



**TREASURER'S REPORT TO
LEGISLATIVE POLICY
COMMITTEE
JUNE 2024**

**Dereck E. Davis
State Treasurer**

BOARD OF PUBLIC WORKS

Between January 1, 2024, and June 30, 2024, Board of Public Works (“BPW”) met 11 times to consider State procurements, expenditures of capital appropriations, the acquisition, use and transfer of State assets, issuances of licenses to dredge and fill wetlands, and the acquisition of land and easements in support of Program Open Space, the Conservation Reserve Enhancement Program, the Rural Legacy Program, and the Agricultural Land Preservation Program. During this timeframe, in addition to the State General Obligation Bond authorization discussed in more detail in the Debt Management Section of this report, BPW considered the following items, among others.

BPW Regulations

- Approved final action on new State procurement regulations, to include changing the definition of a small procurement by raising the threshold related to several categories. (04/03/2024)

Erroneous Conviction Payments

As required under the Walter Lomax Act (Chs. 76 and 77 of the Acts of 2021), BPW must compensate an erroneously convicted individual based on a specific formula. Between January and June 2024, BPW approved the following Office of Administrative Hearings’ recommendations to compensate the following erroneously convicted individuals:

- Mr. Jerry Lee Jenkins: \$202,995 in supplemental compensation. (01/03/2024)
- Mr. Anthony Hall: \$2,360,988 in supplemental compensation, and \$89,100 in housing expenses. (02/14/2024)
- Mr. Gary Washington: \$2,982,204.75 and \$89,100 in housing expenses. (05/01/2024)

Maryland Stadium Authority

- Approved a request to award the following Guaranteed Maximum Price (GMP) Packages for renovation projects at M&T Bank Stadium:
 - GMP #4: Demolition, Structural Concrete, Structural Steel, Misc. Metals, Air Barrier, Doors/Frames/Hardware, Glass, Signage/Graphics, Mechanical, Electrical, Landscaping, and Micro Piles. (02/14/2024)
 - GMP #5: Demolition, metals, waterproofing, doors, frames, hardware, and reverse roofing. (03/13/2024)
 - GMP #6: Masonry, rough carpentry, drywall, fire protection, HVAC/plumbing, and electrical. (04/17/2024)
- Approved a request to:

- Transfer ownership of the Hagerstown Multi-Use Sports and Events Facility to the Hagerstown Multi-Use Sports and Events Facility Inc.;
- Transfer the relocated Hagerstown Cultural Trail to the City of Hagerstown; and
- Grant a utility easement to the City of Hagerstown. (04/17/2024)

Office of the Attorney General

- Approved the U.S. Department of Justice’s \$4,140,000 settlement agreement with University of Maryland Baltimore County (“UMBC”) to settle a pending enforcement action arising from a Title IX investigation by the US Department of Justice, Civil Rights Division, Educational Opportunities Section concerning allegations that the University failed to respond adequately to sex discrimination against student athletes by the former head coach of the UMBC men’s and women’s swimming and diving teams. (04/03/2024)
- Approved the Office of the Attorney General’s (“OAG”) request to include a contingent fee provision in a contract with an external firm that would compensate its outside counsel with a portion of the monetary recovery, if any, that the state receives in antitrust enforcement actions involving a software/technology company and some of its Maryland real estate landlord and owner clients. (04/17/2024)
- Approved the OAG’s request to include a contingent fee provision in a contract with an external firm that would compensate its outside counsel with a portion of the damages the State recovers in litigation concerning PFAS (per- and polyfluoroalkyl Substances), also known as “Forever Chemicals”. (04/17/2024)
- Approved the OAG’s request to include a contingent fee provision in a contract with a recommended Assistant Counsel related to litigation for damages resulting from the Francis Scott Key Bridge Disaster. (05/15/2024)

Procurement

- Approved the Department of Human Resources’ request to award a contract in the face of a protest to implement, operate, and manage a customer service center for inbound and outbound communications of the Department. (01/31/2024)
- Approved the Maryland Historic Trust’s request to award a \$11,251,638 contract to construct an addition to the Maryland Archeological Conservation Laboratory (MAC-Lab) at Jefferson Patterson Park and Museum in Calvert County. (02/28/2024)
- Approved the Department of General Services’ (“DGS”) request to award a contract to three vendors to develop multi-year budget forecasts and technological solutions for all State-owned buildings, starting with the DGS-controlled facilities subject to Building Energy Performance (“BEP”) standards regulations. (02/28/2024)
- Approved Maryland State Department of Education’s (“MSDE”) request for approval to use the Expedited Procurement Method for a new Kindergarten Readiness Assessment contract, so that it can be administered during the upcoming school year. (04/03/2024)

- Approved the University of Maryland, College Park's ("UMD") request to establish an Energy Services Concession Agreement between UMD and Maryland Energy Impact Partners LLC. In addition, the State will lease certain campus energy facilities and the campus energy generation and distribution systems to Maryland Energy Impact Partners for a term of up to 33 years. (05/15/2024)
- Approved Department of Public Safety and Correctional Services' ("DPSCS") request to award a contract to provide medical and mental health care and utilization services for pre-trial detention services. (06/05/2024)
- Approved DGS' request to use \$306,130 in FY 2024 funding from the BPW contingent fund for security enhancements in the Annapolis Government Complex. (06/05/2024)

Property Acquisitions and Dispositions

- Approved the Maryland Department of Health's ("MDH") request to transfer a 2.115-acre property on the Rosewood Center Campus from MDH to St. Thomas' Episcopal Church for incorporation into the Church's cemetery. (02/28/2024)
- Approved Department of Natural Resource's ("DNR") request to accept a donation in fee simple of 293 +/- acres known as Holly Beach Farm from the Chesapeake Bay Foundation and paying nominal consideration of \$1.00. (03/13/2024)
- Approved the Master Agreement between the Maryland Thoroughbred Racetrack Operating Authority and 1/ST Holdings, the Maryland Jockey Club of Baltimore City, Inc., the Laurel Racing Association, Inc., Laurel Racing Association Limited Partnership, 1/ST Maryland LLC, and 1/ST Laurel LLC. (05/15/2024)

State Personnel

- Approved the request from the MDH to convert 168.75 contractual positions to 135 permanent positions in the Departmental Disabilities and Behavioral Health Administrations. Section 34 of Chapter 101 of 2023 (Budget Bill for FY 2024) authorizes the Board of Public Works to create additional positions beyond the Rule of 100 established in provided that 1.25 full-time equivalent (FTE) contractual positions are abolished for each regular position added and if there is no increase in agency funding in the current budget or the next two budgets. (01/03/2024)
- Approved the request from the Maryland Department of the Environment ("MDE") to create 11 full-time permanent positions to be paid for with federal funds within the Administration's Land Restoration Program's Federal Facilities Assessment and Remediation Division, the Mining Program's Abandoned Mine Land Division, and the Air and Radiation Administration. Section 34 of Chapter 101 of 2023 (Budget Bill for FY 2024) authorizes the Board of Public Works to create additional positions beyond the Rule of 100 established in provided that 1.25 full-time equivalent (FTE) contractual positions are abolished for each regular position added and if there is no increase in agency funding in the current budget or the next two budgets. (01/03/2024)

