

**E20B  
State Treasurer**

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 08 Actual</u>	<u>FY 09 Working</u>	<u>FY 10 Allowance</u>	<u>FY 09-10 Change</u>	<u>% Change Prior Year</u>
General Fund	\$5,014	\$4,926	\$5,030	\$104	2.1%
Contingent & Back of Bill Reductions	0	0	-25	-25	
<b>Adjusted General Fund</b>	<b>\$5,014</b>	<b>\$4,926</b>	<b>\$5,005</b>	<b>\$79</b>	<b>1.6%</b>
Special Fund	905	1,597	2,139	542	33.9%
Contingent & Back of Bill Reductions	0	0	-1	-1	
<b>Adjusted Special Fund</b>	<b>\$905</b>	<b>\$1,597</b>	<b>\$2,138</b>	<b>\$541</b>	<b>33.9%</b>
Reimbursable Fund	29,650	38,833	34,820	-4,014	-10.3%
Contingent & Back of Bill Reductions	0	0	-19	-19	
<b>Adjusted Reimbursable Fund</b>	<b>\$29,650</b>	<b>\$38,833</b>	<b>\$34,800</b>	<b>-\$4,033</b>	<b>-10.4%</b>
<b>Adjusted Grand Total</b>	<b>\$35,569</b>	<b>\$45,357</b>	<b>\$41,944</b>	<b>-\$3,413</b>	<b>-7.5%</b>

- The fiscal 2010 allowance decreases \$3.4 million (-7.5%) from the fiscal 2009 working appropriation. This decrease reflects a contingent reduction to the State match for deferred compensation (-\$30,702) and an across-the-board reduction to contractual services to reflect projected savings from the rebidding of contracts. The decrease does not reflect unallocated statewide contingent reductions to personnel costs (-\$30 million) nor to health insurance subsidies (-\$24.6 million) for which Medicare Part D funding may be substituted.

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

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***Personnel Data***

	<b><u>FY 08</u></b> <b><u>Actual</u></b>	<b><u>FY 09</u></b> <b><u>Working</u></b>	<b><u>FY 10</u></b> <b><u>Allowance</u></b>	<b><u>FY 09-10</u></b> <b><u>Change</u></b>
Regular Positions	64.00	64.00	63.00	-1.00
Contractual FTEs	<u>0.50</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>64.50</b>	<b>64.00</b>	<b>63.00</b>	<b>-1.00</b>

***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	2.34	3.71%
Positions and Percentage Vacant as of 12/31/08	12.00	18.75%

- Regular positions decrease by one in the fiscal 2010 allowance reflecting the abolishment of a Treasury Specialist IV position as a cost cutting measure. The position was intended to monitor bank contracts on a full-time basis. This function will be handled on a part-time basis by existing personnel in the State Treasurer’s Office (STO).
- Four of the 12 vacant positions have been filled, 1 is abolished in the fiscal 2010 allowance, and an offer of employment has been extended for 1 of the positions. The 6 remaining vacant positions are in the Tort Litigation unit created in STO in fiscal 2008. Although staffing of this unit has been delayed, STO is reviewing resumes for the position of manager of the unit. Once hired, the manager will be responsible for filling the remaining positions.

## ***Analysis in Brief***

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### **Major Trends**

***Bank Accounts Are Reconciled Timely:*** Dramatic improvement has occurred since fiscal 2003 in the average number of days it takes to reconcile the bank accounts administered by the State Treasurer’s Office, with accounts now being reconciled in less than four days.

***Claims Are Adjudicated Accurately and Timely:*** In fiscal 2007, STO reduced the number of open claims by closing more claims than were opened during the year. STO projects that going forward, it will close as many claims as are opened.

