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P R E S E N T

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HONORABLE NANCY KOPP, Treasurer;

SHEILA C. MCDONALD, Secretary, Board of
Public Works;

ALVIN C. COLLINS, Secretary, Department of
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T. ELOISE FOSTER, Secretary, Department
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Natural Resources;

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Governor's Office of Minority Affairs;

MARY JO CHILDS, Procurement Advisor, Board of
Public Works; and,

MARION BOSCHERT, Recording Secretary, Board
of Public Works.

C O N T E N T S

| <u>Subject</u> | <u>Agenda</u> | <u>Witness</u> | <u>Page</u> |
|---|-----------------------------------|---|-------------|
| African American Heritage Preservation Grants | SEC Item 14, p. 17 | Sheila McDonald Ted Mack Rev. Alvin Hathaway Rev. Anna Mosby | 10 |
| Loan for Annapolis Water Treatment Plant Upgrade | SEC Item 10, p. 12 | Sheila McDonald Walid Saffouri Del. Herb McMillan | 17 |
| Bond Sale Resolutions | SEC Item 5, p. 6 | Sheila McDonald Treasurer Kopp Comptroller Franchot T. Eloise Foster | 20 |
| DNR Agenda | DNR | Emily Wilson | 29 |
| Temporary Office Help for SDAT | DBM Item 6-S-MOD, p. 42B | T. Eloise Foster Darrin Aycock | 30 |
| Development Loyalty Rewards Program for Lottery | DBM Item 7-S-MOD, p. 46B | T. Eloise Foster Robert Fontaine | 36 |
| USM Agenda | USM | Joe Evans | 44 |
| DOT Agenda | DOT | Darrell Mobley | 45 |
| DGS Agenda | DGS | Al Collins | 46 |

P R O C E E D I N G S

LIEUTENANT GOVERNOR BROWN: Let me say, a bet is a bet. And I think regardless I won this bet. Yes, indeed. I certainly did. First of all, good morning. Welcome to the first meeting in February of the Board of Public Works. I think it's going to be a real short meeting. I don't know how many of you had an opportunity to either attend or certainly see on television the parade for our Super Bowl Champions and heroes, the Baltimore Ravens. It was quite an electrifying moment for the State, for the City of Baltimore. We're all proud of what they accomplished this season, and certainly proud of the 17 years of inspiration that Ray Lewis has provided. As you can see, my favorite actually is Ray Rice. I like standing next to Ray Rice. He's a lot shorter than I am.

(Laughter.)

LIEUTENANT GOVERNOR BROWN: But he's about three times wider. But I also want to comment that what I really appreciate most about the Ravens, and I think maybe the Treasurer and the Comptroller have a similar experience, but as both an organization and

February 6, 2013

5

individuals on the team, they are extraordinary

citizens, philanthropic, charitable, and generous.

We've done a number of things with many of the members, whether on driver safety, or cancer awareness, and just a number of causes that they take up and that they promote and they support. So I certainly salute them, and Coach Harbaugh, and the ownership of the Ravens.

So as I sit here today, I am as I always say I'm not, today I'm neither Martin O'Malley nor Ray Lewis. I'm your Lieutenant Governor and am proud to be here to preside over the Board of Public Works. Madam Treasurer?

TREASURER KOPP: Just one thing of pertinence. The Ravens are partners of our College Savings Program, as you know. And they have gone out and helped us sell it. We've got a great poster with all the guys with their school t-shirts on. And, or whatever the shirts are. And anyhow, and they've been terrific, and they've helped really raise the awareness out in the community among young people and their parents about the importance of college savings.

I also will say, I don't know that the Comptroller would want me to, but he and I were among those few from Montgomery County some years ago who

February 6, 2013

6

supported the building of what is now the Ravens

Stadium. And we are very glad to see what came of it.

COMPTROLLER FRANCHOT: Absolutely. I love the purple. And, but I was just sitting here thinking that the sales tax on this wonderful Ray Rice jersey is much appreciated.

LIEUTENANT GOVERNOR BROWN: It's not cheap, I can tell you that much.

(Laughter.)

COMPTROLLER FRANCHOT: What I'm really looking forward to is Joe Flacco's new contract. That definitely will be good for revenues in the State.

(Laughter.)

COMPTROLLER FRANCHOT: And obviously we're, everybody is delighted. And the ownership of the Ravens are so impressive. Mr. Bisciotti is someone that carries himself with great dignity and our coach, The Harbaugh, our coach is so impressive. And of course Joe Flacco with his MVP performance is just spectacular. And what a fitting end to Ray Lewis' tremendous career as the greatest linebacker in history. And I did, as I was watching the parade yesterday, Lieutenant Governor, and thank you for

February 6, 2013

7

running the meeting here. I love having you here.

It's a great opportunity for the State to see your talents. But I was watching that parade yesterday and I thought of Art Modell looking down from up above. And obviously he had a big smile on his face. And just a great way to cap the season. Yesterday, Baltimore stood tall, the State of Maryland stood tall, and made us all proud.