Transportation

- Approved Maryland Transportation Authority's (MTA) request to modify (Modification #8) the P3 Contract related to the Purple Line by increasing the contract amount by \$425 million, extending the contract term by an additional 234 days (from Spring 2027 to Winter 2027), and modifying the P3 Agreement to provide contractual relief to the Concessionaire for project delays. (03/13/2024)
- Approved Maryland Aviation Administration's (MAA) request to award a contract to provide sound insulation treatments for up to 20 single family residential properties in Glen Burnie, MD and Severn, MD. MAA's Sound Insulation Program's purpose is to reduce the interior noise levels within eligible residential dwelling units to be compatible with airport operations and is part of the Federal Aviation Administration's Noise Compatibility Program. (04/03/2024)
- Approved MTA's request for approval of an Access Agreement with Amtrak. This Agreement provides MTA track access on 76 miles of railroad on the Northeast Corridor (NEC) between Perryville, Maryland and Washington DC and use of Amtrak's Washington Terminal facility for MARC Penn Line commuter rail services. Amtrak owns the NEC right of way. (04/17/2024)
- Approved MTA's request to award a sole source contract to Amtrak to provide daily equipment inspections and servicing, and maintenance of equipment services for MARC rolling stock at Amtrak stations and facilities. (04/17/2024)
- Approved MTA's request of a Special Services Agreement with Amtrak. These services include a station attendant at Union Station, one-time Positive Train Control, (PTC) services for upgrades and speed enhancements and station platform inspections services related to the Amtrak right-of-way on the Northeast Corridor. (04/17/2024)
- Approved MTA's request to award one of two contracts to provide corridor program management consulting services for the MTA in support of major projects, including the Baltimore Red Line. (06/05/2024)

DEBT MANAGEMENT DIVISION

Rating Agency Update

In May of 2024, as part of the sale of Maryland's General Obligation Bonds State and Local Facilities Loan of 2024, First Series, the State Treasurer's Office hosted analysts from Fitch Ratings, Moody's Ratings, and S&P Global in a visit to Maryland for the first time in nearly 15 years. The event included presentations from several constitutional officers and other elected officials, as well as a full credit briefing and a progress update on the Port of Baltimore. Typically, the rating agencies review the State's credit by phone prior to each sale but periodically a personal visit such as this one is scheduled.

Maryland is one of only 15 states to hold the coveted triple-A rating, the highest possible rating for credit, by all three major rating agencies. S&P Global has rated the bonds AAA since 1961, Moody's Ratings has assigned the bonds a rating of Aaa since 1973, and Fitch Ratings has rated the bonds AAA since 1993. All three rating agencies continued to affirm their AAA ratings for Maryland's General Obligation debt with the May 2024 review. The rating reports from this sale are available on the Treasurer's website at <https://treasurer.state.md.us/debt-management/general-obligation-bonds/rating-agency-reports/>.

In its most recent review of the State's credit profile, Moody's Ratings revised the State's outlook to negative from stable for the first time since 2011. According to the credit analysis, the outlook revision was driven by expected structural imbalances and planned depletion of General Fund surplus and budget reserves. Although S&P Global and Fitch Ratings noted similar concerns as potential factors for future action, both rating agencies maintained a stable outlook for the State, noting the State's long history of proactive budget management and strong debt management policies.

Overview of Maryland's Credit

There is broad consensus about the State's credit strengths and challenges. An overview of some of those factors follows but should not be considered exhaustive. The rating agencies also frequently issue general research reports pertaining to credit issues and challenges which are available upon request.

Credit Strengths

Strong fiscal management institutions: One of Maryland's greatest credit strengths is its fiscal management, which is supported by strong institutionalized tools. These include the Capital Debt Affordability Committee (CDAC) process, which ensures State tax-supported debt remains within affordable levels; the Board of Revenue Estimates process, which produces a consensus revenue forecast agreed upon by the different branches of government; the Board of Public Works' ability to make midyear spending adjustments; the lack of a supermajority requirement for tax increases; and rapid 15-year amortization of general obligation debt required by the Constitution, among other things.

Record of excellent fiscal management: The State also has a proven track record of proactive fiscal management. Operating budgets are balanced and nearly always passed within the 90-day legislative session, the BPW has made numerous spending adjustments in response to new revenue information over the years, and adjustments such as tax increases and reforms to the pensions system have been made when necessary. Maryland's "middle temperament" and tradition of proactive cooperation on fiscal matters are subjective but critically important factors in the State's credit rating.

Stable diversified economy: Maryland has a broad-based, service-oriented economy anchored by the federal government, which has a positive impact on the State's economy overall despite the occasional shutdowns. The State's economy has a long record of resilience and above average performance relative to the nation. Maryland also tends to have lower unemployment and more high-paying jobs than the national average.

Highly educated population and above average income: The State's population ranks in the top echelon of the U.S. in terms of its educational attainment status and income level, creating a dynamic and reliable revenue base. Policies that help maintain the State's status as highly educated and wealthy are critical to its ability to retain its AAA bond rating.

Credit Challenges

Pensions, debt, and other long-term liabilities: Long-term liabilities in Maryland are considered to be high relative to peer AAA states. The State's debt burden is considered moderate, and the Constitutional requirement to retire debt within fifteen years, though a credit positive overall, leads to higher annual debt service costs. Maryland also directly funds a large portion of school construction needs for its counties, which is unusual among states. The State's pension plans are still below the ideal levels of funded status, though the rating agencies credit Maryland for its 2011 reforms. Taking steps to manage these long-term liabilities while still meeting Marylanders' need for State services is crucial.

Vulnerability to swings in federal spending: The state's economy receives substantial benefits from the proximity to the nation's capital, including a large federal agency presence and associated private contracting. While the strong federal presence can provide a certain degree of stability, exposure to changes in the federal budget that include budget cuts and other forms of retrenchment, pose disproportionate uncertainty for Maryland compared to most other states.

Factors that Could Contribute to a Future Negative Rating Action or Downgrade: All three rating agencies note that continuing budget pressure remain a significant concern for the State's credit. To the extent that economic and financial deterioration result in deficits, reliance on fund transfers and other nonrecurring budget balancing measures, or insufficient plans for replenishment and structural balance, the State's credit rating could be negatively impacted. Failure to adhere to policies, particularly those relating to addressing pension and other long term liabilities, is also a noted factor that could result in a negative revision to either the outlook or the rating.

General Obligation Bonds

Since the last report to this committee, the State has conducted one General Obligation bond sale in the amount of \$1,200,000,000. The 2024 First Series was sold on June 5, 2024, and closed on June 18, 2024.

