

# E20B State Treasurer

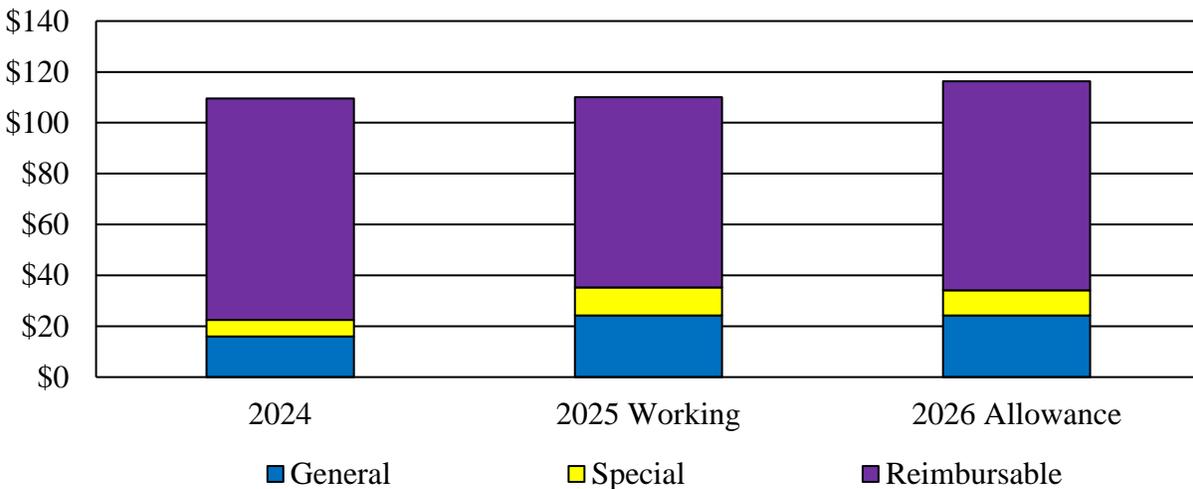
## Program Description

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, authorizes agents to issue payments of State funds, invests excess funds, safekeeps 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, 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. Effective June 1, 2023, the State Treasurer oversees the Maryland 529 program, which provides options to encourage Marylanders to save in advance for educational and disability-related expenses. The Maryland 529 has three arms: Maryland Prepaid College Trust (MPCT); Maryland Saves4College Program; and Maryland Achieving a Better Life Experience (ABLE) Program.

## Operating Budget Summary

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### Fiscal 2026 Budget Increases \$6.2 Million, or 5.6%, to \$116.3 Million (\$ in Millions)



Note: The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency's budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

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## **Fiscal 2025**

### **Implementation of Legislative Priorities**

Chapter 716 of 2024 provided \$250,000 in general funds to reduce turnover expectancy.

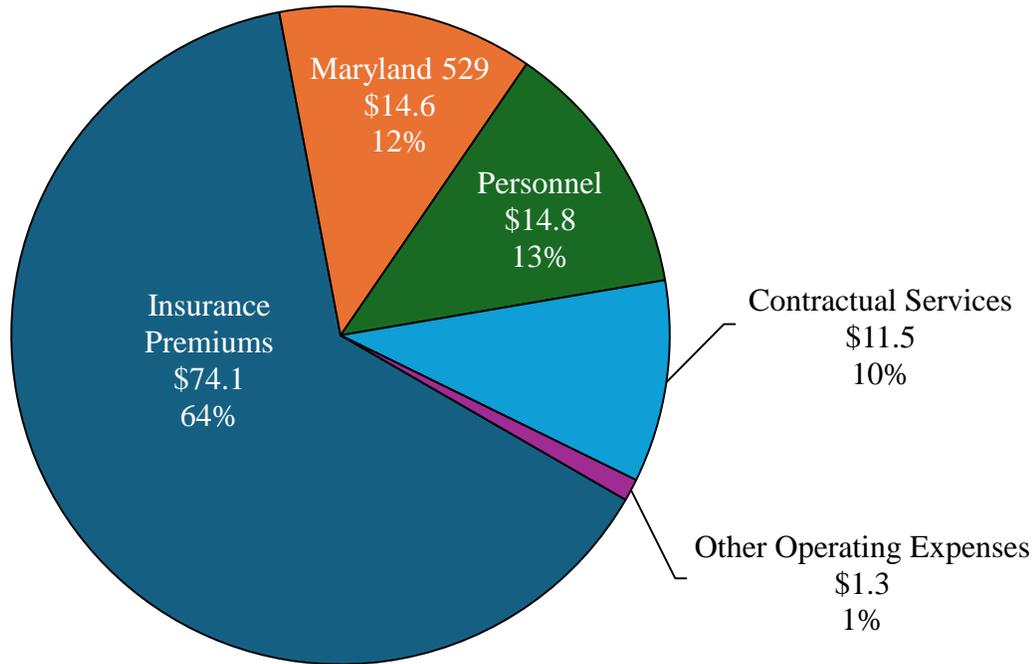
Chapter 720 of 2024 amended §1 of Chapter 102 of 2023 to allow the use of bond premium revenues from fiscal 2025 to support the projects in Chapter 102.

