

# E20B State Treasurer

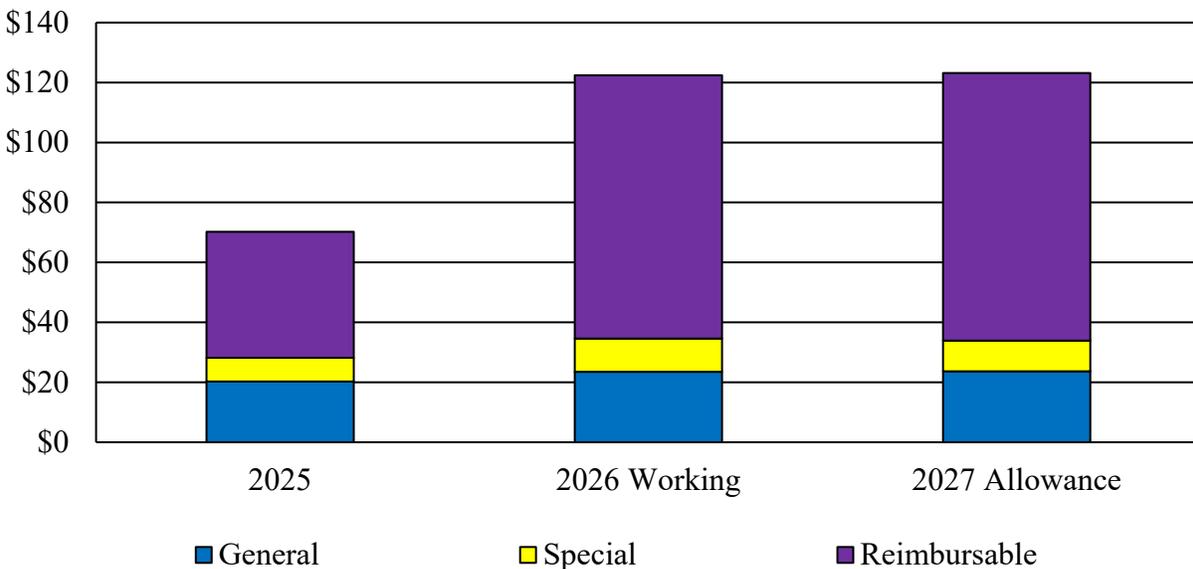
## Program Description

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, protects the value of State securities and investments, and provides insurance protection against sudden and unanticipated damage to State property or liability of State employees. The State Treasurer's Office (STO) 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. 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. Maryland 529 administers the Maryland Prepaid College Trust; Maryland College Investment Plan; and the Maryland Achieving a Better Life Experience (ABLE) Program.

## Operating Budget Summary

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### Fiscal 2027 Budget Increases \$2.2 Million, or 1.9%, to \$123.1 Million (\$ in Millions)



Note: The fiscal 2026 working appropriation accounts for deficiencies. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.

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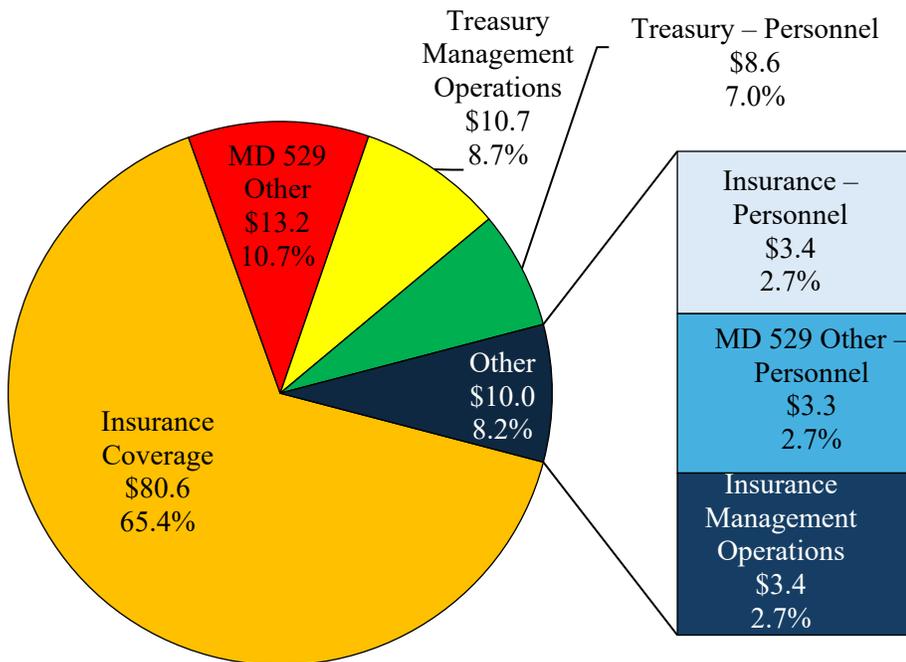
## Planned Reversions

The fiscal 2027 budget bill includes \$1.5 million in planned reversions in the Save4College program. These funds are State Save4College contributions. The reversions align fiscal 2026 appropriations with recent spending trends. Fiscal 2025 actual spending was \$8.13 million. This reduces fiscal 2026 appropriations to \$8.98 million.