- Series A Bidding Group 1 consisted of \$351,630,000 in tax-exempt new money bonds. The proceeds were used to finance new projects. Bidding Group 1 received an All-In True Interest Cost (TIC) of 2.97% and included a premium of \$47,013,500.
- Series A Bidding Group 2 consisted of \$300,505,000 in tax-exempt new money bonds. The proceeds were used to finance new projects. Bidding Group 2 received an All-In TIC of 3.14% and included a premium of \$51,594,836.
- Series A Bidding Group 3 consisted of \$347,865,000 in tax-exempt new money bonds. The proceeds were used to finance new projects. Bidding Group 2 received an All-In TIC of 3.57% and included a premium of \$54,533,682.
- Series B consisted of \$200,000,000 in taxable new money bonds. The proceeds were used to finance loan programs and other capital projects with the potential to benefit non-governmental entities. Series B received an All-In TIC of 4.52%

Capital Leases

The Debt Management Division administers two capital lease programs on behalf of State agencies. The Equipment Lease-Financing Program allows State agencies to acquire equipment and pay for those items over a 3- or 5-year time frame. The Energy Lease-Financing Program allows State agencies to acquire equipment necessary for an Energy Performance Contract (EPC) and pay for the equipment portion of the EPC over multiple years using the utility savings generated by the project.

On May 19, 2023, this committee authorized \$18.0 million of aggregate capital equipment for the Equipment Lease-Financing Program, of which a balance of approximately \$12.9 million remains to fund capital projects through June 2025. This committee also authorized \$20.0 million for the Energy Lease-Financing Program, also through June 2025, which has not yet been utilized.

Commission on State Debt

Debt service on General Obligation Bonds is paid from the Annuity Bond Fund, which is primarily funded by the State's real property tax revenue. The Commission on State Debt, chaired by the Treasurer, met on April 11, 2024, to review the State's debt profile and the status of the Annuity Bond Fund. Based on the information presented below, the Commission recommended there no be change in the current property tax rates for fiscal 2025. This recommendation was approved by the Board of Public Works on April 17, 2024.

Annuity Bond Fund, Fiscal Year 2023 – 2029
(\$ in Millions)

| | 2023 Act. | 2024 Est. | 2025 Est. | 2026 Est. | 2027 Est. | 2028 Est. | 2029 Est. |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Beginning Balance | \$83.3 | \$69.5 | \$47.0 | \$11.8 | \$2.0 | \$2.0 | \$2.0 |
| Total Property Tax Collections | 943.6 | 998.6 | 1,059.04 | 1,076.8 | 1,103.8 | 1,131.3 | 1,154.0 |
| General Fund Appropriation | 649.0 | 425.1 | 397.1 | 374.2 | 433.0 | 473.1 | 522.2 |
| Bond Sale Premium | 65.0 | - | - | - | - | - | - |
| Federal Subsidy for ARRA Bonds | 6.4 | 6.2 | 4.9 | 2.6 | 0.9 | 0.2 | - |
| Transfer Tax | 7.00 | 7.00 | 7.00 | 1.7 | - | - | - |
| Other Cash Receipts | 6.0 | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 |
| Capital Projects | 259.8 | 29.1 | - | - | - | - | - |
| Debt Service | <u>(1,430.9)</u> | <u>(1,432.7)</u> | <u>(1,505.7)</u> | <u>(1,467.6)</u> | <u>(1,540.3)</u> | <u>(1,607.3)</u> | <u>(1,678.9)</u> |
| Ending Balance | \$69.5 | \$47.0 | \$11.8 | \$2.0 | \$2.0 | \$2.0 | \$2.00 |

*Data in the exhibit is current as of April 11, 2024. Assumes no increase in property tax rates.

TREASURY MANAGEMENT DIVISION

Banking Division

The primary mission of the Banking Division is to manage and control relationships with vendors providing financial services for the State of Maryland, to anticipate agency banking requirements, and to respond timely to agency requests.

The Banking Division ensures the accurate and timely recordation of State funds, and the reconciliation of the State's bank accounts to its R*STARS accounting system. The division must account for the receipt of all warranted deposits and the disbursement of all warranted payments. To meet these responsibilities, a comprehensive daily cash reconciliation is performed which allows the Banking Division to proactively resolve agency banking issues. Even as the volume of transactions has increased, the processes and controls developed by the Banking Division continue to result in a timely, accurate, and well documented reconciliation of the State's cash accounts.

As of June 30, 2024, total cash receipts and disbursements exceeded \$1.1 trillion this fiscal year.

The State's bank accounts continue to be reconciled to the penny to the State's general ledger.

In addition to the reconciliation duties, the division performs daily operational functions that are critical to the movement of funds into and out of the State's bank accounts and to the recordation of these transactions in R*STARS. These include:

- Processing the drawdown of funds from federal programs and grants;
- Initiating Federal Reserve wire payments;
- Managing foreign currency transactions;
- Processing check stop payments, cancellations and reissues;
- Initiating replacement checks for failed ACH payments;
- Recovering funds for fraudulent check presentments;
- Providing transaction research assistance to State agencies;
- Managing the Unpresented and Undeliverable Check Funds;
- Recordation in R*STARS of all bank adjustments; and
- Maintenance of tables to allow for accurate posting of electronic receipts.

Another responsibility of the division is to ensure protection of all State funds on deposit with financial institutions through monitoring of bank account and collateral balances. Utilizing the Treasurer's Bank Account Information System (TBAIS), the Banking Division monitors agency bank accounts at designated financial institutions.

TBAIS reported 1,436 open agency bank accounts managed by the Banking Division at 21 financial institutions as of June 30, 2024. The Banking Division completed a full review of the bank accounts listed as open in TBAIS to insure that the information in TBAIS was consistent with the information from banks.

Total posted collateral on June 30, 2024, was \$1.1 billion (unaudited). Data results from the annual State bank account validation process is updated in TBAIS to ensure that all accounts are properly collateralized, monitored monthly, and that all interest owed to the General Fund has been collected.

The Banking Division continues to serve as the State’s authority for the development, control and maintenance of statewide policies and procedures for banking products and services. The division strives to stay at the forefront of changes in banking products and services offered in the financial industry and will continue to explore new financial products and improved data delivery methods. Such advances will increase the Banking Division’s capabilities to provide efficient and cost-saving banking and financial services to all State agencies.

Investment Division

The objectives of the Maryland State Treasurer’s Investment Policy are to provide sufficient funds to meet cash flow needs and to achieve a return on investment all while maintaining safety of principal. State treasurer’s office compares the State’s cash management and investment policies and practices with those of peer AAA-rated states to ensure best practices are implemented and followed and actively works to seek improved ways to protect the State of Maryland’s funds.

The Treasurer’s prudent investment policy and practices focus primarily on safety of principal to ensure protection of Maryland State Funds. The information in this report is based on the daily verification of investments for fiscal year 2024 year to date. The balance of the General Fund Investment Portfolio for June 30, 2024, was \$20.867 billion with a yield of 4.38% compared to \$22.034 billion on June 30, 2023, with a yield of 4.12%, The portfolio decreased by ~ \$1.167 billion over the past six months.

