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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
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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, everyone.

And this is a meeting of the Board of Public Works.

Today is July 27, 2011. Notwithstanding what's not happening down the road in the nation's capital, we're moving forward today because that's what our State does. And we have a bond sale coming up, as most of you know. As I look at the faces of professional people here and caring leading citizens, our State is one of only a few states that has made the tough choices necessary to defend our AAA bond rating, a gold seal of approval.

In our State we do not believe that compromise is a dirty word and we have been able to do the tough and difficult cuts, the tough and difficult revenues, while protecting our priorities and moving our State forward and out of that, this recession. And that's what we intend to continue to do. And it is our fervent hope and prayer that reasonable members of the party of Lincoln, like Mr. Boehner, will not join the Tea Party's economic suicide pact and instead will find a way to pay our country's bills so that our

country can continue to move forward, create jobs, and build a stronger economy for our children's future.

We're going to be taking a break shortly for this bond sale, and I'll ask the Treasurer to kind of forecast what we're doing today.

TREASURER KOPP: Well Governor, what we're doing basically is going out into the bond market. We are going to be issuing about \$400 million worth of general obligation bonds, most of which goes to pay for Maryland public schools, higher education, health facilities, the capital structure of this State. We are going out with recently renewed AAA bond ratings from all three rating agencies. The actual bond rating letters are on the Treasurer's website. If you all want to go and look at them they say what we know. But basically what they say is that we do have a strong fiscal management program, both capital debt affordability, and the operating budget. And they reiterate what Maryland has gone through in the last decade, but most particularly in the last three or four years. Cutting the budget, raising revenue where necessary, and making smart allocation decisions.

We brought the bond rating agencies down here two weeks ago. We all met with them. It was a very good meeting and it was right after that that they went back and they reiterated the AAA rating. And at that time at least we all thought Congress was moving along strongly, and the Congress, and the President, and everybody would act as they had in the past. That is, like adults and come to compromise and raise the debt ceiling so that we can pay for what we have already bought and go on.

When there was no action taken as you know Moody's, one of the three rating agencies, one of the ones that gave us the strongest rating actually, put five AAA rated states, five out of their fifteen, on a special review list. Maryland and Virginia because we are directly impacted in our revenue and in our population by our proximity to Washington. A couple of other states because they invested in more variable rate higher risk paper than we had. And said that if the United States of America is downgraded, if they downgrade the United States of America, within a week to ten days after that they are going to look at these

five states, look at their strengths as well as their challenges, and come to a conclusion about them.

That letter came out about a week after they gave us the AAA rating. On Monday of this week we did go out to the market with the retail part of our bond sale and I want to tell you we sold over \$70 million in bonds at rates either at AAA MMD, which is the low AAA rate, or slightly less than that. So the people who want to invest in Maryland invested and they invested, so they knew where they were putting their money and actually were willing to take Maryland bonds and get a little less interest rate in return than even the average.

We decided to put off \$200 million in refinancing bonds. That is bonds that we sell only to refinance earlier borrowings. Because the interest rates are so unstable we couldn't make enough money from it to be worth it so we're simply deferring it for a while until the markets firm up and we can make more money from it. And this afternoon, or today, we are going to be going out with the main part of our sale, the institutional competitive sale, where you

know we put the numbers up on the charts and you see the people who bid and see how the numbers come in.

We are the first AAA rated state to go out since this business started in Washington. Thus far I am very happy to say that the investors, particularly Maryland investors, but all others have been able to tell the difference between the State of Maryland and some people down Route 50. And they're investing in us. You've heard of flight to quality? Who would have thought that people may be flying from the United States to Maryland in a flight to quality.

But we'll see. And that is what we will be doing this afternoon. We're going to be taking the bonds -- we also have two small issues going on at the same time. A QZAB issue, followed by School Zone, followed by Zone Academy Bond Issue, and a Qualified Energy Conservation Bond issue. They both add up to about \$12 to \$15 million together. Those are federally assisted bonds, on which the federal government is going to pay the interest which is a very good thing for our taxpayers.

So we're going to out with those, taxable bonds, we're going to go out with those. But the main thing is the competitive bond sale. And so far we had a, actually an unusually high number of bidders interested in investing in it. And we'll see how it plays out. And that's what we have for you gentlemen this morning.

GOVERNOR O'MALLEY: In seven minutes or so?

TREASURER KOPP: Is it, no.

GOVERNOR O'MALLEY: What, I'm just trying to get a sense for when we break. Is it 11:00?

TREASURER KOPP: Right --

SECRETARY MCDONALD: I thought the first was at 10:30, also. I think her staff that's managing it will be in here by then.

TREASURER KOPP: Yes.

SECRETARY MCDONALD: They're not here right now.

GOVERNOR O'MALLEY: All right. Great. Well let's turn it over to the Comptroller. Mr. Comptroller, any thoughts?

COMPTROLLER FRANCHOT: Thank you, Governor, Madam Treasurer. Good morning, everyone. I hope you're enjoying the nice weather out there.

TREASURER KOPP: Who would have thought that 90 degrees would feel so good?

(Laughter)

COMPTROLLER FRANCHOT: I also recommend *Harry Potter* to everybody. It's, if you're watching TV at night and get frustrated it's a great escape from reality. And air conditioned.

Let me just make a couple of comments about the bond sale that we're doing today and the unpredictable tide that's swirling around the debt storm in Washington. And certainly surrounding the debt ceiling crisis the markets are extremely volatile. I know that we all hope that this bond sale will bring us the low interest rates that typically belong to Maryland because of our good fiscal stewardship. But it certainly is a sobering illustration that what happens in Washington, D.C. frankly has a huge impact on not just states but particularly on Maryland.

Earlier this month, as the Treasurer mentioned, we heard from the ratings agencies that Maryland along with four other AAA rated states is now on a watch list to have our credit rating downgraded if the federal government goes into default. That obviously was not a direct --

TREASURER KOPP: And is downgraded. Goes into default and is downgraded.

COMPTROLLER FRANCHOT: Yeah, and goes into default and is downgraded. That obviously is not a direct reflection on our fiscal policies but is just a reminder of the important role the federal government plays in our local economy. I join the Governor and the Treasurer and others and hope that all the political posturing and gamesmanship can be put aside in Washington, Congress will come together, craft a fiscally sustainable solution. If there's any time to put country over party it's now.

We can't afford another major if not catastrophic blow to our economy, let alone one that could have been avoided through levelheaded negotiations. I also believe this is another reminder

that we as a State cannot afford to become too dependent upon the federal government to preserve our economic well-being. It's true that our proximity to Washington and with it the good paying jobs and economic activity and everything associated with that close partnership with the federal government provides us uniquely in Maryland with a safety net when we have these bad economic times. And it's true that the federal government partners with us to fuel one of the nation's most powerful knowledge based economies.

But at the same time we as a state simply can't allow ourselves to become complacent and allow the federal government to become the economic engine of first and last resort in Maryland. I hope State leaders from both parties will use this wake up call to rededicate ourselves to a business climate that inspires, promotes, and awards private sector investment in Maryland regardless of the size of the employer or the business sector they happen to represent.

I believe that leaders at all levels of government from Washington to Annapolis should look at

this volatility as an object lesson in the perils of excessive government spending and debt. Governments at all levels must rededicate themselves to a responsible fiscal course that invests in our shared priorities without compromising the economic health of future generations. As this battle in Washington has made all too clear failure to do so is no longer an option.

And I read an excellent report called "Maryland's Business Climate and Vulnerability to Federal Downsizing" presented by Blueprint Maryland, John K. Delaney, Chairman. And I just urge everyone to take a look at this because it just reinforces the dilemma that we have in the State, where we have become uniquely tied at the hip, or joined at the hip, of the federal government, and urges everybody to focus on the private sector as far as job creation. Thank you.

TREASURER KOPP: Governor?

GOVERNOR O'MALLEY: Mm-hmm, Madam Treasurer?

TREASURER KOPP: I think now is the moment to move in --

GOVERNOR O'MALLEY: Now is the moment?

TREASURER KOPP: -- if you don't mind.

GOVERNOR O'MALLEY: I think it also needs to be underscored just how many construction jobs these investments support in our State. The roads, the bridges, the schools, and the like.

TREASURER KOPP: Absolutely. I'm reading from my script now.

GOVERNOR O'MALLEY: Sure. I will refrain from speaking.

TREASURER KOPP: I move that the Board adopt the resolutions before us today concerning the State and local facilities loan of 2011, second series. In particular I move that the Board ratify and approve the preliminary official statement dated July 13, 2011 and supplemented on July 21, 2011; the summary notice of sale for the 2011 Second Series B, C, D, and E Bonds published on July 14, 2011 in the *Bond Buyer*; and the resolutions the Board adopted on June 15, 2011 which were amended and supplemented on July 6, 2011 concerning the bond sale. And I move that the sale of the Second Series E Tax Exempt Refunding Bonds be

postponed as provided in the resolutions until market conditions for refunding are more stable and more favorable for refunding. And I would ask for a second and a vote on these motions.

MS. KONRAD: Can we interrupt and we're going to -- I'm Patti Konrad --

TREASURER KOPP: Well can we just vote on those motions? A second and vote on those motions --

COMPTROLLER FRANCHOT: Second.

GOVERNOR O'MALLEY: A second by the Comptroller. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: And the ayes have it.

TREASURER KOPP: Patti?

