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GOVERNOR'S RECEPTION ROOM  
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September 19, 2012

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  
General Services;

T. ELOISE FOSTER, Secretary, Department of  
Budget and Management;

DARRELL MOBLEY, Acting Secretary, Department  
of Transportation;

LISA WARD, Director, Land Acquisition and  
Planning, Department of Natural Resources;

ZENITA WICKHAM-HURLEY, 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: Welcome everyone to the Board of Public Works. Today is September 19, 2012, a beautiful day here in Annapolis, Maryland. Today is also the No Text On Board Pledge Day in Maryland. And by the board we mean in vehicles that are traveling our highways, not necessarily the Board of Public Works.

(Laughter.)

GOVERNOR O'MALLEY: In fact some would say that a degree of distraction actually helps us get through the meetings here at the Board of Public Works. But it's not helpful if you are on the road. In all seriousness, there are a lot of people who die in car crashes, especially, especially young people who think that they can drive the car and text back and forth with friends. It can all wait. And there's a lot of people who die in crashes. 250 Marylanders lose their lives annually, on average over the last few years, due to distracted driving. So today is the No Text On

Board Pledge Day in Maryland. Len, I expect you to sign up. And, both Lens?

(Laughter.)

GOVERNOR O'MALLEY: And thank you. So with that, does anyone, the Comptroller or Treasurer, have any opening thoughts before we begin the meeting?

TREASURER KOPP: Except it's a pleasure to see, as far as I'm concerned, decent weather coming back. And it's beautiful. Since we last met we have a newly inaugurated, although not brand new, President of Towson University. Dr. Loeschke. And I congratulate her and the University. It's a great step forward.

GOVERNOR O'MALLEY: Mr. Comptroller?

COMPTROLLER FRANCHOT: Thank you, Governor. I'd like to, Madam Treasurer if I could, wish you a Happy New Year. But also give you --

TREASURER KOPP: L'Shana Tova --

COMPTROLLER FRANCHOT: -- congratulations on behalf of the State for receiving the Jesse Unruh Award --

TREASURER KOPP: Oh, thank you.

COMPTROLLER FRANCHOT: -- from the National Association of State Treasurers.

GOVERNOR O'MALLEY: Hear, hear.

(Applause.)

TREASURER KOPP: Thank you, I was --

COMPTROLLER FRANCHOT: A well deserved honor from a very prestigious association.

TREASURER KOPP: Thank you. Thank you, very much. I remember Jesse Unruh, who was a great Speaker of the California Assembly, prior to becoming State Treasurer there. And actually was the sponsor of the first public accommodations civil rights law before the federal law. It was way before he was Treasurer. It had nothing to do with me. But an outstanding man. Thank you.

COMPTROLLER FRANCHOT: Well deserved honor. And thank you. Speaking of winners, other winners, it's great to be able to meet here, frankly, when both the Washington Nationals and the Baltimore Orioles are

in the thick of their respective pennant races. My dream, and it is, I had my staff go back and check the earlier transcripts, away back in spring training I predicted a Beltway World Series that would pit Manny Machado, who I didn't even know then, against Bryce Harper. And I'm happy that that dream is still alive in the later days of September. I might be getting a little carried away there. But the success of both teams is certainly reason for everyone to be happy. Last night the game with the Orioles went until 4:00 in the morning. They won in 18 innings against the Seattle Mariners out on the West Coast.

But despite all that I have another, better reason, actually, for us to be joyful and thankful. It's with extreme relief and happiness that I report that Jerry Klasmeier had very successful heart surgery and that his recovery is going amazingly well. Just days after his triple bypass he was already breaking down today's Agenda, calling folks with questions, and putting all of this into his own unique historical



perspective. So he's feeling great, Governor and Madam Treasurer. He's walking around and he hopes to be back here very soon. In fact, I think he's probably --

TREASURER KOPP: Is he out there?

COMPTROLLER FRANCHOT: He is watching I think on the --

(Laughter.)

GOVERNOR O'MALLEY: Hello, Jerry.

COMPTROLLER FRANCHOT: But he may be a little sleepy because I think he's the only Marylander that stayed up until 4:00 this morning and watched the entire baseball game. So Jerry, thank you. Most of all, thank you for the intellect and ability that you bring to every angle of State procurement. The fact that you give me advice about State procurement issues when you actually wrote, or rewrote, many of the statutes for the State is just, it's a huge asset for me and it's great for the Board. I am a little nervous having Dr. Foxwell next to me in your place, but you are irreplaceable. Truly one of the wonderful men that

I've met in public service. And just does a tremendous job. Because of your diligence and hard work, Jerry, you have saved the taxpayers hundreds of millions of dollars by ensuring that the State gets the best possible deal for the taxpayer dollar. Your work is being done right now. Those of us who are knowledgeable about all of these issues, Madam Treasurer and Governor, you know what a giant Jerry Klasmeier is in this field. And I just really appreciate what a treasure he is for the State. And I know I speak for everybody, Jerry, when I say continue your recovery and get back here soon. We miss you.

GOVERNOR O'MALLEY: Thank you, Mr. Comptroller. All right, the Secretary's Agenda?

SECRETARY MCDONALD: Good morning, Governor, Madam Treasurer, Mr. Comptroller. We have nine items on the Secretary's Agenda this morning. There are nine reports of emergency procurements. The Department of Health and Mental Hygiene is withdrawing its Appendix 9, the emergency report number nine is being withdrawn.

We are prepared to answer questions on any of these items. In addition, we are prepared to answer questions that arose at the last meeting about video lottery terminals, that the Comptroller had raised.

COMPTROLLER FRANCHOT: Thank you.

GOVERNOR O'MALLEY: So does somebody want to come answer the Comptroller's question from last meeting? Who is here to do that?

SECRETARY MCDONALD: I asked Mr. Howard and Mr. Martino. Mr. Martino, do you want to step up? Maybe you can --

GOVERNOR O'MALLEY: Someone come on up. As I recall, the question was why didn't Rocky Gap have to come back to the Board of Public Works?

