

April 7, 2010

STATE OF MARYLAND  
BOARD OF PUBLIC WORKS  
GOVERNOR'S RECEPTION ROOM  
SECOND FLOOR, STATE HOUSE  
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April 7, 2010

10:00 a.m.

P R E S E N T

GOVERNOR MARTIN O'MALLEY, Presiding;

HONORABLE PETER FRANCHOT, Comptroller;

HONORABLE NANCY KOPP, Treasurer;

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

ALVIN C. COLLINS, Secretary, Department  
of Budget and Management;

BEVERLEY SWAIM-STALEY, Secretary,  
Department of Transportation;

MEREDITH LATHBURY, Land Acquisition and  
Planning, Department of Natural Resources;

LUWANDA JENKINS, Special Secretary,  
Governor's Office of Minority Affairs;

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

MARION BOSCHERT, Recording Secretary,  
Board of Public Works.

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P R O C E E D I N G S

GOVERNOR O'MALLEY: Good morning, everybody, and welcome to the Board of Public Works. Today is April 7, 2010 in the great State of Maryland, on a beautiful day. And I would like to ask the Comptroller or the Treasurer if they have any opening thoughts, comments as we begin business here.

TREASURER KOPP: Governor, on that it's a blessing to be here on this beautiful day, and I hope we all appreciate it as we encounter some very difficult and increasingly difficult problems facing our fiscal state, to be appreciative of the beauty of our physical State.

GOVERNOR O'MALLEY: Very poetic.

TREASURER KOPP: Thank you, Governor.

GOVERNOR O'MALLEY: Mr. Comptroller?

COMPTROLLER FRANCHOT: Yes, I agree it's a beautiful day. And Monday I took a couple hours off to go and partake in one of the country's great pastimes, Opening Day at the Nats' stadium. And I'm trying to forget about the score of the game, of course.

But Governor, I did want to say also that the game was particularly enjoyable. I noticed my dad just arrived, and fifty years ago I went to another Opening Day up at Fenway Park in Boston. And I was, I have two really clear memories from that. One is just how green the outfield grass is. I don't know, those of you that go to baseball games. I don't know how they do it but it's just incredible, with the blue sky, etcetera. And the other one was happy I was because I was with my dad. And I'll get a little choked up. But he just had his 88th birthday, and --

(Applause)

COMPTROLLER FRANCHOT: But for some reason, he likes these Board of Public Works meetings.

(Laughter)

COMPTROLLER FRANCHOT: So here he is. I do want to remind folks on a less celebrated ritual, that next week is the upcoming tax deadline. Last week we had a very successful online chat with Marylanders. I got questions that ran the whole gamut. I know firsthand there are plenty of Marylanders who have yet to file. If you fall into that category, please don't

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panic because we have twelve branch offices that are going to be open on Saturday. And we prepare people's Maryland returns for free, guaranteed accurate. I'm also encouraging everyone to file electronically and use direct deposit and direct debit. We guarantee that you'll get your refund within seventy-two hours, which is the best in the country.

And I want to thank the folks that have already used electronic filing. Last month we received our one millionth electronically filed return. Nearly 80 percent of the returns we've received have been filed electronically, and it saves us money, and obviously it's good for the taxpayer.

And then finally, if anyone ever wants to see what 300,000 or 400,000 paper income tax returns look like, they can come over to my office right after the 15th. We have two Super Saturdays where we bring 500 or 600 of my employees in on a volunteer basis and they help us open this mountain of mail and get the checks deposited, Governor, for your use, and the Legislature's use. And that's a good experience, and it's one I'm looking forward to.

And all of you that have filed your taxes, thank you. For those of you who have put it off, including myself, you still have eight days and thank you very much for, Governor, letting me say something about this important tax day.

TREASURER KOPP: Whenever the Comptroller throws something out I rise to the occasion. Let me say that the Kopp family sent their taxes in last week.

COMPTROLLER FRANCHOT: Mm-hmm.

TREASURER KOPP: And got a refund within two days.

COMPTROLLER FRANCHOT: That's it.

TREASURER KOPP: And I will tell you, my husband was blown away.

(Laughter)

TREASURER KOPP: It was very, very impressive.

COMPTROLLER FRANCHOT: It's amazing what an election year will do.

(Laughter)



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TREASURER KOPP: That's funny, that's what he said, too.

(Laughter)

TREASURER KOPP: I would like to say something, on a slightly sadder although in a way celebratory note. We note the passing of a great Marylander last week, Saul Stern, who was a great leader in the State, in the Jewish community, in Maryland, and nationally, and in his community. Devoted himself for over ninety years to the service of others. A native of Biddeford, Maine he became the mainstay of Montgomery County decades ago. And there was a service, a commemorative service last week, a celebration of his great accomplishments. It actually was on Easter Sunday, which was an interesting coincidence. And I just think it would be remiss if we let the passing of this great man go without mentioning in the annals of the State.

GOVERNOR O'MALLEY: Hey, he was a great man. I had the occasion to stop by his family's home on, what is today?

SECRETARY MCDONALD: Wednesday.

GOVERNOR O'MALLEY: On Monday, and saw his sons and family. He was one of those sort of strengths of the community. He was such a gentle man, but with such deep roots into the values and the beliefs that motivated and illuminated his life that he was immovable -

TREASURER KOPP: Yeah.

GOVERNOR O'MALLEY: -- on those values. But with such a gentle, and a man who, you know, kind of epitomizes, I think, the spirit of the State saying that, you know, you can speak gently but act boldly and strongly in accordance with your values.

TREASURER KOPP: Right.

GOVERNOR O'MALLEY: And that's the way Saul was, a great guy. Okay, what's first on our Agenda? I know we have that Lottery thing. Is that up in the first batch of stuff?

SECRETARY MCDONALD: Toward the first batch of stuff. We could take it first, but --

GOVERNOR O'MALLEY: It's in DBM?

SECRETARY MCDONALD: No, it's in Information Technology. So --

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GOVERNOR O'MALLEY: Oh, okay. So well let's just start going through, then.

SECRETARY MCDONALD: Okay.

GOVERNOR O'MALLEY: Okay? So first we have the Secretary's Agenda?

SECRETARY MCDONALD: Yes. Good morning, Governor, thank you, Madam Treasurer, Mr. Comptroller. We have seven items on the Secretary's Agenda. We have three reports of emergency procurements. And we'd be happy to answer your questions.

TREASURER KOPP: I do have a question about number five.

SECRETARY MCDONALD: All right, Mr. Brennan is here from MEDCO. This is the extension of the Crestline operating contract for Rocky Gap.

TREASURER KOPP: It actually is a very simple --

SECRETARY MCDONALD: Okay, well --

TREASURER KOPP: -- because this is not a new issue. A very simple question, which is how, there is legislation going through the General

Assembly now, I don't know if it's passed or will pass, regarding Rocky Gap. How does that impact this?

MR. BRENNAN: It doesn't impact us. The legislation is basically some clarifications that were recommended by the Lottery Commission. A lot of those were clarifying some minor points. There were two points in there that impacted Rocky Gap. One was to allow slots in the facility, and the other was clarification of the adjacency of the slot facility to the existing building.

TREASURER KOPP: So this is basically just a one-year --

MR. BRENNAN: It's a one-year extension.

TREASURER KOPP: Potentially a bridge to the next stage of Rocky Gap?

MR. BRENNAN: Yes, to the next stage.

TREASURER KOPP: Thank you.

MR. BRENNAN: Thank you.

COMPTROLLER FRANCHOT: Mr. Brennan?

MR. BRENNAN: Yes, sir?

COMPTROLLER FRANCHOT: I actually, my concern when this came up a year ago, in the same kind

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of posture we're in right now, is that this is if not a bridge to nowhere, at least it's a bridge that's not going to have a happy conclusion. Because nationally, both the hospitality industry, frankly, and the gambling industry together are in the throes of a, you know, really deep recession. And it's unlikely that's going to change in the next foreseeable future.

So I guess I have a couple of questions. How do we know we're getting a good deal here when in effect we're giving an extension of a contract in exchange for a line of credit? How often do we do that?

MR. BRENNAN: This is a very unique project in many ways. Mr. Comptroller, what we're doing is we're balancing the unknowns. And part of the unknowns is we don't know and we don't have today a gaming company that's willing to come in and acquire the facility. And not knowing that, we have to maintain the property as a going concern, a going operation. And that's why I need to have the management contract in place. That contract basically takes us out through April of 2012. The management

company is out there today actively selling the facility. We are already booking venues that would go into that time period. So it's critical for us to keep the management company incentivized. If there is a change in operations with gaming we will be able to adjust, we'll be able to break that contract, and then allow some other type of use of the facility.

COMPTROLLER FRANCHOT: Well I guess, we've had this discussion before because we approved, I think, a \$5 million or a \$7 million State payout to the hedge fund --

MR. BRENNAN: It was \$6 million, yes sir.

COMPTROLLER FRANCHOT: \$6 million?

MR. BRENNAN: Yes.

COMPTROLLER FRANCHOT: Okay. So that's, you know, there's a lot of money, how much money is the State out, I guess, as far as Rocky Gap?

MR. BRENNAN: From the inception, in principle and not accrued interest, it's about \$30 million?

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COMPTROLLER FRANCHOT: I thought my briefing paper said it was closer to \$43 million that's the State deficit? Is that not a -

MR. BRENNAN: That might include accrued interest. But the total principle, and some of it was grant money, which doesn't accrue interest, and then there's loans that came through, or grants, or conditional loans that came through DBED.