MS. KONRAD: Thank you. We're going to taking bids for Series B, \$418,270,000. This is our large transaction of the day. Tax exempt bonds. We had ten bidders sign up to bid. A lot of them will form syndicates so I don't think we'll get ten bidders, but -

GOVERNOR O'MALLEY: I mean, what sort of jobs do these bonds support? I mean, jobs doing what? I mean, what sort of building capital things?

MS. KONRAD: Governor, we spend about \$90 million a month of bond proceeds that go out to fund schools, public safety projects, hospitals throughout the State. About 60 percent of our bond proceeds are used for schools, K-12 and higher ed. How many bids do we have here now? Seven?

GOVERNOR O'MALLEY: That's good.

MS. KONRAD: And if you hit the result we're at 3.07, Bank of America Merrill Lynch.

GOVERNOR O'MALLEY: How does that compare with past rates?

MS. KONRAD: Our transaction that was done in the first series back in March had a TIC, an overall TIC of Series A and Series B of 3.33. I believe that this transaction when we combine Series A and Series B --

TREASURER KOPP: Series A was the retail bond on Monday.

MS. KONRAD: The retail. When we combine those transactions we will have the lowest cost of funding except for last summer's 2010 second series. So this was a good time to fund. Despite all of the noise and distraction that we've been dealing with --

GOVERNOR O'MALLEY: Mm-hmm.

MS. KONRAD: -- it was a good time to fund. And we are a good credit and I think the rates prove it today.

GOVERNOR O'MALLEY: That's good.

MS. KONRAD: The Treasurer is going to, we at 10:00 took bids for the Series C Bonds, Qualified Zone Academy Bonds. The Treasurer is going to read a resolution for that. 10:15 we took bids for Qualified Energy Conservation Bonds. Both Series B and C, those two series are taxable bonds with federal subsidies. And that information is in the resolution. What we're going to do now, Kina and I will go back with our financial advisor, check the math on these bids. We'll come back with a recommendation for award on Series B.

TREASURER KOPP: Governor -

GOVERNOR O'MALLEY: So safe to say Maryland is moving forward?

MS. KONRAD: It's safe to say that Maryland is moving forward, yes indeed.

TREASURER KOPP: I think this is, I don't want to say astounding, but I think this is an amazing ratification of confidence in the State of Maryland and in the value of our bonds. People recognize a very good investment. The second lowest since -

MS. KONRAD: Ever. This is the chart. And you can see it for yourself. We're going to be out in this range right here. Right in there.

TREASURER KOPP: I mean this is, it is --

MS. KONRAD: And that goes back to 1988 --

TREASURER KOPP: -- totally extraordinary. Perhaps we should have borrowed more? But hey --

(Laughter)

TREASURER KOPP: It really is an amazingly positive statement about Maryland. Regarding what Patti said about the Second Series I would move that the syndicate of underwriters represented by M&T Securities Inc., which did a terrific job for us, be

awarded the Second Series A Tax Exempt Bonds in the aggregate principal amount of \$71,730,000. That was the retail sale on Monday, \$71,730,000, with a net premium of \$5,689,633.65. And I'm sure the Comptroller would agree every \$.65 is a very good amount to be. And at a true interest rate, a true interest cost, or TIC, of 2.924806 percent. That was the retail, 2.924.

I further move that the bond purchase agreements for such bonds be accepted and approved and that the Second Series A Bonds be issued in the amounts and maturities and at the interest rates and prices set forth in the bond purchase agreement. I would ask for a second, and a vote on the Second Series.

COMPTROLLER FRANCHOT: Second.

GOVERNOR O'MALLEY: Second by the Comptroller. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: And the ayes have it.

TREASURER KOPP: And for the Second Series C, which I guess I'm supposed to be doing now? Yes, thank you.

GOVERNOR O'MALLEY: And who are you with?

(Laughter)

GOVERNOR O'MALLEY: No, I was kidding. No -

-

TREASURER KOPP: That's my counselor, Steve Vanderbosch, the Assistant Attorney General who actually directs us all. I move that Wells Fargo Bank National Association be declared the successful bidder for the Second Series C Taxable Qualified Zone Academy Bonds in the aggregate principal amount of \$15,900,000 with a coupon of 4.15 percent, and a direct subsidy payment from the United States Treasury Department of \$4.15 percent, which is equal to 100 percent of the interest payable on the Second Series C Bonds.

And I further move that the Second Series C Bonds be issued in the amount and maturity, and at the interest rate set forth in the successful bid for the bond, and would ask for a second and a vote on the Second Series C motions.

COMPTROLLER FRANCHOT: Second.

GOVERNOR O'MALLEY: 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.

TREASURER KOPP: And finally for the Second
Series D Bonds, on which there were eight bidders.
There were nine bidders on the previous one. Eight
bidders. I move that J.P. Morgan Securities, LLC be
declared the successful bidder for the Second Series D
Taxable Qualified Energy Conservation Bonds in the
aggregate principal amount of \$6,515,000 with a coupon
of 4.20 and a direct subsidy payment from the United
States Treasury Department of 3.605 percent which is
equal to 86 percent of the interest payable on the
Second Series D Bonds.

I further move that the Second Series D
Bonds be issued in the amount and maturity and at the
interest rate set forth in the successful bid for the

bonds and would ask for a second and a vote on the Second Series D motions.

GOVERNOR O'MALLEY: The Comptroller seconds. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: The ayes have it.

TREASURER KOPP: Thank you. And now we will wait with bated breath for the last part, which is when Patti comes back and we accept the bid on the competitive.

GOVERNOR O'MALLEY: I want to just say, you know, in these times when these bonds go out, every time they do I think we remark on the professionalism of the Treasurer's staff and also the Comptroller's staff. And that's not a given. There are a lot of states where that doesn't happen. It is not out of course that that happens. It happens because of leadership and commitment and management. And I also, you know, want to thank both of you as a citizen and also as a colleague of yours on this Board of Public

Works for all of the tough choices you've made so that Maryland could maintain a balanced approach.

We have not only had to do more on cuts, we've also had to do more on revenues. But we've done this with one goal and one goal only, and that is to move our State forward, strengthen our economy, create jobs so our kids have a Maryland where opportunity is expanding and where they can enjoy a better quality of life than we have.

So I want to thank you for your leadership over these years. Shall we go to the Secretary --

COMPTROLLER FRANCHOT: Governor, if I could just --

GOVERNOR O'MALLEY: Sure.

COMPTROLLER FRANCHOT: -- you are too modest because you left yourself out. But Secretary Foster has, you know, has been an integral part of this whole --

GOVERNOR O'MALLEY: She sure has.

COMPTROLLER FRANCHOT: -- team effort. And obviously led by the Treasurer with the rating

agencies. But thank you for having her play such an integral role.

GOVERNOR O'MALLEY: And on the, if you look at our State and local, the size of our State and local government employment we rank eighth from the bottom on a per capita basis among the fifty states. So thank you all in every branch.

COMPTROLLER FRANCHOT: And it also would be remiss, I think there are a number of legislators that are here today because of the bond sale. And --

GOVERNOR O'MALLEY: That's true. And they vote on our budget.

COMPTROLLER FRANCHOT: -- delegates, and they are actually very involved with these rating agency reviews also. And it's that collegial effort that you noted that I think is very impressive for the New York groups.

GOVERNOR O'MALLEY: That's true. And the Legislature has had to step up time and again and debate these difficult issues and maintain a balanced approach at the end of the day, even though they rightly exchange differences of opinion as to the

various sizes of the components of that approach. At the end of the day we do move forward but do maintain a balanced approach. And it's that approach that's going to get us into better days. Do we take another pause for the cause?

TREASURER KOPP: Yes, sir. I would move -- and then I would like to add something which is, and move that the Bank of America Merrill Lynch be declared the successful bidder for the Second Series B Tax Exempt Bonds in the aggregate principal amount of \$418,270,000 with a net premium of \$52,685,635.25 and a true interest cost of 3.07638 percent. Absorb that for a moment. And I further move that the Second Series B Bonds be issued in the amounts and maturities and at the interest rates and prices set forth in the successful bid for the bonds. I would ask for a second on the Second Series B motions.

COMPTROLLER FRANCHOT: Second.

GOVERNOR O'MALLEY: The Comptroller seconds. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: And the ayes have it.

TREASURER KOPP: And finally, Governor, I move that the Board authorize and approve the issuance of the final official statement for the bonds. And I'd ask for a second and a vote on that motion.

COMPTROLLER FRANCHOT: Second.

GOVERNOR O'MALLEY: The Comptroller seconds the motion. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: And the ayes have it.

TREASURER KOPP: Thank you, Governor. The total premium of the two put together is about \$58 million, which will roll into the bond annuity fund. It about equals, what's in the fund right now?

MS. KONRAD: Well we expect after we finish 2012 that there will be more than \$50 million before today's sale rolling into 2013. So this will be even more rolling in those figures for 2013 to pay debt service. So, and as everyone knows the tax bills are

already out. So those, the real property taxes that are paid to the State will already start collecting in September.

TREASURER KOPP: This is a very good sign for the State, and a very good sign actually for the general fund. Governor, you mentioned while Patti was out of the room the outstanding work that our professional staff does. And I want to say more particularly Patti Konrad, Debt Manager for the State of Maryland, who has done a marvelous job. Each time we think it can't be done more professionally and better and each time she really surpasses.

This was a very difficult time, a very difficult sale. Very difficult decisions that had to be made by somebody who quite candidly knew what they were doing and could make the right decisions and give the right advice. And I can't imagine us being at this point and having come through today so successfully without Patti's leadership. And I just think we all, all the citizens of the State owe her a great vote of thanks.