SECRETARY MCDONALD: There were actually two questions. The first one may be easier. It was what is happening to the 500 machines that Penn National, I think, was returning to the State. And then the second question was the change in the lease to Rocky Gap.

MR. MARTINO: Good morning, Governor, Madam Treasurer, Mr. Comptroller. Steven Martino, Director of the Lottery. With me is J.B. Howard from the Attorney General's Office. We're going to tag team your response. I'm going to take the first part of that, which is the question you had about the 500 slot machines at Perryville and the indication that that company has given that they want to return 500 of their 1,500 machines, and what we would do with those. And so you know, Mr. Comptroller, the plan is to transfer those machines at some point in the future from Perryville to Rocky Gap, which is almost entirely what Rocky Gap needs to open its first phase. We don't have a precise number yet. I think that that is somewhat dependent on the outcome of the referendum in November. If table games are approved that will change their floor configuration. But we think that the slot machines that Perryville is, wants to get rid of we will be able to take and move to Rocky Gap to open that

facility, which we think will open sometime maybe around Memorial Day of 2013.

And I would just say that most importantly moving forward as a result of the special session on gaming, the State will continue to own slot machines at the two smallest facilities, Rocky Gap and Ocean Downs, so long as they don't exceed an inventory of 1,000 slot machines each. Given what we have already procured through purchase and/or least I think that it is extremely remote that the Lottery would be back before this Board seeking any further procurement of machines.

COMPTROLLER FRANCHOT: Mr. Howard?

MR. HOWARD: Sure. Good morning, Governor, Madam Treasurer, Mr. Comptroller. I'm assuming Jerry Klasmeier is watching so I also want to wish him a speedy recover. I couldn't agree with all your remarks more. He's a great man and he's a treasure.

The question was why the changed plan for the Rocky Gap Resort VLT location does not need to come back to the Board for a separate approval. We at the

Attorney General's Office took a hard look at the item that would be at issue, and that's the ground lease that was approved at the June 20, 2012 meeting to analyze whether any amendment to the lease was required. We concluded that it wasn't and the lease was not amended before the entire approval went back to the Video Lottery Terminal Location Commission only days after the Commission had learned that Evitts would not be able to go forward with the broader project as planned. I can certainly understand that this was disconcerting to you, Mr. Comptroller, and to the Board. There was a broader project described and contemplated. But the, our view just as a strict legal matter was that the terms of the ground lease itself allowed for the modifications that Evitts proposed and the Location Commission went forward with that approval, as I said, days after learning of Evitts' modification. They needed to act quickly because only a few days after that Evitts was going to closing and

would not have been able to close absent that modification.

COMPTROLLER FRANCHOT: Okay. Mr. Martino, thank you. I did have the question about what do we do with the used slot machines. And you have answered that by saying they are going from Perryville up to Rocky Gap. So I don't have any further questions on that item.

But Mr. Howard, I do want to just ask a couple of questions about your presentation. Because I think it's a little bit trickier here. As you say, the Board approved the sale of Rocky Gap Resort by MEDCO to an outfit, as you say, is it Evitts? Is that how it's pronounced?

MR. HOWARD: I believe so, yes.

COMPTROLLER FRANCHOT: Evitts was the word? The agreement of the sale was intended to pave the way for Evitts to construct a 50,000 square foot slots parlor adjacent to the Rocky Gap resort, one that would feature 1,000 machines. According to the item we voted

on the facility was slated to open in 2013 with 850 machines and then go to the full complement of 1,000 machines the following year. It was projected to create 400 construction jobs and 520 permanent employees when fully operational and generate \$17 million for the Education Trust Fund.

It all sounded good. And frankly I was so glad to get what I had described as a hulking white elephant off the books of the State, I even voted for it.

MR. HOWARD: I remember.

COMPTROLLER FRANCHOT: But now this vision doesn't seem to be happening. We learned in the press that there is not going to be a \$65 million, 50,000 square foot slots parlor. Instead, we learned from the *Cumberland Times-News*, Evitts now plans to put 500 machines in meeting space inside the current facility.

In other words, they promised a nice stand Alone gaming center to complement the slots parlor and now



they are sticking the slot machines right in the conference room.

I was out there on Saturday at the Western Maryland Summit. It's a beautiful room, but it's never going to be used for that again because this time next year it will be filled with slot machines looking out over the Lake. And it strikes me that this is much more than just a revision to the original proposal. This is what I view as an abandonment of the original proposal.

Not only does it fail to deliver the promises made by the winning bidder, but the solution to this problem will with near certainty lead to the demise of a very nice conference center. Unless, I guess, business executives and trade representatives want to go to a conference and trip over slot machines and flashing, bleary-eyed gamblers on their way to morning break out sessions.

So given that this is such an existential departure, life changing, to the core change from what

was submitted to the State Commission, shouldn't the VLT Commission invalidate the proposal, start over, issue a fresh RFP in order to preserve the integrity of the process? I have to believe that had the Commission members know that Evitts was merely planning to renovate the conference center instead of footing the bill for a major expansion, the evaluation process may have ended quite differently.

MR. HOWARD: Well the Location Commission did vote on and approve the revised proposal. I assume that they would have had the discretion to say this is not acceptable and we're going to reject the revised proposal and put out a new RFP. But that body, which is charged with making those decisions, elected to approve the revised proposal.

With respect to the abandonment points, I would say that I wasn't present at the Location Commission meeting, although I have now listened to the audio. And Evitts committed to honoring the ground lease and all its terms, notwithstanding that it's a

much bigger footprint than they need. They also of course committed to buying Rocky Gap in the purchase agreement, which was another item approved. And having reread the transcript of the June 20 meeting that did seem to be your principal concern. So we did want to - - well I say we, I was not part of any of this process as it was unfolding. I was in the wilds of Canada. But I gather that it, you know, was very important to get that done on that Friday at the risk of who knows what was going to happen with the bondholders, who knows whether we would ever have been able to sell this thing. We may well have been back to square one. So we wanted the purchase agreement to close that Friday.