I will say that now the NFL season is over, and I'm actually turning my attention to the baseball season. And although I was not completely right about football, I predicted a Ravens-Redskins Super Bowl, I was half right. And now we've got spring training coming. And I just want to make sure that we don't get too distracted from what frankly the Treasurer alluded to, which is our great college sports programs. These are, obviously there is a lot of high profile with the Super Bowl, and with the March Madness basketball championships that are going to happen. But I'm actually much more interested in just the tremendous other sports at our colleges that don't get so much attention. We have college lacrosse teams that are nationally ranked in both the women's program and the

February 6, 2013

8

men's program. We have strong baseball teams like Salisbury and Hopkins that are nationally ranked. I always try to stop by at Towson or Coppin State and catch a game from time to time because it's such a pleasure to sit with faculty and students, and family, and administration. And you know, think of the wonderful track, and tennis, and softball teams that are starting their seasons. And of course, I have yet to get to one of them. But I promised that I will attend the next University of Maryland Baltimore County chess team match. I'm not sure whether spectators are allowed.

TREASURER KOPP: World champions.

COMPTROLLER FRANCHOT: But I'm going to go and bring a book and root for them because they are frankly almost number one in the country. It's a great time, spring, to enjoy the beauty and to root for student athletes. It's a great time for families to bring their kids to our lovely events. It's a great time to enjoy sporting events that are incredibly affordable, i.e. free. And help boost school spirit, unit local communities, bring well deserved attention to our world class higher education students.

February 6, 2013

9

Obviously collegiate sports support a tremendous amount of jobs, important revenue for universities and their surrounding communities. So please, take an opportunity this spring, encourage your folks to get out and support our local collegiate teams. And Lieutenant Governor, take it from me. The lights in those stadiums do not go out in the middle of the game.

(Laughter.)

COMPTROLLER FRANCHOT: But a pleasure to be here with you today.

LIEUTENANT GOVERNOR BROWN: Thank you, Mr. Comptroller.

TREASURER KOPP: You know, and let me just add I was looking at the Comptroller's predecessor on the wall, actually, when he was Governor. We probably wouldn't have either the Orioles nor the Ravens without Governor Schaefer. And I think he must have a little smile behind the perpetual scowl.

COMPTROLLER FRANCHOT: Well I've mentioned this before that in Montgomery County, the Treasurer is right, only a few of us voted for the stadium. And there were all sorts of people picketing my house with signs saying, "Schools not Stadium!" A valid point of

February 6, 2013

10

disagreement. But I've noticed over the years a number of them now come and ask me for Ravens tickets.

(Laughter.)

COMPTROLLER FRANCHOT: And so all is forgiven.

LIEUTENANT GOVERNOR BROWN: Great. Thank you very much. Again, welcome everyone. Why don't we go ahead and turn to the Secretary's Agenda? And as we do, if we can start with Item 14? I know we have some members of the community that would like to address the Board of Public Works on that item. Reverend Hathaway, who is from Union Baptist Church in Baltimore, as well as Reverend Anna Mosby from the Mt. Gilboa AME Church in Baltimore County. So can we start with that?

SECRETARY MCDONALD: Yes. Mr. Mack is here on behalf of the commission to introduce the guests.

LIEUTENANT GOVERNOR BROWN: Mr. Mack is here as well. Good morning.

MR. MACK: Good morning. Good morning Lieutenant Governor, good morning Comptroller Franchot, and good morning Treasurer Kopp.

TREASURER KOPP: Good morning to you, sir.

MR. MACK: And here we go again.

February 6, 2013

11

TREASURER KOPP: Yes, it's a pleasure again.

MR. MACK: We have two dynamite projects that we would like to present today: the historic Union Baptist Church of Baltimore, and Mr. Gilboa of Baltimore County. And I have with me today the pastor of that church who will make this presentation for Union and Gilboa. Thank you.

REVEREND HATHAWAY: Good morning.

LIEUTENANT GOVERNOR BROWN: Good morning.

TREASURER KOPP: Good morning.

REVEREND HATHAWAY: It's a beautiful day. It's good to see you. We're distinctly honored to come on this day. Good morning, Honorable Madam Treasurer Kopp, Lieutenant Governor Anthony Brown, Comptroller Peter Franchot, it's good to see each one of you. My name is, I have three of my members with me and I'm going to ask them if they will stand. My name is Dr. Alvin Hathaway, I'm the Senior Pastor of Union Baptist Church of Baltimore. Accompanying me today is Ms. Evelyn Chatmon, she's the Chairperson of our Board of Trustees; Ms. Violet Baxter, who is a member of our Board of Trustees; Ms. Carol Jones, who is our Grant Manager, but also is the cousin of Mr. Donald Murray whose statue is located in Lawyer's Mall.

February 6, 2013

12

In 1999 Union Baptist Church established an Archive and Artifacts Ministry. Their purpose is to recover, to store, to maintain print, photographic, graphic, visual, and audio historical artifacts of Union Baptist Church. Over the years we have accumulated many valuable and significant artifacts. Some of that information was used to support our application to the National Park Service for designating our church as a National Historic Place. We received that designation in December of 2011.

The design of our structure by William J. Beardsley and the stained glass windows created by John LaFarge, coupled with the ministry efforts of Reverend Dr. Harvey Johnson who served as our fifth pastor from 1874 to 1923, established Union Baptist Church as an early contributor to the civil rights movement. Our collection has grown to the point where we need a designated and renovated space within our campus to store, to protect, and the catalogue our collection. We need work space to preserve this collection and display space for visitors to see the collection.

We have identified such space in this grant of \$40,000 which we will match with cash and in kind services, will allow us to develop archival quality

February 6, 2013

13

space. Future generations, scholars, students, and the general public will benefit from the rich collection accumulated from our 161 years of service to the community, City, State, and nation.