MS. KONRAD: Thank you.

GOVERNOR O'MALLEY: Thank you, Patti.

(Applause.)

MS. KONRAD: It's an honor and a pleasure.

COMPTROLLER FRANCHOT: So are you relieved?

MS. KONRAD: One of the advice that I got this week was that they thought the market would be strong for our bonds. That it's a great time to be in the market. We got great rates, as I think. And the risk is off the table. So now what happens we won't have to worry about till next February when we're back in the market.

TREASURER KOPP: In terms of going out to the market with our bonds. As citizens we have a lot to worry about --

MS. KONRAD: Yes. That's what I focus on. You're right. You're right. Thank you.

TREASURER KOPP: Thank you, Patti. And your staff.

GOVERNOR O'MALLEY: Okay. Secretary's Agenda?

SECRETARY MCDONALD: Good morning, Governor and members of the Board. There are nineteen items on

the Secretary's Agenda. We've, the Board has approved Item 1 with the bond sale. We withdraw Item 17. We have five reports of emergency procurements on the appendix. And we're ready for your questions.

GOVERNOR O'MALLEY: Is this the one where the ocean, is Ocean City on this one?

SECRETARY MCDONALD: Yes. Item 14, I believe --

GOVERNOR O'MALLEY: Okay.

SECRETARY MCDONALD: -- the Mayor is here but also is Mr. McGuigan here or Mr. Frenz here from the Stadium Authority?

GOVERNOR O'MALLEY: Let me ask Mayor Meehan, who has come all the way here from beautiful Ocean City, Maryland. Mr. Mayor, how is the summer going in Ocean City this summer? Pull that microphone up there so all your people can hear you that are watching online.

MR. MEEHAN: Well I'm pleased to report to you we're having an excellent summer at Ocean City.

GOVERNOR O'MALLEY: Good.

MR. MEEHAN: And we continue to thank the State for their support for our projects at Ocean City. Our room tax is up. I believe a little over 4 percent. Our food tax is up around 2 percent. That also equates to an increase in sales tax which is good for the State of Maryland as well. So the summer in Ocean City is moving forward as the Governor states. Maryland moves forward, Ocean City is moving forward, and we're having a great summer season.

GOVERNOR O'MALLEY: Great. That's good news.

MR. MEEHAN: So we just had the Dew Tour in Ocean City this weekend and that was a tremendous success. We were highlighted on national television on the NBC network for two hours on Saturday and Sunday to showcase Maryland's vacation beach destination.

TREASURER KOPP: That's great.

MR. MEEHAN: And it was just, it was absolutely terrific. And I want to thank everybody for that. I want to thank Terry Hasseltine, too, with Maryland Sports who helped direct the Dew Tour to

Ocean City for discussions. And it certainly turned out very, very well. So thank you.

I'd also like to congratulate you on the bond sale that just occurred and the great rate that was received. And I know that rate didn't just happen. That was a result of a lot of hard work and dedicated service by the elected officials in the State of Maryland. And we congratulate you and we thank you for your efforts. That is terrific.

GOVERNOR O'MALLEY: Thank you, Mayor.

TREASURER KOPP: Thank you.

MR. MEEHAN: I'm here today to, we've had an expansion of our convention center previously approved. I'm here today to ask that the contract amount to be approved by the Board, the amount is \$8,150,000, which is within budget. That's a \$5 million Ocean City commitment, with one \$3 million State commitment.

The total size of our expansion is about 32,000 square feet. 27,000 square feet of that will be exhibition space. Estimated new tax revenue for the State is \$1.1 million to \$1.6 million per year.

New jobs after the completion are estimated to be between 300 and 400 full time equivalent. Jobs during the construction are estimated to be seventy-five full time equivalent.

So we're very excited about this project. We're ready to start tomorrow. And we're here today to ask for your approval and acceptance of this contract.

GOVERNOR O'MALLEY: Okay. Mr. Comptroller, any questions?

COMPTROLLER FRANCHOT: No, move approval.

GOVERNOR O'MALLEY: How many jobs associated with this project?

MR. MEEHAN: Right now for the construction of the project about seventy-five full time equivalent. After the completion it's estimated to create an additional 300 to 400 new full time jobs.

GOVERNOR O'MALLEY: That's great. Just at the facility?

MR. MEEHAN: Yes, well that will create --

GOVERNOR O'MALLEY: Or, and that's even before you get into the --

MR. MEEHAN: It will create some ancillary jobs throughout town as well in some of the other services that are provided. But it will increase the jobs throughout our community.

GOVERNOR O'MALLEY: Well I was in Western Pennsylvania for a wedding on my father's side, and they were all talking about Ocean City and how much they love Ocean City.

MR. MEEHAN: Well that's terrific to hear. That's what we want to hear.

GOVERNOR O'MALLEY: Yeah. So this will make Ocean City even more attractive for groups, and for conventions, and for shows, and all of those sorts of things. That Dew event, was that the first time you all have held that there?

MR. MEEHAN: That's the first time we've had it. And we weren't the only Atlantic Coast destination that they were looking at. They were looking at some of our direct competition. But they chose Ocean City. They had the largest attendance they've ever had --

GOVERNOR O'MALLEY: Great.

MR. MEEHAN: -- at a Dew Tour event. Things went just as planned, and we fully expect them to be back in 2012.

GOVERNOR O'MALLEY: Well I also applaud you for the leadership that you and also your business community, especially in hospitality industry, who have understood just how important the balanced approach is, how important the promotions are, and importance that all of us find ways to continue to support those efforts even as we have to, you know, make tremendous reductions in spending in so many areas. You all have managed to make yourselves more competitive than those other destinations. I'm sure the folks from Mountain Dew didn't make that decision simply based on, you know, the beauty of the sands and the water there at Ocean City. You all were no doubt in a better position to compete for that and win because of that balanced approach that you've had as the leader of Ocean City. So thank you, Mayor.

MR. MEEHAN: Well thank you, Governor.

TREASURER KOPP: Governor I'm, being one of the older people in the room, I remember the vote on

the Ocean City Convention Center. I mean, there were a series over the years --

MR. MEEHAN: Yes.

TREASURER KOPP: -- in the Legislature. And there were a lot of people who had serious concern about whether we ought to be investing in that convention center or not. And there were some people that spent a lot of time explaining to their constituents in other parts of the State why it was important and how it would benefit the entire State, and then cast tough votes. And I think that we have seen now over the years that in fact those tough votes pay off for everyone. And most particularly when you have the people on the ground, in the community, supporting it and leading it and investing in it. And I just think this is a terrific example of how tough decisions really do pay off tremendously well.

MR. MEEHAN: Thank you, Madam Treasurer.

GOVERNOR O'MALLEY: Mr. Comptroller?

COMPTROLLER FRANCHOT: I go down frequently to Ocean City and it is just a tremendous gem of a

community for the State of Maryland. We're very proud of your success. And I see it in the tax receipts --

MR. MEEHAN: Good. Thank you, Mr. Comptroller.

(Laughter)

MR. MEEHAN: That's what we want.

GOVERNOR O'MALLEY: It's also a good barometer of, I mean we care about Ocean City, we care about every municipality. But I mean, your summers are a barometer very often for the State's economy, especially where travel and tourism is concerned. So we appreciate you guys moving forward as well.

MR. MEEHAN: Thank you.

GOVERNOR O'MALLEY: And are we doing all of these together? Or are there other items that need to be singled out of the Secretary's --

COMPTROLLER FRANCHOT: I don't have anything --

GOVERNOR O'MALLEY: All right. The Comptroller moves approval of all of the items on the Secretary's Agenda, seconded by the Treasurer. All in favor signal by saying, "Aye."

THE BOARD: Aye.

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

(No response.)

GOVERNOR O'MALLEY: The ayes have it.

Congratulations, Mayor. Well done.

MR. MEEHAN: Thank you very much. And we do want to invite you all. We are going to start the project tomorrow but the official groundbreaking will be during the MACo on August 18th. And we'll notify you of the time and hopefully you'll be able to join us and be there for the various cutting and groundbreaking.

GOVERNOR O'MALLEY: Wherever 300 or more jobs are gathered so too shall we -

(Laughter)

MR. MEEHAN: Thank you very much. Thank you very much. Thank you.

GOVERNOR O'MALLEY: Okay. We move now to the Department of Budget and Management. I'm sorry?

SECRETARY MCDONALD: Program Open Space, Ms. Lathbury is here if she'll take the podium?

GOVERNOR O'MALLEY: I always do that, don't I?

MS. LATHBURY: Good morning, Governor, Madam Treasurer, Mr. Comptroller.

GOVERNOR O'MALLEY: We are now on Program Open Space then, I take it?

MS. LATHBURY: We are Program Open Space. This is our last time as Program Open Space. The next meeting we'll be the Department of Natural Resources Real Property Agenda. And we will also be including the State side acquisitions previously on the Department of General Services. And I express our great appreciation to Sheila McDonald, also to Secretary Collins and Michael Gaines for helping us work through that transition.

We have nine items on the Agenda this morning, and are happy to answer any questions.

TREASURER KOPP: Just to make it clear, we are not doing away with Program Open Space?

MS. LATHBURY: Absolutely not.

TREASURER KOPP: Just for posterity understand.

MS. LATHBURY: Program Open Space is alive and well.

GOVERNOR O'MALLEY: Any questions on Program Open Space, AKA DNR Real Property, AKA Land Protection Agenda?

SECRETARY MCDONALD: Maybe we can call it Land Protection Agenda.