COMPTROLLER FRANCHOT: Okay. So I have two questions. One, can we get some confidence that the next time this is before us there will be a competitive bid process for the management services? Because right now it looks as if, you know, Crestline, or whoever is, you know, it's not a conflict directly but it's certainly an awkward position for the State to be taking money from the vendor that's winning the contract. I mean, we're basically taking money from them in exchange for giving them the contract, right?

MR. BRENNAN: Well, we're borrowing money from them. We can't go to a commercial bank and borrow money. Nobody would lend us money for this project. So they are providing the short term working

capital lines which are enabling us to fund our short term operating needs. And we're in that period right now where we just came through the winter months, we have some cash needs, that we could actually use the line of credit. We will be getting to our busy season, and that line of credit will be cleaned up. And the line of credit is required to be cleaned up by the end of December, and when we have used it we've always cleaned it up.

COMPTROLLER FRANCHOT: Well this, you mentioned that no private bank would support this. I guess what I'm looking for is a backup plan for getting this, some people would call it not a taxpayer boondoggle, at least my staff calls it Money Gap, not Rocky Gap. How can we get this off the State's books? And I know you've done a heroic job to promote it, and you know, feel very strongly about it. I just think it's a loser, and it's going to be a headache for us. So can you come up with Plan B? Or --

MR. BRENNAN: Well I think the plan is to bring about a sale of the facility. And I expect that the Slots Commission will undertake an RFP within the



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next two or three months and we will go through that process. I do believe if that process is not successful we'll then have to work with the bond holders and come up with a sale without the gaming facility. But obviously, the prospect for a gaming facility brings a lot more financial opportunities to make Rocky Gap successful for the long term.

And to answer your question on the contract, the difficulty right now of getting any operator into the facility, for us to go out and bring a new operator, they would want a three- or five-year contract. Understanding the short term duration, it would be very difficult to get another party in there to manage the facility. And as much as I don't want to have to be in front of you next year, sir, if we haven't consummated a sale I probably will be back. And that's not a threat.

COMPTROLLER FRANCHOT: It's a beautiful facility.

MR. BRENNAN: Yes.

COMPTROLLER FRANCHOT: And, you know, I've been out there numerous times. But it's, frankly, you

know, it just, and I voted for it in the Legislature. But I just, it's just not working. And I guess we can cross our fingers and hope that the down in the dumps gambling industry will come in and do something with it. But I think it's much more prudent to start discussions on the assumption that that may not happen and so we can develop some way to get this thing handed off to somebody in the private sector.

MR. BRENNAN: I don't disagree with what you're saying, and in fact that's what we are contemplating. But I think the process is let's go through the first series with the Slots Commission solicitation. And if that doesn't work then we'll have to go to that plan. I agree with you.

COMPTROLLER FRANCHOT: Okay, I'm going to vote no, Governor. But that's not a reflection of that part of the State. It needs these kinds of projects. But this one has just not panned out. And I don't think it's going to down the road, but of course I could be wrong. And hopefully I am wrong, I guess. But I guess I don't have any --

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TREASURER KOPP: Well I'm going to, Mr. Brennan, vote to support this one more year. I was not so wild about it when it started the project, but it has started. It was certainly a great vision for Western Maryland. And I hope it will work. I hope that this bill going through will make it a more inviting site. I share some of the Comptroller's skepticism, but not an unhealthy amount, I think. I really do commend you for the hard work that you all are doing. It was, you know, it was a judgment that perhaps in retrospect was not a good one.

MR. BRENNAN: I appreciate your support.

TREASURER KOPP: Thank you.

GOVERNOR O'MALLEY: I'm going to be supporting it, and actually I think there are some signs that in fact we will be coming out on the other side of this recession. And I'm ever hopeful that will happen here before it happens in other parts --

MR. BRENNAN: I think there's a lot of people hoping we're going to come out on the other side of this recession. That's just because it's taken a while, but we'll get there one of these days.

GOVERNOR O'MALLEY: We've gone ten consecutive months now with home sales higher. Not as high as they were in 2007 but certainly ten consecutive months of that. And until that, what I think will be an anomalous job reporting month in February, we were actually seeing the rate of job loss slowing considerably since it's, those worst months of December of '08 and January of '09. So hopefully soon here we'll pop into that positive job creation zone, net positive.

And in the meantime, so many things are difficult. I mean, it's not only the hotel industry that's in the middle of a national recession, it's the nation that's in the middle of a national recession. And there is no sector spared from this. But I appreciate your good work as we move Maryland forward even in these tough times.

TREASURER KOPP: And let me also say that as spring comes it is, as Peter said, a beautiful site. Western Maryland is an outstanding part of this nation. I mean, it should be a tourist Mecca. And as people are not going away far as they did because of

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the recession it seems to me that we ought to be able to keep people here. I know a lot of people love the seashore. I like the mountains. I think going to Western Maryland is a wonderful way to spend a weekend. And Rocky Gap ought to be a target site for Maryland vacationers.

MR. BRENNAN: I agree with you. I grew up in Ocean City and I'm selling the mountains now.

(Laughter)

GOVERNOR O'MALLEY: All right, my soul is in the mountains, my heart is in the land. All right.

MR. BRENNAN: Thank you.

GOVERNOR O'MALLEY: What item is this?  
We'll do this one separately.

SECRETARY MCDONALD: Item 5.

GOVERNOR O'MALLEY: Item 5, let's be, the Treasurer moves approval of Item 5 on the Secretary's Agenda. All in favor signal by saying, "Aye." Aye.

TREASURER KOPP: Aye.

GOVERNOR O'MALLEY: All opposed, "Nay."

COMPTROLLER FRANCHOT: Nay.

GOVERNOR O'MALLEY: The Comptroller votes nay. We now move on to the balance of the Secretary's Agenda. Any questions on the balance of the Secretary's Agenda?

COMPTROLLER FRANCHOT: Item 6?

GOVERNOR O'MALLEY: Item 6?

SECRETARY MCDONALD: That is, is Ms. Buxton here or Ms. Lathbury? Are you going to --

MS. LATHBURY: We have Megan Sines from Maryland Environmental Trust.

SECRETARY MCDONALD: This is a conservation easement that is being, that the Maryland Environmental Trust is asking that the Board approve an amendment to an easement that the State holds. Could you introduce yourself for the record, please?

MS. SINES: I'm Megan Sines from Maryland Environmental Trust.

COMPTROLLER FRANCHOT: Great, thank you. And if I could just ask a question, because I'm confused at the transaction. It looks like we're giving, is it Knobloch? I'm not sure --

MS. SINES: That's right.

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COMPTROLLER FRANCHOT: -- if I'm pronouncing it right, Knobloch. We're giving them 1.66 acres, but we're also giving them \$165,000?

MS. SINES: No, they are giving us the 1.66 acres, an easement on the 1.66 acres. And we're purchasing it for the \$165,100. It is an amendment to a conservation easement that we did last year that was donated, a 31-acre easement. And this parcel is like a donut hole in the center. And the purchase is coming through the State Highway Administration as part of mitigation for disturbance they had done previously on another conservation easement in Carroll County. And so they are purchasing the easement on the 1.66 acres to add it into the total now 33-acre easement.

COMPTROLLER FRANCHOT: But, and, but didn't the State give them money in mitigation of the, give them land in mitigation of the State Highway? I guess that's, I mean, I just find it confusing.

MS. SINES: This is completing the whole transaction. So the State Highway Administration took away land from another easement to do road work.

COMPTROLLER FRANCHOT: Mm-hmm.

MS. SINES: And as part of that agreement an MOU was established to, that said that SHA would purchase approximately 2 acres easement on another property somewhere in Carroll County. And this is the approximately 2 acres, the 1.66 acres, that they are purchasing the easement on to complete the MOU.

COMPTROLLER FRANCHOT: It just seemed like they were, they've been really good at negotiating this but maybe that's just because I didn't understand the moving pieces. I still have to say I'm not quite, maybe I'm a little slow today, but I just find that, I can't really, do you have a diagram of this? Or a photo or something so that I could --

MS. SINES: I do not.

SECRETARY MCDONALD: Ms. Sines? Ms. Sines?

MS. SINES: So you'll see the yellow portion is the portion that we put in a donated easement last year.

COMPTROLLER FRANCHOT: Uh-huh.

MS. SINES: And the red portion is a separate parcel. But that is what is the current 1.66



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acres that is being purchased to be included as part of the easement.

COMPTROLLER FRANCHOT: So that's what we're paying the \$165,000 for?

MS. SINES: Yes.

COMPTROLLER FRANCHOT: And then this other yellow thing is what? Is that the land that --

MS. SINES: No, that's just another MET easement, showing an easement.

COMPTROLLER FRANCHOT: And where is the land that's being given to the Knoblochs in mitigation?

MS. SINES: There's no land being given to the Knoblochs. The mitigation happened on another property in Carroll County which isn't shown on that map.

COMPTROLLER FRANCHOT: Okay.

MS. SINES: It was another easement property that --

COMPTROLLER FRANCHOT: So we have two separate transactions --

MS. SINES: Yes.

COMPTROLLER FRANCHOT: -- in one, okay.

MS. SINES: The transaction that happened for the mitigation happened several years ago, so this is only the mitigation part to finish up the whole process of the MOU.

COMPTROLLER FRANCHOT: Okay, I just wanted to make sure it was all clear to somebody.

(Laughter)

COMPTROLLER FRANCHOT: Thank you.

MS. SINES: Mm-hmm.