### **Issues**

***Transfer of \$10.0 Million from the State Insurance Trust Fund Included in the Budget Reconciliation and Financing Act of 2009:*** Section 4 of the Budget Reconciliation and Financing Act of 2009 authorizes the transfer to the general fund of up to \$10.0 million from the State Insurance Trust Fund. **STO should comment on whether the planned transfer is prudent.**

### **Recommended Actions**

1. Concur with Governor’s allowance.

*E20B – State Treasurer*

**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. To carry out these responsibilities, the State 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 damage to State property and liability of State employees. The State Treasurer also administers the sale of Maryland general obligation bonds and serves as a member of the Board of Public Works (BPW). The State Treasurer's Office (STO) consists of four programs: treasury management; insurance management; insurance coverage; and bond sale expenses.

The goals of the Treasurer's Office are to:

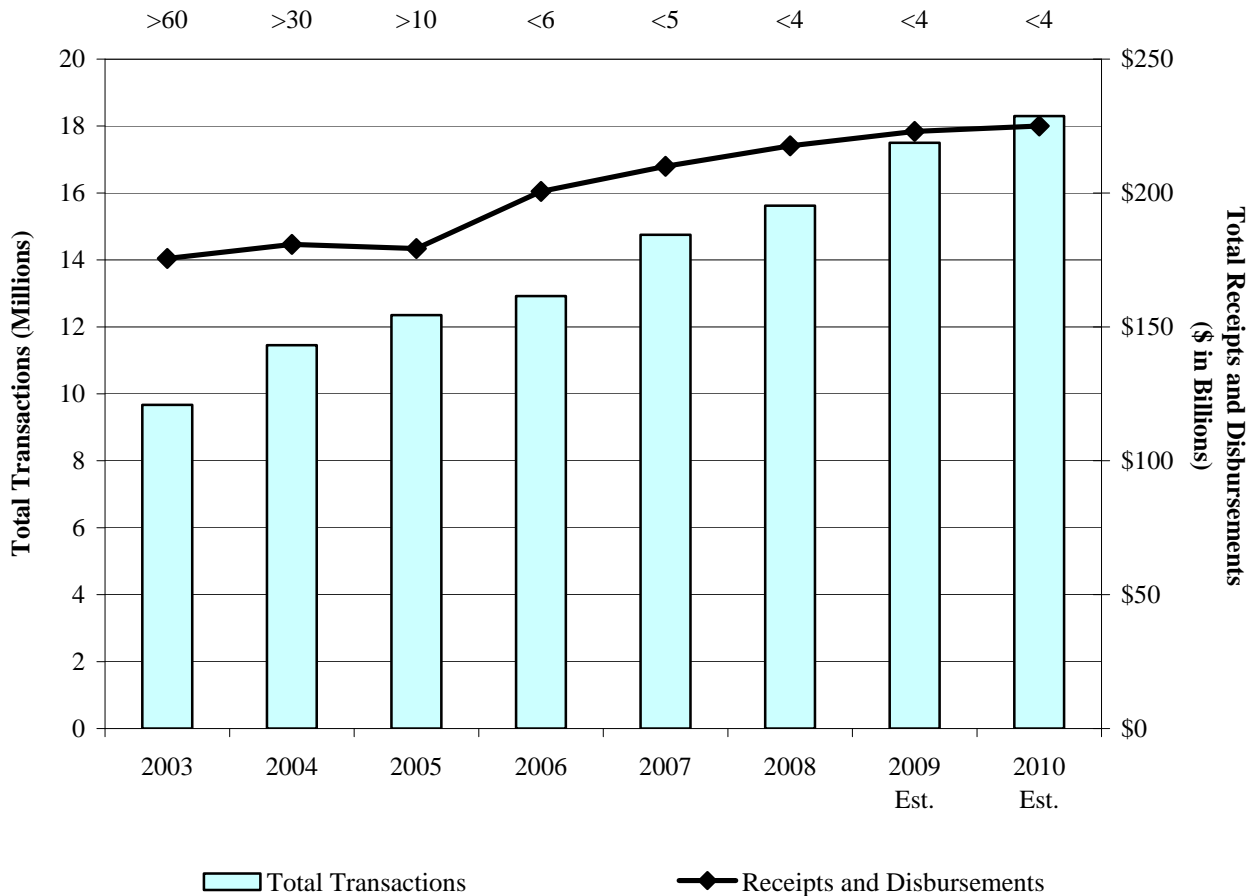
- accurately reconcile all Treasury State bank accounts;
- maximize investment earnings for the State's surplus funds in accordance with State law;
- maintain and enhance the information technology capability and infrastructure to meet the diverse needs of TSO and the agencies it serves; and
- process 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 2003. Since 2003, there has been dramatic improvement in the length of time it takes to reconcile all accounts dropping from over 60 days on average in fiscal 2003 to under 4 days in fiscal 2008.

