

**E20B  
State Treasurer**

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 11 Actual</u>	<u>FY 12 Working</u>	<u>FY 13 Allowance</u>	<u>FY 12-13 Change</u>	<u>% Change Prior Year</u>
General Fund	\$4,569	\$4,716	\$5,125	\$409	8.7%
<b>Adjusted General Fund</b>	<b>\$4,569</b>	<b>\$4,716</b>	<b>\$5,125</b>	<b>\$409</b>	<b>8.7%</b>
Special Fund	1,148	2,805	2,603	-202	-7.2%
<b>Adjusted Special Fund</b>	<b>\$1,148</b>	<b>\$2,805</b>	<b>\$2,603</b>	<b>-\$202</b>	<b>-7.2%</b>
Reimbursable Fund	29,419	32,215	33,321	1,106	3.4%
<b>Adjusted Reimbursable Fund</b>	<b>\$29,419</b>	<b>\$32,215</b>	<b>\$33,321</b>	<b>\$1,106</b>	<b>3.4%</b>
<b>Adjusted Grand Total</b>	<b>\$35,136</b>	<b>\$39,736</b>	<b>\$41,049</b>	<b>\$1,313</b>	<b>3.3%</b>

- The fiscal 2013 allowance increases by \$1.3 million, or 3.3%, over the current year working appropriation. The largest area of increase occurs in reimbursable funds and represents an increase in insurance coverage costs through the State Insurance Trust Fund.

***Personnel Data***

	<u>FY 11 Actual</u>	<u>FY 12 Working</u>	<u>FY 13 Allowance</u>	<u>FY 12-13 Change</u>
Regular Positions	59.00	59.00	57.00	-2.00
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>59.00</b>	<b>59.00</b>	<b>57.00</b>	<b>-2.00</b>

***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	2.10	3.69%
Positions and Percentage Vacant as of 12/31/11	10.00	16.95%

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

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## *E20B – State Treasurer*

- The fiscal 2013 allowance contains 2.0 fewer regular positions than the current year working appropriation due to the abolition of 2.0 vacant positions from the Tort Litigation Unit.
- Budgeted turnover in fiscal 2013 is 3.69% which will require the State Treasurer’s Office (STO) to keep the equivalent of 2.10 positions vacant for the entire year. As of December 31, 2011, STO had 10.0 vacant positions. Two of these positions are abolished in the allowance, and 1.0 position has been filled since the first of the year.

## ***Analysis in Brief***

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### **Major Trends**

***Bank Accounts Are Reconciled Timely:*** Dramatic improvement has occurred since fiscal 2004 in the average number of days it takes to reconcile bank accounts administered by STO, with accounts now being reconciled, on average, in less than four days.

***Claims Are Adjusted Accurately and Timely:*** In fiscal 2011, STO closed 503 more claims than were opened during the year. This trend is projected to continue.

### **Issues**

***Tort Litigation Unit Now Defunct:*** The 2008 STO budget included 6 new positions for a tort litigation unit. Since that time, all the positions except 1 have been abolished as part of cost containment efforts.

### **Recommended Actions**

1. Concur with Governor’s allowance.

**E20B**  
**State Treasurer**

***Operating Budget Analysis***

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**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:

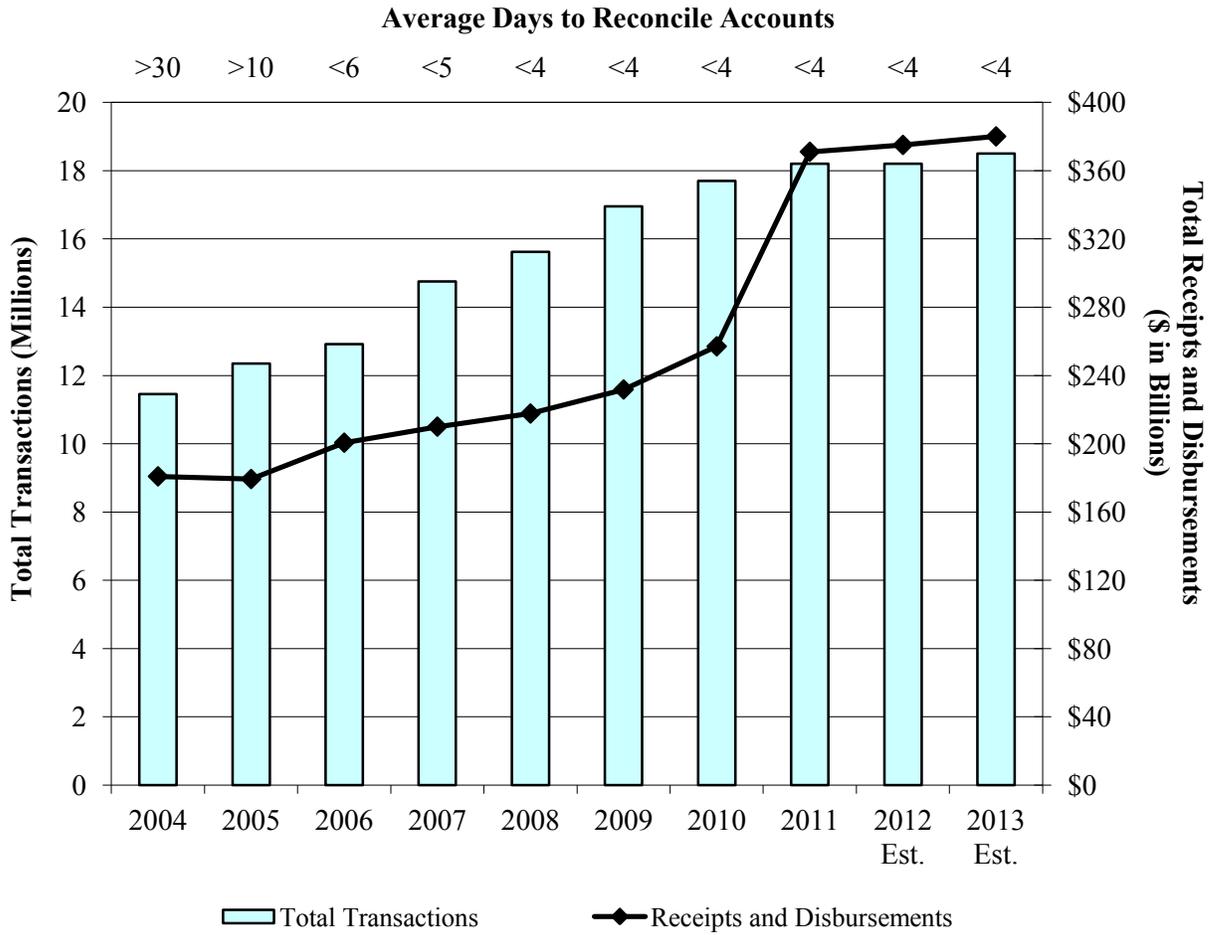
- accurately reconcile all Treasury State bank accounts;
- maximize investment earnings for the State's surplus funds in accordance with State law;
- maintain and enhance the information technology capability and infrastructure to meet the diverse needs of STO and the agencies it serves; and
- process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

**Performance Analysis: Managing for Results**

**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 2004. Since fiscal 2004, there has been a dramatic improvement in the length of time it takes to reconcile all accounts dropping from over 30 days on average in fiscal 2004 to under 4 days since fiscal 2008. Since fiscal 2008, the average number of days to reconcile accounts has remained under 4 days.