GOVERNOR O'MALLEY: Okay. Any other questions on the balance of the Secretary's Agenda? Hearing none, the Comptroller moves approval of the balance of the Secretary's Agenda, seconded by the Treasurer. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed? The ayes have it. We move on now to Program Open Space.

MS. LATHBURY: Good morning, Governor --

GOVERNOR O'MALLEY: Hi.

MS. LATHBURY: -- Madam Treasurer, Mr. Comptroller. Meredith Lathbury with Department of Natural Resources, and we have two items on the

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Program Open Space Agenda this morning. One Local Program Open Space project, and one Rural Legacy Easement. I'll be happy to answer any questions you might have.

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR O'MALLEY: Okay. Any questions, Treasurer? No? The Comptroller moves approval. See it lands squarely within the GreenPrint, adjacent to already protected land. And also within the boundaries of a designated Rural Legacy Area.

MS. LATHBURY: Absolutely.

GOVERNOR O'MALLEY: This makes it a three-bell acquisition. The Comptroller moves approval, seconded by the Treasurer. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed? The ayes have it. We move on to the Department of Budget and Management.

MS. FOSTER: Governor, Madam Treasurer, Mr. Comptroller, good morning. There are six items on the

Department of Budget and Management's Agenda for today and I'll be happy to answer any questions.

GOVERNOR O'MALLEY: Madam Secretary, did you notice the reports in the newspaper last week that the nation added 162,000 jobs in the month of March which was the largest amount of jobs added in our economy since October of 2007?

MS. FOSTER: I saw that, Governor.

GOVERNOR O'MALLEY: That was pretty good, wasn't it?

MS. FOSTER: That was very good.

GOVERNOR O'MALLEY: We need more of that, don't we?

MS. FOSTER: Yes, we do.

GOVERNOR O'MALLEY: Any other questions of the Secretary of the Department of Budget and Management?

TREASURER KOPP: Well, I think it's interesting that the argument is that the unemployment rate stays where it is because people feel encouraged, and they're coming back into the job market who had been discouraged out of it. And it's ironic that you

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can have declining unemployment, rising employment, and increasing, or steady, unemployment at the same time because you're talking about human dynamics.

I don't want to beat a dead horse. There's a contract here, 1-S. It's the Human Resources in-home aide services. This goes back to last fall. I gather we have made progress, in fact, and everyone seems to think that this item is in better shape than the one last fall was, and for that I commend everybody. I do think, and I know this is a source of difference, I guess, among the staff, that the entire history of an item ought to be displayed to the principals so that we can put it in context. I don't think that's asking anything that is unreasonable, and especially when it shows good progress having been made.

MS. FOSTER: Actually, what you did back in the fall was you did not approve a contract.

TREASURER KOPP: Right.

MS. FOSTER: And the direction that we were given was to go out and do a new procurement. So

essentially no historical background was provided because essentially this is a brand new procurement.

TREASURER KOPP: Yes. Yes, it is.

MS. FOSTER: And --

TREASURER KOPP: It is, except some of the issues that are addressed in this one arose because of the last one. And I'm interested in seeing, for instance, this whole issue of prime contractor as MBEs has advanced significantly, which I think is very good. And was a problem in the last one, whether you count them or not. I gather the whole thing has been restructured so it's not directly comparable, but some of the issues I think have in fact --

MS. FOSTER: I think certainly the Department of Human Resources heard your concerns. They went out. They got this done in less than six months. Certainly what they have done is they are making more awards than were in the prior contract. They have more MBEs and I think it's a far better contract.

On the basis in terms of the history, this was the first time, I think, we've ever been requested

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to do this. And certainly I'd like to have a further discussion with you in regard to that.

TREASURER KOPP: Anytime.

MS. FOSTER: Thank you.

TREASURER KOPP: I understand that there weren't MBE issues for subcontractors because there's little room for subcontracting, is that right?

MR. WILBON: That is correct. Let me introduce myself, I'm Brian Wilbon, Deputy Secretary for the Department of Human Resources. With me is April Seitz, who is our Director of our Adult Services Program for the Department.

Because this is primarily staff, this is staff going into homes, there was a small portion of supplies or other non-direct service opportunities to do MBE. And so what we did is we did a targeted outreach to MBEs and we're happy to report that nine of the vendors that we are reporting or recommending for award are MBEs. There's an additional three that has a dual certification as a small business reserve, and five others that are classified as SBR.

TREASURER KOPP: And so there's less subcontracting than there was in the fall? Is that right?

MR. WILBON: That's correct. One of the challenges we had in the existing contract was these existing vendors finding opportunities to have subcontracting opportunities.

TREASURER KOPP: But there was a 10 percent goal in the fall.

SECRETARY MCDONALD: I think he's talking about the incumbent one, and I'm not sure they were reaching the goal on the incumbent one.

MR. WILBON: That's correct.

SECRETARY MCDONALD: You had set it pretty high but I think the problem was nobody was really reaching it.

MR. WILBON: That is correct.

TREASURER KOPP: Oh, okay.

MS. JENKINS: Madam Treasurer, just to interject. Good morning, Madam Treasurer, Mr. Comptroller, Governor. For the record, Luwanda Jenkins, Governor's Office of Minority Affairs. What



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really happened with this, as the Deputy Secretary indicated, was we took a different strategy. Rather than trying to kind of piece together small incremental, subcontracting opportunities for MBEs, we took a look at how could we position more MBEs to be prime contractors to actually to the in-home aide service which is the primary work on this contract. So as a result, through a combined effort between our two offices, we have, nine of the thirty-five contractors on this contract are prime MBE firms. And they will participate at a much higher rate than if we were to have across the board, smaller, incremental MBE goals. So that's part of the strategy of what we're looking at with large State contracts. How can we carve out more opportunities for minority firms to participate at the prime level? And this contract demonstrates exactly what we're trying to do. So we have a better --

TREASURER KOPP: Speaking for myself, I think that's great. Because it's a real contract for real, needed services, and really expanding the pool of --

MS. JENKINS: Absolutely.

TREASURER KOPP: -- MBEs. I commend everybody, thank everybody.

GOVERNOR O'MALLEY: Do we track MBE prime?

MS. JENKINS: Yes, we do. We're doing considerably well with MBE prime and we hope to continue that growth.

GOVERNOR O'MALLEY: When will we know whether we hit our enterprise-wide goal on MBE for the first time in Maryland history?

MS. JENKINS: We actually as of midyear, fiscal year '10, we have hit that goal. I'm looking to make sure we sustain that goal for the balance --

GOVERNOR O'MALLEY: For the second half.

MS. JENKINS: -- of this fiscal year. But we are very much on track to have met that goal for this fiscal year for the first time in the thirty-year history of the program.

(Applause)

GOVERNOR O'MALLEY: And that's not only percentage, but the dollar amount has gone up as well, right?

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MS. JENKINS: The percentage, the dollar amount that has gone to MBEs both on awards and payments, because we are also tracking payments.

GOVERNOR O'MALLEY: But then the dollar amount has gone up, too.

MS. JENKINS: The dollar amount has --

GOVERNOR O'MALLEY: It's not just a matter of the overall contraction and the huge cuts in spending.

MS. JENKINS: Right. Even with the huge cuts in spending we are maintaining and exceeding our efforts to ensure that minority firms don't lose out with any reduced spending.

GOVERNOR O'MALLEY: Yeah, they're actually, we're doing more dollars.

MS. JENKINS: We're actually doing more.

GOVERNOR O'MALLEY: Uh-huh.

MS. JENKINS: Significantly more, and more in prime contracting.

GOVERNOR O'MALLEY: Great. Any other questions on this one? How about any other questions

on anything else in the Department of Budget and Management?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR O'MALLEY: The Comptroller moves approval, seconded by the Treasurer. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed? The ayes have it. We move on now to the University System of Maryland.

MR. STIRLING: Good morning, Governor, Mr. Comptroller, Madam Treasurer. I'm Jim Stirling for the University System of Maryland. We have ten items on today's Agenda, and I'll be happy to answer any questions.

GOVERNOR O'MALLEY: Mr. Comptroller?

COMPTROLLER FRANCHOT: Item 3? What is, is this a new initiative?

MR. STIRLING: Part of it is. I have with me here today Dr. Ann Wylie, our Vice President for Administrative Affairs. And if you will, I'd like to invite her up to talk about that.

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COMPTROLLER FRANCHOT: Wonderful.

DR. WYLIE: Good morning.

COMPTROLLER FRANCHOT: Hi.

DR. WYLIE: The Office of Extended Studies over the last several years has expanded their activities. The Young Scholars Program is an example. We try to bring in rising juniors and rising seniors, highly academically talented students from the State of Maryland. We're interested in keeping Maryland's most talented students in the State, and we've found this to be a very effective recruiting tool. It also introduces them to majors they might not have considered otherwise, which helps us a lot. And we are very interested in making sure that the students in the high schools of the State of Maryland are aware of that. We have an expanded professional studies, Masters of Professional Studies. Master of Life Sciences is one, but we have many trying to address workforce needs within the State.

A few years ago we consolidated all these activities. We had two offices that were doing them. We consolidated them under the Office of Extended

Studies. And so this is a consolidated office looking at all these activities. They also do summer school, winter term, and we are very interested in expanding these. It makes good use of our facilities when our more traditional programs are not utilizing them, so.

COMPTROLLER FRANCHOT: Well, that's terrific. And do you work with University College? Because they have this incredibly successful model where they provide distance learning for 90,000-plus students, I think. Do they, does this fit with any of their talent or technology? Or how does it fit with University College, I guess?