**Exhibit 1  
Total Receipts and Disbursements and Days to Reconcile All Accounts  
Fiscal 2003-2010**

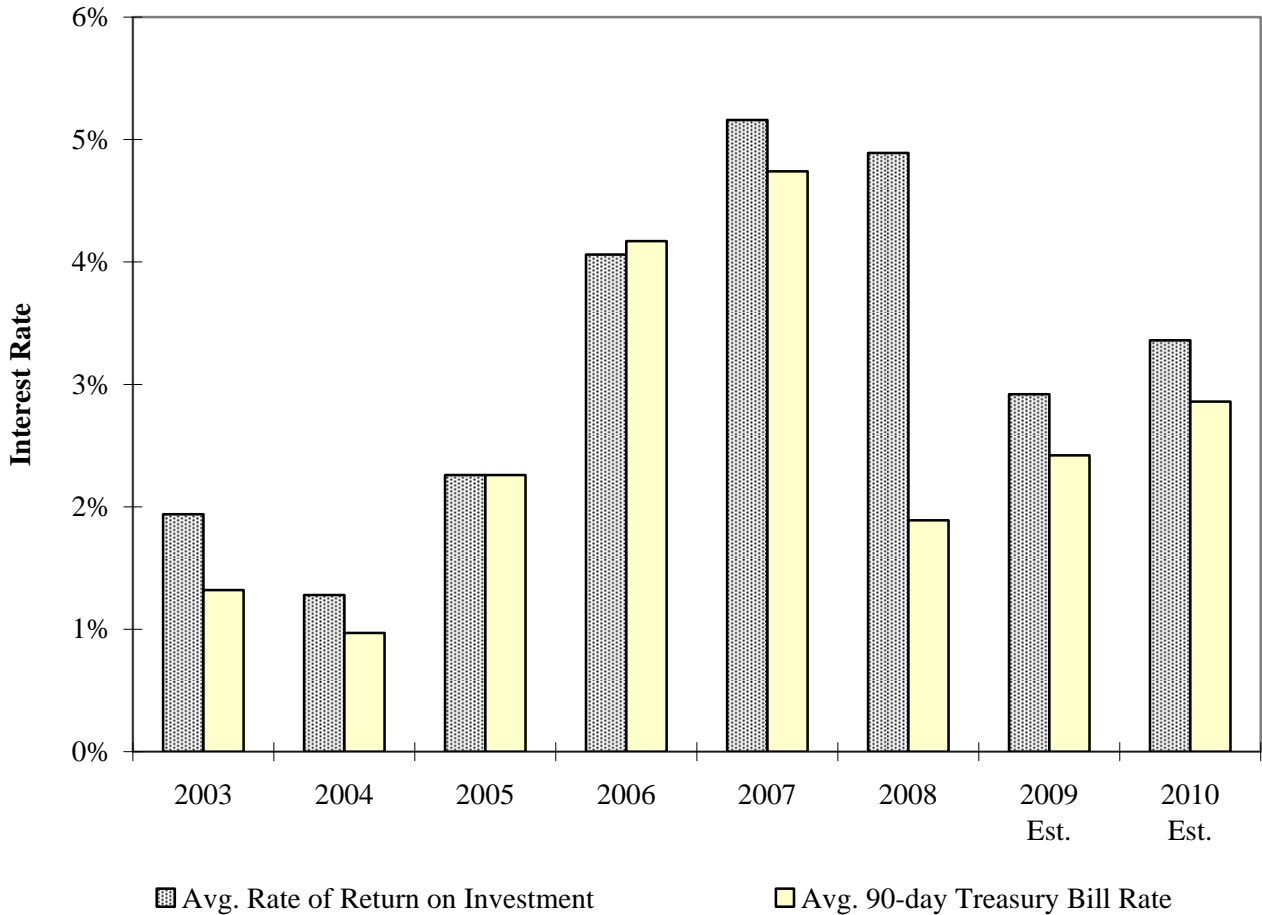


Source: Governor’s Budget Books, Fiscal 2010

**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 compared with the average 90-day U.S. Treasury Bill rate. In fiscal 2008, the average return on the State’s investment portfolio exceeded the average 90-day Treasury rate by 300 basis points.

**Exhibit 2**  
**Comparison of State’s Investment Portfolio and 90-day U.S. Treasury Bill Rates**  
**Fiscal 2003-2010**