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?

(No response.)

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

MS. FOSTER: Governor, Madam Treasurer, Mr. Comptroller, good morning. There are thirteen items on the Department of Budget and Management's for today. I'd like to withdraw Item 3. And I'll be happy to answer any questions you have.

GOVERNOR O'MALLEY: Any questions,
Secretary's Agenda? None?

TREASURER KOPP: As often happens, Governor,
I just want to thank the Secretary and the departments
for answering a lot of questions ahead of time so that
we don't have, I don't have the follow up questions
that I might have had.

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, "Nay."

(No response.)

GOVERNOR O'MALLEY: The ayes have it. We
move on now to the --

TREASURER KOPP: I bet it's the University.

GOVERNOR O'MALLEY: Is it? University
System of Maryland.

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

GOVERNOR O'MALLEY: Any questions?

COMPTROLLER FRANCHOT: No, 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, "Nay."

(No response.)

GOVERNOR O'MALLEY: The ayes have it.

Department of Information Technology.

MR. SCHLANGER: Good morning, Governor, Madam Treasurer, Mr. Comptroller. Elliot Schlanger, Department of Information Technology. This morning we have three items on the Agenda and we'll be happy to answer any questions at this time.

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR O'MALLEY: The Comptroller moves approval --

TREASURER KOPP: Elliot --

GOVERNOR O'MALLEY: I'm sorry?

TREASURER KOPP: Governor, I actually did have, I did have a question. And I don't want to

spend a lot of time, Elliot, with it. But some of your items made me wonder. We do make the tough decisions and it really is in the end the Governor and the Legislature that are making the very toughest of decisions. Although I know we have cut the budget, we have cut a number of budgets most particularly it looks like actually the gentleman sitting next to you always gets my gold star that, how's your, how's your person, how's your staffing?

MR. SCHLANGER: Well it's never enough.

TREASURER KOPP: And I'm not talking about PINs. I'm talking about actually really people as well as PINs.

MR. SCHLANGER: Right. So just to give you a point in time, when we created the new Department of IT in 2008 we were approximately 120 people. Today that number has shrunk to about ninety or so. So, you know, we have been a victim of the economy as every other agency in the State of Maryland.

GOVERNOR O'MALLEY: Well I wouldn't say victim.

MR. SCHLANGER: Okay. Well we've been subjected to the same economic pressures as every other agency in the State.

GOVERNOR O'MALLEY: We have been moving forward notwithstanding --

MR. SCHLANGER: That's correct -

(Laughter)

GOVERNOR O'MALLEY: -- the tremendous challenges that our country faces at this time.

MR. SCHLANGER: Absolutely, my words exactly.

TREASURER KOPP: But Governor, I think it's important that the people understand too that when we talk about tightening belts, or we talk about cutting, we are talking about not only cutting very public programs and direct services to people, but we're talking about the infrastructure of the State and the ability to sustain programs to, whether it's the physical infrastructure or the IT infrastructure. One small thing I've noticed for, with all of the Agendas really, including yours, including all the secretaries, is the time it takes to get contracts

out. The difficulty of getting contracts out. A good portion of which really has to do with how many people we have to do the job and their expertise. And there are some areas where it is terribly important and in the end costs money. And when people talk about the bureaucrats, or you know how folk do because sometimes they are faceless, we're talking about real people doing real jobs efficiently.

And I am concerned that, as you know and as you have mentioned, Governor, and the Comptroller has to, there are some private sector corporations, banks most particularly and others, that are sitting on money, right? But don't believe as much in community, doing things as a community. And some of those folks are probably bidding on our contracts and some of them are probably actually competing with each other on our contracts. And one of the things that has always concerned me going back is when we outsource, when we have contracts, we have to have the capacity to do it effectively and to hold people accountable, the contractors accountable, and to know that we are getting the best deal. And there does come a time,

and I think the taxpayers and people have to understand this. There does come a time where simply outsourcing doesn't save the money. It may in fact cost the money if you don't have the infrastructure to do things well. And I am concerned seeing some of the these contracts in IT and seeing some of the work, and I know how many people you have to care for this complex, Secretary Collins. Not many.

MR. COLLINS: Not many.

TREASURER KOPP: We can screw in own light bulbs but it's harder when they are up there.

(Laughter)

TREASURER KOPP: People have to understand this. That this is real. This isn't just numbers and it's not just a game. And I'm sorry to pick on you, but these contracts really do concern me because we can be outwitted by the people who have the money and resources whenever there's a nexus between the contractor and the contractee. It does cause concern. And it's just an observation, really. Every once in a while my colleagues make observations, and I'm making an observation.

GOVERNOR O'MALLEY: No, it's true. There are few things that have been as frustrating as our State's procurement process for me.

TREASURER KOPP: Getting the story across, getting people to understand.

GOVERNOR O'MALLEY: And it's hard to keep, and Elliot, Secretary Schlanger's operation, virtually every department is operating with far fewer staff than they had three years ago, two years ago, last year. Unlike some other places we haven't done the sort of across the board, you know, slash the budget, slash my wrist, slash my throats that are so debilitating to the important work of the people. I mean, we've done it with a number of ways. We've tried wherever we can to do it by attrition. But the end, the difficulty is that notwithstanding the belief, which is largely myth, that all governments are bloated and wasteful, our government is actually the eighth smallest on a per capita basis of any of the fifty states. And yet we have one of the highest quality of life of any state. Our citizens enjoy one of the highest qualities of life of any of the states,

whether you measure that in terms of, you know, however. The quality of the schools, the opportunities, the job opportunities, the incomes, and so forth.

Well, you know, we will get through this time. It is sad that so many of our citizens have come to confuse what it means to be an American citizen with what it means to be a member of Sam's Club. The goal here is not, you know, there are some things that we do together that are hard and that do cost, but are very important if our kids are going to have a better life and quality of life than the one we've enjoyed on a planet that is far more competitive, and far more crowded, and far more challenged environmentally and the country far more challenged economically. But we digress.

TREASURER KOPP: Yes, sort of.

GOVERNOR O'MALLEY: With that, the Treasurer moves approval of your Agenda items. Seconded by the Comptroller. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: Congratulations --

MR. SCHLANGER: And I thank this Board for helping me move Maryland forward.

(Laughter)

GOVERNOR O'MALLEY: Thank you for hanging in there, Elliot. Okay. Next up is the Department of Transportation.

MS. SWAIM-STALEY: Good morning, Governor, Madam Treasurer --

GOVERNOR O'MALLEY: Good morning.

MS. SWAIM-STALEY: -- Mr. Comptroller. For the record, Beverley Swaim-Staley representing Maryland Department of Transportation. We have fourteen items today, as Items 14, 15 and 16 have been withdrawn. For the record, Items 4-AE and 5-AE have been revised. We're here to answer your questions.

COMPTROLLER FRANCHOT: Governor?

GOVERNOR O'MALLEY: Mr. Comptroller?

COMPTROLLER FRANCHOT: Yes. If I could just make a brief comment on the items that are being withdrawn? Number one, I have a concern that, when are you planning to bring those back?

MS. SWAIM-STALEY: Well actually those are the three items I believe we've worked with the Board staff. Because we put them on the Agenda but the decision, and I'll defer to the Secretary, that they don't have to go --

SECRETARY MCDONALD: No, that is Transportation's decision if they don't have to go.

MS. SWAIM-STALEY: Okay.

SECRETARY MCDONALD: But that's fine --

MS. SWAIM-STALEY: Yeah.

SECRETARY MCDONALD: -- but if --

MS. SWAIM-STALEY: No, we're happy to bring them back if you need them.

SECRETARY MCDONALD: Right. My understanding is that the Department of Transportation and the Attorney General made a decision that the items do not have to be submitted to the Board.

MS. SWAIM-STALEY: Right --

SECRETARY MCDONALD: And therefore the items will not be coming back.

MS. SWAIM-STALEY: That's right.

SECRETARY MCDONALD: And I understand that, yes.

MS. SWAIM-STALEY: Okay, with the AG's advice. Right. So they would not be, they are items that would not be coming back.

COMPTROLLER FRANCHOT: Why not?

MS. SWAIM-STALEY: Because the Attorney General's advice we've received is that they are not items that require Board's approval.

COMPTROLLER FRANCHOT: Well let me --

MS. SWAIM-STALEY: I mean we have no, we put them on the Agenda --

COMPTROLLER FRANCHOT: I'll put that aside and we'll deal --

TREASURER KOPP: Comptroller could I --

MS. SWAIM-STALEY: We brought them to the Board so we didn't have a problem with it, we just --

COMPTROLLER FRANCHOT: I mean, I have some questions on just the whole --

TREASURER KOPP: I think --

COMPTROLLER FRANCHOT: -- but I didn't realize --

TREASURER KOPP: -- just so people know what the substance of them are as well as the number --

SECRETARY MCDONALD: Items 14, 15, 16 I'll take a minute to explain they were what were called extension contracts for the travel plaza on 95 -

TREASURER KOPP: What, these are the travel plazas?

SECRETARY MCDONALD: It was to extend the gas station and to extend, it was Hammco and Ocean Petroleum to extend the gas station, and something else. And during the time that they are going to go out on this proposal we're really redoing the whole plaza. So I think they needed a bridge to get those contracts to just, doing the same thing until they got there. But maybe the Secretary --

TREASURER KOPP: I just thought for the record --

SECRETARY MCDONALD: Right. As soon as the travel plaza --

TREASURER KOPP: -- that they ought to know it's the travel plazas, which are important things that the Comptroller --

COMPTROLLER FRANCHOT: Thank you, Madam Treasurer. I agree.