The portfolio breakdown at the end of fiscal year 2024 was as follows:

| Portfolio Composition for June 30, 2024 | | | |
|---|--|------------------|------------|
| Assets | | | |
| Investment Type | | Dollar Amount | Percentage |
| Repurchase Agreement: | | \$4,415,969,430 | 21.16% |
| Money Market Funds | | \$3,700,247,105 | 17.73% |
| Government Sponsored | | \$5,356,136,113 | 25.67% |
| Supra Sovereigns | | \$1,012,983,129 | 4.85% |
| Commercial Paper | | \$4,658,881,115 | 22.33% |
| US Treasuries | | \$358,227,788 | 1.72% |
| Other Investments | | \$1,364,793,682 | 6.54% |
| Total | | \$20,867,238,362 | 100.00% |

The General Fund’s gross interest earnings for fiscal year 2024 was \$861.565 million with adjusted value of securities purchased at both a discount and in performance tacked on another \$441 million for a total Return in the General Fund of \$1.302 billion in fiscal year 2024. That

compared to \$588.414 million for the full 2023 fiscal year. On average ~ 60% has been allocated by statute to agencies in the state on a prorated basis based on their account balances throughout fiscal year 2024. Senate Bill 362 and Budget Reconciliation and Financing Act (BRFA) 2024, Section 8 did change the agencies that will be allocated separate interest from 2024 through 2028. The ~60% allocated to agencies prior to the bill was made up of between 205 and 218 different agencies accounts. Senate Bill 362/BRFA 2024 has reduced that to 85. The impact going forward may have a material impact on allocation depending on the balances in the various accounts. The change in allocation to state agencies per the law passed during the most recent legislative session and signed into law by Governor Moore took effect on June 1st and will reduce the allocation to agencies to around ~35%, again depending on the balances held.

The Federal Reserve stopped raising interest rates late summer of 2023 and have been on hold since. The State Treasurer's Office was able to take advantage of the high short-term rates to enhance portfolio returns. Currently the Federal Reserve's general forecast is for 2 interest rate cuts in the 2nd half of 2024 (fiscal year 2025). The markets are pricing in a 25-bps cut in September and a second cut of 25-bps in December. That would reduce the interest the portfolio makes but could help some of the bonds in the portfolio rally (lower yields = higher bond prices) and that could offset some of the interest loss. There is a significant disagreement on Wall Street and among economists as to what various policies proposed by the major political parties could do to the economy, inflation, and interest rates into 2025 and beyond. That increases the difficulty of forecasting potential returns for the 2nd half of fiscal year 2025.

As can be seen in the brief chart below, the General Fund has underperformed the average return on the 3 Month Treasury Bill rate for fiscal year 2024. The reason for this was the divergence in fixed income/bond prices on longer term older securities and the newer shorter securities that were purchased for the portfolio. As rates rose through the 1st half of FY24, peaking on October 18, bond prices dropped and older securities that were in the portfolio, going back to fiscal years 2018 – 2021 that had low coupons, hurt both the interest rate return and the capital value of the portfolio. Active diversification into securities with higher returns that still maintained safety and liquidity helped to offset some of the negative returns. In addition, a shift to shorter maturities aided returns. It will take time for these securities to mature and get replaced with higher return more current coupon securities. For a more accurate comparison, the longer historical securities yield on average 1.98% while the securities purchased since are approximately 5.59%.

| Fiscal Year | General Fund | 3 Mon Treasury Bill Rate |
|--------------------|---------------------|---------------------------------|
| 2013 | 0.88% | 0.08% |
| 2014 | 1.03% | 0.04% |
| 2015 | 1.03% | 0.02% |
| 2016 | 1.04% | 0.18% |
| 2017 | 1.47% | 0.56% |
| 2018 | 1.56% | 1.42% |
| 2019 | 1.82% | 2.29% |
| 2020 | 1.43% | 1.22% |
| 2021 | 0.29% | 0.06% |
| 2022 | 0.49% | 0.36% |
| 2023 | 4.70% | 4.36% |
| 2024 | 4.37% | 4.98% |

The following chart tracks the percentage of agency accounts that receive an interest allocation from the total interest earned on the investment portfolio:

| Fiscal Year | General Fund Total | Allocated to State Agencies | Net to General Fund | % Allocated to State Agencies |
|-------------|--------------------|-----------------------------|---------------------|-------------------------------|
| 2013 | \$49,357,458.21 | \$40,710,863.09 | \$8,646,595.12 | 82% |
| 2014 | \$71,835,570.12 | \$52,602,770.79 | \$19,232,799.33 | 73% |
| 2015 | \$62,588,250.07 | \$55,460,767.19 | \$7,127,482.88 | 89% |
| 2016 | \$75,991,110.40 | \$60,075,482.99 | \$15,915,627.41 | 79% |
| 2017 | \$87,460,317.62 | \$84,108,491.92 | \$3,351,825.70 | 96% |
| 2018 | \$115,824,244.37 | \$94,860,659.60 | \$20,963,584.77 | 82% |
| 2019 | \$151,015,417.00 | \$116,577,195.00 | \$34,438,222.00 | 77% |
| 2020 | \$131,849,158.86 | \$96,214,619.04 | \$35,634,539.82 | 73% |
| 2021 | \$29,521,282.49 | \$18,608,563.57 | \$10,912,718.92 | 63% |
| 2022 | \$70,712,551.13 | \$34,359,271.67 | \$36,353,279.46 | 49% |
| 2023 | \$613,039,576.67 | \$361,330,338.03 | \$251,709,238.64 | 59% |
| 2024* | \$897,146,238.30 | \$526,749,509.06 | \$370,396,729.24 | 59% |

* Through 06/30/2024

SB362 Went into effect on 6/1/2024 - Overall 59% has been allocated to agencies throughout the year - In June 39% Went to the Agencies while remainder was retained in the General Fund.

The Maryland Local Government Investment Pool

The Maryland Local Government Investment Pool's (MLGIP) consists of 305 accounts and 275 separate participants and provides its participants with a diversified, well-managed portfolio at a reduced cost. The MLGIP AAA rating was reaffirmed by S&P Global Ratings on March 25, 2024. The MLGIP has maintained the AAA rating since April 2000. The MLGIP's balance, which is the amount invested by all participants, on June 30, 2024 was \$9,267,014,154, compared with \$9,561,635,000 at the end of fiscal year 2023 on June 30, 2023, a decrease of ~3%, or \$294,620,663. The participants receive the bulk of their annual funds from Local Income Tax quarterly disbursements.