## Fiscal 2027 Overview of Agency Spending

The fiscal 2027 allowance proposes \$123.1 million in total spending. **Exhibit 1** shows that 65% of the allowance consists of premiums for the State’s self-insurance program. Personnel costs for treasury, insurance, and Maryland 529 management total \$15.3 million, or 12.4%, of total spending.

**Exhibit 1**  
**Overview of Agency Spending**  
**Fiscal 2027 Allowance**  
**(\$ in Millions)**



Note: Treasury Management Operations includes bond sale costs. MD 529 – Other includes Save4College Contributions and Achieving a Better Life Experience Program.

Source: Department of Budget and Management

**Proposed Budget Change**

**Exhibit 2** shows that the fiscal 2027 allowance is \$2.2 million (1.9%) more than the fiscal 2026 working appropriation after reflecting the \$1.5 million targeted general fund reversion for fiscal 2026. Fiscal 2026 had the final appropriation for the Financial Systems Modernization major information technology project, which receives \$1.2 million in special funds and \$5.7 million in reimbursable funds. Removing these appropriations from fiscal 2026 shows that ongoing costs increase by 4.2% in special funds (approximately \$410,000) and 8.7% in reimbursable funds (\$7.1 million) in fiscal 2027. The large increase in reimbursable fund spending from fiscal 2025 to 2026 is attributable to Insurance Coverage program costs that increase by \$42.7 million to \$74.1 million in fiscal 2026.

**Exhibit 2  
Proposed Budget  
State Treasurer’s Office  
(\$ 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>
Fiscal 2025 Actual	\$20,283	\$7,906	\$42,002	\$70,192
Fiscal 2026 Working	22,000	11,071	87,840	120,910
Fiscal 2027 Allowance	23,653	10,241	89,254	123,148
Fiscal 2026-2027 \$ Change	\$1,653	-\$830	\$1,414	\$2,238
Fiscal 2026-2027 % Change	7.5%	-7.5%	1.6%	1.9%

<b>Where It Goes:</b>	<b><u>Change</u></b>
<b>Personnel Expenses</b>	
Salary adjustments .....	\$343
Employee and retiree health insurance .....	503
Unemployment compensation.....	-14
Deferred compensation match.....	32
Accrued leave payments .....	-18
Turnover adjustments, including fiscal 2026 efficiency adjustment.....	301
Other fringe benefit adjustments .....	-1
<b>Insurance Management</b>	
Insurance coverage.....	6,538
Armored courier services .....	-226
<b>Information Technology System Development and Operations</b>	
Financial Systems Modernization project development costs .....	-6,934



## ***Key Observations***

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### **1. State’s Insurance Program**

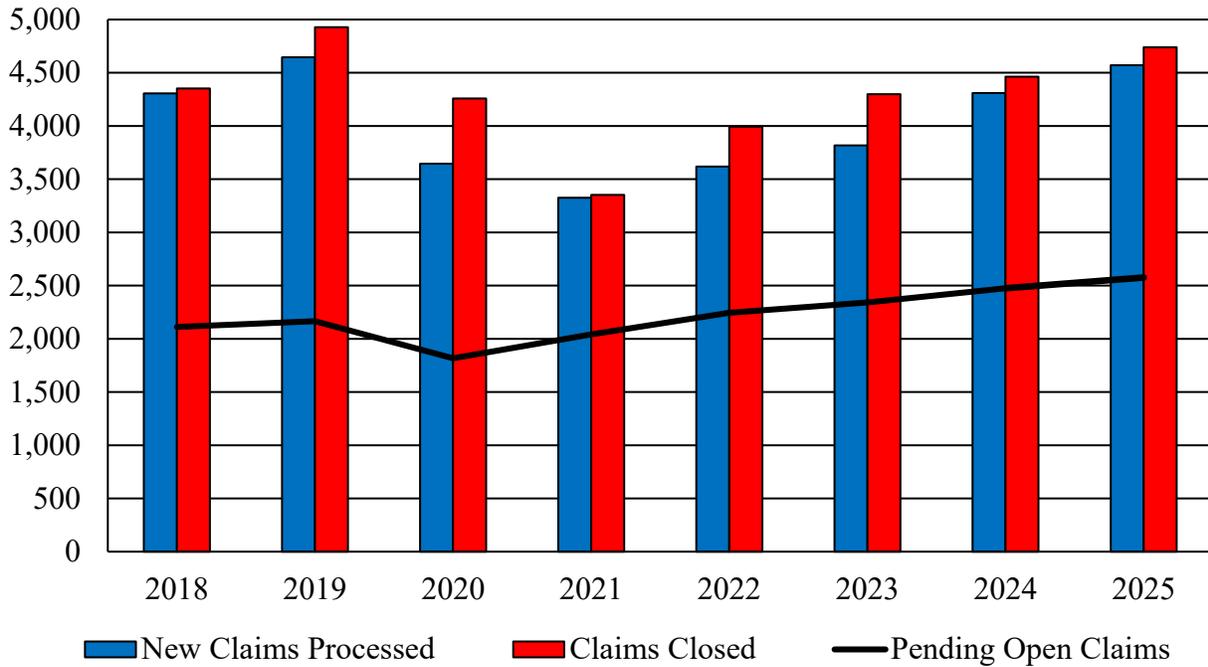
STO is responsible for administering the State’s Insurance Program, which is comprised of both commercial insurance and self-insurance. The program covers property losses and liability claims derived from State contracts, statutes, and regulations. Self-insurance coverage includes State-owned real and personal property, vehicles, and liability claims covered under the Maryland Tort Claims Act (MTCA). The State Insurance Trust Fund (SITF) is maintained by STO to pay claims filed against the State, its agencies, employees, claims filed by State agencies for property losses, and costs associated with handling these claims. Self-insurance property coverage is limited to \$2.5 million per property incident; the State purchases commercial insurance for losses that exceed \$2.5 million. Not all liability exposure of the State can be self-insured, so commercial insurance is purchased. Examples include the Port of Baltimore and the Baltimore/Washington International Thurgood Marshall Airport.

