

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 1012 (The Speaker)(By Request - State Treasurer)
Health and Government Operations and Education, Energy, and the Environment and
Economic Matters Budget and Taxation

State Officers and Employees – Required Surety Bonds – Insurance Policies
Authorized

This bill repeals provisions under the State Government Article pertaining to the Maryland State Employees Surety Bond Committee and transfers specified duties of the committee to the State Treasurer. The bill also authorizes specified officers and employees of the State who are required to be covered by surety bonds to alternatively be covered by insurance policies of the type and in the amount of coverage determined by the State Treasurer. **The bill takes effect June 1, 2024.**

Fiscal Summary

State Effect: The bill likely results in operational efficiencies, and potentially cost savings, due to the consolidation and transfer of specified duties to the State Treasurer and authorization that specified officers and employees of the State be covered by insurance policies, which may be less expensive than surety bonds. The State Treasurer’s Office can handle the bill’s requirements with existing resources. State revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The State Treasurer must consider the duties and responsibilities of any State officer or employee when determining the type and amount of coverage of any bond or insurance policy required by State law. Any State officer or employee who is required

to be bonded or insured, or in the opinion of the State Treasurer *should* be bonded or insured, must be covered by a surety bond or an insurance policy of the type, amount, and term determined by the State Treasurer, as specified.

The State Treasurer must keep a record of each insurance policy. On the purchase of any bond required by State law, a copy of the bond must be sent to the Comptroller who must keep a record of (1) the name of the officer or employee for whom a bond is issued; (2) the name of the agency in which the officer or employee is employed; (3) the name of the company issuing the bond; and (4) the amount, date, and time of expiration of the bond and of any certificate renewing the bond.

The bill requires the Governor, in consultation with the State Treasurer, to determine the type and amount of coverage provided by an insurance policy covering the State Treasurer while in office. The State Treasurer must keep a record of any insurance policy procured for this purpose.

An insurance policy purchased for the State Treasurer as custodian of the Unemployment Insurance Fund must be of the type and in the amount determined by the State Treasurer in consultation with the Secretary of Labor.

Current Law:

Maryland State Employees Surety Bond Committee

Chapter 702 of 1967 created the Maryland State Employees Surety Bond Committee. Title 9, Subtitle 17 of the State Government Article outlines the powers and duties of the committee, which consists of the State Treasurer, State Comptroller, and Attorney General or their designated representatives. The committee may periodically set the type, amount, and term of the bonds of State officers and employees who are either required by State law to be bonded, or in the opinion of the committee *should* be bonded. The specified bonds must be purchased by the State Treasurer after approval by the Board of Public Works (BPW) from a company authorized to issue the bonds and do business in the State. The premium on all bonds purchased must be provided by the State budget. The State Treasurer is authorized, after approval of BPW, to cancel a bond and collect any rebate of the premium at any time any bond coverage is no longer required.

Each bond must be approved by the Attorney General and filed with the Comptroller's Office. The Comptroller's Office must keep a record of (1) the name of the officer or employee for whom a bond is issued; (2) the name of the agency in which the officer or employee is employed; (3) the name of the company issuing the bond; and (4) the amount, date, and time of expiration of the bond and of any certificate renewing the bond.

Background: As described by the National Association of Surety Bond Producers (NASBP), “[a] surety bond is a promise to be liable for the debt, default, or failure of another. It is a three-party contract by which one party (the surety) guarantees the performance or obligations of a second party (the principal) to a third party (the obligee).”

NASBP indicates that there are two broad categories of surety bonds: (1) contract surety bonds (written for construction projects); and (2) commercial surety bonds, which cover a broad range of surety bonds, including public official bonds, which are typically required by statute for certain holders of public office, to protect the public from malfeasance by an official or from an official’s failure to faithfully perform duties.

The Treasurer’s Office notes the State Employees Surety Bond Committee has not met since 2005.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 775 (The President)(By Request - State Treasurer) - Education, Energy, and the Environment and Budget and Taxation.

Information Source(s): Maryland State Treasurer’s Office; National Association of Surety Bond Producers; Department of Legislative Services

Fiscal Note History: First Reader - February 25, 2024
js/hlb Third Reader - March 14, 2024

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