**Exhibit 1  
Total Receipts and Disbursements and Days to Reconcile All Accounts  
Fiscal 2004-2013**

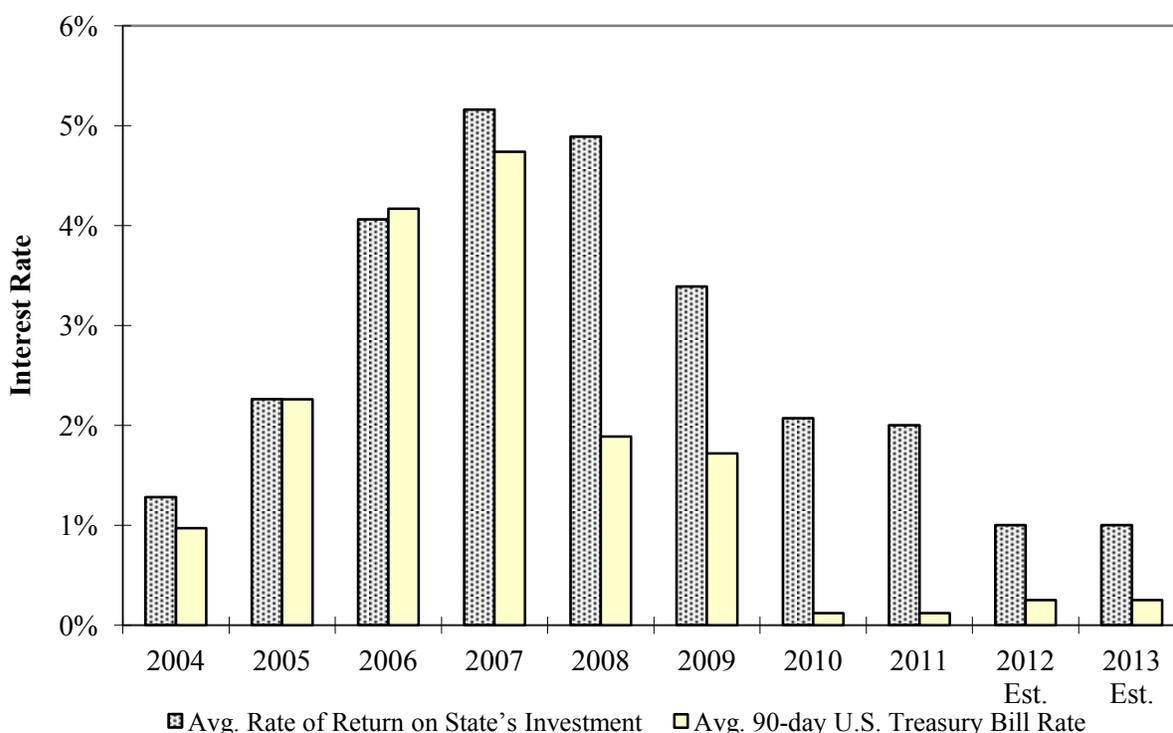


Source: Governor’s Budget Books, Fiscal 2007-2013

## 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 is expected to continue 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 2004-2013**

