	\$5,039	\$5,115	\$76	1.5%
Deficiencies and Reductions	0	0	-7	-7	
Adjusted General Fund	\$4,799	\$5,039	\$5,108	\$69	1.4%
Special Fund	1,332	2,025	1,846	-179	-8.8%
Deficiencies and Reductions	0	0	-1	-1	
Adjusted Special Fund	\$1,332	\$2,025	\$1,845	-\$180	-8.9%
Reimbursable Fund	32,810	37,327	40,218	2,891	7.7%
Deficiencies and Reductions	0	0	0	0	
Adjusted Reimbursable Fund	\$32,810	\$37,327	\$40,218	\$2,891	7.7%
Adjusted Grand Total	\$38,940	\$44,391	\$47,171	\$2,780	6.3%

- The fiscal 2017 allowance increases by \$2.8 million, or 6.3% after adjusting for a back of the bill reduction in health insurance. There is an increase of \$69,000, 1.4%, in general funds. There is a decrease of \$180,000, 8.9% in special funds. Reimbursable funds increase by \$2.9 million, 7.7%, because of insurance coverage.

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

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Personnel Data

	<u>FY 15 Actual</u>	<u>FY 16 Working</u>	<u>FY 17 Allowance</u>	<u>FY 16-17 Change</u>
Regular Positions	59.00	60.00	60.00	0.00
Contractual FTEs	<u>1.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Personnel	60.00	60.00	60.00	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	4.33	7.22%
Positions and Percentage Vacant as of 12/31/15	6.00	10.00%

- The number of regular employees and contractual positions remains unchanged between the current year and the fiscal 2017 allowance.

Analysis in Brief

Major Trends

Bank Accounts Are Reconciled in a Timely Manner: The average number of days to reconcile accounts has dropped to under three days, even as the total receipts and disbursements have increased.

Investment Earnings Are Maximized: 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 U.S. Treasury Bill rate.

Insurance Claims Processed: In fiscal 2015, the State Treasurer's Office saw a decrease in the number of new claims processed and an increase of claims closed.

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 (GO) bond issues and, through the Capital Debt Affordability Committee (CDAC), reviews the size and condition of State tax-supported debt and other debt of State units on a continuing basis. CDAC 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:

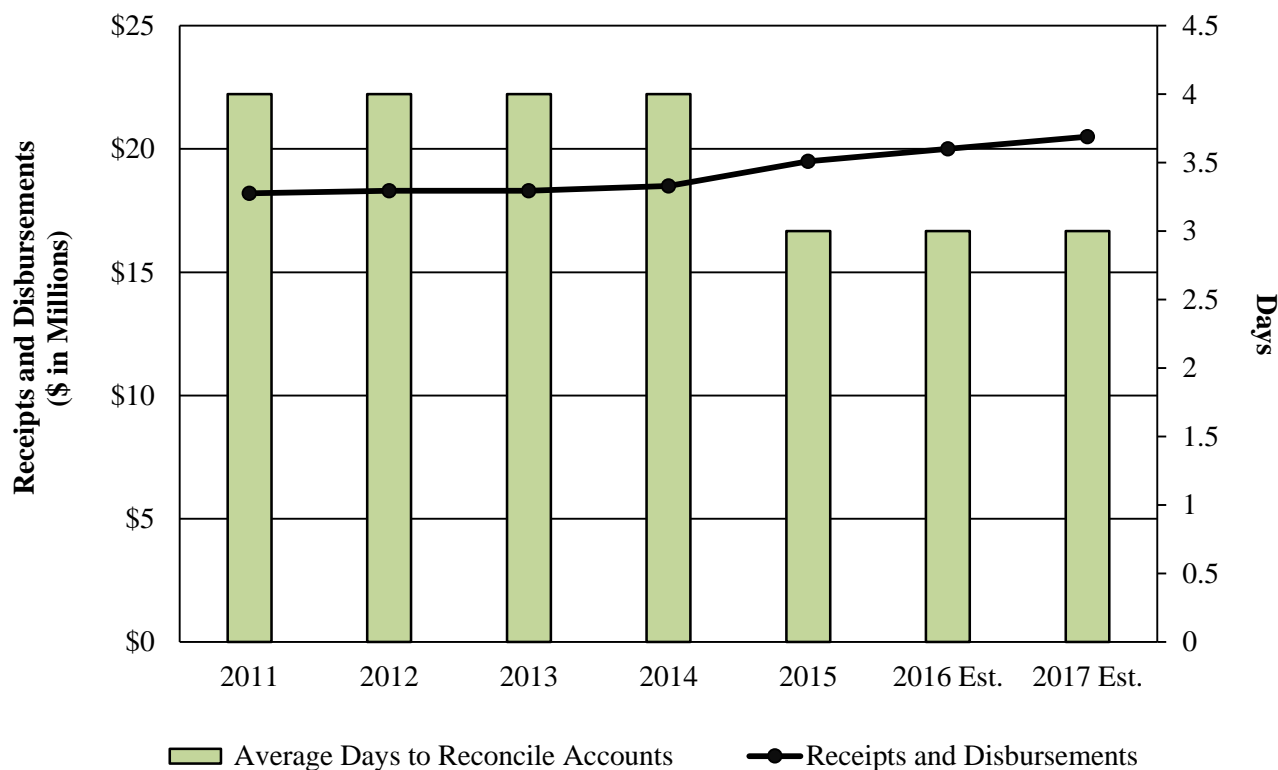
- accurately reconcile all Treasury State bank accounts;
- maximize investment earnings for the State's surplus funds in accordance with State law;
- maintain and enhance the information technology capability and infrastructure to meet the diverse needs of STO and the agencies it serves; and
- process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