A tort is a civil act or omission that causes an individual to suffer loss or harm leading to legal liability. The legal doctrine of sovereign immunity allows the State to avoid legal liability. The MTCA is a limited waiver of the State’s sovereign immunity. The MTCA limits the State’s liability to \$400,000 for a single claimant from an occurrence. Under certain circumstances, including fatalities or the violation of a Constitutional right by a law enforcement officer, the limit is \$890,000.

Premiums allocated to the State agencies fund the SITF. Allocation consists of per head (PINs), property values, number of vehicles, and recovery of paid claims from the SITF. All agencies pay into SITF; agencies with claims pay higher premiums. STO has commercial insurance policies that apply on a blanket basis for all State agencies, including excess property, boiler and machinery, and cybersecurity policies. There has been substantial rate increase for many lines of commercial coverage since the pandemic. Property insurance carriers were particularly impacted by global events, including wildfires, hurricanes, and similar natural catastrophes resulting in double digit premium increases for the State.

**Exhibit 3** shows that new claims are still below prepandemic levels from fiscal 2019, which exceeded 4,600, but have been increasing steadily since fiscal 2021. STO advised that the sharp drop during the pandemic was due to reduced vehicle use, building occupancy, and business activity. The office advises that, with respect to torts (1) routine claims without injuries are usually processed in 90 days; (2) auto claims require three estimates and can take longer; and (3) bodily injury and litigation claims take the longest amount of time to process.

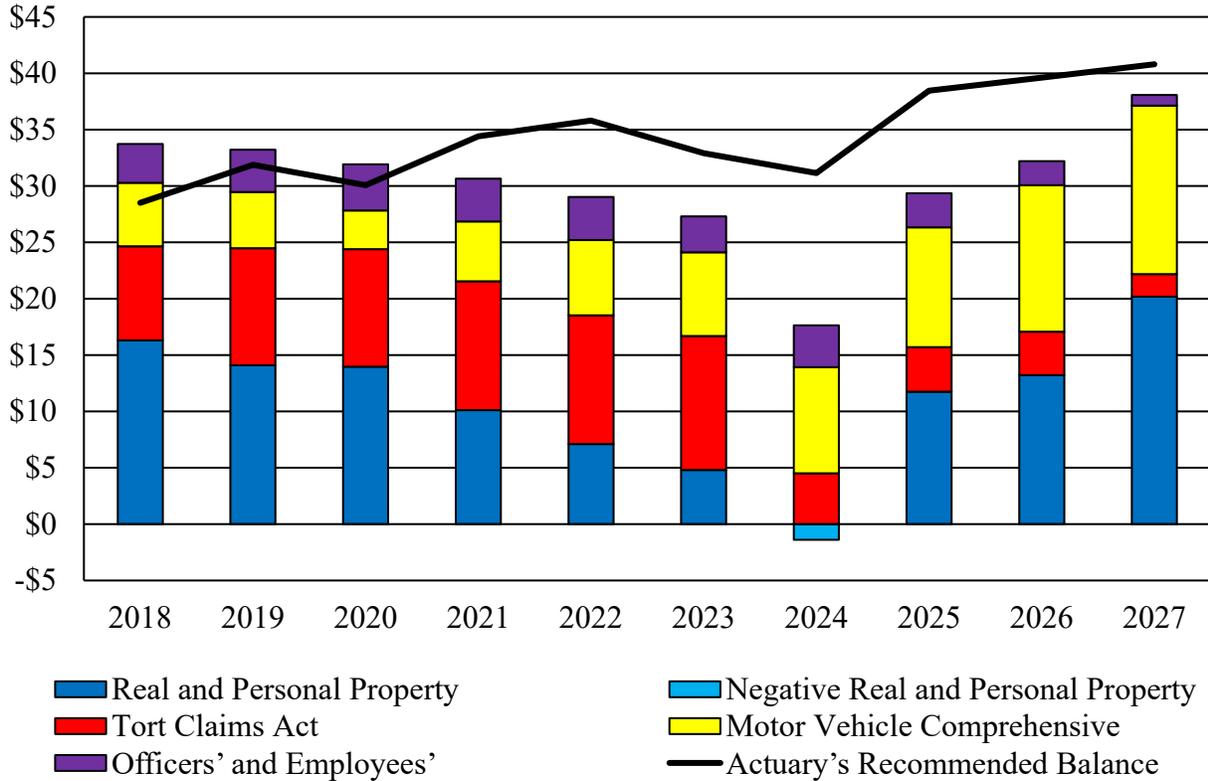
**Exhibit 3**  
**Insurance Claims Processed, Closed, and Pending**  
**Fiscal 2018-2025**