COMPTROLLER FRANCHOT: Okay. And that's fair. Reading the transcripts of that June 20 meeting that we had, though, Chairman Fry, and I quote him here, told us that, "considering the number of jobs that are created, the revenue and taxes generated, and recognizing that this project will enhance the viability and stability of the Rocky Gap Resort, we

believe that this clearly demonstrates significant economic benefit for the State and the region."

So the construction jobs are gone. There are fewer permanent jobs projected, because we are downsizing the number of machines. Less revenues for the county, I take it. What, and this, you may not be the right person. Mr. Martino, you might be able to help us. What are the estimated economic benefits of the project which we're now claiming, and I use that word advisedly, given the change? What are the new figures?

MR. MARTINO: As I stand here I don't have the gaming figures. We could certainly provide that to you. I think the jobs, notwithstanding some construction work that's going to be going on, they are going to add several hundred jobs to support the gaming facility there. And of course, you know, we are of the opinion that if that creates a new job for you then that is certainly an important job to have. And even though it's a relatively modest number compared to some

of our other facilities it is creating new jobs in an area of the State and at a time when they are needed.

COMPTROLLER FRANCHOT: Okay. And I just have a couple more questions. Because I want to understand what's going on here, because I sat at that June 20th meeting. There was a gentleman named Mr. Tim Cope from Evitts, made a presentation, very impressive, smart guy. And apparently they have a parent company, Lakes Entertainment. He spoke very confidently about the project, his company's track record of success in rural areas and the economic employment benefits that this project was going to bring to Western Maryland. And then less than six weeks later he's back in the press singing a completely different tune, lamenting the terrible economy and its effect on Evitts' ability to secure financing. Six weeks. So we're supposed to believe that this company, with its gold-plated reputation, years of success in the industry, negotiated this deal with the State of Maryland promised this fabulous new gambling emporium, came down

and told us in no uncertain terms that this was a winner, without have spoken to its usual financiers? Without even knowing whether their proposal would sell to the gentlemen at the bank that they normally deal with? And that all these carefully constructed plans would come crashing down in just six weeks? We're supposed to believe that we should honor the agreement which we made in good faith because they negotiated in good faith with us? I mean, don't we get a sense that we're getting played for fools here? Or offered something, agree to something, and then, oop, sorry, it's something completely different.

MR. HOWARD: Well I, you know I, I'm not necessarily the best person to address all aspects of that. I guess I'll say two things. I understand your reaction, and I think it's a legitimate one. I think it's, you know, a concern that the location commission looked at, took account of, had to make a tough decision on their part. With respect to the legal issue that we were asked to look at, which was whether

the ground lease needed to come back, you know, we concluded after a, you know, very careful look at it that none of the terms were going to change and there was simply nothing to vote on again. You know --

COMPTROLLER FRANCHOT: Let me --

MR. HOWARD: -- in hindsight, maybe you know, all of the people that were working on this --

COMPTROLLER FRANCHOT: Sure. No, I understand. And I don't mean to take advantage of your opinion here. I have a lot of respect for your legal judgment. Let me just sum up by saying, here is my read on this. We listened to a lot of folks making a big presentation. And we approved something. But here is the, my sense. The vendor isn't delivering the product they promised us, the people of the State. Very plain and simple. And say a landowner came and got a conservation easement from us, and then they got it and went around and built a high rise and a 7-Eleven. You know, we'd be upset. If someone came and signed a contract with us for a thousand new Chevy

fleet cars and gave us 500 used Kias, we'd be upset. And you know what? We should be. Because it challenges the integrity of what the heck we're doing here. So I am sensitive to your legal judgment. I'm not complaining about that, because I understand the land grant, etcetera. But boy, we had a full blown presentation made to us that about a nanosecond later turned out to be a complete bait and switch.

So thank you for both coming here and helping me understand this a little bit more. But it's, you know, it goes to the heart of what we are doing here. I guess we should be more careful in the future?

MR. HOWARD: Yeah, and I'll just conclude with one remark. I don't want to belabor the point but I do understand that reaction. And I think this is different from a situation where there is a land easement and then it's violated. That's exactly what we were trying to look at, is whether they were, the proposal would violate the terms of the ground lease.



COMPTROLLER FRANCHOT: No, I understand that.

But what I'm saying is we sit here and we listen to the presentation, we approve a sub-part of it based on what we hear.

MR. HOWARD: I get it. Yeah.

COMPTROLLER FRANCHOT: And then it's gone.

MR. HOWARD: Right.

COMPTROLLER FRANCHOT: And boy, I just have a real question about this company that we're in bed with right now because of, you know, they had to know when they were talking to us that they were going to have this situation.

TREASURER KOPP: J.B., could I just --

COMPTROLLER FRANCHOT: Okay, thanks Governor.

And Madam, Mrs. McDonald, Secretary McDonald, thank you for bringing these folks back. The Lieutenant Governor, Governor, very nicely suggested that we have this and I appreciate the indulgence of my Board members.

SECRETARY MCDONALD: Thank you.

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TREASURER KOPP: I just want to, your letter, I don't know what they knew when they knew it. But your letter says that the Commission approved an addendum setting forth this revised proposal contingent on financial settlement, August 3rd review, and final site approval by DNR, and consistent with the statute replacement of the conference and meeting space within 36 months of the license issuance. So I thought when I read this letter what you are saying is the law requires that, what are you saying in this sentence?

MR. HOWARD: Well those were the conditions that the Location Commission approved on Tuesday, July 31 after their revised proposal had come back. So those were the conditions attached to the revised proposal. And the replacement of the meeting conference space is a commitment there, required to honored by law. A statute was passed in the 2010 session suggesting that if a VLT facility was located in the Rocky Gap facility and conference room that the operator would have to replace that space within 36

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months. That's State Government, Section 9-1, A-11.

Does that answer your question?

TREASURER KOPP: Well I, what does that, in this context now that means that they have, within the next 36 months they still must do what?

MR. HOWARD: My understanding under this statute is that they will have to replace the meeting conference space, you know square foot by square foot.