The average MLGIP yield for fiscal year 2024 was 5.49%, for full year 2023 it was 5.16% that compared within a couple basis points of 3-month Treasury Bills. For full year 2023, 3-month Treasury Bills return 5.187%. In fiscal year 2024, 3-month Treasury Bills have returned on average 4.98%. The MLGIP

The MLGIP contract was put out for bid last year and PNC retained the contract.

| Fiscal Year | Fund Balance as of June 30 | Number of of Participants | Actual Yield Previous 12 Months | \$ Inc (Dec) Assets Assets Previous year |
|-------------|-------------------------------|---------------------------------|---------------------------------------|--|
| 2013 | 2,848,875,911 | 301 | 0.12% | 14.86% |
| 2014 | 3,127,026,184 | 302 | 0.05% | 9.76% |
| 2015 | 3,424,585,598 | 302 | 0.05% | 9.52% |
| 2016 | 3,779,521,886 | 303 | 0.22% | 10.36% |
| 2017 | 3,727,516,877 | 305 | 0.56% | -1.38% |
| 2018 | 5,251,410,838 | 305 | 1.34% | 29.02% |
| 2019 | 6,050,482,835 | 305 | 2.27% | 15.22% |
| 2020 | 8,924,858,860 | 305 | 1.49% | 47.51% |
| 2021 | 9,722,107,828 | 305 | 0.09% | 11.19% |
| 2022 | 9,666,453,434 | 305 | 0.27% | -0.57% |
| 2023 | 9,561,634,818 | 275 | 0.27% | -1.65% |
| 2024** | 9,267,014,154 | 275* | 5.49% | -3.08% |

* Distinct Accounts - Some Members hold multiple accounts

INSURANCE DIVISION

The Insurance Division is responsible for administering the State's Insurance Programs which includes both commercial insurance and self-insurance. Commercial insurance policies are procured to cover catastrophic property and liability losses and to fulfill obligations derived from State contracts, statutes, and regulations. Among the several exposures covered by commercial policies are State-owned toll bridges, tunnels and roads, the Baltimore Washington International Thurgood Marshall Airport, the Port of Baltimore, Maryland Transit Administration liability, assorted professional liability exposures, and student athlete accident insurance. The State self-insures a significant portion of its exposures and maintains the State Insurance Trust Fund to pay claims and the costs associated with handling those claims. Self-insurance includes damage for State-owned real and personal property, vehicles, and liability claims covered under the Maryland Tort Claims Act.

The Insurance Division has four units: Underwriting, Claims, which includes Tort Litigation, Loss Prevention and Worker's Compensation. The division's goal is to provide statewide risk management through loss protection (Underwriting), loss control (Loss Prevention), TPA contract administration (Worker's Compensation) loss restoration and liability protection (Claims and Tort Litigation).

Division IT Project

The D365 project was initiated to replace legacy computer systems, including those used by the Insurance Division for adjusting and tracking claims against the State. Among many goals of the project were improved efficiencies and strengthened cyber security. The first phase for the Insurance Division was the citizen portal for on-line claim reporting, which was completed in fiscal year 2022.

The second phase of the project, the Claims Management System (CMS), went live October 31, 2022. New claims are entered into CMS as received. On February 24, 2024, the existing claims were migrated from the legacy I-5 system to CMS.

The third phase of the project has been implemented, which includes integration between CMS and the Accounting division of the Treasurer's Office.

The final stages of the project will include a portal for State agencies to access CMS and the transition of the D365 project from the development team to STO's "IT" department. This should be completed by December of 2024.

Underwriting Unit

The Insurance Division procures broker services for the purchase of commercial insurance to protect the State Insurance Trust Fund from catastrophic loss, to meet statutory or regulatory requirements, and for compliance with agency contractual agreements. Underwriting events the past six months include:

On January 31, 2024, a meeting with Maryland Aviation Administration, Airport Liability carrier Starr Indemnity, broker Willis Towers Watson Southeast, Inc. (“WTW”) and Insurance Division staff was held at BWI Airport. MAA presented an overview of current and future construction projects, including those to address trip hazards, like walkway joint repairs. MAA’s plans for compliance with FAA SMS Program requirements were also addressed.

The Francis Scott Key Bridge was struck on March 26, 2024, by container vessel MV Dali. The commercial property insurer for the Maryland Transportation Authority (“MDTA”), Chubb/ACE American, is expected to pay the total policy limit of \$350,000,000 to MDTA for this loss.

The State’s commercial property program renewed effective April 1, 2024. The combined premium rate for the program decreased by 1.4% this renewal, a positive result after several years of rate increases. State owned property values increased by almost 6% since last year, including higher appraised historic replacement costs for the State House and Davidge Hall, recently completed building construction for Towson and Frostburg Universities and a building acquisition by University of Maryland, College Park.

A Request for Proposals for insurance broker services related to the State’s commercial inland marine, ocean marine, crime insurance and bonds was published February 5, 2024. In addition to various public official bonds and agency crime policies, the RFP includes crane physical damage, vessel protection and indemnity liability (P&I) and fine arts on loan to State agencies and institutions. Representatives from Maryland Port Administration and Department of Natural Resources participated on the RFP Evaluation Committee. The contract was awarded to WTW for a five-year term, effective May 1, 2024.

Commercial Insurance Program Renewals

January 1, 2024 – June 30, 2024

- Maryland Port Administration’s commercial auto coverage renewed effective January 1, 2024-2025. The overall pricing increased from \$92,240 to \$106,631. This was an increase of \$14,391, or approximately 15.6% compared to expiring cost.
- State-owned vessel Protection and Indemnity (P&I), which is liability coverage, renewed effective January 1, 2024-2025. The overall pricing increased from \$52,659 to \$58,367. This was an increase of \$5,708, or approximately 10.8% compared to expiring cost.
- MDH Willow Brook Square Resident Fund Trust Account surety bond renewed effective January 1, 2024-2025. The overall pricing remained the same as last year, \$350.
- University of Maryland, Global Campus’s tuition bond for the State of Washington renewed effective January 1, 2024-2025. The overall pricing remained the same as last year, \$625.
- The University of Maryland’s Customs Bond renewed effective January 3, 2024-2025. The overall pricing remained the same as last year, \$650.

