



MARYLAND STATE TREASURER
Dereck E. Davis

TESTIMONY OF STATE TREASURER DERECK E. DAVIS

**E20B – State Treasurer’s Office Budget
Fiscal Year 2023 Operating Budget
Response to Department of Legislative Services Analysis**

House Public Safety and Administration Subcommittee

February 16, 2022

Good Afternoon, Mr. Chair and Members of the Subcommittee,

I appreciate the opportunity to present the State Treasurer’s Office’s (STO) proposed operating budget for fiscal year 2023. I am grateful to the Department of Legislative Services – and, more specifically, to Mr. Patrick Frank – for the thoughtful analysis and perspective on our operations.

As you know, STO carries out several constitutional and statutory responsibilities on behalf of the State, including:

- procuring all banking, financial, and insurance services;
- issuing statewide debt to finance capital projects;
- managing the State’s self-insurance program;
- investing and safeguarding excess cash balances from all State funds; and
- reconciling State funds and accounts on a daily basis.

There are a few points from the budget analysis that I wanted to highlight.

First, as a financial control agency for State government, we have a small and dedicated team that specializes in finance, insurance, and debt management. Over the last few years, a combination of factors contributed to a relatively high rate of retirements and departures. We acknowledge and share in the concern over vacancies and have made great progress in the last two months to fill those positions. Since December 17, 2021, we have hired 6 employees and expect to on-board at least 1 more by the end of the month. Our office is presented with a unique challenge in that our insurance and banking divisions compete with the private sector. As a result of current State salary guidelines, it is difficult to recruit and retain in these competitive fields.

Second, the analysis mentions the substantial information technology upgrade that our office is undertaking. Each day, we process over 1 million State agency bank and accounting transactions.

Replacing our legacy system will greatly facilitate the work that our office does related to investments, banking, insurance, and debt management. Although the COVID-19 pandemic has caused the project to take longer and cost more than expected, it is more important than ever to implement a more secure platform, given recent cybersecurity threats to the State's IT infrastructure. We recognize the need for modernizing our IT infrastructure and are committed to completing this project.

Third, the analysis mentions that insurance premiums for State agencies will increase by \$1 million in fiscal 2023 to keep the State Insurance Trust Fund at its recommended actuarial level. The increase is not unusual and reflects changes in the insurance premiums negotiated with insurance providers as a result of a hard insurance market and the State's loss history.

Last, the analysis notes that STO's investment portfolio performed better than the average 90-day US Treasury Bill rate for 10 of the last 11 years. Our conservative and attentive approach to investments continues to serve the State well.

Thank you for your consideration of matters that affect my Office. I concur with DLS' recommendation to concur with the Governor's allowance. I have attached the Treasurer's update to the Legislative Policy Committee for your reference to help you better understand the operations of the Office. If you have additional questions, Jonathan Martin, Chief Deputy Treasurer (jmartin@treasurer.state.md.us), and I would be happy to talk further about the importance of the work that our Office is doing.