We request your support for our grant application. Thank you.

LIEUTENANT GOVERNOR BROWN: Thank you.

MR. MACK: Okay, now for Mt. Gilboa, Reverend Mosby.

REVEREND MOSBY: Good morning.

LIEUTENANT GOVERNOR BROWN: Good morning.

REVEREND MOSBY: Good morning to Lieutenant Governor Brown, to Comptroller Franchot, and to Treasurer Kopp. It's a pleasure to be here this morning on behalf of our Bishop the Right Reverend William Phillips DeVeaux, and also the officers and members of Mt. Gilboa African Methodist Episcopal Church, where most of our members are Ravens fans.

(Laughter.)

REVEREND MOSBY: It is I believe fitting that we would stand here on this first week of African American History Month to come before you to request this funding. Mt. Gilboa AME Church is the oldest active African American church in Baltimore County. It

February 6, 2013

14

does have a rich history. The structure is over 180 years old. It was built in 1830 by freed African American residents of Maryland. It is the replacement of an earlier log cabin where Benjamin Banneker worshiped and there is an adjacent cemetery as well. And everyone knows that Benjamin Banneker was the first African American man of science and a son of Maryland and so we're grateful for that.

In 1977 Mt. Gilboa was listed on the National Historic Registry. Additionally as far as history goes, the lower level of the building was once used as a school house in the late 1800's and the early 1900's, and the upper level of course is sanctuary. And the grandfather of one of those persons that attended that school is a member of our church.

Most recently we serve as a community of a house of worship and continue to uncover historic information. This project, we first of all thank you. Last year you awarded \$30,000 to begin the project of renovating the windows and restoring the windows. This grant would provide additional restoration and preservation as we move forward in ensuring that the building will remain not only an active house of

February 6, 2013

15

worship but a source for all members and all residents of the State of Maryland.

It's an opportunity to ensure that our historic buildings and our history are alive and thrive for future generations. Far too often, our history is lost and a sense of pride in the accomplishments of our forefathers and foremothers. And through this restoration project the State's residents and visitors will see Mt. Gilboa not as an old building but an example of the hard work, commitment, and tenacity of our Maryland ancestors. And for that all of us can be proud. Thank you so much.

LIEUTENANT GOVERNOR BROWN: Thank you.

MR. MACK: Any questions?

COMPTROLLER FRANCHOT: No, thank you.

TREASURER KOPP: I'm glad to see this one continuing.

MR. MACK: This is a wonderful --

TREASURER KOPP: It gives us another --

MR. MACK: These are two wonderful examples of the impact that our churches had on our progress through --

TREASURER KOPP: It, in the midst of all of these fascinating issues that we have before us, and

February 6, 2013

16

all the numbers we have before us, it's very good to be able to, I think, to be able to put a human face on the projects and the things we see. And it's projects like these, and their history, and the coming together of everybody behind the projects that makes it real. So thank you.

MR. MACK: Thank you very much.

LIEUTENANT GOVERNOR BROWN: Thanks for coming down and sharing with us the projects and the use that the funds will go towards. On an unrelated note, I certainly want to thank Reverend Hathaway and your church family at Union Baptist for welcoming me to worship with the church and to present some information on foster care and adoption, what we are doing in the State and how we can partner with your membership, your congregation to place more children for adoption in loving and caring homes, foster homes. So thank you very much. I look forward to coming back to visit.

TREASURER KOPP: And anything you and your colleagues can do to help us with the College Savings Program? Letting your folks know about it would be a great step forward.

REVEREND HATHAWAY: We have one member on the Board of that. I wanted to commend you, Lieutenant

February 6, 2013

17

Governor, for the health enterprise zone. It is a tremendous help for our community.

LIEUTENANT GOVERNOR BROWN: Great. So thank you very much for coming down. And let's take up the remainder of the Agenda?

SECRETARY MCDONALD: Yes. We have a total of 14 items on the Secretary's Agenda. That was Item 14 we discussed. There are two reports of emergency procurements. We also have had a request from Delegate McMillan to address the Board on Item 10, which is the Annapolis Water Treatment Plant upgrade.

LIEUTENANT GOVERNOR BROWN: Okay. Welcome, Delegate McMillan. And why don't we have someone present Item 10?

SECRETARY MCDONALD: Yes. Is Terri Wilson here? Or who is here on behalf of the Department of the Environment?

LIEUTENANT GOVERNOR BROWN: Who will present Item 10?

SECRETARY MCDONALD: That's what I was --

LIEUTENANT GOVERNOR BROWN: -- yes --

SECRETARY MCDONALD: -- yes --

MR. SAFFOURI: Yes, the Annapolis Wastewater Treatment Plant, it's --

SECRETARY MCDONALD: Could you introduce yourself for the record, please?

MR. SAFFOURI: This is Walid Saffouri, I work with MDE Engineering and Capital Projects Program. And the Annapolis Water Treatment Plant, it's a project, it's a design build project that is going to be to replace the treatment plant. Because of the age, it has to be replaced. There is no violation but it's only replacing the treatment plant to avoid anything like that from happening in the future.

We have \$28.5 million in Drinking Water State Revolving Loan Fund, and \$1.5 million in loan forgiveness which is the maximum that any project can have under the program.

Mainly the purpose of the treatment plant is to remove iron and manganese from the water source.