Source: State Treasurer’s Office; Department of Budget and Management

**Exhibit 4** shows that the end-of-year balances have been below actuarial recommended levels since fiscal 2021. The negative real and personal property balance at the end of fiscal 2024 is particularly noteworthy. **STO should discuss its plans to get the fund balance up to actuarially recommended levels.**

**Exhibit 4**  
**SITF Balance by Type of Liability**  
**Fiscal 2018-2025 Actual and Fiscal 2026-2027 Estimated**  
**(\$ in Millions)**

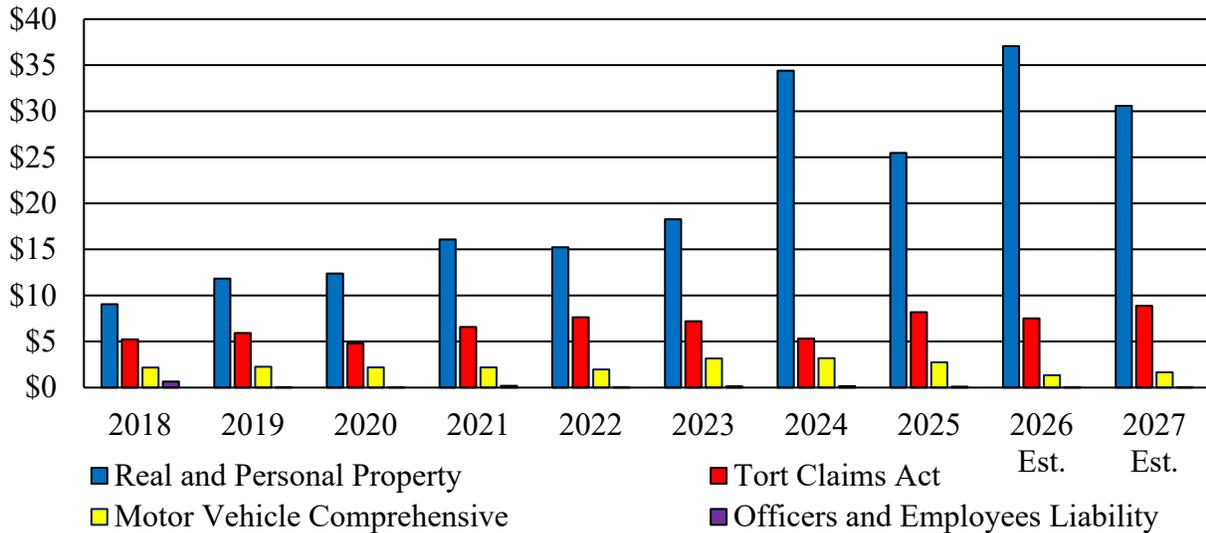


SITF: State Insurance Trust Fund

Source: State Treasurer's Office

**Exhibit 5** shows that real and personal property losses and claims have increased since fiscal 2018. STO advises that the State has experienced several large losses, including the polar vortex, which occurred in December 2022. In fiscal 2024 that impacted agencies and universities. Actual claims reimbursed to State agencies and universities were exceptionally high in fiscal 2024, due to the settlement of the polar vortex that impacted State agencies and universities resulting in a negative end-of-fiscal year balance. There are several large property claims in the current inventory which are likely to impact fiscal years 2026 and 2027. **STO should brief the committees on what it is doing to limit real and personal property losses and claims.**

