MARYLAND STATE TREASURER

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Testimony of the Maryland State Treasurer's Office
E20B – State Treasurer's Office Operating Budget | Fiscal Year 2027

House Appropriations Committee – Public Safety and Administration Subcommittee
February 18, 2026

Senate Budget and Taxation Committee – Education, Business and Administration Subcommittee
February 19, 2026

The State Treasurer's Office (STO) respectfully requests that the committees concur with the Department of Legislative Services' (DLS) recommendation to concur with the Governor's allowance for the proposed operating budget for fiscal year 2027.

The DLS analysis requests that the Treasurer comment on the State's insurance program and the Maryland Senator Edward J. Kasemeyer College Investment Plan.

State's Insurance Program

The analysis raises three insurance-related issues for comment. One issue relates to the State Insurance Trust Fund (SITF) balance, while the others relate to risk management practices and coverage options for natural disasters.

State Insurance Trust Fund

First, the analysis recommends that STO discuss plans to bring up the SITF balance to actuarially recommended levels. For context, STO allocated identical premiums to State agencies in fiscal years 2021 and 2022 due to the uncertainty created by the pandemic. In fiscal years 2023 and 2024, STO allocated moderate increases as operations returned to usual business standards. In fiscal year 2025, the allocation to State agencies increased by over $15 million to offset the gap in actuarial recommended fund balance. The allocations for fiscal years 2026 and 2027 should remain consistent with the fiscal year 2025 allocation to maintain funding with the actuarial recommendations.

Real and Personal Property Losses and Claims

Second, the analysis recommends that STO brief the committees on its risk management practices to limit real and personal property losses and claims. To reduce losses, all State agencies and institutions must collectively maximize loss prevention efforts. STO's Insurance Division has focused on assisting State agencies by conducting physical inspections with facility staff, encouraging compliance with insurance companies' loss prevention recommendations, and relaying frequent messaging to State agencies for storm preparedness, water intrusion avoidance, etc., prior to upcoming weather events. In addition, STO promotes the use of insurance carriers' services such as transformer oil and gas testing and infrared scanning of electrical equipment to detect hot spots which may result in fire damage.

Insurance Coverage for Natural Disasters

Third, the analysis recommends that STO brief the committees on the feasibility of purchasing insurance for community-wide natural disaster storm damage. The State's existing commercial property program insures against losses caused by flood, earth movement, and windstorms, among other perils. However, the property covered must be owned by the State and the basis of recovery is repair or replace with like kind and quality. It is not possible to extend traditional property insurance coverage to non-owned assets such as commercial businesses or personal dwellings. There are alternative products in the market such as parametric insurance and catastrophe (CAT) bonds. These products would require measurable outcomes from specified perils. For example, wind speed or rain fall may trigger payment under a parametric policy. The return from this type of placement is established on a sliding scale. For example, if a $10 million dollar limit parametric policy was purchased, it may pay 100% if wind speed exceeded 150 miles per hour at a designated location. If the wind speed was gauged at 100 miles per hour, however, the policy may only pay 50% of the limit. While the proceeds potentially may be used for losses unrelated to State owned property, parametric insurers ultimately would require proof of how the funds were expended. A CAT bond is a similar type of instrument which responds if certain triggers are met. However, use of CAT bonds would add to the State's bond debt, unless funneled through captives or other fronting arrangements. Both of these alternative products come with a substantial cost and potential additional expenses for captive formation, broker fees, etc.

Maryland Senator Edward J. Kasemeyer College Investment Plan Awareness and Participation

The analysis further requests comment from STO on advertising and marketing efforts related to the Maryland College Investment Plan (MCIP).

Advertising

While MCIP utilizes traditional advertising media such as radio, television, and billboards to ensure a broad reach to Marylanders with limited digital access, digital advertising is the most cost-efficient method of advertising. With a very low production cost, ads on social media and through search engines can be easily tailored to reach the Program's core demographic of adults ages 25 to 44 with children ages 0-12. Through digital tracking, STO was able to identify which ads produced the highest percentage of engagement and how many account applications have been opened and completed as a result of that engagement. In contrast, traditional advertising can only track the number of impressions (how many times an ad is seen or heard). Results are reviewed weekly to ensure that only high performing ads continue to run. Additionally, by leveraging advanced data segmentation, STO strives to deliver relevant, actionable content through monthly e-newsletters and targeted campaigns, which support consistent account contribution growth. Collaboration with the MCIP program manager further helps to produce original, 529-focused content, giving account owners access to expert perspectives and education tailored to their journey.

Increasing MCIP Beneficiaries and Contributions

STO seeks to increase the number of beneficiaries and account contributions by strengthening relationships with MCIP account owners throughout their education savings journey. Additionally, the Program seeks to promote the ways in which MCIP can support a variety of pathways to in-demand skills and experiences, whether it be through college, trade school, an apprenticeship, or post-secondary credential programs. Finally, the following targeted contribution campaigns are in place to leverage existing features and programs:

- **State Contribution Program**: Participation for households with low to middle incomes is encouraged with an integrated marketing plan that includes paid advertising along with partnerships. Already in 2026, there is a 13% increase in applications to the State Contribution Program as compared to the same time period in 2025;
- **Gifting**: The annual holiday gifting campaign promoted Ugift® and reached account owners through segmented emails, newsletters, and paid advertising. In fiscal year 2025, this initiative drove $2.6 million in gifting contributions, which included a 192% year-over-year increase in gifted contributions to targeted account owners;

- **Tax Max**: The Program's end-of-year outreach encouraged maximizing contributions to benefit from Maryland's state income subtraction. In the fiscal year 2025 campaign, over 52% of targeted account owners responded, contributing a total of $32 million; and

- **K-12**: STO continues leveraging the expansion of K-12 qualified education expenses with a marketing campaign geared towards private and religious K-12 schools.

In fiscal year 2025, these strategic marketing initiatives contributed to a 5.9% increase in new account growth and a 5.6% rise in contributions over the previous fiscal year, highlighting the effectiveness of the initiatives and the resulting engagement from new and existing account owners.

After careful review of the DLS analysis, STO respectfully requests that the committees concur with the DLS recommendation to concur with the Governor's allowance.