The Financial Systems Modernization is the major information technology project whose goal is to replace the core financial interface and insurance management system with a modern Treasury Management System and Insurance Management System. This enables the State Treasurer to execute its constitutional responsibilities to disburse funds. The objective is to implement a cloud-based system designed to enhance business and technology processes primarily in the Insurance, Accounting, and Treasury Management divisions. The project is expected to experience production delays due to the State Treasurer’s project staff sharing their time with multiple agency projects. The cost increased by \$182,146 in fiscal 2025 compared to fiscal 2024, and the cost decreases by \$546,319 in the fiscal 2026 allowance compared to fiscal 2025. The estimated completion date has been extended to fiscal 2027.

### **Fiscal 2026 Overview of Agency Spending**

The fiscal 2026 allowance for the State Treasurer totals \$116.3 million. As shown in **Exhibit 1**, the majority of the fiscal 2026 allowance (\$74 million, or 64%) supports insurance premiums. The Maryland 529 program comprises approximately \$14.6 million, or 12%, of the budget.

**Exhibit 1**  
**Overview of Agency Spending**  
**Fiscal 2026 Allowance**  
**(\$ in Millions)**



Note: The fiscal 2026 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

Source: Department of Budget and Management

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**Proposed Budget Change**

As shown in **Exhibit 2**, the State Treasurer’s fiscal 2026 allowance increases by a net of \$6.2 million compared to the fiscal 2025 appropriation. The largest spending increase, \$9.9 million in reimbursable funds for insurance premiums, occurs due to the higher cost of commercial premiums, claim insurance premiums, cybersecurity insurance, and higher replacement values for property. The largest decrease is the Major Information Technology Development Project (Financial Systems Modernization) decreasing by \$5 million to \$0 in the fiscal 2026 allowance compared to the fiscal 2025 appropriation.

**Exhibit 2**  
**Proposed Budget**  
**State Treasurer**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b>General Fund</b>	<b>Special Fund</b>	<b>Reimb. Fund</b>	<b>Total</b>
Fiscal 2024 Actual	\$15,955	\$6,582	\$86,982	\$109,519
Fiscal 2025 Working Appropriation	24,248	10,992	74,858	110,098
Fiscal 2026 Allowance	<u>24,303</u>	<u>9,868</u>	<u>82,145</u>	<u>116,316</u>
Fiscal 2025-2026 Amount Change	\$55	-\$1,125	\$7,287	\$6,218
Fiscal 2025-2026 Percent Change	0.2%	-10.2%	9.7%	5.6%

<b>Where It Goes:</b>	<b><u>Change</u></b>
<b>Personnel Expenses</b>	
Salary increases and associated fringe benefits, including fiscal 2025 cost-of-living adjustment and increments.....	\$1,435
Turnover decreases from 6.89% to 6.03% .....	20
Accrued leave payout .....	38
Employee and retiree health insurance.....	-52
Reclassification .....	-185
<b>Other Changes</b>	
Insurance premiums .....	9,894
State Treasurer’s treasury management reimbursement from the State Insurance Trust Fund for partial salaries .....	255
Brinks armored courier service to pick up deposits from agencies.....	244
M&T Investment Group to disburse State checks and hold investments .....	75
Cost allocations .....	33
Contractual employee payroll .....	19
Supplies and equipment .....	-95
Wells Fargo bank for depositing funds for State agencies.....	-133
Analog-to-digital converter computer usage.....	-374
Major Information Technology Development Project .....	-5,006
Other changes .....	49
<b>Total</b>	<b>\$6,218</b>