**Exhibit 5**  
**SITF Losses and Excess Policy Coverage**  
**Fiscal 2018-2025 Actual and Fiscal 2026-2027 Estimated**  
**(\$ in Millions)**



SITF: State Insurance Trust Fund

Source: State Treasurer’s Office

In its 2025 interim report, the Spending Affordability Committee recommended that STO should also explore the cost of purchasing disaster recovery insurance to cover at least a portion of the cost of assisting communities impacted by natural disasters. **STO should brief the committees on the feasibility of purchasing insurance to cover the cost of assisting communities impacted by natural disasters. This should include a discussion of complications and concerns with writing a policy that achieves State objectives, the cost of purchasing insurance compared to the cost of self-insurance, and the kinds of insurance protections that could be most cost-effective.**

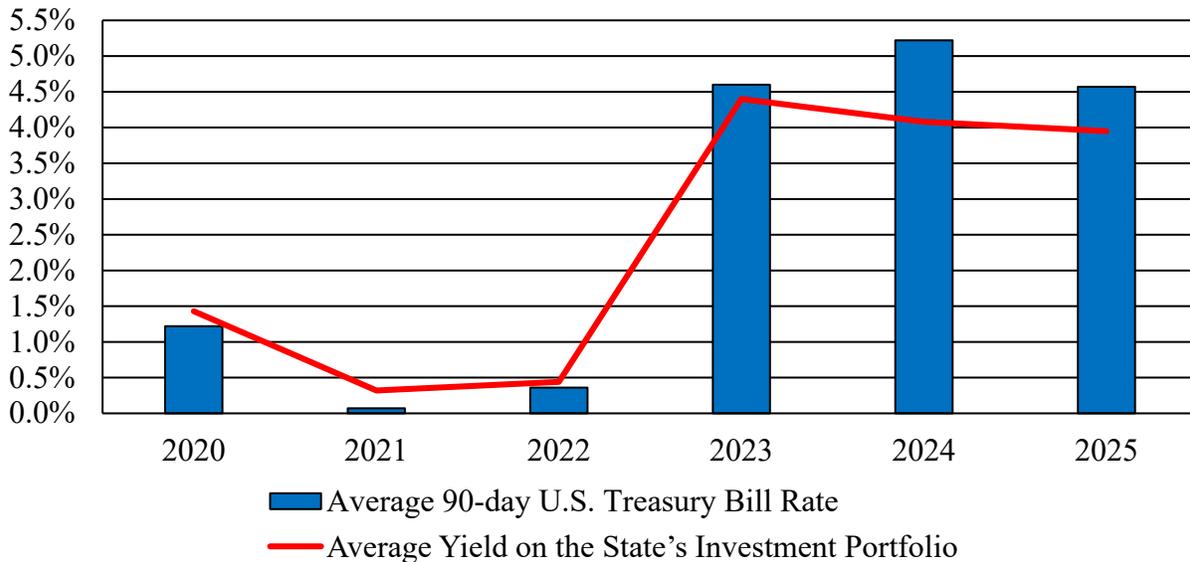
## 2. State’s Investment Portfolio Earnings

The Treasury Management Division’s Investment Department is responsible for the investment of unexpended State funds that are temporarily idle between the time revenue is collected and budgeted amounts are disbursed. This is a substantial sum; the STO website reports that the market value of the entire investment portfolio was \$19.2 billion at the end of January 2026. 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 (1) secured bank accounts; (2) full-faith-and-credit obligations of the federal government; (3) obligations of certain federal agencies or instrumentalities; (4) repurchase agreements (repos) collateralized by those securities; (5) certain money market mutual funds; and (6) limited amounts of highest rated commercial paper. Secured bank accounts require 100% collateralization, and repos require 102% collateralization.

STO’s Managing for Results goal is that the State’s investment portfolio outperforms the average 90-day U.S. Treasury Bill (T-bill) rate. The T-bill rate is the most secure security and generally accepted as the world’s risk-free rate. Selecting this benchmark suggests that the portfolio’s primary goal is to preserve capital. **Exhibit 6** shows the portfolio’s yields exceeded the benchmark rate from fiscal 2020 to 2022 but has been below the benchmark since fiscal 2023. In both periods, performance was linked to the mix of investments and interest rates. The State portfolio has a mix of securities, from overnight to five years in maturity. When interest rates were very low, a substantial share of the portfolio, approximately 30%, was invested in five-year callable, federal agencies, full-faith-and-credit, and securities. This increased yields when interest rates were low. From fiscal 2022 to 2023, interest increased from 0.36% to 4.40%. With higher interest rates, the securities’ returns were less than the benchmark rate. Instead of pushing yields above the T-bill rate, the longer maturities instead kept them below the rate.