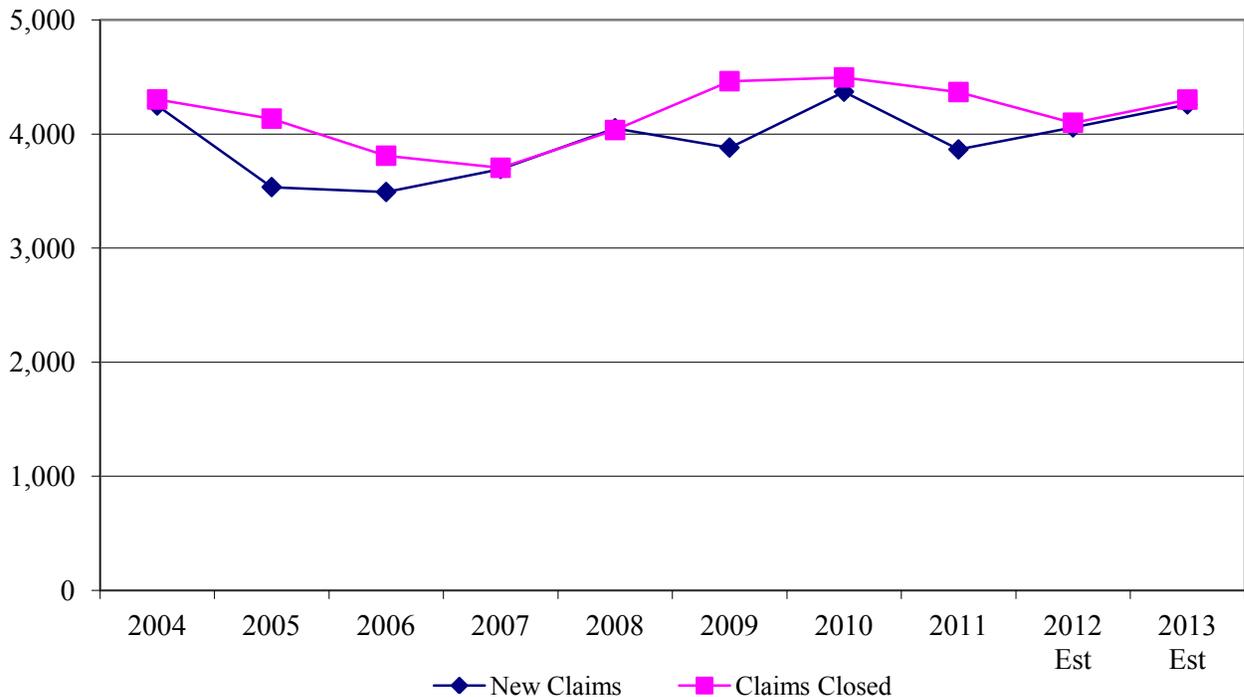


Source: Governor’s Budget Books, Fiscal 2007-2013

## 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 2011, there were 503 more claims closed than were opened.

**Exhibit 3  
New Claims v. Claims Closed  
Fiscal 2004-2013**



Source: Governor’s Budget Books, Fiscal 2007-2013

**Proposed Budget**

As shown in **Exhibit 4**, the fiscal 2013 allowance for STO increases by \$1.3 million over the current year working appropriation. Personnel expenses decrease by \$75,000 driven mainly by abolished positions and removal of funding for the one-time employee bonuses. Insurance coverage through the State Insurance Trust Fund increases by \$1.1 million. Funds for insurance coverage are budgeted in agency budgets and received as reimbursable funds in STO. Other areas of increase include banking financial contracts, a capital lease for a check printer, and statewide cost allocations. These increases are partially offset by a reduction in bond sale expenses and a decrease in the contract to implement the Insurance Claims System.

Section 8 of Senate Bill 152, the Budget Reconciliation and Financing Act of 2012, includes a provision that would transfer \$206,000 from the State Insurance Trust Fund to the general fund in fiscal 2013. The transfer will reduce the estimated balance on June 30, 2012, to \$21.6 million which is \$4.3 million below the actuarial recommended fund balance.

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

<b>How Much It Grows:</b>	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
2012 Working Appropriation	\$4,716	\$2,805	\$32,215	\$39,736
2013 Allowance	<u>5,125</u>	<u>2,603</u>	<u>33,321</u>	<u>41,049</u>
Amount Change	\$409	-\$202	\$1,106	\$1,313
Percent Change	8.7%	-7.2%	3.4%	3.3%
 Contingent Reductions	 \$0	 \$0	 \$0	 \$0
Adjusted Change	\$409	-\$202	\$1,106	\$1,313
Adjusted Percent Change	8.7%	-7.2%	3.4%	3.3%

**Where It Goes:**

**Personnel Expenses**

Employee and retiree health insurance .....	\$84
Retirement contributions .....	46
Reclassifications .....	25
Turnover adjustments .....	-2
Remove one-time employee bonuses .....	-24
Annualize abolished positions .....	-17
Abolished positions .....	-186
Other fringe benefit adjustments .....	-1

**Other Changes**

Insurance coverage .....	1,149
Banking financial services contracts .....	358
Check printer capital lease .....	51
Vehicle purchases .....	-17
Check writing supplies .....	-28
Insurance Claims System implementation contract .....	-50
Bond sale expenses .....	-229

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**Where It Goes:**

**Allocated Costs**

Department of Budget and Management-paid telecommunications .....	111
Statewide personnel system allocation.....	27
Office of the Attorney General administrative fee.....	8
Retirement administrative fee .....	7
Department of Information Technology services allocation.....	7
<b>Other</b> .....	-6
<b>Total</b>	<b>\$1,313</b>

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

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## ***Issues***

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### **1. Tort Litigation Unit Now Defunct**

The 2008 STO budget included 6 new positions for a tort litigation unit including 4 attorneys and 2 support positions. It was envisioned that this unit would assume most of the responsibilities of litigating tort cases from the Assistant Attorneys General in individual State agencies. The hope was that by developing expertise in handling tort cases, the State would save money. The Tort Litigation Unit was never fully staffed due to the hiring freeze and the unfortunate death of 1 of the employees hired into the unit. With the abolition of the 2 vacant positions in the fiscal 2013 allowance, only 1 attorney position, which pre-dated the concept of the litigation unit, remains. Each State agency will remain responsible for handling its own tort cases. **The Treasurer should comment on the concept of having a specialized tort litigation unit and whether a future effort to create such a unit is likely.**

## ***Recommended Actions***

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1. Concur with Governor's allowance.

## *Current and Prior Year Budgets*

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### 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>
<b>Fiscal 2011</b>					
Legislative Appropriation	\$4,637	\$3,268	\$0	\$31,383	\$39,289
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	-68	-2,120	0	-1,964	-4,152
<b>Actual Expenditures</b>	<b>\$4,569</b>	<b>\$1,148</b>	<b>\$0</b>	<b>\$29,419</b>	<b>\$35,136</b>
<b>Fiscal 2012</b>					
Legislative Appropriation	\$4,694	\$2,803	\$0	\$32,215	\$39,712
Budget Amendments	23	2	0	0	24
<b>Working Appropriation</b>	<b>\$4,716</b>	<b>\$2,805</b>	<b>\$0</b>	<b>\$32,215</b>	<b>\$39,736</b>

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

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## **Fiscal 2011**

The fiscal 2011 budget for STO closed out \$4,152,467 lower than the legislative appropriation. A year-end general fund reversion of \$68,437 resulted from general administrative savings (\$17,628) and from lower than budgeted bond sale expenses (\$50,809). A special fund cancellation of \$2,120,136 was also attributed to lower than budgeted bond sale expenses. Finally, a reimbursable fund cancellation of \$1,963,894 reflects lower losses and lower costs for excess insurance in the State Insurance Trust Fund.