Note: Numbers may not sum to total due to rounding. The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency’s budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

***Personnel Data***

	<b><u>FY 24 Actual</u></b>	<b><u>FY 25 Working</u></b>	<b><u>FY 26 Allowance</u></b>	<b><u>FY 25-26 Change</u></b>
Regular Positions	96.00	96.00	96.00	0.00
Contractual FTEs	<u>11.14</u>	<u>5.33</u>	<u>5.33</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>107.14</b>	<b>101.33</b>	<b>101.33</b>	<b>0.00</b>

***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	5.79	6.03%
Positions and Percentage Vacant as of 12/31/24	3.00	3.13%
Vacancies Below Turnover	2.79	

- As of December 2024, 2 of 3 positions have been vacant for less than nine months, while 1 position has been vacant for more than one year.

## ***Key Observations***

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### **1. Maryland 529 Plan**

The Maryland ABLE Organizational Authorized Legal Representative (ALR) program has 60 participating organizations. ALR has 36% of ABLE accounts and \$32.5 million of ABLE assets. The average account balance is over \$14,000 as of June 30, 2024, which is higher than the national average by around \$4,000. The ABLE program reached \$100 million in assets under management for 6,800 Marylanders on October 1, 2024. Transparency with the public about ABLE has increased due to Chapter 173 of 2024, requiring local schools to present information about the program to parents.

The Maryland College Investment Plan is administered by the T. Rowe Price investment management company whose administrative fees are paid based on the performance of the portfolio. The College Investment Plan had 361,134 accounts in fiscal 2024, which is an increase of 4% compared to fiscal 2023. The total contributions increased by 24% to \$938.8 million.

MPCT lets individuals prepay for college tuition at current rates that they can use to cover tuition and fees for their children when they are of college age. MPCT has a minimum benefit that is equal to payments made under the plan’s contract minus operating expenses plus a rate of return.

In December 2019, the Office of Legislative Audits released a fiscal compliance audit with a finding that the MPCT calculations for refunds/rollovers resulted in excessive payments. Maryland 529 changed its recordkeeping and created a new earnings rate that led to a calculation error in August 2021. This error resulted in account holders receiving inaccurate account information in November 2021. The earnings were frozen by Maryland 529 to address the miscalculation in April 2022. Chapter 113 of 2023 abolished the Maryland 529 Board, required that MPCT no longer receive new enrollments, and transferred program administration to the State Treasurer on June 1, 2023. MPCT will only serve existing account holders.

In July 2023, the State Treasurer presented a four-phase policy change to reform MPCT and has since implemented all four phases:

- established a 6% retroactive earnings rate on historical account balances;
- updated the automated recordkeeping system (online portal) to reflect the new account balances;
- established the parameters for claims stemming from the November 2021 disclosure statement change; and
- set the earnings rate at 0% to stop the accrual of new interest on MPCT account balances.