MS. SWAIM-STALEY: Right. So like I said, we brought them so we don't have an issue. It was just that what, you know, the advice that we had then received was that we didn't need to. So --

COMPTROLLER FRANCHOT: Okay. But since it -
-

MS. SWAIM-STALEY: We're happy to do whatever we need to do.

COMPTROLLER FRANCHOT: I understand. Since it is before us but you're withdrawing it, let me ask whether for the Chesapeake and Maryland House proposals that apparently you're going to try to rebid in the twenty-two additional months, is that still the timeframe?

MS. SWAIM-STALEY: We have just recently put the travel plaza RFP back out on the street. As you will recall it was on the street last summer and we withdrew it in November because of comments that we received from the private sector. They did not really

think it was a good public/private partnership opportunity.

COMPTROLLER FRANCHOT: Uh-huh.

MS. SWAIM-STALEY: So we've revamped it. We've made it much less prescriptive. We have put it back out last month. We had a vendors conference last week, pre-bid. We had forty-one firms represented. So we hope that we'll get a great deal more interest and participation. And if things work as well as they worked in the Seagirt contract we would hope to bring a proposal back to you all by the first of the year.

COMPTROLLER FRANCHOT: Well it's commendable that you're moving it, I take it, in the new direction based on the response from the private sector?

MS. SWAIM-STALEY: That's correct.

COMPTROLLER FRANCHOT: Is twenty-two months enough time? That seems like a pretty compressed timeframe to, because of the complexity of these operations to --

MS. SWAIM-STALEY: Well we may have to adjust that depending upon the proposals that we receive. But I guess based upon the, you know, in

talking with other states to how these things have been done the estimate that we could make some of these transitions in that time. Again, it would really depend upon the proposals that we receive and the selections that are made.

COMPTROLLER FRANCHOT: Well I appreciate your leadership on this because obviously it's going to generate a considerable amount of revenue that's not necessarily new taxes. It simply provides more convenient, user friendly services on 95. And to the extent you can improve upon the literally tens of millions of revenue that are involved here that's terrific.

I do have, though, a request which is as you are looking at this, hopefully bring it back because I don't really understand what the AG's rationale is but we'll take a look at it, but assuming this comes back at some point I hope that you could continue to focus on other revenue opportunities at other rest stops around the State where we can provide services that are convenient and revenue generating to citizens that are passing through the State and frankly our own

citizens. And I've asked several times, as you know, about the I-95 area just south of the Airport, which in my opinion is a gold mine for a public/private partnership and new revenue. And it would also provide a real convenient service to travelers. I understand there's some kind of federal prohibition dating back from the construction of I-95 and I can't imagine that our delegation in Congress wouldn't be delighted to try to lift that and create opportunities for public/private partnerships in this area. And I would like to, when you bring this back, or some related subject back, if you could indicate to us some, your thoughts on doing it not only at that site but also at other sites around the State that would generate greater service and also Governor, as the Governor noted, the intense interest in private sector jobs.

MS. SWAIM-STALEY: We appreciate your support on the P3s. Again, we don't know that we'll get a deal that we bring back but we certainly think that the economy is better this time and we have received a much more favorable response to our new

RFP. So we are hopeful that we will get a good deal. With regard to the other rest stops, you are correct.

And you have hit upon an issue that's actually part of a national conversation around the country, with regard to rest areas and other things that the federal government certainly currently precludes us from turning into public/private opportunities. And I think that when and if we see a reauthorization bill in Congress that will definitely be a topic for discussion. So we certainly appreciate your support on that.

COMPTROLLER FRANCHOT: Thank you.

TREASURER KOPP: Could I also say?

GOVERNOR O'MALLEY: Madam Treasurer?

TREASURER KOPP: I don't, I am not an attorney, and I don't know what the Attorney General has said. But sometimes even if you don't have to do things it's worthwhile to do them.

MS. SWAIM-STALEY: Well we submitted them.

TREASURER KOPP: Well you --

MS. SWAIM-STALEY: And we'd be happy to submit them again.

TREASURER KOPP: -- particularly if you want the support of the Board and the public going forward with your argument with the folks in Washington --

(Laughter)

MS. SWAIM-STALEY: We did submit them. We have no problem bringing them to the Board --

TREASURER KOPP: No, no, but things like what the Comptroller was pointing out -

MS. SWAIM-STALEY: Absolutely.

TREASURER KOPP: -- about public/private partnerships --

MS. SWAIM-STALEY: Yes.

TREASURER KOPP: -- and understanding.

MS. SWAIM-STALEY: And I have not heard that we would not be required to bring our new ones to you with, so we'll keep you posted.

GOVERNOR O'MALLEY: You were thinking of banking. Okay. Anything else on this?

TREASURER KOPP: Governor, just to go back to Elliot for a moment?

GOVERNOR O'MALLEY: Elliot? We're going back to Mr. Schlanger?

TREASURER KOPP: I found the note I was looking for. And maybe you could, I would like, maybe not right now but there is a new item that was added to your Agenda, that quarterly? Is that --

MR. SCHLANGER: That will be coming at a future date.

TREASURER KOPP: Okay.

GOVERNOR O'MALLEY: Okay, so that's not -

TREASURER KOPP: All right. So that's coming? Because I would like to have a fuller public discussion of that. I think it's a great idea.

MR. SCHLANGER: Okay.

TREASURER KOPP: My folks came back from your briefing enthused.

MR. SCHLANGER: Oh, great.

TREASURER KOPP: But I think we should know more about it. And I, I mentioned the other thing because it was my understanding, in fact, because of the competitive nature of IT employment and movement that in fact it was difficult to retain staff. And one of the reasons, one of the contracts that's gone on for extension a couple of times is simply in

getting things done. So I would appreciate it if somebody could give me a call and just clarify to me in fact what, not the PIN, but the actual staffing you have to do the work is.

MR. SCHLANGER: Mm-hmm. I'll be happy to follow up on that.

GOVERNOR O'MALLEY: Okay. Ready to, did we do the DOT -

MS. SWAIM-STALEY: Yes.

SECRETARY MCDONALD: You need to do DOT.

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

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: We now move on to the Department of General Services.

MR. COLLINS: Good morning, Governor, Madam Treasurer, Mr. Comptroller. Al Collins from the Department of General Services. We have twenty-six

items on our Agenda today. Item 13-LT is being withdrawn, has been withdrawn. And we will be glad to answer any questions on any of the remaining items you have.

GOVERNOR O'MALLEY: Mr. Comptroller?

COMPTROLLER FRANCHOT: On Item 13, if I could, when you bring it back I would be very appreciative if you would give us some specific information about how that fits into the overall debt situation of the State.

MR. COLLINS: Sure.

COMPTROLLER FRANCHOT: Just for those folks that are listening, we limit our tax supported debt to 4 percent of personal income and 8 percent of revenues. And we're very, that's a self-imposed affordability index, I guess you would describe it as. But we take it very seriously and this project, which I support and I think is important and provides jobs obviously, if we were to vote on it today would put us over the 8 percent limit I think as of 2017. That's a little, I don't want to be too emphatic on that because there's some flexibility involved. But the

fact that we've got a very important project like this that if we were voting today would probably be approved and would put us in that context, I think, hopefully when it's brought back you'll give us some perspective on how this project fits into the overall debt limit. And you know, I just, the trends, much as we like new, low rates on our debt, the trends are somewhat troubling as far as our amount of debt and to the extent we're sort of to pick a phrase maxing out our debt limits. I'm uncomfortable as we get closer and closer to exceeding those limits.

MR. COLLINS: I understand, Mr. Comptroller. We'll be glad to look at the issue for you. We think we've looked at that already. We'll answer that question when we get to it in the next conversation about that.

TREASURER KOPP: Just to clarify, as you know the Capital Debt Affordability Committee report includes projections going out for a long period of time, about a decade, based on assumptions which are simply projections and best guesses about the revenue a decade out and everything else. The laboratories

are within the projected debt. It did look at one point that in 2017 it was possible that the, if no action were taken we could go up to 8.04, I think it's four one-hundredths of a percent over including this.

Now as you know this year in fact the Capital Debt Affordability Committee recommended and the Governor and the Legislature enacted a capital budget that was \$100 million or so less than the previous year in order to assure that in fact we do not exceed our criteria. And you know, some things have to be put out, some things have to be changed. And the question is priorities and that are in the capital budget from year to year. But just so you understand what it was that the Comptroller was referring to.

MR. COLLINS: I appreciate that, Madam Treasurer. We knew that and we assumed that we were not violating that level at all.

TREASURER KOPP: Yes. The level will not be violated as long as the three people here are here, and we hope longer. But the Comptroller is right.

That there are limits and we will not go above those limits.

COMPTROLLER FRANCHOT: Well Madam Treasurer, I appreciate that. And we also face new GASB definitions coming in the fall that may or may not --

TREASURER KOPP: Right.

COMPTROLLER FRANCHOT: -- change our perspective. And it's, I appreciate the Treasurer's comments because I think in good times we tend to just bump up against these limits that are self-imposed and say, "Gee, why don't we just change the limit? Let's raise it." And I don't think given the volatility of where we are right now as a country that we're going to be able to do that. And therefore with these possible new rules coming down from the federal level it changes these situations. And so that's, I'm not sure why it's being pulled. But when it comes back if someone could make sure that they are fully briefed on how it fits into the overall picture that would be great.