DR. WYLIE: Well, we don't want to duplicate their programs. We don't think that's particularly in anyone's best interest. So we have very targeted online programs. We actually have very limited numbers of online programs. University College does this really well. But we do, the Master of Life Sciences, for example, is a targeted online program for high school teachers of life sciences. And it fits well with our mission and it's very targeted. And so we also have an online program in fire

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protection engineering, one of the few in the nation.

So we have restricted, in a sense, our online programming, the places where we feel that we have real expertise, can offer a very important program.

And that we don't really want to compete with University College.

COMPTROLLER FRANCHOT: Good. I think it's a good, you know, complementary -

DR. WYLIE: Yes.

COMPTROLLER FRANCHOT: I mean they are right next to you. And you know, you are both powerhouses. I just want to make sure we're not limiting you or them through some other policies and stuff that, you know, is out there.

DR. WYLIE: Yeah. I don't think that's the case. We see ourselves as compliments, I think.

COMPTROLLER FRANCHOT: Good, thank you.

GOVERNOR O'MALLEY: How many teachers avail themselves of the life sciences masters?

DR. WYLIE: Four hundred --

GOVERNOR O'MALLEY: That's great.

DR. WYLIE: -- are in the program, actively involved in the program.

GOVERNOR O'MALLEY: And how long --

DR. WYLIE: I don't know how many we've graduated. I'm sorry, I didn't have that number. But it's extremely popular, and it just took off. We've offered it for a number of years. We have people from all over the country, not just Maryland teachers. But it's a very good program.

GOVERNOR O'MALLEY: How long, what's the course of study?

DR. WYLIE: It's a master, it takes about two years.

GOVERNOR O'MALLEY: Uh-huh.

DR. WYLIE: And, you know, the life sciences field is changing so quickly that to offer this kind of a masters program for high school teachers really brings them up and makes sure that the curriculum is up to date.

GOVERNOR O'MALLEY: Which feeds into the whole STEM initiative. How many of the four hundred do you think are Maryland teachers?



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DR. WYLIE: I'll find that out for you. I don't know.

GOVERNOR O'MALLEY: Mm-hmm. Okay, any other questions on University System of Maryland, this item or any others? The Comptroller moves approval, seconded by the Treasurer. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed, "Nay." The ayes have it. We're going to skip over DoIT. We're going to do it later.

(Laughter)

GOVERNOR O'MALLEY: And we're going to go to the Maryland Department of Transportation.

MS. SWAIM-STALEY: Okay. Good morning, Governor, Madam Treasurer, Mr. Comptroller. For the record, Beverley Swaim-Staley representing the Maryland Department of Transportation. We have ten items today. 2-C and 4-C have been previously revised. And we are available for questions.

GOVERNOR O'MALLEY: Any questions, Department of Transportation? Mr. Comptroller?

COMPTROLLER FRANCHOT: Yes, Item 10, Madam Secretary?

MS. SWAIM-STALEY: Yes?

COMPTROLLER FRANCHOT: Is the new on-airport rental auto concession contract.

MS. SWAIM-STALEY: Yes, it's a modification to the previous contract, which was negotiated with the car rental facilities. They actually asked for it because, of course, they have to help pay for the bus services and other services.

COMPTROLLER FRANCHOT: And do you have any analysis of the fees we charge at the airport, and how competitive that is, or not competitive, with --

MS. SWAIM-STALEY: Overall, I don't have the specific fees on this, I can get that for you, but overall in the region's airports BWI is always rated as the low cost airport, both in terms of our charges as well as obviously for, you know, passengers. But even in terms of what the overall cost to, whether it's car rental, whether it's airline for the fees that we charge them, and etcetera. But I can

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certainly get you all the specifics and breakdowns on that.

COMPTROLLER FRANCHOT: Yeah, no, because I'm just concerned that we, you know, we keep adding these fees, obviously for a good --

MS. SWAIM-STALEY: Right.

COMPTROLLER FRANCHOT: -- cause, and the rental companies want us to. I understand that. But if you could send me something --

MS. SWAIM-STALEY: Yes, we'll get you the --

COMPTROLLER FRANCHOT: -- that just lists what all the charges are. Because --

MS. SWAIM-STALEY: Absolutely. Not a problem.

COMPTROLLER FRANCHOT: Yeah, that's, you're right. That's a real asset to the State.

MS. SWAIM-STALEY: Yeah, it's something we obviously do have to watch out for to make sure we don't price ourselves out of the regional market. So I'd be happy to provide those.

COMPTROLLER FRANCHOT: Thank you.

MS. SWAIM-STALEY: Good question.

GOVERNOR O'MALLEY: Any other questions on Department of Transportation? The Treasurer moves approval, seconded by the Comptroller. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed, "Nay." The ayes have it. We move now to the Department of General Services, Secretary Al Collins.

MR. COLLINS: Good morning, Governor, Madam Treasurer, Mr. Comptroller. The Department of General Services has twenty items on our Agenda today. There is one revision to Item 2-C.

Governor, I'd like to add that we have two construction contracts, Items 1-C and 2-C, for approximately \$12.5 million, a little over that in terms of cost. \$3.1 million-plus towards MBE construction, MBE firms, and these two items add sixty jobs to Maryland's job growth. So, and they are over on the Eastern Shore. And I would be glad to answer any questions you have, Governor.

And I'd like to point out that we have a number of distinguished individuals with us today, but

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I'd especially like to point out Mayor Ron James from the small Town of Galestown. He assures me I can't find it if I come to look for it, but I'll see if I can do it.

MR. JAMES: Thank you.

COMPTROLLER FRANCHOT: Where is the Mayor?

MR. COLLINS: Right here.

TREASURER KOPP: Great tie.

MR. JAMES: Good morning, Mayor Ron James.

SECRETARY MCDONALD: This is Item 13-CGL.

GOVERNOR O'MALLEY: Item 13? So what are we doing here, Mayor?

MR. JAMES: We're trying to repair a community center. It's the only community building within miles. We're a very small town. We have a population of 102. However, I saw a pickup backed up to a truck, it may be 101 when I get back.

We're destitute. As you know, it's a \$50,000 matching grant, which is more than the annual salary of the three people we actually have working in town. So we've been counting our pennies, and getting

funds from people in town by selling flowers and Avon. And we have come up with our \$50,000.

The building was built seventy-two years ago. People were actually falling through the floors from powder-post beetle damage. And it was get another sheet of plywood and cover the hole. So we desperately need the funds. We are destitute. We only have one suit in town, and I have to get back tonight because a guy wants it for a funeral.

(Laughter)

GOVERNOR O'MALLEY: We've heard many things here at the Board of Public Works.

(Laughter)

GOVERNOR O'MALLEY: But that's a first. Okay, any questions on Department of General Services?

TREASURER KOPP: Governor, I --

GOVERNOR O'MALLEY: Madam Treasurer?

TREASURER KOPP: -- probably shouldn't say that. But this project, which I think is outstanding, long overdue, and both locally and State funded. For the other projects here, homes for the homeless,

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shelters for abused children, I would only point out that this is what people sometimes refer to as pork.

MR. COLLINS: Yes, ma'am.

TREASURER KOPP: And I think they are very important projects to very real people, and I thank you.

GOVERNOR O'MALLEY: Okay, the Treasurer moves approval, seconded by the Comptroller. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed? The ayes have it. Congratulations.

MR. JAMES: Thank you very much.

GOVERNOR O'MALLEY: Thank you, Mayor. All right, let's go to the Department of Information Technology. All right.

MR. SCHLANGER: Good morning, Governor, Madam Treasurer, Mr. Comptroller.

GOVERNOR O'MALLEY: From the trees to the weeds.

(Laughter)

MR. SCHLANGER: Elliot Schlanger --

GOVERNOR O'MALLEY: Take us into the weeds, Elliot.

MR. SCHLANGER: Okay, Elliot Schlanger, Department of Information Technology. We have two items this morning. Item 2-IT we are returning from our meeting of 3/24. That is related to a multiple award master contract for VLTs. At this time we'll be glad to enter into discussion or answer any questions that you may have.

TREASURER KOPP: Governor, I'd just like to thank Elliot and the Lottery agency folks for taking all the time to meet with representatives of our office and DBM capital budget. As you know, we had a question when it turned out that at the last moment we were informed that ongoing plans for the future included use of capital lease, and that had not been considered by the Capital Debt Affordability Committee.

I will say what I said at the end of the last meeting which is what is before us right now is simply the authorization for the umbrella contract going forth. And I understand that for the first step



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there are in fact funds available and leasing capacity available. For the future years it seems to me that this is an issue that has got to be examined by the Capital Debt Affordability Committee. I've talked with many of the members of that committee. They agreed we are going to have a surprisingly long agenda for an election year interim. But to understand how all of these things fit together.

It's not only this item but there are other capital items coming before us that had not been factored in in terms of timing into the capital debt affordability considerations. And we simply have to examine them. But that, I will say as I think I said two weeks ago, that is not the item before us. What is before us is the authorization to enter into contracts, not the specific method of leasing them after the first item.

MR. SCHLANGER: That is correct. That is absolutely correct. The master contract would establish --

TREASURER KOPP: So --

MR. SCHLANGER: -- the relationship. It's not a commitment to expend funds either.

TREASURER KOPP: Exactly.

MR. SCHLANGER: Right.

TREASURER KOPP: And it's my understand that as the funds are expended there will be review not only by the Lottery Commission but by your office?

MR. SCHLANGER: That is correct. And that would be a task order for a specific piece of work for the acquisition of the machines.

TREASURER KOPP: Under this master contract?

MR. SCHLANGER: That's correct.