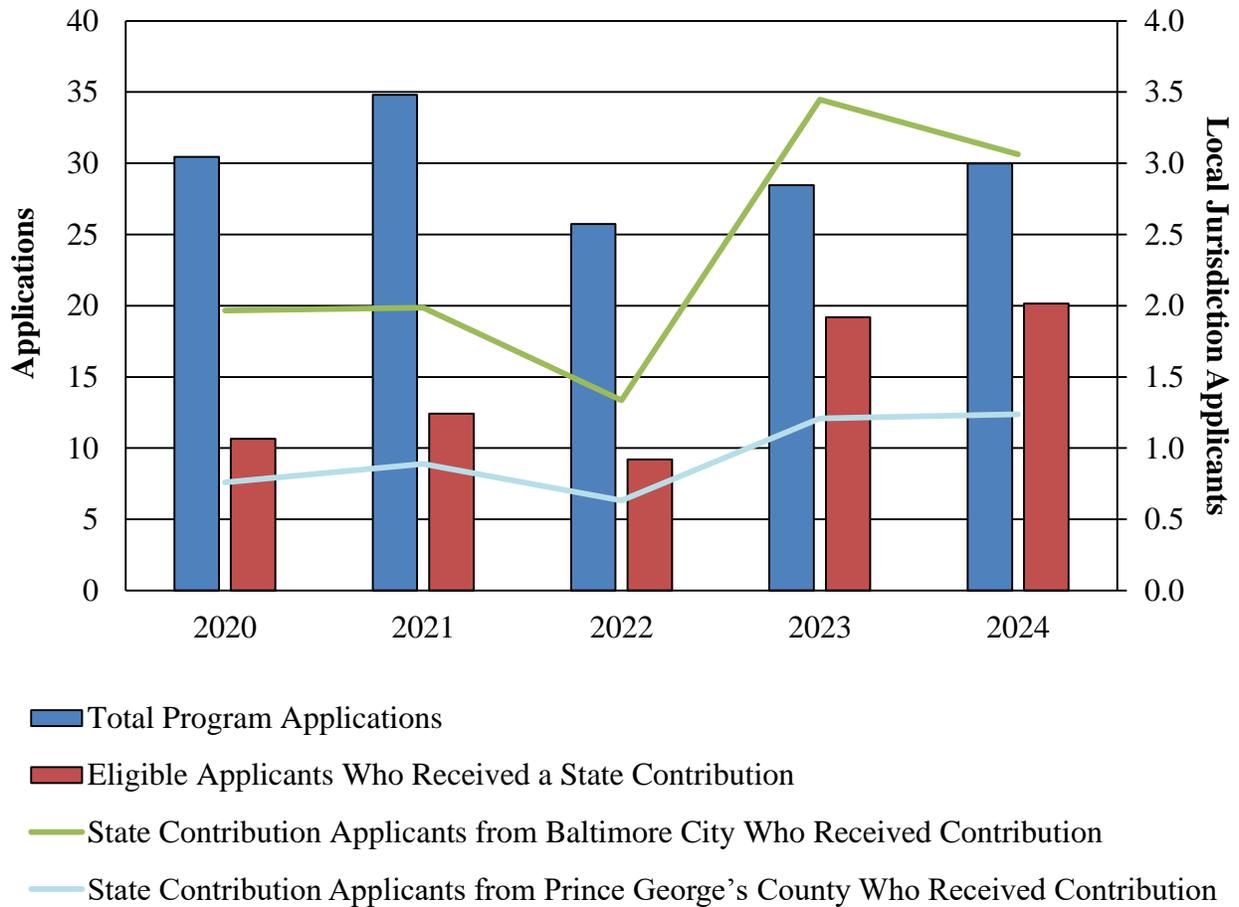
As of June 30, 2024, 27,673 accounts remain. **The State Treasurer should provide a status update on the implementation of the programmatic policy changes.**

## **2. Save4College State Contribution Program**

Maryland 529 manages the Save4College State Contribution Program that provides flexible and affordable 529 plans to help Maryland families save for future education expenses and reduce dependence on student loans. The program provides applicants within certain income limitations a matching contribution of up to \$500 to a college savings investment account.

**Exhibit 3** provides information on the total program applications and the number of eligible applicants who received a State contribution from fiscal 2020 to 2024. The total number of program applications in fiscal 2024 was 29,977, an increase of 1,521 applications (5%) compared to fiscal 2023, continuing the recent upward trend. Since fiscal 2022, the number of program applications has increased by 16%. The number of eligible applicants who received a State contribution in fiscal 2024 was 20,162, an increase of 966 applicants (5%) compared to fiscal 2023, reaching the highest number of applicants in the last five years and continuing the upward trend since fiscal 2022.

**Exhibit 3**  
**Save4College State Contribution Program**  
**Total Applications and Number Eligible for Match**  
**Fiscal 2020-2024**  
**(in Thousands)**