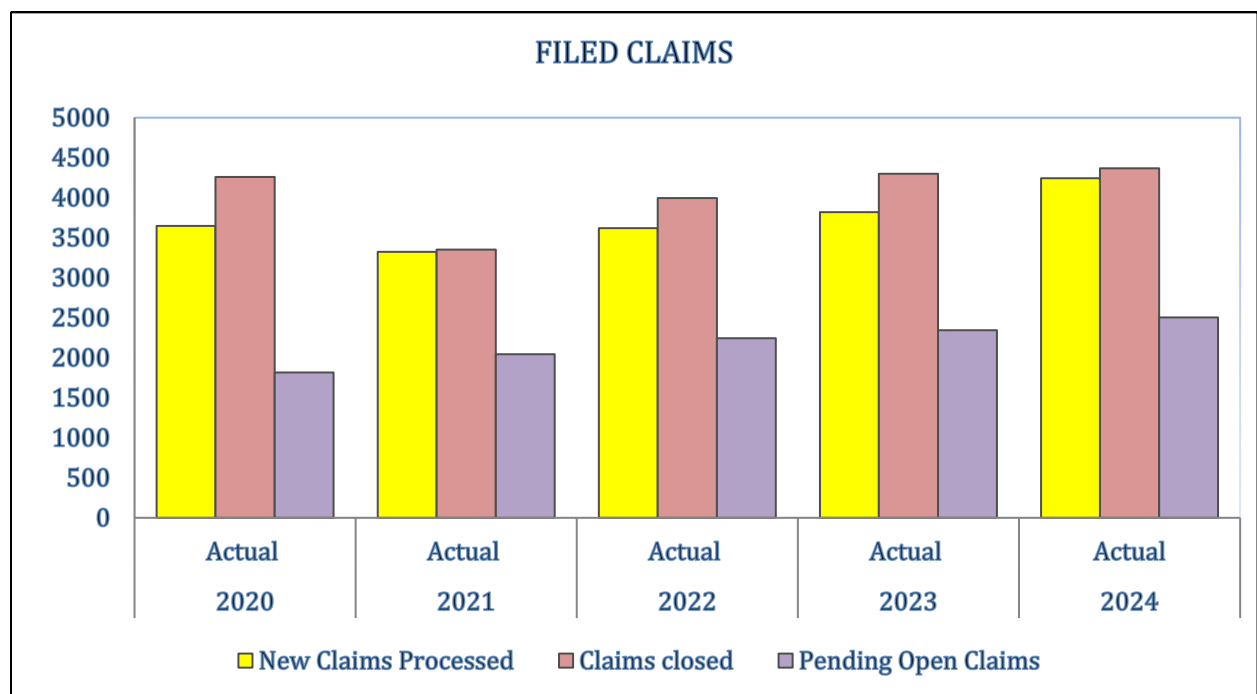
- Maryland Port Administration's liability and terrorism coverages renewed effective January 31, 2024-2025. The overall pricing increased from \$598,530 to \$648,509. This was an increase of \$49,979 or approximately 8.4% compared to expiring cost.
- Maryland Institute for Emergency Medical Services Systems' General Liability policy renewed effective February 18, 2024-2025. The overall pricing increased from \$3,950 to \$4,000. This was an increase of \$50, or approximately 1.3% compared to expiring cost.
- Maryland Department of Housing & Community Development's crime policy renewed effective March 1, 2024-2025. The overall pricing remained the same as last year, \$19,250.
- Blanket Fine Art on Loan policy renewed effective March 1, 2024-2025. The policy limit remained \$15M. The overall pricing decreased from \$18,394 to \$18,102. This was a decrease of \$292, or approximately 1.6% less compared to expiring cost.
- University of Maryland, Global Campus's tuition bond for the State of Colorado renewed effective March 1, 2024-2025. The overall pricing remained the same as expiring, \$930.
- Maryland Transit Administration's Crime policy renewed effective March 10, 2024-2025. The overall pricing decreased from \$17,749 to \$17,592. This was a decrease of \$157, or approximately 0.9% compared to expiring cost.
- Maryland Department of Agriculture's Special Event policy for the Boston Seafood Festival was issued effective March 10, 2024 – March 13, 2024. The overall pricing remained the same as last year, \$676.
- Maryland Department of Human Services and Maryland Department of Juvenile Services Foster Parent General Liability coverage renewed March 15, 2024-2025. The overall pricing increased from \$290,615 to \$341,410. This was an increase of \$50,795 or approximately 17.5% compared to expiring cost.
- Blanket Excess Property policy renewed effective April 1, 2024-2025. The overall pricing increased from \$17,961,804 to \$18,772,047.05. This was an overall increase of \$810,243.05, or approximately 4.5% compared to expiring cost.
- Maryland 529 Crime policy renewed effective April 1, 2024-2025. This year's renewal contemplated Maryland 529's new exposure as part of the State Treasurer's Office. The overall pricing increased from \$2,103 to \$3,047. This was an increase of \$944, or approximately 44.9% compared to expiring cost.
- Maryland Department of Commerce Foreign Liability policy renewed effective May 1, 2024-2025. The overall pricing remained the same as last year, at \$3,500.
- Blanket Aviation Hull & Liability policy for State owned and leased aircraft renewed effective June 30, 2024-2025. There were four new aircraft added over the prior policy year.

The overall pricing increased from \$1,476,411 to \$1,650,955. This was an increase of \$174,544, or approximately 11.8% compared to expiring cost.

Claims Unit

The Insurance Division's Claims Unit investigates and resolves claims filed under the Maryland Tort Claims Act for property damage and personal injury. The unit also handles claims for State-owned property arising from sudden and accidental perils, such as collision and comprehensive losses to autos, and perils such as fire, hail, lightning, and wind, for damage to State structures, equipment, and contents.

The open and closed claims are tracked to gauge activity, inventory and to identify any trends. From July 1, 2023, through June 30, 2024, there were 4,309 new claims processed and 4,463 claims closed. The chart below shows claims detail of all claims by fiscal year. There are currently 2,475 open pending claim files for fiscal year 2024.



Recently Reported Major Claims - From January 1, 2024, through June 30, 2024, the Insurance Division received notice of 42 claims that present potential liability of \$75,000.00 or more. The reserve is set at the \$75,000.01 for reporting purposes and to identify any potential exposure.

Tort/Auto/O&E

On July 17, 2019, a claim alleging a Maryland State Police ("MSP") Trooper advised the claimant to stand next to his vehicle while the MSP trooper was printing out a citation for a traffic

accident that occurred earlier. As the claimant was standing next to the MSP trooper's vehicle, another claimant struck the rear of the MSP trooper's vehicle and caused injuries to the claimant.

On February 12, 2020, a claim alleging that the claimant was shot and passed away while being served a warrant. This file is in litigation and multiple state agencies were sued.

On August 21, 2020, a claim alleging that the MSP trooper caused serious injuries to the claimant when he struck the claimant's vehicle.

On August 21, 2021, a claim alleging the Maryland Stadium Authority had property that was not maintained properly. The claimant tripped on a cinder block and was injured while leaving the Orioles game.

On April 21, 2022, a claim alleging Maryland Department of Health cremated a body that was found deceased of natural causes and failed to notify the next of kin.

On May 1, 2022, a claim alleging Department of Public Safety & Correctional Services housed a transgender woman with male inmates.

On April 27, 2023, a claim alleging that a front loader vehicle driven by a Maryland Environmental Services employee picked up the claimant vehicle and then put the vehicle back down causing injuries to the parties inside the vehicle.

On May 12, 2023, a claim alleging that a Department of Natural Resources employee was driving a cement mixer when it toppled off a bridge and caused damages to a vehicle.

On May 15, 2023, a claim alleging a Department of Public Safety & Correctional Services correctional officer assaulted an inmate.

On May 23, 2023, a claim alleging that a vehicle owned by University of Maryland Baltimore County caught fire.

On June 12, 2023, a claim alleging that a vehicle owned by State Highway Administration rear ended and caused injuries to the other driver.

On July 7, 2023, a claim alleging Department of Public Safety & Correctional Services permitted an inmate to stab another inmate multiple times.

On October 1, 2023, a claim alleging Maryland Department of Health was negligent for a minor that was sexually abused at Crownsville State Hospital in 2003.

On October 1, 2023, a claim alleging sexual abuse of a minor at the Department of Juvenile Services.

On March 26, 2024, the Francis Scott Key Bridge collapsed after being struck by a cargo ship.

On April 18, 2024, a claim alleging that a bus operated by a University of Maryland College Park employee struck a pedestrian on a bicycle and caused injuries.

Property/Boiler

On October 17, 2022, St. Mary's College of Maryland's contractor ignited insulation when brazing pipes, causing fire damage to several floors of newly renovated Calvert Hall. Estimated loss was increased to \$2,000,000, subrogation anticipated.