I don't know and I'm not sure we know yet whether the plan is to build a separate facility within those three years or build onto Rocky Gap. But they are going to have to do this or they will be breaching their, breaching their license conditions.

TREASURER KOPP: And that's the understanding of the Commission and the --

MR. HOWARD: Yes. Yes. That was very explicitly discussed at the Commission meeting.

TREASURER KOPP: And they can't get table games, as I understand it, regardless of the number --

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MR. MARTINO: So I think that there are three things in play here. One, it's in the statute that if you remove the conference space or use the conference space for slot machines you have to replace that. It was also contained in the RFP that was submitted by the Video Location Commission, exact same terms restated. Additionally, there was an amendment attached to Senate Bill 1 during the special gaming session that said that they could not even launch or provide table games until they had submitted a plan to the, what is going to be recast the Lottery and Gaming Control Commission and met that Commissioner's satisfaction that they have already started taking steps to replace that space.

And I think Mr. Howard is correct. It is unclear at this point in time whether their plan would be to build out and put the slot machines into a new facility, or simply build new convention space to replace that which has been taken. I think that is going to be part of any kind of planned submission. But I think that there are three things there that are

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going to be significant hurdles to encourage them to replace that space within 36 months.

TREASURER KOPP: Okay, I just wanted to make sure I understood. Thank you. Thank you.

MR. HOWARD: Thank you a lot.

COMPTROLLER FRANCHOT: What are the chances that that statute is still around three years from now?

MR. HOWARD: I have, that is something I have no expertise in the politics of gaming. Someone else will need to deal with that.

(Laughter.)

GOVERNOR O'MALLEY: That reminds me of a funny story I won't tell. So what else, anything else on the Secretary's Agenda? The Comptroller moves approval -- I'm sorry.

TREASURER KOPP: Could I just state for the record? Item 8, which actually looks very interesting. 8B, and 8B, Delegate Peter Murphy was strongly in support of. 8D, Delegate Addie Eckardt we heard from. And just looking at them they look very interesting.

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And if anybody wanted to just very briefly say what they were I think you would find them very interesting.

GOVERNOR O'MALLEY: Who wants to talk to --

TREASURER KOPP: Or 8A, as a matter of fact.

SECRETARY MCDONALD: I think Ms. Raines does have somebody for these items.

TREASURER KOPP: And I see these fine people, and every time they come they bring really marvelous projects, I think. Very, very briefly?

GOVERNOR O'MALLEY: Great. Sure. Come on up, whoever is speaking to 8A and 8B.

MS. RAINES: Thank you very much. I won't waste any time, except that I do need to introduce Mr. Roelkey Myers.

SECRETARY MCDONALD: Anne, can you say your name for the record, please?

MS. RAINES: Anne Raines. I'm Capital Grants and Loans Administrator at the Maryland Historic Trust.

Mr. Roelkey Myers is Deputy Director of Parks and Recreation for the City of Frederick. He's

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representing a project called the Laboring Sons Memorial Ground, which he will explain.

MR. MYERS: Good morning. It's a pleasure to be here this morning. This is a pretty exciting project for the City of Frederick. The history of this grounds, these memorial grounds, was there was a Beneficial Group of the Laboring Sons which basically had a cemetery at this spot. And in about 1942 the group of people who ran the organization pretty much died out. And at that time they gave the ground to the City of Frederick. As you know, times have changed and opinions have changed and at that point they actually pretty much just put a park on these grounds.

Since then the City of Frederick has corrected that total misjustice and we put a nice memorial grounds there dedicating it to the people that we know are still there. Still a lot of people we don't know are there, just because the records were poor and --

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TREASURER KOPP: You haven't actually, you assume we know what you are talking about.

MR. MYERS: Excuse me, ma'am?

TREASURER KOPP: But you haven't actually said --

MR. MYERS: The Laboring Sons Memorial Grounds?

TREASURER KOPP: Yeah, the Beneficial Society of the Laboring Sons, what it is and what the Memorial Ground is actually?

MR. MYERS: The actual group that ran it before 1942?

TREASURER KOPP: Yeah on --

MR. MYERS: It was a group just like, for instance, Rotary's main project is to eradicate polio.

This group's was to be able to bury the poor that didn't have a means to be in the cemetery.

GOVERNOR O'MALLEY: People of color.

MR. MYERS: Yes. Predominantly.  
Predominantly, yes. And again, in 1942 this group had



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just kind of died out. The Beneficial Group of Laboring sons. And at that point the City took over the grounds of this cemetery. And made a park in it. But since then, I'd say about eight years ago, the City tried to do the justice and we removed all the playground equipment, and we created what you see on the screen here is a Memorial Ground, with a plaque there that is dedicated to the people we know are still buried there.

They are, again, the records were poor and so we don't have a total list. The hopes were back in that time was that a Friends of group would be established and kind of take over the future upgrades to this Memorial Grounds. That never happened. And so what we wanted to do was make some further improvements to this Memorial Grounds to really show it the respect that it deserves.

As you can see, the memorial there is nice but we intentionally put like a gravel sidewalk in in the intent to keep skateboarders out of the area. It's

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very hard to maintain. The weeds grow through. And it looks like, to the normal passerby it looked like we maybe shortsighted the project. The main project we wanted to do with this is to replace that gravel sidewalk area with an exposed aggregate sidewalk, and a much more finished product and upgrade some lighting and upgrade some other amenities in the park.

GOVERNOR O'MALLEY: That's very nice. It's a good story, full circle.

TREASURER KOPP: It is. It's the beginning, I hope, well you started the beginning, it's a continuation of the beginning of redressing a serious, I mean, I think a terrible, terrible thing. When as I understand it, only from what you all have told us, a burial site with over 1,000, over 1,500 African American citizens, I don't know if they were all citizens, were buried since the Beneficial Society purchased it in 1851. 1851, to provide a burial ground for citizens of color. It was used until 1949, when the city gained the property, paved it as an alley, and

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it became a whites only playground. And now rededicated in 2003, by the City, recognizing the grievous error that had been committed. We are attempting to redress it. As I said, only beginning, beginning to redress it.