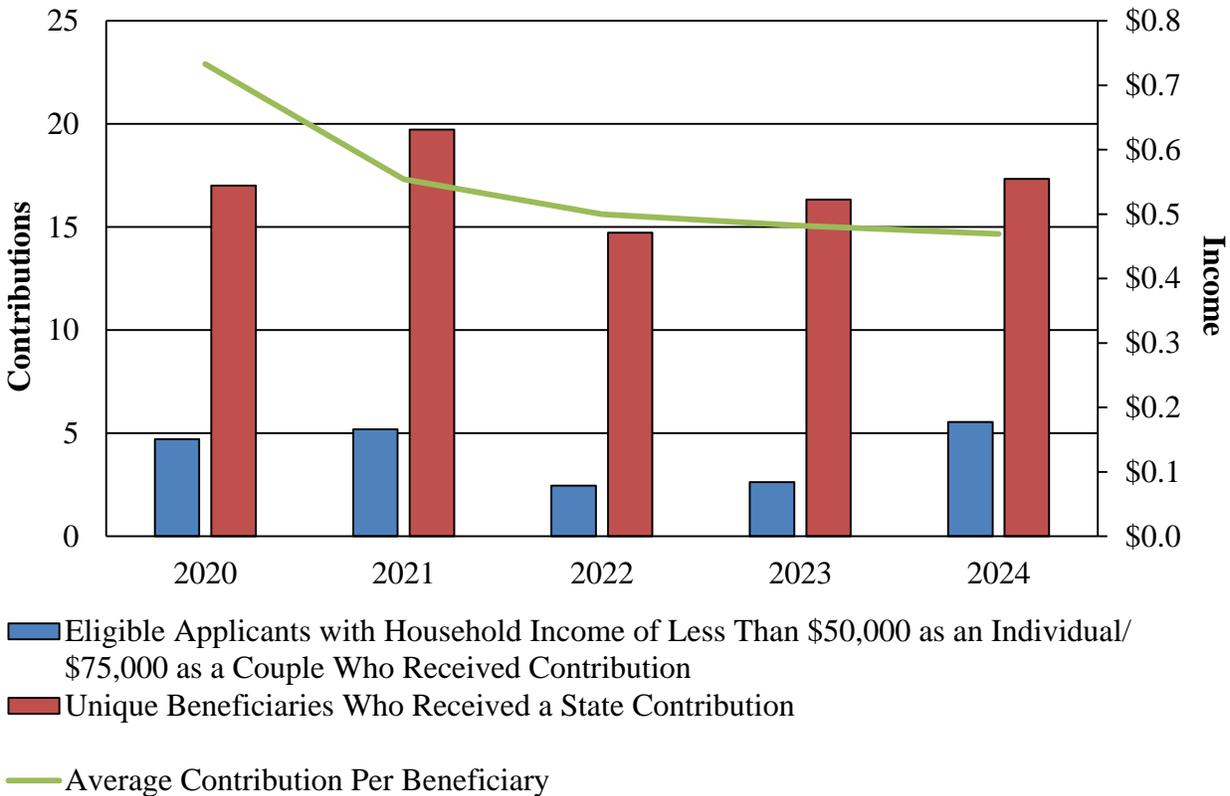


Source: Department of Budget and Management

One of the program’s objectives is to increase enrollment in Baltimore City and Prince George’s County. In Baltimore City, the number of applicants receiving a State contribution in fiscal 2024 was 3,063, a decrease of 384 applicants (11%) compared to fiscal 2023. The decrease in fiscal 2024 followed a significant increase of 158% in fiscal 2023 compared to fiscal 2022. Despite this decrease, the number of Baltimore City applicants in fiscal 2024 is significantly higher than in fiscal 2022. In Prince George’s County, the number of applicants receiving a State contribution in fiscal 2024 was 1,237, a small increase of 28 applicants (2%) compared to fiscal 2023.

Another program objective is to increase enrollment in the Save4College Program by low-income households earning less than \$50,000 as an individual or \$75,000 as a couple. **Exhibit 4** shows the number of unique beneficiaries who received a State contribution and the number of eligible applicants with low household income who received contributions. The number of applicants from low-income households who received a contribution in fiscal 2024 was 5,538, a significant increase of 2,913 applicants (111%) compared to fiscal 2023, reaching the highest number of applicants in the last five years and continuing the upward trend since fiscal 2022. The number of unique beneficiaries in fiscal 2024 was 17,338, an increase of 1,007 applicants (6%) compared to fiscal 2023, continuing the upward trend since fiscal 2022. The average contribution in fiscal 2024 is \$469, a slight decrease of \$13 (3%) compared to fiscal 2023. This shows a downward trend over the last five years where the average contribution has decreased by 36% from fiscal 2020 to 2024.