**Exhibit 6**  
**Yield on the State’s Investment Portfolio**  
**Fiscal 2020-2025**



Source: Department of Budget and Management

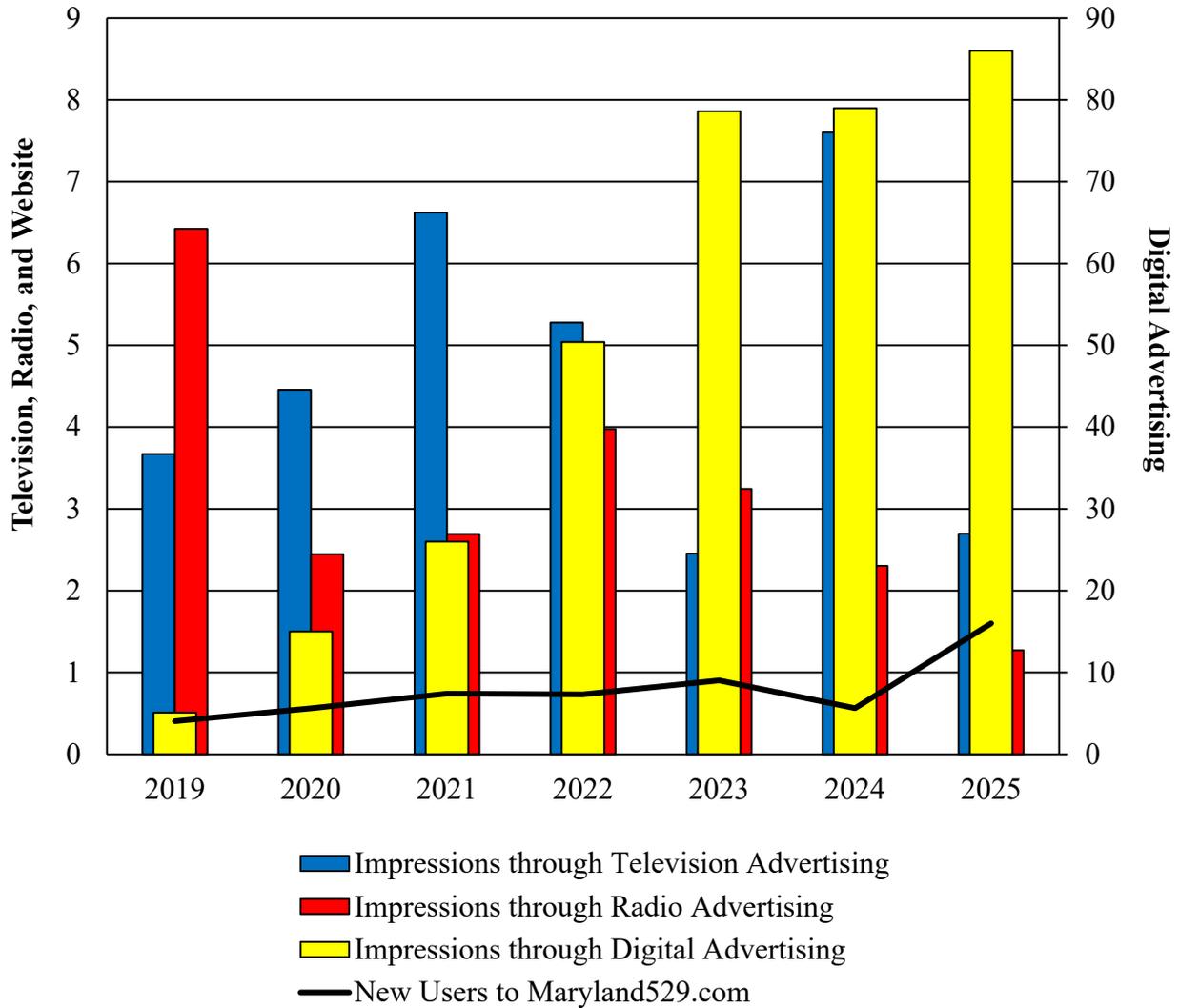
### **3. Maryland 529 Update**

Maryland 529 was established to encourage families to save for future college expenses and reduce their dependence on student loans and other forms of debt. The plans function under Section 529 of the Internal Revenue Code, which allows states to establish and administer tax-deferred college savings plans. Maryland 529 is administering three plans, specifically:

- ***Maryland Senator Edward J. Kasemeyer College Investment Plan, referred to as the Maryland College Investment Plan (MCIP):*** MCIP is set up to save to pay for tuition, housing, books, and other eligible education expenses. Accounts are set up for individuals so that contributors' investment earnings are exempt from State and federal taxes and can also receive a State income subtraction modification;
- ***Maryland ABLE Program:*** ABLE allows individuals with disabilities and their families to contribute into tax-exempt accounts to support disability-related expenses. Eligibility and benefits under federal and State means-tested programs, such as Medicaid and housing and food assistance, are not altered by the balance in the account; and
- ***Senator Edward J. Kasemeyer Prepaid College Trust:*** This trust has been closed to new applicants. Participants may transfer balances to the MCIP.