Performance Analysis: Managing for Results

1. Bank Accounts Are Reconciled in a Timely Manner

As shown in **Exhibit 1**, receipts and disbursements have increased from \$18.5 million in fiscal 2014 to \$19.5 million in fiscal 2015 with projections showing that number continuing to increase. However, even with receipts and disbursements increasing, the number of days that it takes to reconcile accounts has decreased from less than four days in fiscal 2014 to less than three days in fiscal 2015 with this trend expected to continue.

Exhibit 1
Number of Receipts and Disbursements and
Average Number of Days to Reconcile
Fiscal 2011-2017 Est.

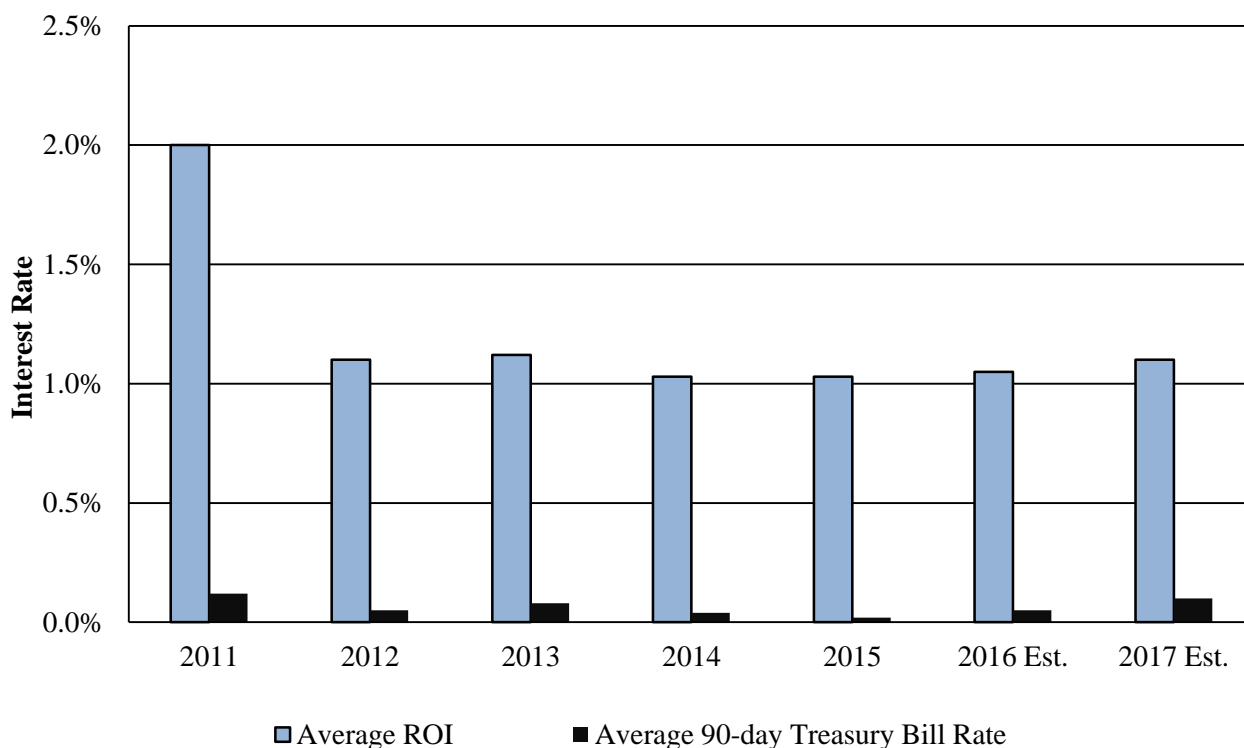


Source: Department of Budget and Management

2. Investment Earnings Are Maximized

STO is responsible for maximizing the investment earnings for the State's surplus funds. There are limitations by statute on the types of investments that the office 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 rate of return for the State has decreased from 2.0% in fiscal 2011 to 1.03% in fiscal 2014 and 2015. The average return on investment for the State still exceeded the average 90-day U.S. Treasury Bill rate, which is STO's goal.

Exhibit 2
Comparison of the State Treasurer’s Office Investment Portfolio ROI
Fiscal 2011-2017 Est.