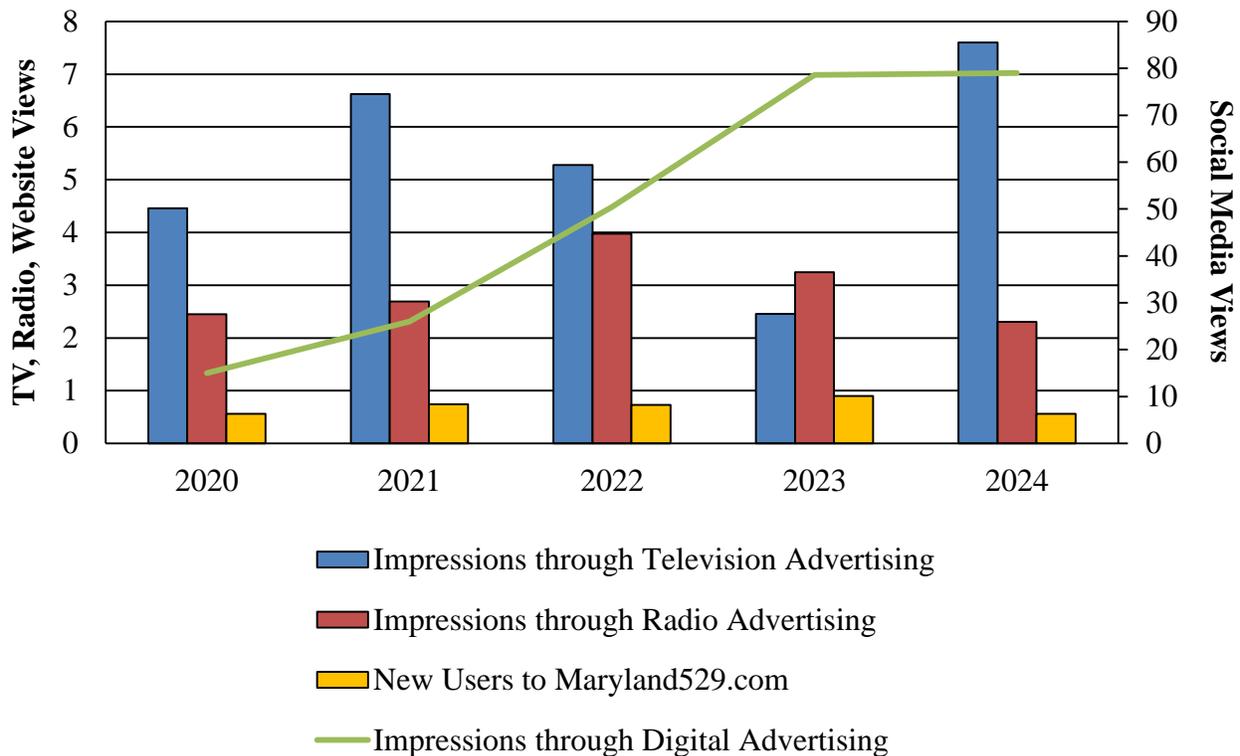
**Exhibit 4**  
**Save4College State Contributions Received Based on Income**  
**Fiscal 2020-2024**  
**(In Thousands)**



Source: Department of Budget and Management

One of the State Treasurer’s goals is to raise awareness and participation in MPCT and the Maryland College Investment Plan. The objective is to communicate the benefits of the Maryland 529 plans to adults ages 25 to 44 with children ages 0 to 12 in the State. As shown in **Exhibit 5**, comparing fiscal 2019 to 2023, the impressions through television in fiscal 2024 were 7.6 million, a significant increase of 5.1 million views (210%) compared to fiscal 2023. The impressions through radio in fiscal 2024 were 2.3 million, a decrease of 940,210 listeners (29%) compared to fiscal 2023, continuing the downward trend, decreasing by 42% since fiscal 2022. Fiscal 2024 had the lowest number of listeners in the last five years. There were 564,000 new users to the Maryland529.com website in fiscal 2024, a decrease of 337,296 users (37%) compared to fiscal 2023. Impressions through digital advertising (social media) in fiscal 2024 were 79 million, an increase of 400,000 views (0.5%) compared to fiscal 2023 and an increase of 64 million views (427%) since fiscal 2020.