One of STO's goals is to raise awareness and participation in the MCIP. 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. **Exhibit 7** shows the pivot to digital advertising, which increased from 5 million ads in fiscal 2019 to 86 million ads in fiscal 2025. New website users are up from approximately 900,000 in fiscal 2023 to 1.6 million in fiscal 2025. **STO should brief the committees on how it manages its advertising expenditures to maximize Maryland 529 awareness and participation.**

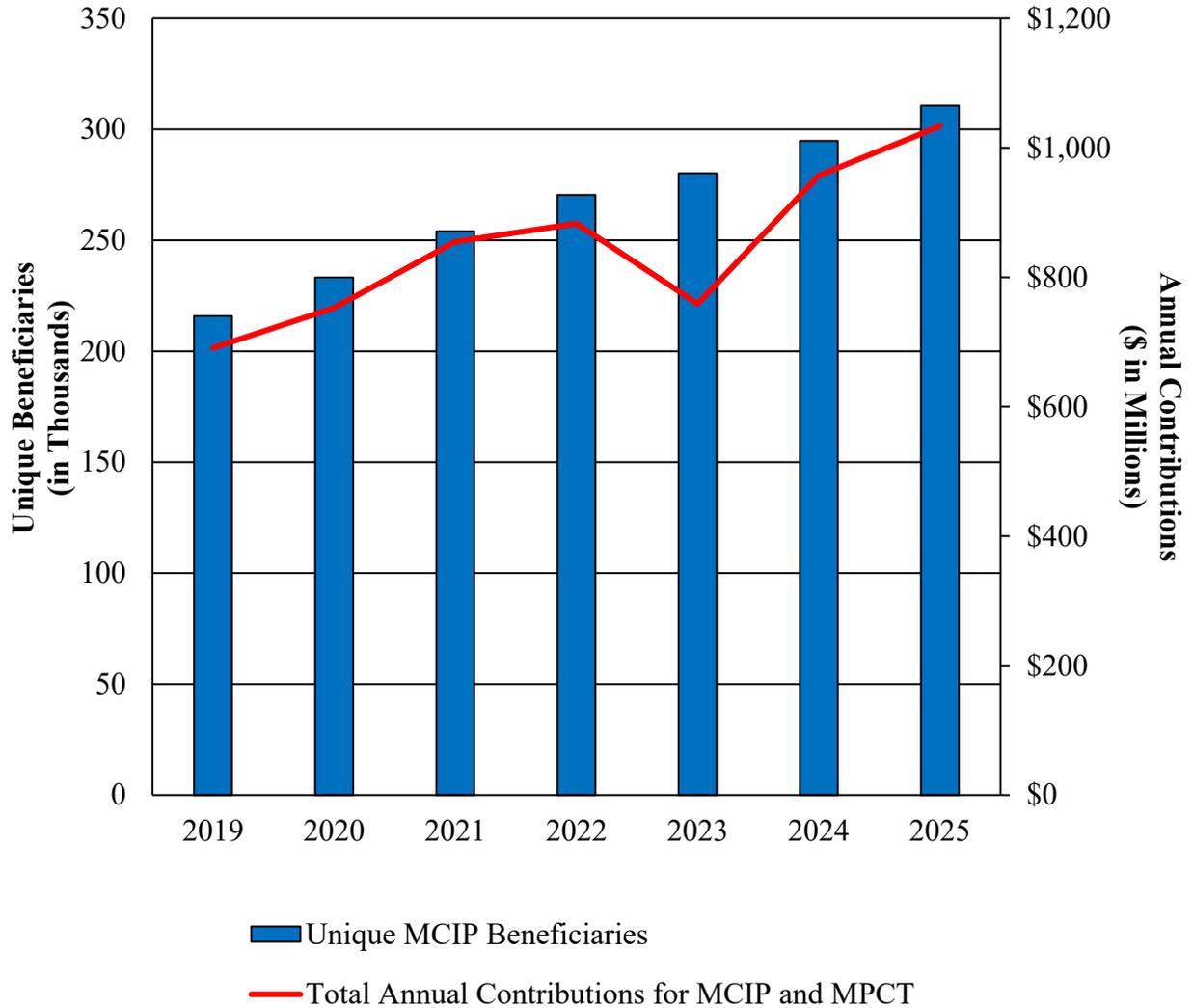
**Exhibit 7**  
**Maryland 529 Plan Advertising and Users**  
**Fiscal 2019-2025**  
**(in Thousands)**



Source: Department of Budget and Management

**Exhibit 8** shows that the number of unique beneficiaries has increased each year since fiscal 2019. Annual contributions have also increased over the time period, except in fiscal 2023. **STO should be prepared to brief the committees on how to keep increasing beneficiaries and annual contributions.**

**Exhibit 8**  
**Beneficiaries and Annual Contributions**  
**Fiscal 2019-2025**



MCIP: Maryland College Investment Plan  
MCPT: Maryland Prepaid College Trust

Source: Department of Budget and Management

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

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1. Concur with Governor's allowance.