MR. COLLINS: We will do that. That had absolutely no reason why we are withdrawing the item

today. We had one small policy issue that we need to negotiate with the Treasurer.

COMPTROLLER FRANCHOT: Okay. Thank you.

TREASURER KOPP: Not having to do with the debt limit.

MR. COLLINS: Not anything to do with the debt limit.

COMPTROLLER FRANCHOT: Governor, when it's appropriate I have a question about Item 12.

GOVERNOR O'MALLEY: Okay. Item 12?

MR. COLLINS: Item 12, it is a land lease item associated with the Department of Public Safety and Correctional Services up in Hagerstown. And we are bringing before the Board today a lease on what is relatively, well the land is currently used as a, for farming. We want to put together a lease for the private vendors to develop a very large solar farm on this particular piece of property.

GOVERNOR O'MALLEY: How large?

MR. COLLINS: Over twenty years, Mr. Gaines, why don't you come up and talk to the Board about it?

MR. GAINES: It's 250 acres and twenty megawatt solar park.

GOVERNOR O'MALLEY: Will that make this the biggest solar farm in the State so far? Do you know? Are MEA here?

MR. GAINES: Yes, Malcolm is here.

MR. WOOLF: Hello, Malcolm Woolf, Director of the Maryland Energy Administration. This would make it the largest solar farm in Maryland and one of the largest in the entire East Coast. It's a major step forward for our renewal cause.

GOVERNOR O'MALLEY: What's the next biggest that we've done since --

MR. WOOLF: Well the State has actually signed a contract with Constellation to build a seventeen megawatt out in Mount St. Mary's by Frederick.

GOVERNOR O'MALLEY: Okay, thank you.

MR. WOOLF: Beyond that all of them are two or three megawatts.

GOVERNOR O'MALLEY: Thank you. I'm sorry, Mr. Comptroller?

COMPTROLLER FRANCHOT: No, that's fine. I'm obviously intrigued, as everybody is, by solar energy. We want to promote it. It's a great renewable resource. But I would like a little bit of reassurance I guess on behalf of the taxpayers that we have done all of the due diligence that we normally do to memorialize a lease agreement like this.

MR. COLLINS: Mr. Gaines?

COMPTROLLER FRANCHOT: I mean, it's my understanding that when this proposal was broached, I guess, by Maryland Solar Energy that it was an unsolicited offer for the parcel of land and that prompted DGS to issue a request for proposals and no proposals were received. Except for the --

MR. GAINES: Well one proposal was received from the Maryland Solar.

COMPTROLLER FRANCHOT: -- people who came to you with the idea.

MR. GAINES: Yes, that's correct.

COMPTROLLER FRANCHOT: So are we absolutely confident that there's no other need for the A, the property that the State is leasing long term? Or that

there aren't other bidders out there who would be interested in this?

MR. GAINES: Well based on the issuing of the request for qualifications we had one proposal. No one else proposed. It was on the street for thirty days. So we assume, based on that, that there isn't any other interest during that time. Further, prior to this project the land has been used for farming. Up until that time the land has been used for dumping of sludge and coal ash. So in our estimation the land situated where it is and the uses that have occurred in previous years essentially render the value of the land very, very minimal.

We arrived at the rental rate based on USDA survey for agricultural land, which is between \$62 and \$65 per acre. We actually priced it at twice that, at \$128 per acre. The USDA also looked at, looks at the Washington County agricultural values at about \$50 or \$55. So we think we have certainly valued the lease based on a reasonable assumption of value for land that is essentially not wanted for any other purposes.

COMPTROLLER FRANCHOT: So you've got records of comparable lease rates and confirmation that due diligence was performed?

MR. GAINES: Correct.

COMPTROLLER FRANCHOT: And how many bidders received the RFQ?

MR. GAINES: Well it was advertised on eMaryland Marketplace, advertised through the various newspapers locally, Washington County, Hagerstown. I don't have the number, specific number as to how many actually received it. But it was open to the entire public.

COMPTROLLER FRANCHOT: And have other states done this?

MR. GAINES: Other states have --

COMPTROLLER FRANCHOT: Lease prison land to solar companies?

MR. GAINES: They have.

COMPTROLLER FRANCHOT: And what is the business model there? Is it the same as this?

MR. GAINES: Yes.

MR. WOOLF: I'll jump in here. From my perspective this is a major step forward because unlike what we did in the Frederick Mount St. Mary's project, there the State agreed to buy the output. In other context we've agreed to pay a subsidy to directly get solar in Maryland. This is the first commercial scale, utility scale project where this is essentially a private transaction. The State is leasing the land at market rates and the market is getting this built. There have been other deals, particularly in California with the prison system, where the state agreed to buy the output and then they are buying it for twenty years, locking in a rate which may or may not be cheaper depending on what twenty years does. In this deal there is no State money involved. We're not paying a subsidy. We're not taking on the risk of a long term contract. It's a private transaction. This is kind of the goal we've been striving for to get the market working without State support.

COMPTROLLER FRANCHOT: Well isn't it true, I guess, that at one point the taxpayers are going to

write the \$24 million check to this company? It's not going to be a tax credit, or a tax deduction. It's going to be an actual check that is sent to the company once the facility is constructed?

MR. WOOLF: My understanding is that the company is going to pay the State a lease at market rates where the current farmer is paying, and the company is going to pay a payment in lieu of taxes, \$2.4 million, over the life of the contract to the county. I'm not aware of any money going from the State --

COMPTROLLER FRANCHOT: No, from the federal government.

MR. WOOLF: Oh, from the federal government? We also are proud that there's a significant federal support. And in fact one of the reasons time is of the essence is because the 1603 tax provision expires if you don't start construction this year. So that's true for all projects.

TREASURER KOPP: And what does that tax provision provide?

MR. WOOLF: It provides a 30 percent tax credit. It's a grant in lieu of tax credit if you don't have the tax liability. So that provision is incredibly beneficial and it's spurring a ton of renewal development this calendar year, because everyone knows it's expected to expire at the end of this calendar year.

COMPTROLLER FRANCHOT: Okay. So if I, Madam Treasurer if I could just continue? So at some point I take it there's going to be a \$24 million check from the federal government taxpayers to this company. And as part of this federal subsidy. And my question is, why shouldn't the State of Maryland share in that benefit?

MR. WOOLF: It's a, the State of Maryland is sharing in, it's a different way to organize a transaction. One way to do it is a long term contract where the State takes the risk, agrees to pay a cost. Another is to let the market work. In this transaction it's a market, it's a private transaction. We're just the lease, we're just the landlord, and we're not buying the electricity, we're not getting

the solar dual end credits, it's a private transaction. I don't think there's any reason to think that if the State were to be, were to agree to buy the output that we would necessarily be saving money. Solar is more expensive than fossil fuels today.

GOVERNOR O'MALLEY: I can't, I mean I suggested --

COMPTROLLER FRANCHOT: I think I'm asking another question, but maybe I'm not clear.

GOVERNOR O'MALLEY: I mean, but we don't, I mean if it's a tax credit, or a grant in lieu of the credit, the State doesn't pay taxes.

COMPTROLLER FRANCHOT: No. All I'm suggesting, Governor, is that we are involved in a partnership with this company to put solar energy up in Western Maryland. And that's a very intriguing project. But part of the deal is that the federal government is going to send a \$24 million check to this company once the project is completed, based on the statute that's about to expire. My only question is why shouldn't the State of Maryland, since it's a

partnership, participate in the, in that subsidy, I guess, in some way? I mean, it's, I just think that it's, you know, if you have a partnership, which I take it this is because we are providing the land, I think we should all share in the profits.

MR. WOOLF: From my perspective, the State's involvement is very limited. All we are doing is being the landlord. We're not partnering the way we have on other renewable projects, where we've put money into the project, or agreed to take the risk of buying the electricity at a fixed rate. So this really is a private transaction. Maryland is benefitting by getting a massive amount of solar on our grid, almost doubling the amount on our grid. 125 construction jobs that will start this calendar year. The payment in lieu of taxes to Washington County of \$2.4 million. And we're not having to use State dollars and State risk to get, to reach our climate and cleaner goals. So I think Maryland is getting a lot from it the way this transaction is structured. You could structure a different transaction whereby there would be a long term contract and the State

would take on some risk. That's a different deal.

That's not this opportunity that the State has.

COMPTROLLER FRANCHOT: I guess what I don't understand other than that, which I think California has a different business model but they're definitely sharing at some point the profits that are generated on a fifty/fifty basis. And I think we should explore that also in these types of relationships. But you know, if this is such a great deal why can't they just do it on, I mean, why does the State of Maryland have to be, why is it so crucial that we do it around a prison?

MR. WOOLF: This is the first transaction I'm aware of where they are not asking for state money or states to buy the output. They've found an underutilized, or piece of property where this was appropriate in Hagerstown, by a prison. It used to have sludge and other material put on it, so this is a great use of that land. Other projects, in California for example, it's like comparing real estate property in Manhattan to real estate in Washington County. It's a different, the sun is almost twice as strong in

California so you get a lot more capacity from the solar. You also have a much stronger state support in California. They passed a thirty-nine, excuse me, a \$3 billion solar incentive package providing a \$.39 per kilowatt hour credit. In Maryland our credit is 8.5 tenths of a cent, plus renewable energy credits on the SREC market that are, that fluctuate. So it's just a total, it's apples and oranges.

You would, if it was, if the market would support a deal like this we would be flooded with, but this is the first that has come our way. And I think it's really an advancement and a maturation of the market that we're starting to see these private transactions. And all they need for us is to lease the land at market rates, and we get the benefits.