**Exhibit 5**  
**Maryland 529 Plan Advertising and Users**  
**Fiscal 2020-2024**  
**(in Millions)**



Source: Department of Budget and Management

### **3. State’s Investment Portfolio Earnings**

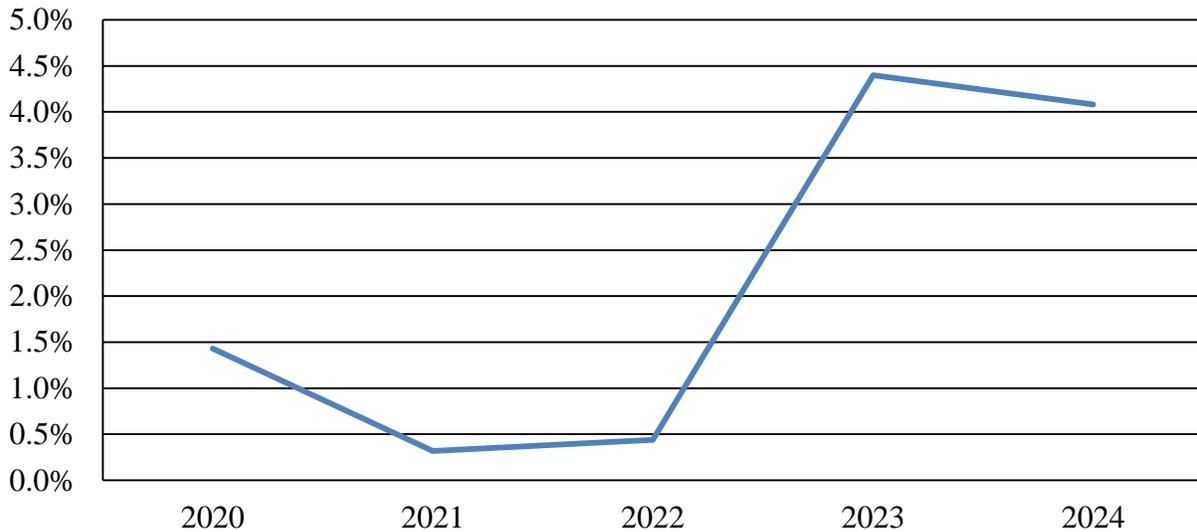
The Treasury Management Division’s Investment Department is responsible for the investment of unexpended State funds that are temporarily idle between the time that revenue is collected and budgeted amounts are disbursed. Investments are typically short term and designed to meet the cash flow needs of the State. Section 6-222 of the State Finance and Procurement Article governs the types of investments that may be made, and the State Treasurer’s Investment Policy provides additional guidance. The cautious nature of the Investment Department is highlighted by the restrictions placed on investments, which are limited to secured bank accounts, full faith and credit obligations of the federal government, obligations of certain federal agencies or instrumentalities, repurchase agreements collateralized by those securities, certain money market mutual funds, and limited amounts of highest rated commercial paper. Secured bank accounts require a 100% collateralization, and reposessions require 102% collateralization.

Another goal of the State Treasurer is to maximize investment earnings for the State’s surplus funds in accordance with all State laws and regulations. The objective is to earn a higher-than-average rate of return on the State’s investment portfolio and the Local Government Investment Pool. The par value of the general fund investment portfolio was \$20.2 billion as of September 30, 2024. The portfolio has earned 4.3% in fiscal 2025.

**Exhibit 6** shows that from fiscal 2020 to 2024, the return on the State’s investment portfolio fluctuated. In fiscal 2024, there was a 0.3 percentage point decrease compared to fiscal 2023 in the return on the State’s investment portfolio. **In fiscal 2023, interest rates increased to counteract inflation, and the investment portfolio size grew with significant returns; therefore, the State Treasurer should comment on the reasons for why the return on the State’s investment portfolio decreased in fiscal 2024.**

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**Exhibit 6**  
**Return on State’s Investment Portfolio**  
**Fiscal 2020-2024**



Source: Department of Budget and Management

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**4. Moody’s Investors Service Assigns Negative Outlook to Maryland General Obligation Bonds**

Prior to the June 2024 GO bond sale, Maryland received AAA bond ratings from all three major rating agencies, Moody’s Investors Service, S&P Global Ratings, and Fitch Ratings. However, Moody’s Investors Service changed Maryland’s outlook from stable to negative. Reasons cited were projected structural budget deficits and anticipated reductions in general fund reserves. **The State Treasurer should be prepared to discuss the most recent GO bond ratings, including actions that it is taking so that Maryland GO bonds are no longer rated with a negative outlook.**

## ***Operating Budget Recommended Actions***

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1. Concur with Governor's allowance.