**Appendix 1  
Audit Findings**

Audit Period for Last Audit	August 1, 2021 – August 11, 2024
Issue Date	July 2025
Number of Findings	5
Number of Repeat Findings	1
% of Repeat Findings	20%
Rating: (if applicable)	

**Finding 1:** The auditor found that STO did not conduct critical assessments to help monitor the implementation of the new financial and insurance claims management system, which has experienced significant delays and increased costs, and did not always ensure the propriety of payments to the system implementation vendor. During development, assessments deemed critical by the legislative auditor, like independent verification and validation, were not implemented for a project that was behind schedule and over budget. The auditor also found that payments were not always supported.

**Finding 2:** **The auditor found that STO did not determine the propriety of amounts paid to Injured Workers’ Insurance Fund (IWIF) for workers’ compensation claims and related costs and did not follow up on deficiencies noted in the Maryland Insurance Administration (MIA) audits. STO also had not taken action to implement recommendations made by MIA in its June 2022 audit report. For example, MIA recommended that the IWIF contract be amended to reflect the current cost methodology used by IWIF for calculating administrative fees and caps on the fees to ensure that they remain fair and reasonable. However, STO had not taken any action to ensure the MIA recommendations were implemented as of the time of the State auditors’ review. Auditors’ repeat recommends are that STO (1) establish a documented process, such as verifying charges reported by IWIF to supporting documentation, to determine the propriety of amounts paid to IWIF for the State’s workers’ compensation claims and related administrative costs and (2) take appropriate action to address recommendations made by MIA in its audit reports of IWIF.**

**Finding 3:** Redacted cybersecurity finding.

**Finding 4:** Redacted cybersecurity finding.

**Finding 5:** Redacted cybersecurity finding.

\*Bold denotes item repeated in full or part from preceding audit report.

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

<u>Object/Fund</u>	<u>FY 25</u> <u>Actual</u>	<u>FY 26</u> <u>Work Approp.</u>	<u>FY 27</u> <u>Allowance</u>	<u>FY 26-27</u> <u>\$ Change</u>	<u>% Change</u>
<b>Positions</b>					
01 Regular	96.00	96.00	96.00	0.00	0.0%
02 Contractual	5.85	5.33	5.33	0.00	0.0%
<b>Total Positions</b>	<b>101.85</b>	<b>101.33</b>	<b>101.33</b>	<b>0.00</b>	<b>0.0%</b>
<b>Objects</b>					
01 Salaries, Wages, and Fringe Benefits	\$14,305,866	\$14,151,109	\$15,297,380	\$1,146,271	8.1%
02 Technical and Special Fees	380,407	343,576	344,522	946	0.3%
03 Communications	44,810	151,724	151,724	0	0.0%
04 Travel	51,484	53,384	53,716	332	0.6%
07 Motor Vehicle Operation and Maintenance	19,071	12,630	12,640	10	0.1%
08 Contractual Services	14,909,679	22,106,066	16,428,452	-5,677,614	-25.7%
09 Supplies and Materials	220,241	282,694	260,758	-21,936	-7.8%
10 Equipment – Replacement	155,478	113,756	73,300	-40,456	-35.6%
11 Equipment – Additional	0	65,000	8,705	-56,295	-86.6%
12 Grants, Subsidies, and Contributions	8,490,404	10,675,211	9,509,311	-1,165,900	-10.9%
13 Fixed Charges	31,614,345	74,455,249	81,007,406	6,552,157	8.8%
<b>Total Objects</b>	<b>\$70,191,785</b>	<b>\$122,410,399</b>	<b>\$123,147,914</b>	<b>\$737,515</b>	<b>0.6%</b>
<b>Funds</b>					
01 General Funds	\$20,283,361	\$23,500,071	\$23,653,141	\$153,070	0.7%
03 Special Funds	7,906,411	11,070,729	10,240,764	-829,965	-7.5%
09 Reimbursable Funds	42,002,013	87,839,599	89,254,009	1,414,410	1.6%
<b>Total Funds</b>	<b>\$70,191,785</b>	<b>\$122,410,399</b>	<b>\$123,147,914</b>	<b>\$737,515</b>	<b>0.6%</b>

Note: The fiscal 2026 appropriation includes proposed deficiency appropriations. The fiscal 2027 allowance does not include contingent reductions or statewide salary adjustments budgeted within the Department of Budget and Management.