LIEUTENANT GOVERNOR BROWN: Great. Well okay, thank you very much. Are there any questions before we bring Delegate McMillan up? Okay. Thank you very much. Don't go far.

MR. SAFFOURI: Okay.

LIEUTENANT GOVERNOR BROWN: But come on up, Delegate McMillan, and we look forward to hearing your comments on Item 10.

February 6, 2013

19

DELEGATE MCMILLAN: Thank you, Mr. Lieutenant Governor, Comptroller, and Treasurer Kopp. Again, this is for drinking water. And we take a great deal of pride in our water in Annapolis. It's received a lot of awards over the years. And I'm a pilot, I travel, and I can tell you we're one of the three best tasting water places in the country, in my opinion. And we have in Annapolis, in the City, we've seen our water bills go up by 100 percent in the last two years. And this grant is going to, in my view, go a long way towards helping us to upgrade our plant. But also importantly to reduce the water bills.

I'll tell you candidly, for a lot of people the water bill increase, for me it was about \$1,000 a year, and I've only got three people living in my home. And I don't usually shower there, I shower at the gym. So you can imagine how tough it is for families that have a lot of children in them. I really do want to thank the State for helping the City with this. And urge your favorable consideration of it. We really do think it will help the people who live in the City of Annapolis a great deal and allow them some relief from those water bills. Thank you.

LIEUTENANT GOVERNOR BROWN: Thank you.

TREASURER KOPP: That's great.

LIEUTENANT GOVERNOR BROWN: Any questions?

COMPTROLLER FRANCHOT: What are the other two cities?

DELEGATE MCMILLAN: Believe it or not, New York City, which gets its water from the Catskill Mountains. Their water tastes great, in my opinion. And the third city? Well, what is the third city? I would go with Portland, Oregon. They've got great water. Just in my opinion. But we're number one, just like the Ravens. Thank you very much.

(Laughter.)

LIEUTENANT GOVERNOR BROWN: That's great. Okay. Any other questions or comments on Item 10? If not, let's turn to the remainder of the Secretary's Agenda. Are there any questions or comments on any of the other items? Seeing --

TREASURER KOPP: Governor --

LIEUTENANT GOVERNOR BROWN: Okay? Yes, indeed.

TREASURER KOPP: -- I would just point out, Item 5 is the authorization for the next bond sale. We will revisit this again over a couple of meetings. But the 2013 First Series General Obligation Bond Sale is

February 6, 2013

21

scheduled for March 6th. It will be \$500 million in competitively sold tax exempt bonds. And then this authorizes up to \$500 million, it probably will not be \$500 million, but up to \$500 million in refunding. And that of course depends on the market, what rates we can get and what rates we get back when we invest. Right now it looks like maybe about \$400 million but it's much too early to tell. If it were \$400 million we would be saving the taxpayers \$17 million. But it really is much too early to tell. So this just puts it on our schedule and puts it out there for the public, to alert them that the sale is coming.

LIEUTENANT GOVERNOR BROWN: Okay, anything else? Thank you very much. And that, what, it looks like a settlement date maybe in March?

TREASURER KOPP: Yes.

LIEUTENANT GOVERNOR BROWN: And does that mean that --

TREASURER KOPP: The sale will be at the Board meeting March 6th, is scheduled to be. Now this is about --

LIEUTENANT GOVERNOR BROWN: We do that at your offices? Is that the one we do at your office?

February 6, 2013

22

TREASURER KOPP: We do that at the Assembly Room in the Treasury Building because that's where we have the technology available. There will be a lot going on in Washington, we hope, right around that time. There's going to be impact from a number of things. So we're still watching it. But right now we're putting it on the calendar. We assume we're going to go forward. We have every intention of doing this, our normal course of business. And we'll wait and see what's happening around March 5th or 6th.

LIEUTENANT GOVERNOR BROWN: Mm-hmm. Great. Well thank you very much. Anything else?

COMPTROLLER FRANCHOT: Yes. I'm delighted the Treasurer brought that item up because we are being asked to authorize the sale of another, up to \$1 billion, I guess, in State General Obligation Bonds --

TREASURER KOPP: Well up, yeah, but --

COMPTROLLER FRANCHOT: Refunding, \$500 million plus the \$400 million.

TREASURER KOPP: Yeah.

COMPTROLLER FRANCHOT: And I recognize obviously the importance of these capital priorities, projects that the State will use these bond proceeds to initiate and complete. And I completely agree with the

February 6, 2013

23

Treasurer on her able leadership of the program, and as far as directing us to look at savings that the State might have from historically low interest rates. But I think a growing number of people are getting concerned with the practical implications of Maryland's mounting debt load. This is the downside as opposed to the upside.

I don't want to turn this meeting into an impromptu session of the Capital Debt Affordability Committee that both the Treasurer and I serve on. But if I could I'd like to just ask for the record two questions, one of the Treasurer's staff, and another of Secretary Foster. First question is that I believe the State Commission on State Debt, which is so ably chaired by Treasurer Kopp, is scheduled to convene on sine die this year to approve the State's property tax rate for the year ahead.

TREASURER KOPP: Well, to decide on something to recommend to the Board of Public Works.

COMPTROLLER FRANCHOT: Recommend to the Board, right. This meeting could be more interesting than others in years past because of a growing concern that we will sooner or later have to raise property taxes, the revenues from which are used for debt

service, in order to meet our payment obligations.