But I think, I was waiting for you to say what in fact in English words it was. And I hadn't heard that so that's why I jumped in.

MR. MYERS: Well, I'm sorry. I didn't know how long I had on the podium.

TREASURER KOPP: It didn't take long. Thank you.

GOVERNOR O'MALLEY: Apparently there's no time on the chair.

MR. MYERS: I'm a rookie.

TREASURER KOPP: It would not take long to say that. Thank you. I think it's a very exciting project. I hope it will be.

MR. MYERS: We are very excited about it also.

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TREASURER KOPP: Thank you.

GOVERNOR O'MALLEY: Thanks very, very much.

And the other project is?

MS. RAINES: We actually have three more.

GOVERNOR O'MALLEY: The other projects are?

MS. RAINES: I am representing one of them, the Old Pomonkey High School renovation. Unfortunately Philip Thomas, who is the President of the Pomonkey High School Alumni Association is not able to be here. But I am here to express my appreciation for the Board's support for this project.

Old Pomonkey High School was actually the first African American public high school in Charles County. And the part that is standing today is only a portion of the second school that was built on the site in the 1930's. And we have another image, I think. And the overall plan is that the part of the school that is no longer existing because it was destroyed by fire will ultimately be reconstructed and the existing original portion will be rehabilitated as a cultural

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center and museum, which would serve a variety of community functions such as senior programs, adult education, youth programs, and rental space for nonprofits. The Pomonkey High School Alumni Association thanks you for your support.

And our third project is the Brome Plantation Slave Quarter at Historic St. Mary's City. We have here today, directly behind me is Dr. Regina Faden, Executive Director of the Historic St. Mary's City Foundation; and also Susan Erichsen, the Director of Development for the Foundation.

MS. FADEN: Good morning. I'm from Historic St. Mary's City. I am the Director of the museum there. If anyone doesn't know, we interpret the 17th Century First Capital. And so over the last 30 years the staff have been developing exhibits aboveground that are based on the archaeology there. So if you come it is supposed to be an immersive experience of the 17th Century, and talking about the ideals of the

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Calverts and how those ideals were planted here in Maryland.

One of the things we have not dealt with in as much detail as the 17th century is really the 19th century. And as we know, history didn't stop when the capital moved to Annapolis. And so often we get a question from visitors that say, "What happened after 1700?" And so the Brome Howard Plantation House, many of you might know, was moved from its original site because it was on top of Leonard Calvert's house.

So it was moved just down the river with its adjacent slave quarter. There were nine slave quarters, there is only one remaining, and we thought that as a public institution it was extremely important to preserve this artifact of early Maryland but also of the community. There are many of the people who, we have a list of the people who were enslaved at the plantation and we know that many of their family members are still in the community. And it's also a

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way for us, as I said, it talk about something we haven't talked about as much.

The inn had been leased for 15 years to a private vendor who had operated it. When they left two years ago the State now runs the inn and it gave us an opportunity to begin to preserve and interpret the structure. And we do appreciate the help from the grant to do that.

As I said, so we are partnering with the Trust and with the Maryland Commission on African American History and Culture to bring this project to the community. We have had help from members of the commission to reach out to people in the NAACP, local organizations, churches, to get their feedback. The way history museums are trying to do this now is before I go out as an authority from a museum and say, "This is what we think the history ought to be," we are asking people, "This is what we know about this property. What do you want us to tell about this property?" Mr. Mack from the Commission made that very

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clear. You need to go to the community first. And we are trying to do that.

We are working with a graduate student who is helping analyze the archaeology, as I said, and then to preserve the cabin as well. One of the things that we are going to do is talk about the cabin. Actually people lived in it longer as free people than they did as slave people. This was built in the 1840's and so, again, it was a slave quarter for 25 years of its life but people lived in it up until the 1950's. And so we do have oral histories from a woman who lived in there.

And she is helping us gain some of the information about the people who lived in this space. How did they use this space? How did make choices about their lives and the system of inequality? What is their agency? How did they, like I said, act within this system that really treated them as less than human beings?

And we have an exhibit that is going to be online this month. And it is called, the title is taken from the oral history of Emma Hall who lived in

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that structure until the 1950's and it's, "We All Walk Together." And she told this story about how when it was Sunday morning and she was going to church, and they would stop at each other's houses. It took them three hours to get to church because they would go and pick up family members or friends. And so they ended up arriving as a big group at the church. And so we thought that was a very appropriate title for this online exhibit.

And just to let you know, this is funded by the National Trust for Historic Preservation. This web exhibit, and then a blog. And we want to invite scholars, community members, other people who would like to offer information. It's very interactive. You can tweet. You can facebook it. You can do whatever you want. But again, we wanted to allow people to interact with us.

And what the Trust said was, I had actually applied for one grant. They said, "We're not going to give you this money but we really want to make this

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public. Because you are doing something that people find very difficult." Which is to talk about a part of history which has been difficult which we are still dealing with the legacy of, which is slavery and racism. And so they are going to put us on their website as a case study. So that puts Maryland at the forefront of helping talk about black history. How do you do it? How do you begin the conversation? And that is what they were really interested in finding out.

So as I said, that will go live this month. We would be happy to let Izzy and the Commission know and the Trust know when that website will be up. And again, this is just part of the dialogue that we are starting with the community to talk about this part of history. And again, it is not just about slaveholders and slaves. It is part of that. But it's a human story, it's a three-dimensional story. So we also want to talk about how this system of inequality develops in the 17th century, how it becomes fully formed, and

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eventually as I said on the second half of the exhibit how people begin to deal with the legacy of that part of our history and how we are still unraveling it.

GOVERNOR O'MALLEY: Did you just say this was moved from its original location?

MS. FADEN: Yes. It was closer to where the Leonard Calvert House is now, what we call Town Center.

So the Bromes, wherever, when real estate is good in the 17th century it is still good in the 19th century.

So Mr. Brome, Dr. Brome put his house right on top of Leonard Calvert's house. So we are still excavating and digging that every year at the field school and --

GOVERNOR O'MALLEY: Is that where you found the sarcophagus?