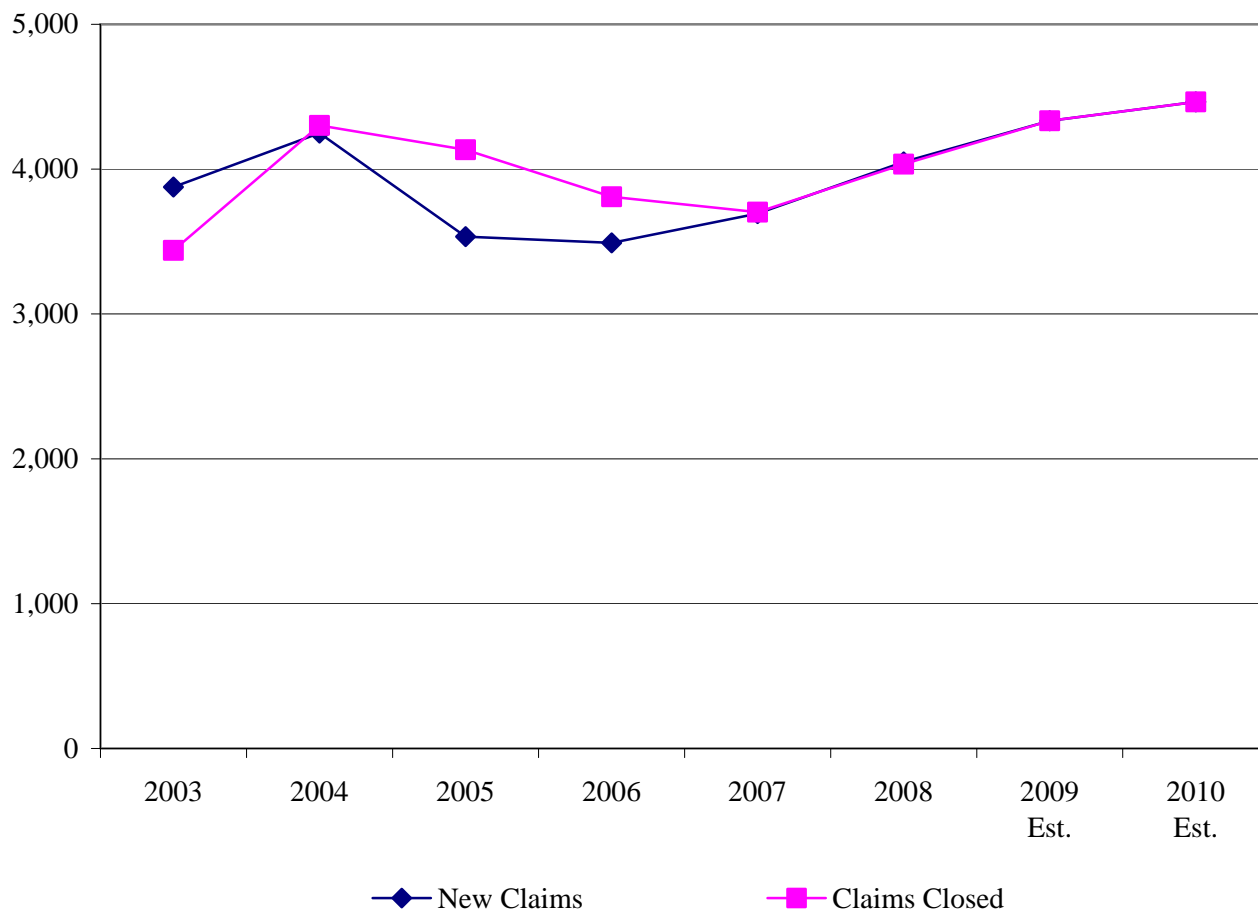


Source: Governor’s Budget Books, Fiscal 2010

**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. At the end of fiscal 2005, there were 825 open claims. The number of open claims dropped to 497 by the end of fiscal 2007, and STO anticipates end-of-year open claims to remain at this level by closing as many cases as are opened each year.

**Exhibit 3**  
**New Claims v. Claims Closed**  
**Fiscal 2003-2010**



Source: Governor’s Budget Books, Fiscal 2010

## **Fiscal 2009 Actions**

### **Impact of Cost Containment**

Cost containment actions taken by BPW through October 2008 reduced the fiscal 2009 budget for STO by \$246,897. Cost containment comprised:

- health insurance subsidies to be paid for with nonbudgeted funds (\$12,250 general, \$1,674 special);
- a reduction to banking fees (\$50,000 general);
- bank reimbursements due to overpayments (\$128,000 general);
- health insurance subsidies to be paid for with nonbudgeted funds (\$10,251 general); and
- removal of Other Post Employment Benefits (OPEB) funding (\$44,772 general).

In addition, the estimated general fund savings resulting from employee furloughs is \$36,234. These funds are to be withdrawn in a future BPW action.

## **Proposed Budget**

As shown in **Exhibit 4**, the fiscal 2010 allowance for STO decreases by \$3.4 million. Increases in operations related to banking and financial services, and in bond sales related to variable rate debt issuance, are offset by savings in commercial insurance premiums on renewed policies.