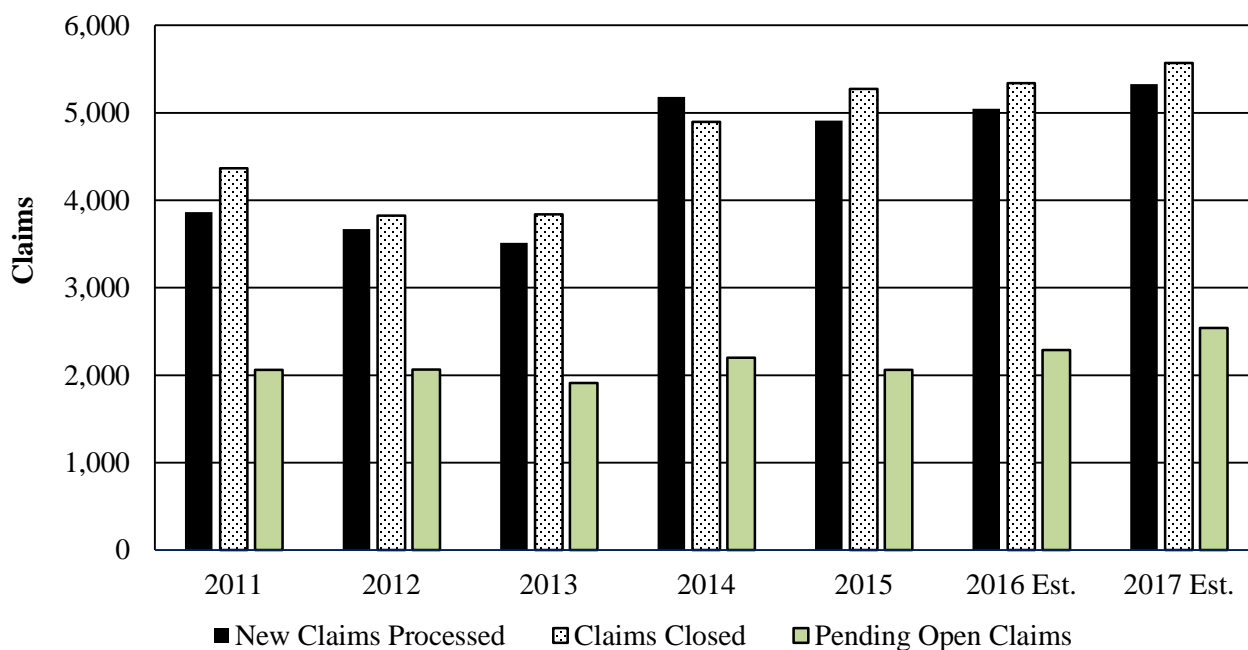
ROI: return on investment

Source: Department of Budget and Management

3. Insurance Claims Processed

STO is responsible for the cost effective administration of the State Insurance Program that includes self-insurance and procurement of commercial insurance to cover catastrophic property and liability issues and other potential claims against the State. **Exhibit 3** outlines the number of pending, processed, and closed insurance claims for each year from fiscal 2011 to 2015 and projections for fiscal 2016 and 2017. While there has been an increase in the number of new claims processed, the rate of claims closed has paralleled the number of new claims, indicating that claims are being processed in a timely manner. The number of pending open claims has also increased as the number of new claims increased but the increase is nominal in comparison to the number of claims closed.

Exhibit 3
Insurance Claims Processed, Closed, and Pending
Fiscal 2011-2017 Est.



Source: Department of Budget and Management

Fiscal 2016 Actions

Cost Containment

The Administration's fiscal 2016 cost containment strategy includes a 2% across-the-board reduction in general funds. The 2016 cost containment reduction for STO was \$105,000, which was derived from savings in administrative supplies and costs associated with the issuance of GO bonds.

Proposed Budget

As shown in **Exhibit 4**, after adjusting for a back of the bill reduction in health insurance, the fiscal 2017 allowance for STO is \$2.8 million, 6.3% above the working appropriation. Personnel costs increased \$225,000 because of higher health insurance and retirement costs and the annualization of costs associated with the addition of a new assistant Attorney General in the middle of fiscal 2016 to