TREASURER KOPP: And that to the extent they involve lease financing, capital lease financing, above a minimal level, they will in fact come back from the Treasurer's Office, after your examination, through the Treasurer's Office to this Board?

MR. SCHLANGER: That is not correct, I do not think.

MS. FOSTER: But the master contract, I think the reason for the master contract arrangements

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TREASURER KOPP: But the financing items traditionally have --

MR. SCHLANGER: But the financing is outside of the --

TREASURER KOPP: Not the task orders, the financing.

MR. SCHLANGER: Right.

TREASURER KOPP: I'm just trying --

MR. SCHLANGER: Right, I --

TREASURER KOPP: -- to clarify this as much for my own benefit --

MR. SCHLANGER: Sure.

TREASURER KOPP: -- and understanding as yours.

MR. SCHLANGER: Sure.

TREASURER KOPP: And I know there are a couple of other issues.

GOVERNOR O'MALLEY: Yeah, what we're trying to arrive at, I mean, the thrust of the questions last time, and also the memo from Delegate Turner with the Legislative Black Caucus that came this morning, seems to be a desire to establish some sort of threshold to

make sure that we are in fact enforcing and monitoring MBE, and that there's some mechanism for reviewing that as, I mean, you could be the designee, our designee on this, for the task orders. But I think the question that, I mean, I think arises here is, is there a certain threshold, given the broad and attenuated nature of the master contract, is there some sort of dollar threshold that should trigger a return to the Board of Public Works? And that's, is that accurate, do you think? Is it kind of a summation of --

TREASURER KOPP: Yeah, that's, and I assume that DoIT will be working with GOMA -

MS. JENKINS: And the Lottery Commission.

TREASURER KOPP: -- throughout the process.

MR. SCHLANGER: So --

TREASURER KOPP: When I raised, when the issue was raised about bringing task orders to the Board last time it was pointed out that there were just a huge number of task orders of often small amounts. So the question arises, is there a threshold above which it would be appropriate to --

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MR. SCHLANGER: So --

TREASURER KOPP: That's, the Governor's question --

MR. SCHLANGER: So if I may, I think the best way to talk about this is through experience, because we have something we can see and can touch. So the master contract is not a new idea, it's been in place for a while. And if we take the one that, say, DoIT happens to administrate over, which in fact this Board had approved and applauded just several months ago, there was in the first contract over 200 TO RFPs that represented a dollar amount well in excess of \$200 million. So on average, they were worth well over, I guess, \$1 million each. That's not to say that there were not a number of them that were not that large and some that were fairly large. And as part of our review it includes the technical oversight, the contractual oversight, which is actually predefined by the master agreement. And we look at MBE. And one of the things that this Board applauded was the fact that for the total of primes and subs, MBE participation was over 50 percent.

So if we look at existing master contracts in operation, again with the goal of being expeditious, to streamlining the process, there are internal controls that look at all aspects of the contract that really made the Board comfortable in not having to bring back the task orders here. If asked we report on how well we do and as you know we have that information. So what I would say is, it is with the Board that I respect you direct us to do whatever you think is the right thing. I just think that the precedent is that we have the controls, we have the history. And I think we could administrate this as master contracts in the past. Mr. Comptroller?

GOVERNOR O'MALLEY: Mr. Comptroller?

COMPTROLLER FRANCHOT: Yeah, I just want to get back to my confusion with this. Which is why are we being asked to approve \$800 million for the purchase of up to 15,000 slot machines when everyone can see we're only going to need 2,200 over the next year? I mean, and here's my concern. When the public, the public doesn't understand this master contract and ceilings, et cetera. They see us voting,

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and they thought they were going to get \$600 million from the slots, they see us voting to give \$800 million of taxpayers' money. And it's not as if it's in a vacuum. I mean, we're cutting State jobs. We're cutting State programs. We're in a fiscal crisis. We've got a long term structural deficit that everybody is struggling with. We're simply not swimming in money. So when we vote for this kind of a contract I think it's, I think it has a real public relations problem.

But from what the Treasurer just said I'm really concerned about this being a, what I see as an irregular procurement policy here. I know you allude to the IT master contract, and I don't have problems with that. But this is with the gambling industry. To put this amount of money, you know, with all the best intentions of our State employees, into a process that is not scrutinized closely, I think just is asking for trouble that we don't want. And I hope, I don't know whether the Treasurer was asking for the task orders to come back, or under a certain amount as the Governor was perhaps alluding to, but I think

these contracts need to come back before the Board. This is not Xerox and IBM. This is Bally Gaming, Diamond Game Enterprises, KGM Gaming, Scientific Games. I mean, it just, it doesn't sit well with me that we're going to allow all of you in the bureaucracy, who are terrific people, I'm not implying anything, to be put into this kind of an environment with \$800 million and these, and this particular sector.

So I hope that at a minimum, you know I'm not enthusiastic about this. But I think at a minimum I would, the public would be served if we brought these contracts back, in contrast to the other master contract that, I agree with you, has been successful.

And I'm particularly concerned if we're going to be using the financing of this money as an oversight tool. I mean, if we're going to be looking over the finance behind the curtain into things like MBE and, you know, procurement fairness, I don't know how, I don't know what the people that are bidding on the financing would think of that. But I don't think that's, that I see having it's own risk. So I hope we



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could bring this back. I know there's a momentum to not bring it back, but I'd really like to reverse that at least for the next year until we get more comfortable with it.

MR. SCHLANGER: I think there are two issues that you raise. The first is the ceiling for the contract. Again, it is not a commitment to spend a dollar. But I understand the perception.

GOVERNOR O'MALLEY: The potential for misperception. And I think that sells our capable members of the media short as well as the intelligent public.

MR. SCHLANGER: Right. So one path is, you know, to maintain the integrity as really demonstrated by the master contract and lower the ceiling. That was one issue.

The other issue is, you know, if the Board should to desire to see these acquisitions singularly, then, you know, the master contract may not have been, I mean, the model that happens to suit. And the trade-off is, you know, when, in fact, the lottery and we went into this, you know, our discussion was we're in a business of technology that's a customer service,

and we were looking for agility, the ability to be, I mean, nimble. So there's a trade-off there.

But, you know, today I just need to present the options, and, you know, we need to come to consensus on which is the best way to move forward.

COMPTROLLER FRANCHOT: Let me just keep -- follow-up on that. Do you have any problems with bringing these back for Board approval?

MR. SCHLANGER: Well, what I would say is bringing a task order back, which is not a contract, I would think would be pretty, I mean, irregular. Coming back to the Board to reporting what we've done on a frequent basis, I don't have any issues. But, you know, the Board can tell me what they prefer. We'd be happy to comply.

COMPTROLLER FRANCHOT: Well, if I could just continue, because I think the issue here is cost. We're talking 800 million for 15,000 machines. It comes out to \$53,000 a machine. And someone on my staff said, "What kind of mileage do these things get on the highway?" I mean, I could go and buy a brand

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new, you know, F150 Ford truck off the assembly line for that amount of money.

And so the cost -- and I understand that -- is the Lottery here? Is someone representing the Lottery?

MR. SCHLANGER: Yes.

MR. HOWELLS: Yes, sir.

COMPTROLLER FRANCHOT: If someone could come forward, because I know last time we were here you were talking about maintenance. And forgive me if I have some concerns about maintenance being part of that 53,000, because why are these machines -- why are we buying them if they're so fragile?

MR. HOWELLS: The machines need to be maintained --

SECRETARY MCDONALD: Would you introduce yourself for the record, please.

MR. HOWELLS: I'm sorry. Robert Howells, Procurement Director for the State Lottery.

The machines need to be maintained like any other piece of equipment. There's ongoing maintenance. These machines need to be serviced. We have situations in the facilities where machines jam,

where there's damage done to them by players. It's an ongoing maintenance situation for all the machines.

You indicated the 53,000 per machine, you had mentioned that last time we were here. And I had explained that the overall number includes maintenance. It includes conversions of machines. It includes changing out games. You can't just do a simple dividing 15,000 into 600 million and come up with a number. The machines don't cost \$53,000 apiece.

COMPTROLLER FRANCHOT: How much do they cost?

MR. HOWELLS: They are probably in the range of half that. Like anything else there are some premium machines that do cost more money, but the average run-of-the-mill machine, you're probably looking in the ballpark of 20,000, somewhere in that range, 20 to 30.

But to address the topic at hand, the Lottery has no difficulty with the Board approving a lesser amount of money than the 600,000.

SECRETARY MCDONALD: Million.

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MR. HOWELLS: That is based on the 15,000 machines, as we explained.

COMPTROLLER FRANCHOT: Six hundred million.

MR. HOWELLS: I'm sorry?

COMPTROLLER FRANCHOT: The 600 million.

MR. HOWELLS: Six hundred million. Excuse me.

It's based on the 15,000 machines. We need -- and we had added a couple of sentences to the agenda item. During the next fiscal year, we need about a hundred and fifty million for the two facilities that are definitely scheduled to open and the third facility that we don't know yet. The one in Arundel Mills. It could go either way.

We didn't want to come in and ask for a low amount of money and then continually come back to you for more money and be criticized for not telling you from the beginning what we thought the total cost of this project was going to be.

But if the Board feels more comfortable approving, let's say, a hundred and fifty million for the first three facilities, then we would have to come

back to increase that ceiling as we open the other facilities, that's fine. We have no issue with that.