### **Impact of Cost Containment**

As cost containment measures, the budget as introduced includes a number of reductions contingent on legislation, including the elimination of the State match for deferred compensation (-\$30,702), and an across-the-board reduction to contractual services to reflect projected savings from rebidding of contracts (-\$14,738). Not included in the budget change calculations are the following statewide cost containment contingent reductions:

- Section 22 – a reduction in personnel expenses (-\$30.0 million); and
- Section 20 – a reduction to budgeted health insurance costs (\$26.4 million).

**Exhibit 4  
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>
2009 Working Appropriation	\$4,926	\$1,597	\$38,833	\$45,357
2010 Allowance	<u>5,030</u>	<u>2,139</u>	<u>34,820</u>	<u>41,989</u>
Amount Change	\$104	\$542	-\$4,014	-\$3,368
Percent Change	2.1%	33.9%	-10.3%	-7.4%
Contingent Reductions	-\$25	-\$1	-\$19	-\$45
Adjusted Change	\$79	\$541	-\$4,033	-\$3,413
Adjusted Percent Change	1.6%	33.9%	-10.4%	-7.5%

**Where It Goes:**

**Personnel Expenses**

Employee and retiree health insurance .....	\$111
Retirement .....	56
Annualize increments .....	15
Accrued leave payout .....	10
Turnover adjustments .....	6
Contingent reduction to State match for deferred compensation.....	-28
Abolished positions .....	-51
Other Post Employment Benefits funding .....	-99

**Operations**

Banking and financial services contracts.....	170
Insurance management fiscal and administrative support charges .....	115
Check printing supplies .....	62
Software maintenance contracts .....	34
Timekeeping and leave accrual software – statewide shared cost.....	23
Legal advertising .....	22
Telecommunications capital lease .....	14
Vehicle purchase.....	-21
Office equipment capital lease.....	-36