December 21-25, 2022 - CAT 2273 - Combined loss estimate: \$10,524,067.82, commercial deductible \$2,500,000:

- University of Maryland, Baltimore County
- University of Maryland, Baltimore
- Coppin State University
- Office of Public Defender
- Department of General Services
- Morgan State University
- University of Maryland, College Park
- Baltimore City Community College
- MDH Spring Grove Hospital

Note: Some individual claims fall below \$75,000, however, all are considered one event under the April 1, 2022-23 commercial property insurance program.

On June 1, 2023, University of Maryland, College Park, scientific equipment was damaged while being moved to another building. Estimated loss \$250,000.00.

On June 28, 2023, University of Maryland, College Park, had a chemical fire.

On February 20, 2024, a sprinkler at University of Maryland, College Park activated inside a room and cause flooding on several floors.

On April 7, 2024, broken pipes at University of Maryland, Baltimore, caused flooding.

On May 12, 2024, DPSCS located at 550 East Madison Street had a pipe burst causing sewage and water to seep out into the mezzanine level and inside the elevators.

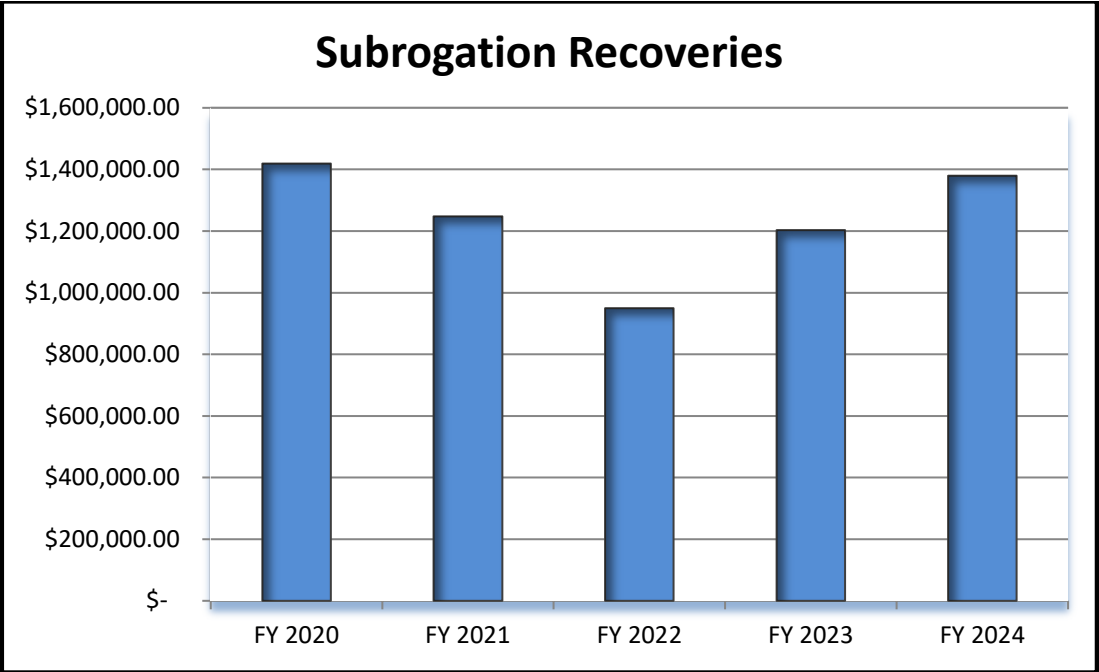
On June 2, 2024, Department of Natural Resources had a fire at the Steppingstone Farm Museum.

Subrogation Recoveries

In addition to adjusting claims filed under the Maryland Tort Claims Act, the unit is also charged with recovering the cost of damage to State automobiles and property caused by others. This subrogation recovery process helps to offset State Insurance Trust Fund liabilities and positively

affects the fund’s solvency. Since 2007, the Claims Unit has renewed its focus on increasing subrogation recoveries by designating specific claims personnel to pursue these debts. Year-to-date subrogation recoveries for fiscal year 2024 total \$1,379,267.53 as of June 30, 2024. This is a continued area of focus and is a priority within the Claims Unit.

Subrogation recoveries for fiscal year 2024 are still being impacted by lingering effects of the COVID-19 pandemic. As a result of the crisis, delayed responses to the State’s subrogation requests, supply chain challenges for auto parts, or other repairs and staffing issues in the insurance industry continue to hamper recoveries.

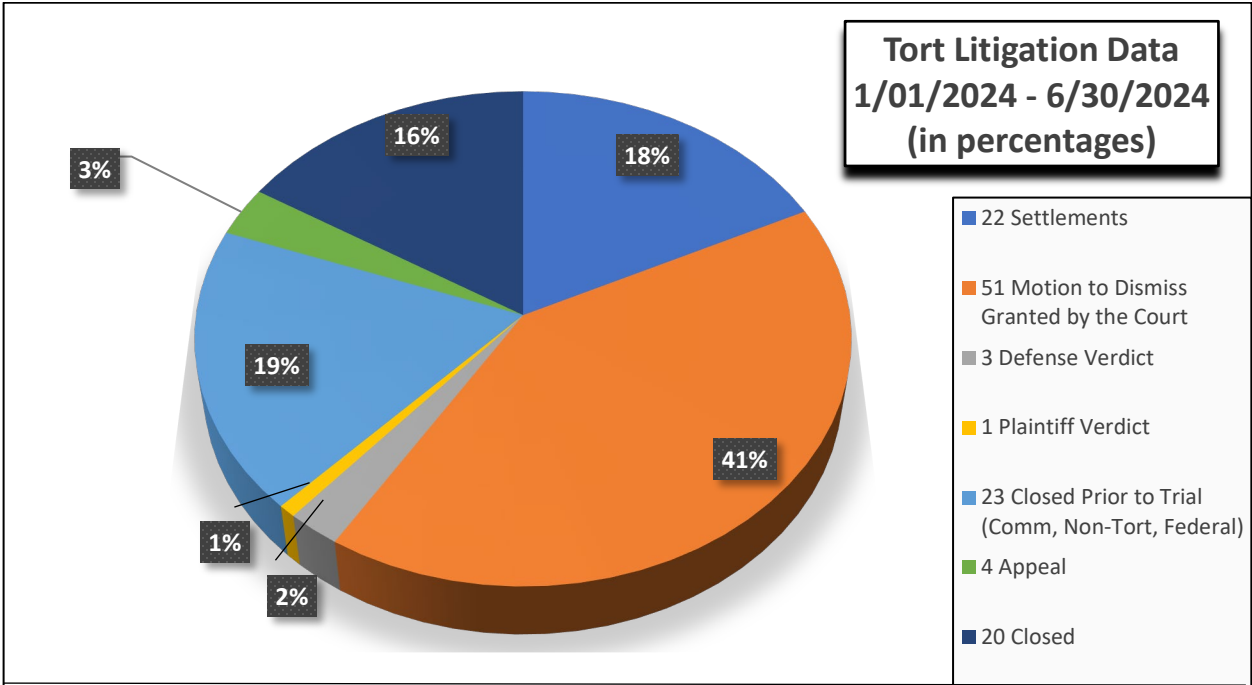


Tort Litigation Management

The Casualty Claims Litigation Specialists work closely with the Office of the Attorney General to proactively resolve cases in litigation. The Casualty Claims Litigation Specialists investigate, evaluate, and extend settlement authority on behalf of the Treasurer to the Office of the Attorney General. In cases valued over \$400,000, the Casualty Claims Litigation Specialists brief the Insurance Review Committee, which includes the Chief Deputy Treasurer, the Director of the Insurance Division, the Tort Attorneys, and other stakeholders requesting settlement authority.