Bringing back every individual task order, is an operational nightmare, and it will impact our ability to accommodate the facility operators with machines they need, with the schedule they need to get facilities open, with the schedule they need and the responsiveness they need to change out machines and do all the things that facility operators need to do in order to make this a successful and profitable

program. And as the Governor has indicated a couple of times, this is a revenue generating operation. We are not just paying out money and it's gone. We expect to generate far more than what we're paying out on this program. And we need to get it up and running, and we need to get moving forward.

We talked about Rocky Gap a little bit earlier possibly doing an RFP in the next couple of months to get Rocky Gap up and running. They're going to need machines. We need to get this contract in place. So --

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COMPTROLLER FRANCHOT: You mentioned, if I could, Governor. You mentioned Anne Arundel Mills. Forgive me if this has already been talked about, but someone said the other day that there were some plans to have temporary facilities built for the Anne Arundel license?

MR. HOWELLS: That is --

COMPTROLLER FRANCHOT: Is that being looked at?

MR. HOWELLS: -- a possibility, of course, subject to whatever happens with the referendum. There are, obviously, a lot of legal actions going on. We just don't know what's going to happen yet.

COMPTROLLER FRANCHOT: Do you have --

MR. HOWELLS: But again, we need to be ready. If something happens and Arundel Mills goes forward quickly, we need to be prepared to accommodate that.

COMPTROLLER FRANCHOT: Well, at a minimum it's going to take till after the election, I take it, because there's going to be some vote that I read about in the paper.

MR. HOWELLS: That's the referendum, yes, sir.

COMPTROLLER FRANCHOT: That's the referendum.

So but do you have --

MR. HOWELLS: Well -- but there's a lawsuit pending about the referendum. So --

COMPTROLLER FRANCHOT: Okay.

MR. HOWELLS: I mean, I wouldn't want to speculate on what's going to happen with that, sir.

COMPTROLLER FRANCHOT: But have people talked about dimensions or what this temporary facility would look like?

MR. HOWELLS: I don't know that we have --

COMPTROLLER FRANCHOT: Or is it just a --

MR. HOWELLS: -- specifics yet, but it is a possibility that they may try and go forward with a temporary facility. And that is something that they are authorized to do under their license from the facility location -- their approval.

COMPTROLLER FRANCHOT: Well, I would certainly feel a lot more comfortable if we were approving the 2,200 machines at that sites where we know -- those, in all likelihood -- Ocean -- I guess it's an Ocean City site and the site up in the -- the



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Penn or whatever that other one is. And I think, you know, depending on the litigation or on the referendum, whichever it is, you could come back and ask for the ones that you want to put in a Quonset hut or whatever it is at Anne Arundel at a future meeting. I would feel a lot more comfortable doing that than this -- the other proposal. And what you're saying is -- what, you don't want to come back for Anne Arundel, but surely we could wait six months on that. And then you could be adequately prepared, I take it. Is that your testimony?

MR. HOWELLS: Yes, sir.

GOVERNOR O'MALLEY: What's your -- I note --

TREASURER KOPP: Could I just ask one quick question.

GOVERNOR O'MALLEY: Sure.

TREASURER KOPP: The difference between the total authorization for the 600 million and some lesser amount, 200 million, whatever it is, will that impact in any way the bids that you get or the prices that you will pay?

MR. HOWELLS: At the task order level?

TREASURER KOPP: Uh-huh.

MR. HOWELLS: I don't think so. We'll be issuing those task orders per facility. Obviously the --

TREASURER KOPP: So you're not locking people into a longer term price by doing the total umbrella contract?

MR. HOWELLS: Yes. The master contract has locked in maximum prices over the entire five-year period.

TREASURER KOPP: But you don't think whether it's 800 or 200 makes any difference?

MR. HOWELLS: No, because when we go to buy individual machines on an individual task order, those maximum prices that are locked into the master contract are still the maximum prices.

As we explained, we're hoping that during the task order process when we're issuing one for a specific purchase, we will be able to do better on those prices. But the contract sets the maximum prices for the five-year period.

TREASURER KOPP: All right.

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MR. SCHLANGER: If I may, if, in fact, the question is related to if we were to lower the amount would we affect the quantity discount, I don't think that's the case. Nothing is guaranteed to any one of the vendors. When, in fact, we have an order, or we have an opportunity, all go to compete. So it's based on that particular clump of work, if you will.

I think we're pretty public about the potential of how many machines we can have. And so I think that all of the vendors have the ability to plan ahead. But I think if we were to adjust the ceiling amount, it would not affect the price that we would pay for any one of them.

TREASURER KOPP: Okay. I apologize. That was not the impression I got last -- at the last meeting.

MR. HOWELLS: Because they bid on the maximum prices based on the 15,000 machines over five years. So as Elliot said, when we do individual task orders, I don't think that would impact that.

GOVERNOR O'MALLEY: Let's hear from Mr. Frazier with the --

MR. FRAZIER: Good morning, Governor, Comptroller, Treasurer. My name is Wayne Frazier. I am President of the Maryland Washington Minority Contractors Association.

And I've heard a different story today than from last time. I'm concerned, though, when Mr. Schlanger compared the IT industry with over 200 million being spent and 50 percent minority participation. I don't believe that that type of the IT industry compares with gaming. That type of IT, I presume, would be IBM, Xerox, and so forth. But with gaming, it's a different industry. Mr. Comptroller, you mentioned that. It's a different industry.

Gaming has not been used to participating in minority business. Nowhere in this country and, as I said before, in the world is there minority participation. And I'm concerned that giving Lottery the opportunity to just grant these task orders and these gaming companies pressuring them, saying, "Oh, we can't meet the minority participation. As a result, we want a waiver." And I see that happening,

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because the gaming companies have never done this before. And it's about changing culture.

I believe firmly that there should be a level set, perhaps five million, where it comes back to the Board for review to insure that we have this participation.

And, in regards to how we get the participation, there's several ways. And the one, Ms. Treasurer, you indicated about the capital lease. Well, if that's the case, we have minority financial institutions that could participate on the State level on the 25 percent, and then we can hit the participation there. And then perhaps relieve the gaming company on that particular point for leasing if it's -- the State's going to buy.

So I don't believe that folks have thought this out completely. And I don't want the opportunity for MBE to be missed in this at all, at all.

GOVERNOR O'MALLEY: Questions? Okay.

MR. FRAZIER: Thank you.

GOVERNOR O'MALLEY: All right. Let's -- Mr. Schlanger, any response to that? Could you as the designee, I mean, might you do -- you would have no

problem coming back to us on a quarterly basis in terms of what you were hitting in terms of MBE/WBE goals, would you?

MR. SCHLANGER: Not at all.

GOVERNOR O'MALLEY: Ms. Jenkins, what are your thoughts on this?

MS. JENKINS: Certainly, the will of the Board, we'll certainly comply with that. There has been, and I shared with the Board Members at the end of the last meeting a one-page memo that really outlines what we have done to insure that there's maximum inclusion of minority firms on this. We are really not leaving anything to chance.

If this item is approved today, there is a joint letter signed off by me and the Chair of the Lottery Commission which is going to all nine of the master contractors. It will explicitly spell out the MBE process and the consequences for not complying with that process. Prior to that, it may be helpful to know that all nine of the companies were required to provide an MBE sign-off on an MBE affidavit. That affidavit was the first wave of making them aware of

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exactly how serious the State of Maryland is about MBE compliance, and it specifically spells out the consequences for not complying when they submit their bids for their task orders.

So we are proactively insuring that there's minority participation. We've been working with the Lottery and the Lottery Commission. We will continue to do so. We have a planned conference call with all nine of the task order companies upon approval if this action item gets approved today to insure that they do understand that this is a very serious obligation and that we intend to hold them accountable to it.

GOVERNOR O'MALLEY: Okay. Mr. Comptroller.

COMPTROLLER FRANCHOT: Well, I think that's progress on the MBE. And I continue to have my concerns about cost. I would think that rather than 800 million, if we could vote a hundred million and have the Board vote, not on the task orders, but on the whatever it is you come up with from the procurement so that we can hold everyone's feet to the fire both on MBE and cost, that's something that, I think, you know, makes sense given the current state of the slots applications and processes.

And if it's too little, we could always -- I mean, heck, we meet every two weeks here. It's not out of the question. But I just think in these hard times to vote -- I understand that it's in the Governor's and the Treasurer's minds it's spending money to get money. I can see that, but that's a lot of money. So I defer to my colleagues, I guess.

TREASURER KOPP: I'm just not quite sure what

--

COMPTROLLER FRANCHOT: In other words, I would like to see instead of 800 million, we approve 100 million, and -- which is the amount -- a hundred an fifty minus, I take it, Anne Arundel. Come back on Anne Arundel when -- based on what happens with the litigation, and then just make sure that the Board approves, at least in the first year, the result of your procurement so that we're not just having to reach over the financing group or reach over you. And, you know, instead of reporting to us, I'd like you to bring back whatever the result of the procurement is and have us vote on it.



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GOVERNOR O'MALLEY: I would think 200 might be more prudent? No?

MR. SCHLANGER: Well, we were talking about that.

GOVERNOR O'MALLEY: What is the minimum that you need?

MR. SCHLANGER: We'd like 200 -- not like, require 200 to go forward. So I think the number is 200, Governor. Not that I need to negotiate, here.

TREASURER KOPP: What -- why do you say you need 200? What does that?

MS. SMITH: It will give us --

SECRETARY MCDONALD: Could you introduce yourself, please, Ms. Smith.

MS. SMITH: Gina Smith, Interim Director for the Lottery. It will give us enough funding to get up and running with the two facilities that we spoke about, as well as have money available in any unforeseen circumstances, any game changes or anything else that may come our way.

COMPTROLLER FRANCHOT: And the contracts would come back for our vote?