This year the Governor has set aside \$100 million in general fund revenues to supplement property tax receipts. \$100 million from the general fund to supplement that State property tax receipts. But the Department of Legislative Services has forecast that we will have to come up with an estimated \$530 million transfer by fiscal year 2018 to service our debt. It could be less, it could be more, but it's a significant amount of money.

So for those who are watching at home, our debt load is rising at a faster pace than our current ability to pay for it, which means that we will either have to raise property taxes, pull money from the general fund, which inhibits our ability to pay for other essential functions of government, or just hold a lot of bake sales, I guess, out there.

For the record, and I guess, Madam Treasurer, it's either you or your staff, will this bond issue in front of us influence in any way our ability to preserve our current property tax rate at 11.2 cents per \$100 of assessed value for the year ahead? And I ask this because obviously property tax increases, avoiding them are absolutely vital for homeowners who

February 6, 2013

25

are still struggling to hold on and make ends meet in

what can only still be described as a slowly recovering

economy. And --

TREASURER KOPP: I don't have all the numbers before me. But I would say that this sale at this point would not.

COMPTROLLER FRANCHOT: Thank you.

TREASURER KOPP: This sale, just to remind you, is to continue paying for things that were contracted for, and in fact in terms of all the public schools is actually to pay for things that were already built in some cases. So this is not the new projects, this is to pay for what we have already bought, essentially. Which is mostly schools and college buildings, with some correction facilities and health.

COMPTROLLER FRANCHOT: And --

TREASURER KOPP: No, I'm just laying out what it is.

COMPTROLLER FRANCHOT: -- I think there's lots of positive contributions. I'm just asking about the downside because of the predictions.

TREASURER KOPP: The numbers we quote --

COMPTROLLER FRANCHOT: -- Yeah, down the road.

TREASURER KOPP: -- are the numbers that we in fact incorporated in tentative projections for the last several years, in fact, in the Capital Debt Affordability Report. And you are right. There will be a choice either to not build the schools, to increase the property tax back to where it was under Governor Ehrlich, or to use some other tax funds, general funds, as we also have in the past. We will pay our debt.

COMPTROLLER FRANCHOT: But I take it you do not see that happening at this upcoming Commission on State Debt meeting because of --

TREASURER KOPP: I really don't know. If the funds continue in the general fund, that is if they are not taken out, we will actually presumably getting some premium money. Which means that they can be reduced.

COMPTROLLER FRANCHOT: Mm-hmm.

TREASURER KOPP: And there would be no need to raise the property tax at this point. But that is several months from now.

COMPTROLLER FRANCHOT: Thank you. And I applaud your leadership, as I do all over the State. We're all grateful for that control that you have over these important financial issues.

But my second question is for Secretary

Foster, leading from what the Treasurer has said. What is your department's strategy for dealing with this growing gap between debt service obligations and revenues? Assuming as I feel that the property tax increase is a non-starter? But not so much this year. But what about the future prediction by DLS, in fiscal year 2018 we may be looking for \$530 million from the general fund? Is there a, obviously maybe the housing market improves and we are all, all of these problems just go away naturally. But I have to think that you have a realistic plan in your agency that anticipates something I would consider unfortunate, which is a continuation of the sagging economy.

MS. FOSTER: Well first of all I would say in terms of the \$500 million, that is for fiscal year 2018. So we have five fiscal years for that number to be reduced. I would say it is an estimate. And if you look at the estimates that the Department of Legislative Services have done over the last several years over the period, you know, they have estimated that we would, that that number would be in the \$200 million to \$300 million range. And because of our revenues improving, those numbers have decreased.

February 6, 2013

28

As the Treasurer, as you noted we do include \$100 million in this budget for debt service. As the Treasurer has indicated, if bond premium is sufficient we may be able to reduce that number. I think bond premium over the last several years has ranged between \$32 million to as much as \$70 million. If it is at the highest level that means that \$100 million number is reduced to \$30 million.

So I would say, Mr. Comptroller, it is certainly something that we assess each year. It is something that we assess when we meet, when you, the Treasurer, and I meet as the members of the Capital Debt Affordability Committee. And I would just say certainly that the debt that we are issuing now is within the ranges and the ratios that have been approved by the bond rating agencies. And we will not be exceeding our limits.

COMPTROLLER FRANCHOT: Thank you, Lieutenant Governor.

LIEUTENANT GOVERNOR BROWN: Anything else? Any other discussion on this item? Thanks for raising it.

TREASURER KOPP: Yeah.

February 6, 2013

29

LIEUTENANT GOVERNOR BROWN: And thanks for the questions. Anything else on the Secretary's Agenda? Hearing none, the Treasurer moves approval, seconded by the Comptroller. All those in favor say, "Aye." Any opposed?

(No response.)

LIEUTENANT GOVERNOR BROWN: The Secretary's Agenda passes. Let's move on to our next Agenda, which is the Department of Natural Resources Real Property. Good morning.

MS. WILSON: Good morning, Lieutenant Governor, Mr. Comptroller, Madam Treasurer. Emily Wilson with the Department of Natural Resources. We have nine items on our Agenda today. We are withdrawing Item 1A. I'd be happy to try to answer any questions.

TREASURER KOPP: No, I'd just like to thank you for putting in the sentence about lighting efficiency and light pollution in all of these. It's helpful just to draw the attention. Thank you.