**Appendix 1**  
**Financial System Modernization**  
**Major Information Technology Project**  
**State Treasurer**

<b>New/Ongoing:</b> Ongoing								
<b>Start Date:</b> July 2017					<b>Est. Completion Date:</b> June 2027			
<b>Implementation Strategy:</b> Revised to be hybrid waterfall and agile								
(\$ in Millions)	Prior Year	2025	2026	2027	2028	2029	Remainder	Total
<b>GF</b>	\$12.985	\$4.628	\$5.510	\$3.412	\$0.000	\$0.000	\$0.000	\$26.535
<b>SF</b>	3.823	1.428	0.000	0.000	0.000	0.000	0.000	5.251
<b>RF</b>	6.031	0.000	0.000	0.000	0.000	0.000	0.000	6.031
<b>Total</b>	<b>\$22.839</b>	<b>\$6.056</b>	<b>\$5.510</b>	<b>\$3.412</b>	<b>\$0.000</b>	<b>\$0.000</b>	<b>\$0.000</b>	<b>\$37.817</b>

- Project Summary:** Replace the current system to fulfill State Treasurer’s Office responsibilities, which include disbursing funds, cash flow management, budgeting and accounting, investment of State funds, and insurance claims management. Design a cloud-based system to enhance business and technology processes. Migrate data from the old system to the new platform. Introduce subsequent enhancements to streamline and eliminate manual processes. Develop a managed file transfer platform for inbound and outbound file transfers. Implement comprehensive backup or disaster recovery services. Microsoft Office will be used to build the new system.
- Need:** Replace the i5/AS400 batch financial and insurance management system since its IBM hardware platform is end of life, and the applications and databases are no longer maintainable and cannot be functionally enhanced. The new system addresses concerns about personally identifiable information.
- Observations and Milestones:** The first quarter of fiscal 2025 will show a scheduled third round of user acceptance testing for the agency portal and an expected completed banking module. The payroll-managed file transfer connection is completed with an integration of the component object model – rapid application development into the managed file transfer platform.
- Changes:** The fiscal 2024 cost increased by approximately \$1.8 million. The State Treasurer’s project scope is currently rebaselined. The rebaseline schedule was approved by the Department of Information Technology with a projected completion date in the fourth quarter of fiscal 2026. The banking module implementation is expected to experience production delays due to resource sharing of technical personnel who are doing other agency projects.
- Concerns:** The State Treasurer’s staff participating in other projects have caused delays.

**Appendix 2  
Object/Fund Difference Report  
State Treasurer**

<u>Object/Fund</u>	<u>FY 24 Actual</u>	<u>FY 25 Working Appropriation</u>	<u>FY 26 Allowance</u>	<u>FY 25 - FY 26 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	96.00	96.00	96.00	0.00	0%
02 Contractual	11.14	5.33	5.33	0.00	0%
<b>Total Positions</b>	<b>107.14</b>	<b>101.33</b>	<b>101.33</b>	<b>0.00</b>	<b>0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 12,273,734	\$ 13,234,699	\$ 14,489,936	\$ 1,255,237	9.5%
02 Technical and Special Fees	174,594	324,694	343,576	18,882	5.8%
03 Communication	83,007	151,724	151,724	0	0%
04 Travel	33,871	47,537	54,537	7,000	14.7%
07 Motor Vehicles	15,708	12,630	12,630	0	0%
08 Contractual Services	17,718,711	20,029,597	15,171,743	-4,857,854	-24.3%
09 Supplies and Materials	262,021	276,694	282,694	6,000	2.2%
10 Equipment – Replacement	113,460	209,607	113,756	-95,851	-45.7%
11 Equipment – Additional	0	70,000	65,000	-5,000	-7.1%
12 Grants, Subsidies, and Contributions	8,300,993	11,175,211	11,175,211	0	0%
13 Fixed Charges	70,542,861	64,565,953	74,455,249	9,889,296	15.3%
<b>Total Objects</b>	<b>\$ 109,518,960</b>	<b>\$ 110,098,346</b>	<b>\$ 116,316,056</b>	<b>\$ 6,217,710</b>	<b>5.6%</b>
<b>Funds</b>					
01 General Fund	\$ 15,954,902	\$ 24,247,846	\$ 24,303,344	\$ 55,498	0.2%
03 Special Fund	6,582,391	10,992,164	9,867,545	-1,124,619	-10.2%
09 Reimbursable Fund	86,981,667	74,858,336	82,145,167	7,286,831	9.7%
<b>Total Funds</b>	<b>\$ 109,518,960</b>	<b>\$ 110,098,346</b>	<b>\$ 116,316,056</b>	<b>\$ 6,217,710</b>	<b>5.6%</b>

Note: The fiscal 2026 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.