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**Where It Goes:**

**Insurance Coverage and Bond Sale Expenses**

Contractual services related to sale of variable rate debt.....	466
Bond sale legal services.....	-20
Commercial insurance premium savings on renewed policies .....	-4,245
<b>Other</b> .....	-16
<b>Total</b>	<b>-\$3,413</b>

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

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## ***Issues***

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### **1. Transfer of \$10.0 Million from the State Insurance Trust Fund Included in the Budget Reconciliation and Financing Act of 2009**

Section 4 of the Budget Reconciliation and Financing Act of 2009 authorizes the transfer to the general fund of up to \$10.0 million from the State Insurance Trust Fund. The transfer will reduce the estimated balance on June 30, 2009, from \$33.8 million to \$23.8 million which is \$3.6 million below the actuarial recommended fund balance. Should the fund balance remain below the actuarial recommended level, agency assessments for insurance coverage could be increased in future budgets. If losses remain low, however, the balance could grow to within the recommended limit without changes to agency assessments. Previous transfers from the State Insurance Trust Fund to the general fund occurred in fiscal 2002 and 1991. In each instance \$5.0 million was transferred. **STO should comment on whether it has any concerns regarding the planned transfer.**

## ***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 2008</b>					
Legislative Appropriation	\$5,045	\$1,724	\$0	\$39,737	\$46,506
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	39	5	0	0	44
Cost Containment	-51	0	0	0	-51
Reversions and Cancellations	-19	-824	0	-10,087	-10,930
<b>Actual Expenditures</b>	<b>\$5,014</b>	<b>\$905</b>	<b>\$0</b>	<b>\$29,650</b>	<b>\$35,569</b>
<b>Fiscal 2009</b>					
Legislative Appropriation	\$5,131	\$1,592	\$0	\$38,833	\$45,557
Cost Containment	-245	-2	0	0	-247
Budget Amendments	40	7	0	0	47
<b>Working Appropriation</b>	<b>\$4,926</b>	<b>\$1,597</b>	<b>\$0</b>	<b>\$38,833</b>	<b>\$45,357</b>

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

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## **Fiscal 2008**

The fiscal 2008 budget for STO closed out \$10.9 million lower than the legislative appropriation. Increases by budget amendment added \$44,180 for the general salary increase (\$39,185 general, \$4,995 special) and were offset by cost containment reductions to banking fees of \$51,000. Unused general funds of \$19,138 related to telecommunications and General Advisory Bond Counsel fees reverted at the end of the fiscal year. Year-end special fund cancellations totaled \$823,652 and comprised unspent funds related to bond issuance costs (\$23,652) and unspent funds related to variable rate debt issuance (\$800,000). Reimbursable fund cancellations totaled \$10.1 million and comprised lower than estimated insurance losses in the State Insurance Trust Fund (\$4.7 million), lower than estimated costs for excess insurance coverage (\$2.5 million), lower than estimated costs for commercial insurance premiums (\$2.8 million), and unspent funds in Insurance Management and Treasury Management due to vacant positions (\$85,191).

## **Fiscal 2009**

The fiscal 2009 working appropriation is \$199,822 lower than the legislative appropriation. Increases by budget amendment for the general salary increase (\$40,190 general, \$6,885 special) were offset by cost containment reductions totaling \$246,897 (\$245,223 general, \$1,674 special). Cost containment comprised:

- health insurance subsidies to be paid for with nonbudgeted fund (\$12,250 general, \$1,674 special);
- a reduction to banking fees (\$50,000 general);
- bank reimbursements due to overpayments (\$128,000 general);
- health insurance subsidies to be paid for with nonbudgeted funds (\$10,251 general); and
- removal of Other Post Employment Benefits (OPEB) funding (\$44,772 general).