LIEUTENANT GOVERNOR BROWN: Is there any further discussion, comments, questions? Hearing none, the Comptroller moves approval, seconded by the

February 6, 2013

30

Treasurer. All those in favor say, "Aye." Any opposed?

(No response.)

LIEUTENANT GOVERNOR BROWN: That's been approved. Let's to to DBM's Agenda. Good morning.

MS. FOSTER: Good morning. Governor, Madam Treasurer, Mr. Comptroller, good morning. There are eight items on the Department of Budget and Management's Agenda for today and I'll be happy to answer any questions you may have.

COMPTROLLER FRANCHOT: Lieutenant Governor, I had a question on Item 6.

LIEUTENANT GOVERNOR BROWN: Yes, sure.

MS. FOSTER: Okay. Item 6 is a request for a retroactive approval to increase the amount of funding that is available for temporary office help. We have Darrin Aycock, who is from the State Department of Assessments and Taxation.

LIEUTENANT GOVERNOR BROWN: Good morning, Mr. Aycock.

MR. AYCOCK: Good morning. Good morning, Lieutenant Governor. Good morning, Mr. Comptroller. Good morning, Madam Treasurer.

TREASURER KOPP: Good morning.

MR. AYCOCK: This is --

LIEUTENANT GOVERNOR BROWN: Yeah, tell us a little bit about Item 6.

MR. AYCOCK: Item 6 basically is a temporary service contract that we have with various temp agencies. We are, this contract originally started with about \$375,000, \$125,000 awarded to each contractor. One of the biggest problems that we've had is that in regards to meeting our MBE participation, one of the contractors had to withdraw, one of the subcontractors had to withdraw because of the high unemployment insurance rate that was being charged. The State has been under Schedule F for probably the past four or five years. I have contacted my resource in the Department of Labor, Licensing, and Regulations and found out that as of January 1, 2013 the schedule has now, employers will be paying at the Schedule C level. So the department will be back in touch with one of the contractors to see if we can get the MBE participation back up for one of the sub-prime contractors.

LIEUTENANT GOVERNOR BROWN: And the difference between Schedule F and Schedule C is Schedule C is a lower rate?

MR. AYCOCK: That's correct.

LIEUTENANT GOVERNOR BROWN: Okay.

MR. AYCOCK: One of the other things I wanted to note, with our other contractor the department is above 40 percent in regards to the MBE participation. So it is something that, you know, we pay close attention to.

COMPTROLLER FRANCHOT: Yes, thank you. And I spend a lot of time telling folks that I'm not SDAT, I'm the Comptroller's Office. But would you please tell Director Young, who I have great respect for, give him my greetings. And I do have a question, I guess, that perhaps you can respond to. I'm going to support this request, obviously. He's an outstanding public servant. And there's a lot of pressure going on there. But how will SDAT, how will this help SDAT respond to the inevitable backlog of Homestead Property Tax Credit applications that flooded into the agency prior to the December 31st deadline? I'd specifically like to know the extent to which this will diminish the wait times in the agency's call center, accelerate the processing of applications, and assure taxpayers that their applications have indeed been approved?

MR. AYCOCK: Well the department is approaching this from two perspectives. One perspective is that we, instead of pursuing contractual help through these contractors, and knowing that we had the MBE participation goal that we were unable to achieve with this particular vendor, the department has requested contractual, State contractual employees. So we have made a request, submitted a hiring freeze exception, to recruit three State contractual employees. In addition to that we have also requested two temp services employees in order to address that issue with the Homestead Tax Credit applications.

It is my understanding that there is a bill currently that's being submitted this year in order to extend that deadline. So the department is trying to take a strategic look at both maybe hiring more contractual employees in order to prevent having to come before the Board again requesting additional money for this contract. So, you know, we are trying to look at basically if we have long term needs or whatever, to pursue those through State contractual employees instead of through the temp service contract.

COMPTROLLER FRANCHOT: Excellent. And do you have a sense of the number and percentage of eligible

February 6, 2013

34

property owners that failed to submit their application prior to this year's, last year's deadline? And could you share just for the moment the multitude of steps that I know your agency took to inform people of the pending deadline and to encourage them to apply early and to apply online?

MR. AYCOCK: The first part of your question, I would probably have to defer that to Mr. Young. I do not have that information with me at this time.

COMPTROLLER FRANCHOT: Mm-hmm.

MR. AYCOCK: However I do know that the department did a lot of advertising through radio, through media as far as trying to alert homeowners about what was required and notify them of the deadline.

COMPTROLLER FRANCHOT: And do you have any impression as to what percentage of property owners filed paper applications or which percentage filed electronically?

MR. AYCOCK: No, I do not. I do not have that information with me at this time.

COMPTROLLER FRANCHOT: Maybe you could send that back to us. But you know I, we get a lot of phone calls in our office. We handle a million and a half

phone calls about tax, other tax issues. And I

encourage my agency to be as responsive as possible.

Because when you are put on call waiting, and it stretches out for a considerable amount of time, your agency faced with this deadline, it's understandable.

But it causes a tremendous frustration. And yesterday, Lieutenant Governor, the day before, I called my own Comptroller's call center just as a test. And I was delighted that within five seconds someone picked the phone up. Maybe they knew it was me calling. That's the kind of customer service that, boy, if we can avoid long waits on the phone --

MR. AYCOCK: Yes.

COMPTROLLER FRANCHOT: -- very beneficial to the State's reputation.