## **Fiscal 2012**

The fiscal 2012 working appropriation for STO is 24,437 higher than the legislative appropriation and reflects funds added by budget amendment for the one-time \$750 employee bonuses.

**Object/Fund Difference Report  
State Treasurer**

<u>Object/Fund</u>	<u>FY 11 Actual</u>	<u>FY 12 Working Appropriation</u>	<u>FY 13 Allowance</u>	<u>FY 12 - FY 13 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	59.00	59.00	57.00	-2.00	-3.4%
<b>Total Positions</b>	<b>59.00</b>	<b>59.00</b>	<b>57.00</b>	<b>-2.00</b>	<b>-3.4%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 4,945,708	\$ 5,349,386	\$ 5,274,237	-\$ 75,149	-1.4%
02 Technical and Spec. Fees	1,291	3,125	3,125	0	0%
03 Communication	91,212	93,964	206,206	112,242	119.5%
04 Travel	14,351	7,000	7,000	0	0%
07 Motor Vehicles	9,083	24,486	8,975	-15,511	-63.3%
08 Contractual Services	3,888,004	5,556,547	5,677,919	121,372	2.2%
09 Supplies and Materials	185,361	227,066	199,301	-27,765	-12.2%
10 Equipment – Replacement	7,607	61,131	112,622	51,491	84.2%
11 Equipment – Additional	5,259	0	0	0	0.0%
13 Fixed Charges	25,988,227	28,413,276	29,559,769	1,146,493	4.0%
<b>Total Objects</b>	<b>\$ 35,136,103</b>	<b>\$ 39,735,981</b>	<b>\$ 41,049,154</b>	<b>\$ 1,313,173</b>	<b>3.3%</b>
<b>Funds</b>					
01 General Fund	\$ 4,568,756	\$ 4,716,427	\$ 5,125,348	\$ 408,921	8.7%
03 Special Fund	1,148,356	2,804,745	2,603,034	-201,711	-7.2%
09 Reimbursable Fund	29,418,991	32,214,809	33,320,772	1,105,963	3.4%
<b>Total Funds</b>	<b>\$ 35,136,103</b>	<b>\$ 39,735,981</b>	<b>\$ 41,049,154</b>	<b>\$ 1,313,173</b>	<b>3.3%</b>

Note: The fiscal 2012 appropriation does not include deficiencies.

**Fiscal Summary  
State Treasurer**

<u>Program/Unit</u>	<u>FY 11 Actual</u>	<u>FY 12 Wrk Approp</u>	<u>FY 13 Allowance</u>	<u>Change</u>	<u>FY 12 - FY 13 % Change</u>
01 Treasury Management	\$ 6,068,284	\$ 6,249,088	\$ 6,781,077	\$ 531,989	8.5%
01 Insurance Management	2,533,785	2,847,056	2,708,402	-138,654	-4.9%
02 Insurance Coverage	25,946,197	28,389,837	29,538,675	1,148,838	4.0%
01 Bond Sale Expenses	587,837	2,250,000	2,021,000	-229,000	-10.2%
<b>Total Expenditures</b>	<b>\$ 35,136,103</b>	<b>\$ 39,735,981</b>	<b>\$ 41,049,154</b>	<b>\$ 1,313,173</b>	<b>3.3%</b>
General Fund	\$ 4,568,756	\$ 4,716,427	\$ 5,125,348	\$ 408,921	8.7%
Special Fund	1,148,356	2,804,745	2,603,034	-201,711	-7.2%
<b>Total Appropriations</b>	<b>\$ 5,717,112</b>	<b>\$ 7,521,172</b>	<b>\$ 7,728,382</b>	<b>\$ 207,210</b>	<b>2.8%</b>
Reimbursable Fund	\$ 29,418,991	\$ 32,214,809	\$ 33,320,772	\$ 1,105,963	3.4%
<b>Total Funds</b>	<b>\$ 35,136,103</b>	<b>\$ 39,735,981</b>	<b>\$ 41,049,154</b>	<b>\$ 1,313,173</b>	<b>3.3%</b>

Note: The fiscal 2012 appropriation does not include deficiencies.