MS. FADEN: Oh, that's the chapel. That's, it's not far from there but it's in that area. So.

GOVERNOR O'MALLEY: So you moved Mr. Brome's house off of Leonard Calvert's house, and while you were moving it you moved the slave quarters --

MS. FADEN: Yes.

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GOVERNOR O'MALLEY: -- were part of that big house?

MS. FADEN: Yes. And so we moved them further down the road on Rosecroft Road, which is still in the neighborhood, and adjacent to one another in approximation of what it would have looked like in the 19th century.

GOVERNOR O'MALLEY: Got you.

TREASURER KOPP: I look forward to seeing the site, the website.

MS. FADEN: Oh, well thank you. And it's done by an academic --

TREASURER KOPP: That's okay.

MS. FADEN: -- so there is a lot of information on there but it is a lot of good information, like I said, that he's been gathering and again talking about swept yards and how people used the space more than about some of the things that are less productive for conversation.

GOVERNOR O'MALLEY: Okay.

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MS. FADEN: Thank you.

GOVERNOR O'MALLEY: Number four?

MS. RAINES: And finally, representing Asbury United Methodist Church, we have Mrs. Carlene Phoenix, community liaison, and Mr. Serug Phoenix, President of the Board of Trustees.

MS. PHOENIX: Good morning. You don't know how happy you have made the members of this church and the community. Asbury is a church that has just been the hub of the community ever since it has been built.

The church itself was formed in 1836 but this building here is the second building. The first building was destroyed by fire and this building here was built in 1876, completed in '77. As a matter of fact it was completed a week before Frederick Douglass returned to Talbot County. So when he returned he did deliver a speech at this church.

GOVERNOR O'MALLEY: Wow.

MS. PHOENIX: And the original pulpit is still there. The only major changes to the church of

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course has been the plumbing and the electricity and the hearing and air. But most of the original inside and outside of that building still exists.

Asbury has been, has met the need of everything within this community. From providing schools. It has been a site for every civic and community organization's meeting place. And now it is time for the community to give back to Asbury. This church is what we call our community center. It is still a place of worship but it still is a place where the community meets. It has such historic significance because of the fact that every organization, especially African American, can say that they got their start at Asbury Church.

We submitted the grant funding and one of the, we made a preservation plan and one of the key elements, as you can see, is our stained glass windows. These are the original windows. They have never been replaced. Matter of fact, it endured the earthquake.

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But it's to the point now where it's brittle and it's bowing and we need, it's really in disrepair.

So we, when we applied for the grant we were like, "Okay, we're going to do this. We have to do it for this church." And then we were so happy when you said yes, you will fund it. I'm getting ready to cry up in here because it's, you'll understand. You know, you have to, if you ever come to Easton, please come to Asbury. We will open up our doors. We will let you see our church. But we have much more to do with the church, but you started it. You started this preservation project by saying yes to our grant funding. And so I thank you so very much.

GOVERNOR O'MALLEY: And thank you.

TREASURER KOPP: Thank you for --

GOVERNOR O'MALLEY: Now where is that as you head into Easton? You are heading down Route 50 towards the beach, you turn in towards Easton Town Center, where is it roughly?

MS. PHOENIX: So you come in on Dover Street.

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GOVERNOR O'MALLEY: Uh-huh.

MS. PHOENIX: So you are on Dover, off of 50. And you would make a left on Higgins Street. There is a three-story Asbury Place Apartment Building, Domino's -- I tell you, when you go to Easton, because I want you to come.

(Laughter.)

MS. PHOENIX: On Harrison Street, you know where the Mayor's Office is?

GOVERNOR O'MALLEY: Yes, ma'am.

MS. PHOENIX: Just keep walking down and you'll see South Lane. There's the Bartlett pear, you know where I'm at?

GOVERNOR O'MALLEY: Yes.

MS. PHOENIX: Just stand on South Lane and that's what you'll see. That is the picture that you, we are so close to the tourist section of the town.

GOVERNOR O'MALLEY: Okay.

MS. PHOENIX: And another thing about where this church is located is that we, Morgan State

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students was there last summer and they did a project with the church. So now the church documentation is in the Library of Congress. And also this is, now we're doing a documentation with the church, Morgan State, and the University of Maryland College Park. We just had an archaeological dig right up the street from the church because we are now doing documentation. Because we believe the church exists as, us now standing in one of the oldest existing African American neighborhoods.

GOVERNOR O'MALLEY: Hm. The Hill District. That's called the Hill District.

MS. PHOENIX: That's what, oh you know about it. Yeah, it is the Hill.

(Laughter.)

MS. PHOENIX: That's what we call the Hill.

GOVERNOR O'MALLEY: Now, and so Frederick Douglass visited there in 1877.

MS. PHOENIX: Yep, and he spoke.

GOVERNOR O'MALLEY: Shortly after the church was built?

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MS. PHOENIX: It was just completed.

GOVERNOR O'MALLEY: I --

MS. PHOENIX: Except for the bell tower. It wasn't there. But everything else was there except the bell tower.

GOVERNOR O'MALLEY: Mm-hmm. And the pulpit that is there now --

MS. PHOENIX: It's still there.

GOVERNOR O'MALLEY: -- was the pulpit that Frederick Douglass spoke from?

MS. PHOENIX: Mm-hmm. Mm-hmm.

GOVERNOR O'MALLEY: Hm. Any record of what he said?

MS. PHOENIX: We was trying to find and we are still trying to find that speech.

GOVERNOR O'MALLEY: I guess the daily newspaper didn't like to say he was in town.

MS. PHOENIX: No, they did.

GOVERNOR O'MALLEY: They did?

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MS. PHOENIX: I have a newspaper article.  
Yeah.

GOVERNOR O'MALLEY: Oh, that's cool.

MS. PHOENIX: I mean, it didn't say what he  
said.

GOVERNOR O'MALLEY: Right.

MS. PHOENIX: But I have the article.

GOVERNOR O'MALLEY: I'm guessing it was long  
the lines of we are one, our cause is one, we must help  
each other if we are to succeed. That's what I'm  
guessing --

MS. PHOENIX: Are you guessing or do you  
really know that's the speech?