MR. AYCOCK: Mr. Comptroller, one thing that I would like to say, as far as that last day of the deadline, there was an extremely long line of customers and constituents trying to get into the 300 location. We actually took two or three of our staff and set up a separate location for anyone that was coming to apply for the home, for the tax credit, so that we could kind of separate that population from other people that were visiting that location. So --

COMPTROLLER FRANCHOT: Good for you. We spill over our calls to our branch offices when they number, which is a big help. And also we toured, I think it was MEDCO the other day, down in Southern Maryland. And they have, it's a utility, they have a call center which had some efficiencies and improvements to it that really caught my eye. So we're looking at them for our agency, and perhaps we'll send over what our best practices from them are for you guys to take a look at.

MR. AYCOCK: All right, thank you so much. Any other questions?

LIEUTENANT GOVERNOR BROWN: All right, any other questions, any other comments on this? All right, thank you very much, sir.

MR. AYCOCK: Thank you.

LIEUTENANT GOVERNOR BROWN: Anything else on any other items on the DBM calendar?

COMPTROLLER FRANCHOT: Oh, right. I had one question on Item 7. I'm sorry. And I'll shut up after this.

MS. FOSTER: Item 7 is a contract modification request to obtain some technical enhancements to implement the Lottery's loyalty rewards

February 6, 2013

37

program. And we have Robert Fontaine is the principal counsel for the department here.

MR. FONTAINE: Good morning.

LIEUTENANT GOVERNOR BROWN: Good morning.

MR. FONTAINE: Mr. Lieutenant Governor, Mr. Comptroller, Madam Treasurer. Mr. Comptroller?

COMPTROLLER FRANCHOT: Yes. The way I understand the program in your item is that the Maryland State Lottery is suggesting that we basically have a rewards program, similar to frequent fliers, that allows frequent Lottery players to accumulate points that they can redeem for merchandise. My background notes indicate that this sort of program has been implemented successfully in three states, Arkansas, Iowa and Tennessee, and it's pending in three more. I personally am not a huge fan of a products that are sold by the Maryland Lottery. I do respect the need to be nimble and to think innovatively in order to stay a step ahead of your competition. I just want to make sure that as we think newer and savvier ways to generate more revenue, we are also keeping in mind that many of your most reliable customers are undoubtedly living on the margins, as it is, and can't afford to fork over more cash at the convenience store.

February 6, 2013

38

Given that this new program is designed more for high volume players than for people like me, who can just buy a single ticket on a whim from time to time, what are you doing to caution people against betting more than they can afford and to provide problem players with counseling and other types of addiction support?

MR. FONTAINE: I am here on behalf of Director Martino to talk about the loyalty rewards program. So I'm probably not the best person to answer this. But Director Martino can certainly come back and talk to you about it. However, I think it is fair to note that the Lottery and Gaming Control Commission is investigating and looking at and very serious about creating a Lottery side program for problem gambling, in the same way that it has created, as it was required to by the Code, on the Gaming side. This is something that the Lottery is looking into on the Lottery side as well.

COMPTROLLER FRANCHOT: Well please, redouble your efforts. Because, you know, every morning I stop at the Sunoco in Tacoma Park for a Diet Coke. It's a convenience store. And it's really poignant to see a half dozen people sitting around looking at the horse

February 6, 2013

39

racing TV screen, betting significant amounts of money.

And so I appreciate that.

MR. FONTAINE: I --

COMPTROLLER FRANCHOT: I noticed -- thank
you.

MR. FONTAINE: I'll pass that on to the
Director, and it is something that he is very sensitive
to.

COMPTROLLER FRANCHOT: He is one of the best.
He is a straight shooter. So give him my regards.

MR. FONTAINE: I'll do that.

COMPTROLLER FRANCHOT: But I think it's an
important issue. I noticed the contract will cost
\$13.5 million over the next three and a half years. I
know the money comes from unclaimed prize funds so this
is budget neutral officially.

MR. FONTAINE: That's correct.

COMPTROLLER FRANCHOT: How long will it take
for the State to cover its start up costs and begin to
achieve a positive return on its investment?

MR. FONTAINE: As I think the Director would
say if he was here, it's a game of chance, right? We
don't know. We expect that we will certainly be
positive within, you know, I mean, let's back up a

February 6, 2013

40

second. These are funds that would have to be given

back to the players. So it is going to be given back

to the players as soon as the program is up and

running. How quickly it earns that money back is, you

know, it's hard to tell. The experience has been in

other states that it happens quite quickly. That, you

know, we expect to be able to generate \$10 million in

revenue during the three and a half years. That's the

anticipation. But it really depends on how many people

sign up and how many people participate.

COMPTROLLER FRANCHOT: You know, at this

Sunoco whenever I walk in I used to say, "Has anybody

won?" But it was such a grim response from people.

But now I say, "You're going to win today!" And that

perks people up. But --

MR. FONTAINE: I think that's --

COMPTROLLER FRANCHOT: -- you understand the

situation out there. Thank you.

MR. FONTAINE: I do. Thank you. Any further questions?

TREASURER KOPP: Do you, I assume you do

studies and it shows that at least in these three

states, and I assume the other three are doing similar

studies, it is a net positive for Lottery revenue. I

February 6, 2013

41

must say, I'll support it also. I also am troubled by the, we support advertising, there's no question advertising is intended to entice people into playing. And the Lottery is an important revenue source for the State of Maryland. But the idea of so directly getting people in through, you know, just play a little more and you get a few more points. And it is a little distasteful.