TREASURER KOPP: What contracts? The task order. Each task order --

COMPTROLLER FRANCHOT: I don't know. I don't want to bog this down on every -- I want to get a vote on what you guys sign for as far as, you know, my concern or our concern about MBE and my concern about cost.

MS. SMITH: What the \$200 million, that would be the not-to-exceed amount on this master contract, and we would not come back to the Board until we need more money under that contract.

COMPTROLLER FRANCHOT: Yeah. That -- I'm speaking in your own defense. This is -- you do not want this, because this is -- it's going to end up being risky and irregular and you're just going to -- we're going to rue the day that we do this. It's a really toxic mix of things that we -- I think it's better if we're giving the final approval to.

MR. SCHLANGER: Well, if I may, and just to really expand on the idea that the Governor had, the thought was to report back on MBE participation on a quarterly basis. To that report, we could add -- take

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a status of contract with respect to acquisitions, and give a full disclosure of everything that we have done in that period.

What that essentially would really boil down to is we're never more than, let's say, 90 days, in kind of knowing where we are with the -- with, I mean, the contract. And if there needed to be any incremental adjustments, you know, there is ample time to --

COMPTROLLER FRANCHOT: What -- I mean, if I could just interrupt. What about what Mr. Frazier mentioned, five million dollar contract -- I guess I'm confused as to what the problem is with bringing us back under the master contract whatever -- I assume they'll be three or four winners or two or three winners. Why not just bring those back to the Board and defend it? And allow us to --

MR. SCHLANGER: Sure.

COMPTROLLER FRANCHOT: -- allow us to vote on it.

MR. SCHLANGER: Well, sir, with all due respect, I kind of know when I submit an item to the Board there is a process of time that takes about a

month or so. And, again, in a consumer oriented industry where, in fact, we're relying on operators to produce the results, it's the principal of why we have proposed using this as a vehicle. We want to be expeditious. So that is a concern for us.

COMPTROLLER FRANCHOT: No. I really appreciate that, and I just think it's a vehicle that's more appropriate for IBM and Xerox. It is not appropriate for the gambling industry. This is an industry that needs transparency. We don't want it to be negotiated behind closed doors.

And that's why I really hope that we can agree that anything that's -- I'm happy to say five million, if that's the amount that you enter into, we vote on. You -- I really hope that that is the result. And I don't think, based on what you're telling me, that it would be a big imposition, because we're only buying machines for two, perhaps three, facilities. But I think the national gaming industry needs more transparency, not less.

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GOVERNOR O'MALLEY: What about the five million threshold, how does that impact as a practical matter?

TREASURER KOPP: Walk through what the process would be as you see it with or without the five million.

MS. SMITH: I'll have Bob Howells speak to the RFP process.

MR. HOWELLS: Yeah. When we get ready to place a specific order for a given number of machines, we would be issuing what we call "Request for Quotation", "RFQ" -- it's the same thing as what Elliot calls a "task order", it's the same idea -- that would go out to however many manufacturers can provide that machine or something similar to it. They would respond with their prices, with their delivery schedule, machine specifications, and so forth.

We would then make a selection from whoever responded to that task order, as far as a specific machine purchase. Whether we got one response, if it was a machine that only one particular manufacturer was capable of making, or whether it was two or three of those master contractors, we would then select from

those responses to the RFQs or the task orders who we were going to buy that group of machines from.

And, as I said, we've got -- for each facility, we've got potentially nine different types of machines -- nine different manufacturers. There are multiple iterations of different types of machines from each manufacturer. I mean, some manufacturers probably have 20, 30 different types of machines, depending on what that facility operator was looking for.

So when we say, "How many task orders," it's difficult to say at this point. We could be issuing five or six or seven different task orders that would possibly wind up with one manufacturer for different types of machines that they have. So we're talking a lot of different task orders, and it's a daily operational-type process, which is why we have concerns that coming back to the Board with every single operational task order that we do is going to be a huge time burden.

As Elliot indicated, it's not just coming back here and walking in the door every two weeks.

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There's preparation. There's about a month lead time to submit these items to the Board to get them reviewed, get them on the agenda.

And at the same time, we are walking this line where we have to be responsive to those facility operators. They are looking for machines. They expect us to provide them. And, as I had said before, the law requires us to put together a list of manufacturers that are pre-approved that these facility operators can select from and establish a process where they can pick from that list. I mean, the master contract -

COMPTROLLER FRANCHOT: Governor, if I could just ask a question, because I think we're way over complicating this. You've got two facilities that are going to open, maybe a third. I can't imagine you can't come back to us and say, "To open these facilities, here is what we're planning to enter into an agreement to purchase."

Once the machines are in the facilities, obviously, if somebody wants to rotate one out and put another in, we don't want to see that. But, you know, we'll go crazy with that. But this is, you know, I

just don't see -- I think you're getting us too far down in the weeds on this one, because you could very easily bring us what each facility needs to open, and we could approve it. Then after that, I take it, I agree with the -- you know, Elliot and others, that it's probably, you know, to -- in the subsequent years for those facilities, I don't think we need to be micro managing them.

But for the original thing, I can't imagine it's going to be too onerous. And I think it will be very beneficial in allowing sunlight on this so that everybody is comfortable.

GOVERNOR O'MALLEY: And both of those would be over what amount -- again, I'm sorry. Both of those -- the start-up thing should be probably over 50 million, won't they? For each location? So --

MS. SMITH: Yes, Governor.

MR. HOWELLS: Ballpark, yes.

GOVERNOR O'MALLEY: Well, maybe -- I like the idea of DoIT being our designee making quarterly reports, reduce the level down to 200 million, and how does --



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TREASURER KOPP: Well, the point that the Comptroller makes, is this going to be the process? You're going to lay out, you're going to be working with your -- the awardee to lay out the initial setup at a slots parlor all at once. So you'll have that picture of what you're going into; is that correct?

MS. SMITH: That's correct.

MR. HOWELLS: Right. There will be an initial order. Right. Exactly. Yes.

TREASURER KOPP: So that's what you're talking about, is it? And that initial order will be a couple tens of millions for each one or something on that order. And what the Comptroller is suggesting is that the Board look at that initial --

COMPTROLLER FRANCHOT: And approve it as opposed to just being reported.

TREASURER KOPP: What's the impact of that?

MS. SMITH: Again, we're just very concerned about time. We just want to be up and ready by the time Penn National is ready to open, because the State does not want to be the holdup here.

TREASURER KOPP: And we understand that.

MS. SMITH: There is --

GOVERNOR O'MALLEY: We want to go, too.

MS. SMITH: We -- there is also a turn-around time from after we get with the facilities and determine what our order is, the order has to be placed with the manufacturers. And there's a lead time on that. Then we have to get the machines out on the floor prior to opening, because we have to test them. And, again, we're just very concerned that if we have to come back out and can't move forward prior --

TREASURER KOPP: Well, let me ask you this. If the issue is sunshine, there would be no problem, I assume, with coming forward with that plan before you go ahead with the purchase, whether it's approved or not, it would receive the same amount of sunshine.

MS. SMITH: We have no problems sharing everything as we move forward. Again --

TREASURER KOPP: Not everything. That plan. I mean what the --

MS. SMITH: The plan, exactly, and what we plan to purchase.

TREASURER KOPP: -- is describing.

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MS. SMITH: We're just concerned about the lead time to manufacture the machines, get them out on the floor, and properly test them. And they've got to be on the floor by this summer. And we're just afraid that we're backing ourselves into a corner. And we don't want to be the one saying that the State is not ready when Penn National is ready. That's our concern.

TREASURER KOPP: Yeah. I mean, I don't see how that conflicts with -- I mean, when are you going to be ready to say what you're going to need at the Penn National Site?

MS. SMITH: Well, we hope in about three weeks time we'll be able to decide on what Penn National will need.

TREASURER KOPP: Okay.

MS. SMITH: And then we've got to come back, get the approval, and then turn around to the manufacturers and actually place the orders at that point in time.

TREASURER KOPP: And your concern is --

MS. SMITH: That the lead time of the manufacturer -- because, again, we don't know what

we're purchasing at this time. The lead time of the manufacturer, get the machines here, set them up on the floor, and then start testing them to insure everything communicates properly.

TREASURER KOPP: Yeah. And that's -- but all he was saying was to lay out what that initial plan is.

COMPTROLLER FRANCHOT: Yeah. I -- Madam Treasurer, I want to vote on the contract. This book that we just finished looking at is filled with contracts that are on short notices. Agencies have to get our approval for contracts, I'm sure they hate doing, but it fulfills a public policy purpose. And in this area -- you know, I understand all your logistical concerns, but if the agency's properly managed, they ought to be able to bring back these major contracts for these facilities and get us to approve them. And if you don't have your act together and you can't get it done, then, you know, that raises more concerns.

But from what you've said, I think you make the argument for even more oversight. I'm just saying

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let's get a vote on these initial big facility contracts. And, as I say, I think it will protect you and the Board from something that, you know, may or may not happen. Hopefully, it won't. But if it did - - does happen, it could really impact the operation of the facility.

GOVERNOR O'MALLEY: Can I ask that we do \$200 million dollars, and anything above 50 million, you come back for approval. What about that? Does that do that, as well as the quarterly reporting. So we do the other --

COMPTROLLER FRANCHOT: Yeah. Not 50. It's got to be lower than that.

GOVERNOR O'MALLEY: Forty-nine.

COMPTROLLER FRANCHOT: I mean, how many contracts -- you're only going to have three master contracts or two, right, for these facilities? I mean, my --

MR. HOWELLS: We have one master contract with nine contractors.