Settlement costs for the period of January 1, 2024, through June 30, 2024, totaled \$487,763.80 and litigation expense costs were \$43,061.54, for a total of \$530,825.34. The Casualty Claims Litigation Specialists attend settlement conferences and other court-mandated activities and provide periodic updates on the status of litigation claims, as requested. The Casualty Claims Litigation Specialists provide feedback to adjusters during the discovery process and upon resolution, as required.

The Tort Unit handles a rolling docket of approximately 150 - 175 litigation claims. The current litigation caseload is approximately 134 as of June 30, 2024. The Casualty Claims Litigation Specialists actively monitor trial verdicts and appeals and assess the potential impact on the State Insurance Trust Fund. The Casualty Claims Litigation Specialists also analyze data to track litigation outcomes.



The Casualty Claims Litigation Specialists will continue to monitor litigation outcomes and provide relevant data and analytical information to the Insurance Director, Loss Prevention, Underwriting, and Claims units, which will be used to determine future risk prevention activities.

Loss Prevention

The primary goal of the Loss Prevention Unit is to assist in the preservation of State-owned assets, including buildings, computers, machinery, and specialized equipment. Agency wide communications for weather threats, proactive site pre-inspections and monitoring compliance with carrier recommendations are tools utilized to accomplish this objective.

In addition to providing coverage for catastrophic claims, the boiler and machinery insurance company, Travelers, conducts about 900 boiler inspections each year as required by Maryland Department of Labor. Jurisdictional violations are reported to the agency by Travelers and compliance is mandatory for certification.

On April 24, 2024, the Insurance Division met with the State’s insurance broker, Aon, and Travelers for quarterly loss prevention meeting.

Property Inspections and Recommendations

Each year, the commercial property insurance company, AIG, inspects 10 locations, typically those with higher values. The purpose is to assist in the identification of hazards that may lead to loss and to provide recommendations to mitigate such losses. Inspections involve a physical survey of the site and visual examination of buildings and their operating systems. A report is generated by the insurer's representative describing general conditions and observations of any potential issues. Inspection reports are shared with each agency to review the recommendations and discuss intended actions. Inspections for the current cycle have been identified and are now being scheduled.

Planned inspection sites include:

- Department of Agriculture
- Department of Veteran Affairs – Charlotte Hall
- DGS – Crownsville Peoples Resource Center
- Fifth Regiment Armor
- Camp Fretterd
- MTA – 344 W. North Ave.
- St. Mary's College of Maryland
- UM – Shady Grove
- UMBC
- UMCP

On May 15, 2024, Loss Prevention met with the Travelers regarding open boiler recommendations located at the MSP Washington Blvd Barracks. After the inspection, 4 of the open recommendations were closed.

On May 22, 2024, Loss Prevention met with the Manager of Stadium Operations, Oriole Park at Camden Yards and reviewed open recommendations from the prior year. One of the recommendations recently closed was replacement of the elastomeric fire pump coupling. Other recommendations will be closed once the work is confirmed completed.

Agency Visits

Loss Prevention's role includes working with State Agencies to develop and implement loss prevention plans to preserve assets and reduce frequency and severity of claims. The Insurance Division has many resources available to agencies and loss prevention is charged with promoting those resources. To accomplish that goal, Loss Prevention meets with agencies individually and reviews the roles and resources of the units within the Insurance Division.

On May 31, 2024, Loss Prevention met with the Finance Director and Facilities Manager of Maryland African American Museum Corporation (MAAMC), Reginald F. Lewis Museum. The Museum was interested in the free Infrared testing provided by Travelers and Loss Prevention requested the test be scheduled.

On June 6, 2024, Loss Prevention and the Sr. Underwriting Manager met with Morgan State University. Morgan State University was interested in the free Infrared testing which is in the process of being scheduled.

On June 20, 2024, Loss Prevention met with The Banneker-Douglas Museum finance director and facilities director. The meeting was focused on the insurance division resources available to the museum.

Loss Prevention Claim Inspections

Loss prevention works with the Claims Unit within the Insurance Division on large losses. The purpose of these inspections is to review the loss and provide suggestions as to what measures could have been taken to prevent the loss or to mitigate the resulting damage. During the 2nd quarter, large losses at University of Maryland, Baltimore, Baltimore City Detention Center, and DNR – Steppingstone Museum were inspected.

Communications

On May 10, 2024, a communication on Hurricane Preparedness was sent to universities and agencies insurance coordinators. According to the [Insurance Information Institute](#), 2024's Atlantic hurricane season is projected to be "very active," surpassing the typical season's activity and presenting a greater likelihood of continental U.S. landfall. The communication included reference documents, provided by the State commercial carrier AIG, which provided tips for what to do before, during, and after a hurricane.

Workers' Compensation

The State Treasurer's Office is the administrator of the contract between the Board of Public Works and Injured Workers' Insurance Fund (IWIF), the third-party administrator (TPA) for the State's self-insured workers' compensation program. The Workers' Compensation Program Manager is responsible for oversight of the TPA contract, monitoring claims activity and trends, and ensuring accurate accounting of the fund balance. Oversight includes defining and communicating expectations, developing action plans, and assuring adherence to the agreement. The TPA also evaluates services, effectiveness of current benefits and overall program costs. The Program Manager is a resource for state agencies, assisting in improving processes, developing return to work programs, facilitating communications, and acting as liaison between IWIF and the agencies.

This year's Sports and Entertainment Risk Management Alliance ("SERMA") Conference was held at Boumi Shriners on May 23, 2024. This marks the 35th anniversary of the SERMA Conference with a record number of over 300 attendees. Maryland Senator and Chair of the Finance Committee, Pamela Beidle, opened the session.

- The award for Health & Safety Award of Excellence includes Baltimore City Department of Social Services (DHS), Morgan State University, Office of Safety, Health, and Environment,

WCI/NBCI (DPSCS), Maintenance Department. The Best Practice Award was received by the Accident Review Board of the Maryland Aviation Administration.

- Notable Injury Reduction Awards for reported injuries in calendar year 2022 to 2023 were received by Eastern Shore Hospital Center (MDH) with a -55% reduction, Division of Labor and Industry (DLLR) with a -64% reduction, Circuit Court for Baltimore City with a -46% reduction, and Frostburg State University with a -45% reduction.

The State's contract with IWIF is expected to be finalized by the end of the 2024 calendar year.