**Object/Fund Difference Report  
State Treasurer**

<u>Object/Fund</u>	<u>FY08 Actual</u>	<u>FY09 Working Appropriation</u>	<u>FY10 Allowance</u>	<u>FY09 - FY10 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	64.00	64.00	63.00	-1.00	-1.6%
02 Contractual	0.50	0	0	0	0.0%
<b>Total Positions</b>	<b>64.50</b>	<b>64.00</b>	<b>63.00</b>	<b>-1.00</b>	<b>-1.6%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 4,858,040	\$ 5,413,868	\$ 5,464,038	\$ 50,170	0.9%
02 Technical and Spec. Fees	26,545	5,250	4,500	-750	-14.3%
03 Communication	97,016	96,464	115,255	18,791	19.5%
04 Travel	35,199	35,237	32,737	-2,500	-7.1%
06 Fuel and Utilities	1,173	0	0	0	0.0%
07 Motor Vehicles	7,774	34,366	13,077	-21,289	-61.9%
08 Contractual Services	3,485,514	4,245,720	5,052,469	806,749	19.0%
09 Supplies and Materials	231,285	186,873	250,826	63,953	34.2%
10 Equipment – Replacement	155,208	130,125	99,427	-30,698	-23.6%
11 Equipment – Additional	60,564	6,613	0	-6,613	-100.0%
13 Fixed Charges	26,610,474	35,202,498	30,956,980	-4,245,518	-12.1%
<b>Total Objects</b>	<b>\$ 35,568,792</b>	<b>\$ 45,357,014</b>	<b>\$ 41,989,309</b>	<b>-\$ 3,367,705</b>	<b>-7.4%</b>
<b>Funds</b>					
01 General Fund	\$ 5,013,953	\$ 4,926,392	\$ 5,030,313	\$ 103,921	2.1%
03 Special Fund	904,947	1,597,168	2,139,224	542,056	33.9%
09 Reimbursable Fund	29,649,892	38,833,454	34,819,772	-4,013,682	-10.3%
<b>Total Funds</b>	<b>\$ 35,568,792</b>	<b>\$ 45,357,014</b>	<b>\$ 41,989,309</b>	<b>-\$ 3,367,705</b>	<b>-7.4%</b>

Note: The fiscal 2009 appropriation does not include deficiencies. The fiscal 2010 allowance does not include contingent reductions.

**Fiscal Summary  
State Treasurer**

<u>Program/Unit</u>	<u>FY08 Actual</u>	<u>FY09 Wrk Approp</u>	<u>FY10 Allowance</u>	<u>Change</u>	<u>FY09 - FY10 % Change</u>
01 Treasury Management	\$ 6,165,721	\$ 6,301,094	\$ 6,619,043	\$ 317,949	5.0%
01 Insurance Management	2,372,794	2,835,777	2,949,033	113,256	4.0%
02 Insurance Coverage	26,580,238	35,175,143	30,930,233	-4,244,910	-12.1%
01 Bond Sale Expenses	450,039	1,045,000	1,491,000	446,000	42.7%
<b>Total Expenditures</b>	<b>\$ 35,568,792</b>	<b>\$ 45,357,014</b>	<b>\$ 41,989,309</b>	<b>-\$ 3,367,705</b>	<b>-7.4%</b>
General Fund	\$ 5,013,953	\$ 4,926,392	\$ 5,030,313	\$ 103,921	2.1%
Special Fund	904,947	1,597,168	2,139,224	542,056	33.9%
<b>Total Appropriations</b>	<b>\$ 5,918,900</b>	<b>\$ 6,523,560</b>	<b>\$ 7,169,537</b>	<b>\$ 645,977</b>	<b>9.9%</b>
Reimbursable Fund	\$ 29,649,892	\$ 38,833,454	\$ 34,819,772	-\$ 4,013,682	-10.3%
<b>Total Funds</b>	<b>\$ 35,568,792</b>	<b>\$ 45,357,014</b>	<b>\$ 41,989,309</b>	<b>-\$ 3,367,705</b>	<b>-7.4%</b>

Note: The fiscal 2009 appropriation does not include deficiencies. The fiscal 2010 allowance does not include contingent reductions.