handle tort litigations. Insurance coverage increases the fiscal 2017 allowance by \$2.7 million, which is the estimated State Insurance Trust Fund (SITF) payouts on behalf of State agencies. Agencies are assessed an annual premium based on a collection of strategic assumptions to ensure that funding in the SITF is at actuarially recommended levels. There was also a \$200,000 decrease in costs associated with bond issuance (rating agency costs, *etc.*).

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

How Much It Grows:	General Fund	Special Fund	Reimb. Fund	Total
Fiscal 2015 Actual	\$4,799	\$1,332	\$32,810	\$38,940
Fiscal 2016 Working Appropriation	5,039	2,025	37,327	44,391
Fiscal 2017 Allowance	<u>5,108</u>	<u>1,845</u>	<u>40,218</u>	<u>47,171</u>
Fiscal 2016-2017 Amount Change	\$69	-\$180	\$2,891	\$2,780
Fiscal 2016-2017 Percent Change	1.4%	-8.9%	7.7%	6.3%

Where It Goes:**Personnel Expenses**

Salaries and other compensation	\$140
Employees' retirement system	96
Employee and retiree health insurance	73
Other fringe benefits	-2
Turnover adjustments	-82

Other Changes

Insurance Coverage to the State Treasurer's Office	2,672
Laser check printer capital lease payment	55
Check printing	17
Costs associated with bond issuance	-200
Other	11

Total	\$2,780
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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 \$6,997 in general funds, and \$756 in special funds. There is an additional across-the-board reduction to abolish positions statewide, but the amounts have not been allocated by agency.