COMPTROLLER FRANCHOT: Yeah, but you're going to have a contract you're going to sign to put the

machines in the facilities. You're not doing everything ad hoc. You've got an overall --

MR. HOWELLS: Well, each facility will have a mixture of machines from different manufacturers.

COMPTROLLER FRANCHOT: Right. And you're going to have all of that in one package. And I'm saying bring that back to us. I don't know whether it's 50 million or 20 million, what the right level is. I just want to have a vote on those -- each of those initial opening proposals. And I just --

MR. HOWELLS: So there is a plan for each facility that opens, which could include up to nine manufacturers providing machines for each facility. But we won't know that -- maybe it's only six manufacturers at one facility.

COMPTROLLER FRANCHOT: Right. But bring it back.

MR. HOWELLS: Some mix.

COMPTROLLER FRANCHOT: This -- look at this book here. Every single one of these has situations like that.

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TREASURER KOPP: I mean, what -- if you say three weeks you want to be -- what did you want in three weeks?

MS. SMITH: We would like to know the machine mix that the facilities want at that point in time.

TREASURER KOPP: So in four weeks you would be prepared to make that public and bring it back here for approval?

MS. SMITH: That --

MR. SCHLANGER: That's the plan.

MS. SMITH: That's the plan.

MR. SCHLANGER: It's a plan. But the plan wouldn't be the task order.

MS. SMITH: Right.

SECRETARY MCDONALD: You're talking about the task orders.

COMPTROLLER FRANCHOT: Madam Treasurer, this is what I want. This --

TREASURER KOPP: I don't want each little task order. But he was talking earlier about sunshine and about seeing where we were going and what that initial plan was. And it seems to me, if we review that initial plan, we could say, "Yes, we buy in."

And then you've got this subsequent reporting, as you said, of both expenditures and MBEs.

MR. HOWELLS: But to be clear, the plan --

TREASURER KOPP: That's a whole lot of sunshine.

MR. HOWELLS: -- the plan is essentially what the facility operators are going to give us, like their wish list. We then have to take that wish list and go out to the manufacturers of the machines and see if, in fact, we can fulfil that plan. There may be machines on there that are just far too expensive, that are outside of our budget. There may be -- they might want a machine from one manufacturer, and we may come back and say that manufacturer's just too expensive. We're going to have to go with somebody else.

So that plan is a fluid thing. It's not something that's set in stone when the facility operator says, "This is what I want." Now, we're going to try and give them what they want, because they're the operator, and they need to put that floor in a condition that they is going to make the maximum



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return for everybody. But that process will go forward and play out over time.

COMPTROLLER FRANCHOT: I'm happy to, you know, vote no if I have to, but I'd really like to have a compromise consensus. And, Mr. Secretary, can you help us get down to three votes on three facilities or one vote per facility on what is actually being entered into on behalf of the taxpayers so that we can, like all these other contracts we'd vote on here, we can actually oversee it.

I mean, I think the Treasurer is right. I don't want us to be -- have, you know, nine contracts per facility, and different machines and all that before us. But I would like to have the initial stocking of each facility have a vote so that we can oversee the MBE and the cost.

MR. SCHLANGER: Are there any -- excuse me. I need to ask a question. Again, this is kind of new, considering bringing a --

GOVERNOR O'MALLEY: Excuse me. One second. I'm sorry. Could you turn off those bright lights, since -- thank you.

MR. SCHLANGER: So I'm just --

SECRETARY MCDONALD: Right. What I have examples of -- because actually the Department of Information Technology is the only department authorized in statute to do these kind of contracts. So you're correct that when you brought the CATS contract, you do not come back with task orders.

MR. SCHLANGER: Right.

SECRETARY MCDONALD: No other agencies subject to the procurement law, basically, are able to do this. The University System, which is exempt from the procurement law, they do have these kind of contracts, but, I have to say, that they do send those contracts if a particular task order will exceed \$500,000, we will bring that task order back to the Board.

So -- but, and their's is half million because they're -- with the way their statute exempting them is half million, but they do. But there's nobody else like you that's within the Executive Branch that has this legal authority to do these master contracts.

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MR. SCHLANGER: So the dilemma is -- and technically, I don't know what to bring back. I mean, I'd be happy to come before you --

SECRETARY MCDONALD: Well, I think what they're talking about is that once you've competed for that, and -- I mean, what the Comptroller -- forgive me if I'm not restating -- it's what I understand from what he's suggesting is that once you've competed, you need to have twelve thousand -- you know, 2,000 machines to initially open Penn National. And you compete that, and you say, "These three manufacturers are who we're going to buy the 2,000 from after getting bids from those nine." And you compete that, and you get the MBE information on those three. That he would then come back -- that you would come back and get permission to award that task order for the initial opening, is what I heard him say, for Penn National.

And I do want to point out that you all have not done that. You're correct in talking about your history and your precedent, and that's what the General Assembly said when they set your statute up.

But the University System does come back when their task orders are over a certain amount of money.

MR. SCHLANGER: All right. But at the end of the day, the Board's not going to sign the --

SECRETARY MCDONALD: No. It's going to approve your ability to award those task orders. They're approving your award of it. But you -- the Lottery and IT would be awarding it, but they would be approving your authority to award that particular one for the initial opening, is what I heard him say.

MR. SCHLANGER: Okay.

GOVERNOR O'MALLEY: Okay.

SECRETARY MCDONALD: But I don't know. The Governor was -- talked about just getting reports on it. So I don't know what the sense of the Board is. I was just restating the Comptroller.

GOVERNOR O'MALLEY: So if we do the 200, and you're going to come back to us for the first three for the openings?

MR. SCHLANGER: For the initial outlay for the machines to open the doors in three facilities.

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TREASURER KOPP: But then -- with the understanding that that might change once that's been done.

SECRETARY MCDONALD: If they needed to modify it because they need 2,200 instead of 2,000, then I think what they're saying is those 200 you wouldn't come back. Your initial opening would come back. If you needed extra on that initial opening, it would be a modification that was --

MR. SCHLANGER: So just to make sure I understand, so what we are going to propose is there's going to be a batch machine and associated orders for the initial opening. We're going to come forward to the Board. We're going to ask you to give us some permission to do that. We're going to set the ceiling at 200 mil. We agree that's the proposal.

Once, in fact, the Board approves the initial opening, then we are going to operate as we have traditionally with the caveat that we'll come back and report on a quarterly basis.

GOVERNOR O'MALLEY: Correct.

COMPTROLLER FRANCHOT: For those facilities.

MR. SCHLANGER: For those facilities.

COMPTROLLER FRANCHOT: And then if there are other facilities, you would give us that initial vote, and then have the flexibility afterwards to --

GOVERNOR O'MALLEY: All right. So that's what we're doing?

SECRETARY MCDONALD: You're the Board.

(Laughter.)

GOVERNOR O'MALLEY: So we need to state it as a motion.

SECRETARY MCDONALD: I guess you could probably just say that you moved what --

GOVERNOR O'MALLEY: All right.

SECRETARY MCDONALD: -- Secretary Schlanger had stated --

GOVERNOR O'MALLEY: Okay.

SECRETARY MCDONALD: -- I think he stated it clearly. I can take it from there.

GOVERNOR O'MALLEY: Secretary Schlanger articulated, I think, the desire of the Board on this, which is that 200 -- so the motion is -- do we have to move to --

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SECRETARY MCDONALD: I need you to -- no. I just move to approve the item with the conditions -

GOVERNOR O'MALLEY: -- with the conditions that the Secretary just articulated.

SECRETARY MCDONALD: Right. Right.

GOVERNOR O'MALLEY: It was all in English.

SECRETARY MCDONALD: Yes.

GOVERNOR O'MALLEY: It was the \$200 million cap. It was the --

SECRETARY MCDONALD: And the initial order.

GOVERNOR O'MALLEY: -- initial order for these come back to the Board for approval. And thereafter, that there be quarterly reporting on the -  
-

SECRETARY MCDONALD: Okay. That's the third one. Thank you. The reports, yes.

GOVERNOR O'MALLEY: So, okay. All in favor -  
- the motion's been --

TREASURER KOPP: Can I just ask one --

GOVERNOR O'MALLEY: Sure.

TREASURER KOPP: In terms of this item, then, we're obviously not talking about 2010 to 2015. Two

hundred million -- where does the \$200 million show up?

SECRETARY MCDONALD: I think -- well, it's going to show up at the end of the -- I think what would happen is that when you get to -- say in three years, you got to 200 million and you want to spend more, you would have to come back in the life of the contract, because you'd only been approved for \$200 million for the first five years.

MR. HOWELLS: Correct. We would have to come back for additional money --

SECRETARY MCDONALD: Right.

MR. HOWELLS: -- as other facilities are scheduled to open. That's correct.

SECRETARY MCDONALD: And you did do that one time before when the Governor and the Comptroller were new in office, and there was -- I can remember the budget was cut, so to speak, on an item.

GOVERNOR O'MALLEY: Okay. The matter's -- the, so the Treasurer moves approval of the DoIT agenda items -- assuming there aren't any questions on other -- are there any DoIT items on the agenda?



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SECRETARY MCDONALD: There was one other.

GOVERNOR O'MALLEY: Any questions on that one? No. Okay. Treasurer moves approval with the aforementioned caveat, seconded by the Comptroller. All in favor, signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: The ayes have it.

Does that concluded our agenda? That concludes our agenda. Thank you all very much.

(Whereupon, at 12:01 p.m., the meeting was concluded.)