MR. FONTAINE: Well I guess what this program does, though, is it allows people to turn in more tickets. Right now the way the second chance promotions work, they generally tend to be limited to a limited number of instant tickets. So that a Ravens Cash Fantasy, for example, people send in those tickets. But it's not for every ticket that's out there. This will allow all of the non-winning tickets to be returned --

TREASURER KOPP: Right.

MR. FONTAINE: -- entered into or given points for each of those. So it actually broadens the number of people who can --

TREASURER KOPP: So instead of learning that you probably are not going to win --

(Laughter.)

TREASURER KOPP: I mean --

MR. FONTAINE: I becomes like the little bottlecaps on the Coke, essentially.

COMPTROLLER FRANCHOT: No, I appreciate what the Treasurer is saying. We are actually paying or encouraging people, it doesn't matter if you win or lose.

TREASURER KOPP: Yeah.

COMPTROLLER FRANCHOT: It doesn't matter if you win, because we are going to give you something for losing. And you know, all, most people are savvy enough to see through that. But a lot of folks, you know, they, it just encourages more unaffordable purchase of tickets. And I just, I assume you and Mr. Martino have some strategy for dealing with that.

MR. FONTAINE: It is a delicate balance, to be sure.

LIEUTENANT GOVERNOR BROWN: I mean, aren't you intentionally saying that, by establishing a reward program, saying that it's more likely you are going to win something for each ticket that you buy?

MR. FONTAINE: You can accumulate the points to get something.

LIEUTENANT GOVERNOR BROWN: Right. So for every purchase you make --

MR. FONTAINE: Right.

LIEUTENANT GOVERNOR BROWN: -- the probability of getting back something is greater?

MR. FONTAINE: I think that's fair.

LIEUTENANT GOVERNOR BROWN: And in some ways it's not much different than when we see the Powerball or any other jackpot prize going up, and we don't bemoan the fact that it's \$200 million today, and it will be \$300 million the next day. And as it goes up we're attracting more and more people, and there are going to be more and more losers. Because there's still only going to be one, or you know, a small set that's going to win.

MR. FONTAINE: Yeah.

LIEUTENANT GOVERNOR BROWN: I guess what I find -- okay. Thank you. I don't have any other comments or questions.

MR. FONTAINE: You're welcome. All right. Thank you.

LIEUTENANT GOVERNOR BROWN: Anything else on this item or any other item? Great. Anything else on any other item on the DBM calendar? Great. With that,

February 6, 2013

44

the Treasurer moves approval, seconded by the
Comptroller. All those in favor say, "Aye."

THE BOARD: Aye.

LIEUTENANT GOVERNOR BROWN: Any opposed?

(No response.)

LIEUTENANT GOVERNOR BROWN: None. That's,
the Agenda has been approved in its entirety. Let's go
to USM, University System of Maryland. Good morning.

MR. EVANS: Good morning. Joe Evans,
representing the University System of Maryland. We
have nine items on the Agenda today. We're here to
answer any questions.

LIEUTENANT GOVERNOR BROWN: Okay. Hearing no
comments or questions --

TREASURER KOPP: Good job.

LIEUTENANT GOVERNOR BROWN: Great job.
Excellent.

MR. EVANS: Thank you.

LIEUTENANT GOVERNOR BROWN: The Treasurer
moves approval, seconded by the Comptroller. All those
in favor say, "Aye."

THE BOARD: Aye.

LIEUTENANT GOVERNOR BROWN: Any opposed?

(No response.)

February 6, 2013

45

LIEUTENANT GOVERNOR BROWN: Hearing none, that Agenda is approved. The Department of Information Technology does not have an Agenda today, so we will go to the Department of Transportation. Good morning.

MR. MOBLEY: Good morning, Lieutenant Governor, Madam Treasurer, Mr. Comptroller. For the record, Darrell Mobley, Acting Secretary for the department. The department is presenting six items for approval. I'd be happy to answer any questions that you may have.

LIEUTENANT GOVERNOR BROWN: Okay. There is no --

TREASURER KOPP: Another good job.

LIEUTENANT GOVERNOR BROWN: Yeah, another good job.

MR. MOBLEY: Thank you.

LIEUTENANT GOVERNOR BROWN: No questions, no comments, no concerns that are articulated this morning. The Comptroller moves approval, seconded by the Treasurer. All those in favor say, "Aye." Any opposed?

(No response.)

LIEUTENANT GOVERNOR BROWN: Hearing none, MDOT's Agenda is approved. Let's go to our final

February 6, 2013

46

Agenda item, Department of General Services. Good morning.

MR. COLLINS: Good morning, Mr. Lieutenant Governor, Madam Treasurer, Mr. Comptroller. I'm Al Collins, Secretary of the Department of General Services. The department has seven items on our Agenda. And we'd be glad to answer any questions you have at this time.

LIEUTENANT GOVERNOR BROWN: Okay. Hearing no comments or questions, and no discussion, the Comptroller moves approval, seconded by the Treasurer. All those in favor say, "Aye."

THE BOARD: Aye.

LIEUTENANT GOVERNOR BROWN: Any opposed?

(No response.)

LIEUTENANT GOVERNOR BROWN: Hearing none, the DGS Agenda is approved. That concludes this meeting of the Board of Public Works. Thank you very much for your work today.

(Whereupon, at 10:56 a.m., the meeting was concluded.)