COMPTROLLER FRANCHOT: Well that's, I've given my view which is this is a market deal but for the \$24 million check which is arriving. And my only question is, did anybody ask the company whether they would be willing to share that with the State of Maryland? I mean, it's a taxpayer check that's coming. And all I'm suggesting is that, you know,

this is, I guess nobody ever asked them. But I would certainly, I would certainly think that it would be appropriate for the State to share in that taxpayer subsidy.

MR. WOOLF: The, what makes this deal happen is the private third party that's willing to buy the output from this solar array. If the company is getting less of a federal tax credit it would increase the cost and I don't know whether the transaction would be able to go forward. We've been hands off. This is a private, from the State perspective we are simply the landlord. We don't have any money in the deal. We don't take any risk in the deal.

GOVERNOR O'MALLEY: May I ask this question, in light of the Comptroller's? Could we do this ourselves and get \$24 million from the federal government?

MR. WOOLF: No. We don't get a tax, the State doesn't get tax credits.

GOVERNOR O'MALLEY: Thank you.

MR. GAINES: And if I may, in trying to understand the financial structure of the private

deal, we did ask what were all the sources and uses of the funds. We did understand that in order to finance this it was necessary, or is necessary, to have those federal credits. But for those federal credits this deal would not go forward. So the minute you sort of mess with that financial structure you jeopardize the feasibility of moving the project forward. As Malcolm has said, we're able to get this project without any State input. We get great benefits because of it. And we're making a little bit on the land that virtually is worthless.

GOVERNOR O'MALLEY: Are we getting more or less than if we rent it, are we renting it now for farming?

MR. GAINES: Yes, sir, we are.

GOVERNOR O'MALLEY: Are we getting more or less than what the farmer was paying us?

MR. GAINES: We're getting about the same. However, we're at the end of that lease. And given the downturn in the market on real estate in general it's our belief that the farmer would have come back to us to renegotiate his terms and would have

suggested paying less. So we are, we're getting a little bit more than we were, the farmer was paying us. It escalates over twenty years. And we get all of the other benefits in this project. We think it's a good deal for the State of Maryland.

GOVERNOR O'MALLEY: What ever happened to that one in Howard County over their landfill that the County was trying to, wasn't that the same sort of operation?

MR. WOOLF: It is the same sort of operation, putting solar on top of a landfill. It's going forward because the State agreed to put in cash. I think we're putting in between half a million and a million dollars of stimulus money because that project collapsed without it.

GOVERNOR O'MALLEY: I see.

MR. WOOLF: So we are getting a lot of solar on the grid but we're always having to put money into the deal.

GOVERNOR O'MALLEY: Did we agree to buy the output from that? Or did the county agree to buy --

MR. WOOLF: I believe the county agreed to buy the output. I think it's going to an elementary school next door.

GOVERNOR O'MALLEY: And is it being built privately? Is that a Constellation thing, or --

MR. WOOLF: I think it's actually Sun Edison. I'm not sure which --

GOVERNOR O'MALLEY: Okay. Well, I'm sorry. That wasn't on the Agenda but I was reminded of it by this one.

MR. WOOLF: It's going forward as part of Project Sunburst.

GOVERNOR O'MALLEY: Okay.

TREASURER KOPP: Governor, could I ask, it's no secret. We have received a letter and questioned about the rental rate and this type of deal. And I understand that this is a different type of deal in that the taxpayers aren't paying anything and in fact are getting something back. And the question is not that, and they will be getting more back than they have from renting the land to a farmer. But the question I think that the Comptroller raised was if

they could get even more through other structures.

And the questions were raised about Maynard, Massachusetts, and about California. And the question of whether you had, as he said, done due diligence and looked at these alternatives before arriving at this conclusion?

MR. GAINES: Well from a real estate perspective we believe we negotiated in good faith on behalf of the State to arrive at an economic deal that makes sense. Given all that we knew, all of the information that was available to us, locally as well as nationally, for comparable land, for comparable use. And I use that word easily because there, the variety of these deals across the country are, you know, they run the gamut. And so it's hard to find a true comparable. And so we think that we, knowing what we know, we arrived at the best deal at this time for the State of Maryland.

MR. WOOLF: It's worth putting this in context for the State's sustainability climate goals. Four years ago we had 100 kilowatts of solar on our grid. I think we've seen a 20,000 percent increase.

We now have about 20,000 megawatts on our grid. This project would double that. It would get us up to that 40 megawatts on the grid. In almost all of what we have on the grid now the State has put some money into it one way or the other. And certainly for the big project in Frederick, the 17 megawatt project, that only happened because the State led by example with Clean Horizons and agreed to buy the output. We've been wanting to stimulate the market so it will operate by itself. This is the first big scale example of our success. A private deal, no State money, no State risk. It happens to be on State land, and we're renting it out at market rate, maybe even the top of the market.

So we looked at Maynard, Massachusetts. That's a small scale project, less than 2 megawatts. It isn't even final. There's lots of projects going around. Every real estate market is inherently local and it's very difficult to compare apples to apples.

TREASURER KOPP: So you did look at Maynard, Massachusetts on the reclaimed landfill?

MR. WOOLF: We have looked at that, once the issue was raised. And we see so many differences it's not a relevant example.

TREASURER KOPP: And I gather what makes this work is they have found somebody who will buy it at market rate as opposed to a discounted rate, which is what we would propose for the State actually if we were to purchase --

MR. WOOLF: That's right. If the State were to try to buy it at below what we're currently paying for electricity they couldn't afford, the deal wouldn't work. They need to find someone who is willing to buy it at their cost --

TREASURER KOPP: Because it does seem, I mean the first thought anyone would have is you're putting up the solar arrays at the prison. Let's use the electricity at the prison.

MR. WOOLF: My understanding is that First Energy, which just merged with Allegheny, has agreed to buy the output of this project as kind of one tangible example of them being a good corporate

citizen and being committed to the State sustainability goals.

GOVERNOR O'MALLEY: Hm.

MR. WOOLF: So part of the reason that this is happening is First Energy is stepping up and agreeing to buy the output.

GOVERNOR O'MALLEY: Can I, the notes say that this doubles the solar energy on Maryland's grid? Like the whole grid?

MR. WOOLF: Right now we have just over 20 megawatts and this project alone would be a 20 megawatt project.

GOVERNOR O'MALLEY: So that's if you put together all of the solar panels on houses, like the one I installed in --

MR. COLLINS: Yes, sir.

GOVERNOR O'MALLEY: -- if you put together everything?

MR. WOOLF: Everything. You put together all the rooftop solar on people's homes, you put together all of the individual megawatts that McCormick and University of Maryland, put together

everything on the grid would just cross the 20 megawatt mark.

GOVERNOR O'MALLEY: So this doubles everything we've done to date in this one project?

MR. WOOLF: Correct.

GOVERNOR O'MALLEY: And they pay us \$700,000 for the lease of the land?

MR. WOOLF: You understand, yes. Moving Maryland forward.

GOVERNOR O'MALLEY: I didn't realize, I wasn't aware of the comparative proportion.

MR. WOOLF: And our needs under our 2 percent solar carve out for our renewable energy goal is incredibly aggressive. By the time this goes online we're supposed to have between I think 90 and 100 megawatts. So we still have a long way to go. We need a lot of these deals.

GOVERNOR O'MALLEY: What do you mean? To hit the percentage of our carved out solar as part of our renewable energy portfolio, the total amount of megawatts we're trying to hit is what?

MR. WOOLF: The, it's 2 percent of our overall power needs. We think it's going to be between 1000 and 1200 megawatts in 2022. When this project comes online in 2012 we'll probably need about 90 megawatts.

GOVERNOR O'MALLEY: 1000 or 1200 megawatts?

MR. WOOLF: Correct.

GOVERNOR O'MALLEY: And this will take us from 20 to 40?

MR. WOOLF: Correct. The Hagerstown project adds another 17. Project Sunburst adds another 10. We've got to get a lot of private development without State involvement to get to our goals. So we've come a long way but we've got a long way to go.

GOVERNOR O'MALLEY: We've got other people here who want to testify on this. We have a gentleman named James Devine. Mr. Devine? Are you the same Mr. Devine that ran for Delegate in Western Maryland?

MR. DEVINE: Yes. Yes, sir.

GOVERNOR O'MALLEY: Good to see you, Mr. Devine.

MR. DEVINE: Mr. Comptroller, Mr. Governor, Madam Treasurer, my name is James Devine. I'm from Hagerstown, Maryland. I hope I stick to the point on this. It's the right thing, but the wrong design. The solar collectors are good, but there's a parabolic disc with Sterling Engine, and it's Sterling Engine Systems out of Arizona that develops it. And it's a way better system to collect solar energy with. And I think I agree with the Comptroller, is that Maryland should be looking for its cut in this matter, to have somebody come in and have the land for such a cheap price. And they said it was bidded, but I think maybe you should put the bid back out saying, "This is the price of what the land will cost you if you want to do solar development on this."

But and in that area, the prisons are expanding. They have expanded recently, two or three times within the past. But it's the ability of a private person to come in and use State property for their own wealth. And the person that's connected with this is intertwined with the government in the past. And I don't know whether there's connections

that's being used to help forward his agenda or not. And like I said, maybe it should be all one package put out there. And, you know, thirty days to have people consider or to be aware of it, I think was maybe too short a period of time. But I think this is a deal that should not go through at this time. That should be probably tabled and maybe considered at a later date with other people involved in the matter. Thank you very much.