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

Current and Prior Year Budgets

State Treasurer

(\$ 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	\$5,129	\$1,924	\$0	\$37,095	\$44,147
Deficiency Appropriation	98	0	0	0	98
Cost Containment	-254	0	0	0	-254
Budget Amendments	17	3	0	0	20
Reversions and Cancellations	-191	-594	0	-4,285	-5,070
Actual Expenditures	\$4,799	\$1,332	\$0	\$32,810	\$38,940
Fiscal 2016					
Legislative Appropriation	\$4,997	\$2,021	\$0	\$37,327	\$44,345
Budget Amendments	42	4	0	0	46
Working Appropriation	\$5,039	\$2,025	\$0	\$37,327	\$44,391

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

Fiscal 2015

The 2015 legislative appropriation for STO decreased by \$5.2 million. A deficiency appropriation increased general funds by \$97,503 to fund an additional regular position. Cost containment decreased general funds by \$253,908. Budget amendments increased general funds by \$17,471 for a cost-of-living adjustment (COLA) and telecommunications. There was \$191,032 in reverted general funds from unfilled regular positions and unspent bank fees.

The special fund appropriation decreased by \$591,618. A budget amendment increased special funds by \$2,721 for a COLA. There was \$594,339 in canceled special funds with \$78,637 for investment reconciliation software and \$515,702 for cost issuance associated with variable rate debt issuance.

The reimbursable fund appropriation decreased by \$4,285,058 through cancellations.

Fiscal 2016

To date, the 2016 legislative appropriation for STO has increased by \$46,000 including \$42,000 in general funds and \$4,000 in special funds to restore the 2% pay cut.

**Object/Fund Difference Report
State Treasurer**

<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	59.00	60.00	60.00	0.00	0%
02 Contractual	1.00	0.00	0.00	0.00	0.0%
Total Positions	60.00	60.00	60.00	0.00	0%
Objects					
01 Salaries and Wages	\$ 5,163,111	\$ 5,826,574	\$ 6,059,188	\$ 232,614	4.0%
02 Technical and Spec. Fees	29,917	2,650	1,650	-1,000	-37.7%
03 Communication	81,117	77,492	78,312	820	1.1%
04 Travel	28,766	11,200	13,250	2,050	18.3%
07 Motor Vehicles	1,992	4,570	4,580	10	0.2%
08 Contractual Services	4,051,564	5,054,903	4,860,967	-193,936	-3.8%
09 Supplies and Materials	156,711	143,593	160,497	16,904	11.8%
10 Equipment – Replacement	102,502	0	57,837	57,837	N/A
11 Equipment – Additional	71,972	0	0	0	0.0%
13 Fixed Charges	29,252,417	33,269,673	35,942,007	2,672,334	8.0%
Total Objects	\$ 38,940,069	\$ 44,390,655	\$ 47,178,288	\$ 2,787,633	6.3%
Funds					
01 General Fund	\$ 4,798,643	\$ 5,039,345	\$ 5,115,000	\$ 75,655	1.5%
03 Special Fund	1,331,923	2,024,618	1,845,511	-179,107	-8.8%
09 Reimbursable Fund	32,809,503	37,326,692	40,217,777	2,891,085	7.7%
Total Funds	\$ 38,940,069	\$ 44,390,655	\$ 47,178,288	\$ 2,787,633	6.3%

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

**Fiscal Summary
State Treasurer**

<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 Treasury Management	\$ 6,147,989	\$ 6,744,930	\$ 6,861,256	\$ 116,326	1.7%
01 Insurance Management	2,755,797	3,023,236	3,221,330	198,094	6.6%
02 Insurance Coverage	29,212,010	33,240,385	35,912,202	2,671,817	8.0%
01 Bond Sale Expenses	824,273	1,382,104	1,183,500	-198,604	-14.4%
Total Expenditures	\$ 38,940,069	\$ 44,390,655	\$ 47,178,288	\$ 2,787,633	6.3%
General Fund	\$ 4,798,643	\$ 5,039,345	\$ 5,115,000	\$ 75,655	1.5%
Special Fund	1,331,923	2,024,618	1,845,511	-179,107	-8.8%
Total Appropriations	\$ 6,130,566	\$ 7,063,963	\$ 6,960,511	-\$ 103,452	-1.5%
Reimbursable Fund	\$ 32,809,503	\$ 37,326,692	\$ 40,217,777	\$ 2,891,085	7.7%
Total Funds	\$ 38,940,069	\$ 44,390,655	\$ 47,178,288	\$ 2,787,633	6.3%

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