GOVERNOR O'MALLEY: I know he --

MS. PHOENIX: If you do I need a copy of it.

GOVERNOR O'MALLEY: I know he said that on  
other occasions.

GOVERNOR O'MALLEY: Well, that's great. I  
look forward to coming down a visiting you.

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MS. PHOENIX: Please do. Ask for me. The Mayor knows --

GOVERNOR O'MALLEY: Probably a lot of his friends that he had grown up with here still in the area there and were there at the --

MS. PHOENIX: That who grew up with? Frederick Douglass?

GOVERNOR O'MALLEY: Right.

MS. PHOENIX: I'd like to meet them.

GOVERNOR O'MALLEY: In 1877.

MS. PHOENIX: I would like to meet them.

GOVERNOR O'MALLEY: Yeah. I mean, because he was from --

MS. PHOENIX: Yeah, he was from that area. He was from Talbot County.

GOVERNOR O'MALLEY: And I know a lot of those buried in Unionville were his contemporaries --

MS. PHOENIX: Mm-hmm. Right.

GOVERNOR O'MALLEY: -- that fought in the Civil War.

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MS. PHOENIX: And this neighborhood here was a neighborhood founded by freed blacks and that, that was, and so we know even after Emancipation that a lot of them came and settled on the Hill.

GOVERNOR O'MALLEY: So it must have been a bit of a homecoming when he was there.

MS. PHOENIX: Absolutely. And a lot of the original structures are still there.

GOVERNOR O'MALLEY: Uh-huh.

MS. PHOENIX: You know, they are hidden now by siding but they are still standing.

GOVERNOR O'MALLEY: It wasn't that long ago. Okay. Well, that was fun.

TREASURER KOPP: Thank you. Thank you all.

GOVERNOR O'MALLEY: I'm glad you, Madam Treasurer, I'm glad you are appreciating the sensibilities of this Board of Public Works and our friends that come forward.

TREASURER KOPP: It's important. Thank you.

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MS. RAINES: Thank you for allowing us to intercede here with our grants.

GOVERNOR O'MALLEY: Good.

MS. RAINES: Also, I would like to say if any of you would like to know anything more about these projects, they can visit them. My information is in the Agenda packet. And Mr. LeRonn Herbert, who is the Commission Assistant for the Maryland Commission on African American and Culture. I am introducing him. He is here instead of Dr. Joni Jones and he will just say a couple of words to conclude.

MR. HERBERT: Good morning, Mr. Governor --

GOVERNOR O'MALLEY: Hi.

MR. HERBERT: -- Madam Treasurer, and Mr. Comptroller, to the Board. I thank you for allowing me to speak today. It's a privilege being here. I am the Commission Assistant for the Maryland Commission on African American History and Culture and it is our unique privilege and duty to be able to serve the

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public, especially serving as experts on the African American Heritage Preservation Grant.

The Commission does everything in its power to reach out, to assist, to support the endeavors of the candidates. And truly I come before you today to give a report that the Commission is extremely excited about the candidates we have this year. We are seeing wonderful candidates coming with great qualities and we look forward to the process of screening that we will be going through.

We will be viewing and ranking the various materials coming up in a close meeting and we continually thank you for your support.

GOVERNOR O'MALLEY: And thank you. Okay. Anything else on the Secretary's Agenda? 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.)

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GOVERNOR O'MALLEY: The ayes have it. And now we move on. Thank you all very, very much for being here and for your good work. Now we move on to Department of Natural Resources Agenda items. What do we call this now?

SECRETARY MCDONALD: Well it's the DNR Agenda.

GOVERNOR O'MALLEY: DNR Agenda? We no longer have a DNR and a real property? It's just --

SECRETARY MCDONALD: Well, it is. I mean, formally the Department of Natural Resources Real Property Agenda, because the only thing that DNR puts on this Agenda is their real property items. But we closely call it the DNR Agenda. But it is simply DNR, Department of Natural Resources Real Property items. Their other items appear on various agendas.

GOVERNOR O'MALLEY: Okay.

MS. WARD: Good morning, Governor, Madam Treasurer, Mr. Comptroller. Lisa Ward representing the DNR Agenda.

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(Laughter.)

MS. WARD: We have 17 items for your approval today and I would like to, if I could point out a few of them for you? First we have Item 5A. Gary Mackes is here. He's the Director of Wicomico County Parks and Rec. This is the Local Program Open Space item, playground.

MR. MACKES: Good morning.

GOVERNOR O'MALLEY: Smile, guys.

MR. MACKES: We are smiling.

GOVERNOR O'MALLEY: There we go.

MR. MACKES: It's a great day. I'm Gary Mackes. I serve as Director of Recreation and Parks and Tourism in Wicomico County, and to my right is Gavin Stephens. Gavin is a junior at James M. Bennett High School. He is proposing an Eagle Scout project and has raised \$17,000 to build a children's playground that was lacking in a three-field, very popular, and old little league complex.

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What we have been able to do is to leverage that \$17,000 to the grant that you are considering today, \$135,000. What we are going to be able to do now is to build a \$50,000 playground, work on access for disabled folks, and we're going to be able to address water and sewer issues at that older facility.

Why I am here today and ask for this privilege is I am, this is an amazing feat. I have served in my capacity for 37 years and this is right up there on something that I would consider a heartwarming project. But more importantly it demonstrates that our community, our State, and our country has a bright future with young leadership as Gavin has demonstrated.

So I ask that you favorably consider that grant application so we can get underway.

GOVERNOR O'MALLEY: Got you. Gavin, anything you want to say?

MR. STEPHENS: I just want to say, thank you for having me here. And I was really inspired to do this project because I grew up here, right by the

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little league. And there was no playground for me when my brother was playing baseball and I would sit and watch his game and there was nothing to do. And it was --

(Laughter.)

MR. STEPHENS: So that's good. And I also, that there is a lot of little leagues in our county that have playgrounds and this is the only one that does not have one. And it would be a great success if it worked out.