GOVERNOR O'MALLEY: Thank you, Mr. Devine. Is there anybody who wants to testify on this matter? Mr. Poole?

MR. POOLE: Governor --

GOVERNOR O'MALLEY: Delegate Donoghue?

MR. POOLE: -- Delegate Donoghue, yes. And we have company representatives as well if anybody wants to chime in because they certainly know more than I do on some of the technical information. It's good to see everybody.

GOVERNOR O'MALLEY: It's good to see you.

MR. POOLE: There's life after politics, I'm want to report. I don't wish it on any of you right now, but it's not so bad.

GOVERNOR O'MALLEY: We sometimes wish it on ourselves.

MR. POOLE: Yeah, you may wish it on yourselves, right. But of course you know Delegate Donoghue. I represent Maryland Solar, as the attorney found in Hagerstown. And Delegate Donoghue has worked on a number of projects. This project actually is not in his district but is adjacent to it.

To be clear, if I may, this is not a partnership with the State. This is a situation where the State is going to be a landlord. And so I think the appropriate question is well, what would be the fair market rental of the property? In other words, if you choose to turn this down, of course it is going to have consequences to the renewable portfolio standards that the State has. But beyond that then what's likely to occur for the State of Maryland? You know, at best the use of this land, which is surrounded with razor wire, high intensity lights,

barrier fences, and literally tens of thousands of inmates, is probably going to go back to agricultural production.

Now under the proposal that we have, we will have a solar energy site there for the generation of power. As the Treasurer points out, this is something that is not going to sell, it won't work in the free market so we have to take advantage of the federal tax credit and then have a third party sale. But if we don't do this it goes back to agricultural use. The last time that this property was bid, the rents were artificially high because there was tremendous belief that the ethanol projects that were talked about would come to fruition. And so farmers thought they were going to make a lot more money. There was a lot more bidding. The farmer who is on the property now has said that since this information has come out into the paper he is getting criticism from his other landlords saying how come we're not getting these rates that we're currently paying to the State? And he's explained, well, it's because at the time I had to bid

when the rates on agricultural land were quite high because of the ethanol issue.

It is land that really only has a very restricted use. It's not something that can be sold. It has, you know, zoning restrictions on it. It has all the public safety concerns. And so we think the rate is appropriate. I know that the Senator raised these issues. Frankly I wish that the Senator who wrote the letter would have come in and addressed them with us. We did meet with the delegation. We briefed the delegation. We were open for question and comment. But we didn't get any of this until frankly the local newspaper reporter called me about it and then ultimately I was able to get a copy of the letter. So it's difficult to respond with specifics when we're not given specifics as to the one proposal that he cites.

California is a heavily subsidized market. There's no question of that. They are in partnership because their tax dollars are underwriting the support of the pricing. And you've heard that the Massachusetts project is quite low.

I would like to say that Mr. Comptroller you talked about the report that we just, that came out, Blueprint Maryland, which is I think an excellent report as to economic activity. The sense in Washington County, I know the Governor recently visited Western Maryland, and the Comptroller, Madam Treasurer we would welcome you at any time. But truly there is a chasm of difference between Frederick County and Washington County right now. Prior to this recession --

GOVERNOR O'MALLEY: Mm-hmm.

MR. POOLE: -- Washington County was poised to be much more like Frederick County. We like Allegany County very much. I have great affinity for people up there, and we try to make their economic situation better. But we're sliding back precipitously that way right now. You cannot go into a coffee shop in Hagerstown, or a gas station, without people talking about the next business that is going to shut down. And there is really very grim concern about what's happening in Washington right now. We're pulling our hair out thinking my gosh, we made it

through what could have been a depression and now these people may blow it again.

So the report is quite interesting because it talks about the emphasis on federal jobs. In Washington County we don't really have federal jobs to speak of. But if we didn't have the State jobs, like the prisons, we'd be dead in the water. But it talks about the future for us, and it talks about life sciences, cybersecurity, and alternative energy. And it singles out Western Maryland saying that between 2006 and 2016 Western Maryland residents were expected to be increasingly engaged in high paying, highly educated positions, etcetera, etcetera. It talks about income growth for architects and engineers and states, "it would grow even faster if Western Maryland is successfully able to establish itself as a hub for alternative energy sources, such as solar and wind power."

This is our opportunity. I know you have a lot on the agenda. For us, for Washington County this is vital. Mr. Delegate?

DELEGATE DONOGHUE: Thank you, Bruce. Madam Treasurer, I just wanted to let you know --

TREASURER KOPP: I'll be there. I've been there.

DELEGATE DONOGHUE: No, oh no, no. I know. But I took good care of you at the Ruth Monroe School, and they really appreciated your letter.

TREASURER KOPP: Thank you.

DELEGATE DONOGHUE: It was very nice.

GOVERNOR O'MALLEY: I might point out that it's been my observation since serving all of the people of Maryland that the one region where citizens of Maryland universally ask their statewide officials as soon as they get out of the car this question: when are you coming back? So they are very kind, generous, hospitable people. And the first word out of their mouth to statewide elected officials --

TREASURER KOPP: I love Western Maryland.

GOVERNOR O'MALLEY: -- is always when are you coming back?

DELEGATE DONOGHUE: Well, when are you coming back?

(Laughter)

GOVERNOR O'MALLEY: There you go.

DELEGATE DONOGHUE: I'll be very brief. I'm here wearing two hats. I'm here representing Hagerstown Community College. You have a letter from President Guy Altieri outlining their reasons why they support this project academically and environmentally and so forth. I also am here as a Delegate from Washington County to tell you we are desperate for jobs. Delegate Poole, or former Delegate Poole, just cited the report. And this is 125 jobs. And we really, really need them.

And I could put together a list right now off the top of my head of 125 people that have come to me looking for, and I just want to share with you one of the most heartbreaking phone calls I got yesterday from a woman, a single mother, three children, no child support. She couldn't find work in Washington County. She found a job in Montgomery County making a little bit above minimum wage. Between gasoline and daycare, she has no money left for anything else. She told me that she feeds her three children every night

ramen noodles. She goes to the store and buys for \$.10 a bag, ten for a dollar, ramen noodles. And for a little bit of variety sometimes she'll put frozen peas in them. And the big treat for her kids on the weekends is when she slices up hot dogs and puts them in the ramen noodles.

She wanted to know when these jobs were coming online. She wanted to apply for one so she could be closer to home and not spend money on gas going to Montgomery County and be able to buy better food for her kids. Thanks.

GOVERNOR O'MALLEY: Anyone else on this? Any other thoughts on this? Okay, it has been alluded to by Mr. Devine that my former Chief of Staff Michael Enright is associated with the company that's bidding on this, and that has done so in an open and transparent way. And that is true. And given the strides that this project will make to achieving our renewable energy portfolio I only wish Mr. Enright had joined the private sector earlier rather than later. And I think this is a good project. It's in open

land, responsibly bid. It's exactly the sort of forward moving steps we need to take as a State.

Look, I don't think any state has figured out exactly the single best way to hit these big renewable portfolio standards that we have. But every state needs to do everything it can to create jobs in this new sector, make us energy independent, and create jobs. I mean, there are, that's what all of this is about. The debate in Washington, I mean, it's about jobs. We've got to start creating jobs again as a country and one of the most important ways we do that is by advancing the cause of a more sustainable future for our kids in terms of the energy that we use.

Any other thoughts on this? Mr.
Comptroller?

COMPTROLLER FRANCHOT: I appreciate the input of Delegate Donoghue. He's someone that is probably the hardest working Delegate in the whole General Assembly, and he does a great job for his area. And the former Majority Leader, Mr. Poole, is obviously someone that, you know, nobody questions the

veracity or anything that they are saying. It's very impressive.

I met with Mr. Enright at length on this. Nobody questions his integrity. It's, you know, the fact of the matter is that, you know, I think the Secretary described the due diligence, I think that's appropriate, fine. My question is about the \$24 million check and taxpayer dollars that they are going to receive. And the question I have is did anyone from the State suggest that we should share in that, since it's a significant amount? And I know that there are taxpayers at the national level, and not Maryland taxpayers, but they are still, you know, they are not Martians.

And so I think somebody should have at least asked and possibly worked out a better deal. And I often am put in this position, I guess, where an elegant deal will unravel if any little period is changed in it, and everybody has a deadline that they have to reach. And so I'm unfortunately going to vote no on this, much as I love solar energy, and much as I love and often visit Western Maryland.

GOVERNOR O'MALLEY: Okay. Motions?

TREASURER KOPP: No. I want to appreciate the Department's, DGS' response to our questions. I, this is something which will go forward.

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

TREASURER KOPP: Aye.

GOVERNOR O'MALLEY: All opposed?

COMPTROLLER FRANCHOT: No.

GOVERNOR O'MALLEY: The Comptroller votes no for aforementioned reasons. Is that the end of our, that was that Agenda item?

MR. COLLINS: That was one item on our Agenda.

GOVERNOR O'MALLEY: Okay. Let's now move the balance, that was item number?

MR. COLLINS: Item 12-LL.

GOVERNOR O'MALLEY: Item 12-LL. Let's now move the balance of the Department of General Service's Agenda. Moved by the Comptroller, seconded

by the Treasurer. All in favor signal by saying,
"Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: The ayes have it. Thank
you all very much.

SECRETARY MCDONALD: Thank you, Governor.

GOVERNOR O'MALLEY: Thank you. Good seeing
you again.

(Whereupon, at 11:52 a.m., the meeting
was concluded.)

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