GOVERNOR O'MALLEY: Well congratulations on having the vision and raising the money and Mr. Comptroller?

COMPTROLLER FRANCHOT: How did you raise \$17,000?

MR. STEPHENS: I have, like half of them are, you know what a brick paver is? You can get your name engraved in it for \$100.

COMPTROLLER FRANCHOT: Mm-hmm.

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MR. STEPHENS: So I've been selling half of those. Groups like the Rotary Club, the Lions Club, and private donations. And it just came together over like six months. So I am very thankful to the community.

(Applause.)

GOVERNOR O'MALLEY: So the split is \$17,000 that Gavin raised --

MR. STEPHENS: Yes, sir.

GOVERNOR O'MALLEY: -- and this grant is for \$135,000?

MR. MACKES: \$135,000. We were able to leverage that grant with his proceeds that he raised.

GOVERNOR O'MALLEY: Great. See Gavin, so when people, when people at home say, "What does government ever do?" You can say, "Well."

(Laughter.)

GOVERNOR O'MALLEY: Can you put the People of Maryland on one of those pavers?

(Laughter.)

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MR. STEPHENS: Sure.

MR. MACKES: We will make sure we do that,  
Governor.

GOVERNOR O'MALLEY: Good. Good. Okay.

TREASURER KOPP: Yeah, because it is the  
people all over the State joining all the people that  
you raised the money from in a very outstanding public  
project.

MR. STEPHENS: Thank you. Thank you for  
having me today.

GOVERNOR O'MALLEY: Thank you, Gavin. Okay.  
Anything else?

MS. WARD: Governor, if we could talk about  
Items 11 through 13?

GOVERNOR O'MALLEY: Gavin, you don't want to  
leave yet. Sometimes the Comptroller votes against  
things --

(Laughter.)

TREASURER KOPP: Not this one. I don't think  
this one.

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GOVERNOR O'MALLEY: Go ahead.

MS. WARD: Sure. This is another example of a partnership, if I can just get your attention just for a few minutes? Items 11 through 13 are conservation easements in Garrett County that are protecting the Savage River. As you guys know, that's the headwater tributary for the Potomac and Chesapeake Bay.

What is sort of special about this Agenda for us is Item 12A. It's the first of its kind. It is a, what we are calling an additionality easement that is being donated to us by the Pinchot Conservation Institute. Pinchot has a program called the Bay Bank.

I'm sure you all are familiar with that. They have worked to create a conservation marketplace to trade credits for people at the local, regional, and national level to specialize in forest mitigation, habitat conservation, and water quality protection. So we have created a partnership with these three items with Trout Unlimited and Pinchot Institute.

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We have Will Price here today if you have any questions about how those credits do trade in the marketplace.

GOVERNOR O'MALLEY: So tell me what this is? These are trading of, what is it? This is sort of like development credits or what?

MS. WARD: Mm-hmm. It's, Pinchot sponsors this program called the Bay Bank.

GOVERNOR O'MALLEY: Who wants to come up and tell us about it? Tell us in English.

(Laughter.)

MR. PRICE: Will do. My name is Will Price. Madam Treasurer, Governor, and Mr. Comptroller, you know, I won't say much but I will explain a little bit about the way this works and just, you know, we are very pleased to work with the State of Maryland on this project.

You know, essentially this is, you know, this is a conservation group working with the State and the landowner to combine our collective investment to

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maximize the benefits of these investments and our shared priorities. And so what the Bay Bank does, which is a program of the Pinchot Institute, is we work in several arenas but in this case it is working with trout protection. And the Savage River Watershed is a very important watershed for trout. You know, like salmon in the Pacific Northwest the Eastern brook trout is not only a beautiful fish, it is also an indicator of the health and vitality of watersheds in this region.

And so for us with the State, the State is investing in the easement. And what the Bay Bank is doing is augmenting that investment through an overlay on that easement which includes restrictions that are specifically related to the requirements of trout habitat. So what we are doing is just adding to the easement that the State of Maryland is establishing with the Brown Family who is, you know, working with the State to conserve this land. And what we are doing is investing some additional dollars to do an overlay

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on the easement to provide some additional protection for trout, which is a key part of this project and it is an important watershed.

GOVERNOR O'MALLEY: You're saying what? That they can't build on it? Or what?

MR. PRICE: So what we are doing is expanding the buffer on the streams.

GOVERNOR O'MALLEY: Mm-hmm.

MR. PRICE: We are putting some additional restrictions on how the forest can be managed. Also the area where there is a permitted build, we are reducing the square footage to some extent. So we are basically adding just some additional elements that wouldn't be included in a standard easement.

GOVERNOR O'MALLEY: Okay.

MS. WARD: Governor --

GOVERNOR O'MALLEY: -- cost us how much?

MR. PRICE: \$40,000 for the addition to the easement. And then in addition \$200,000 that the State is putting in.

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MS. WARD: Item 11 --

GOVERNOR O'MALLEY: So this is --

MS. WARD: -- yeah, Item 11 is our normal conservation easement. And typically in those easements we have about a 100-foot no cut buffer. The Pinchot Institute is, and that's referenced in the next item, Item 12, is the additionality overlay, which is a donation to the State of Maryland.

GOVERNOR O'MALLEY: I see.

MS. WARD: It's not costing us anything. That increases the buffer to 200 feet, no cut. And it's a real specialized document that we can use to allow for specific types of conservation and in this case it's habitat protection and the native trout in that river.

GOVERNOR O'MALLEY: And that's up on the other, that's up on the other parcel? The Hughes parcel?

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MS. WARD: The Hughes is an additional parcel. That is separate and apart from the two companion items, 11 and 12.

GOVERNOR O'MALLEY: I see. And this one, this one are we actually purchasing the land?

MS. WARD: Mm-hmm. Between the three items we're protecting 12,000 feet on the Savage River. And it's about 350 acres through conservation easement.

GOVERNOR O'MALLEY: 350 acres in conservation easement.

MS. WARD: Mm-hmm.

GOVERNOR O'MALLEY: Got you. That's good. And the Upper Savage accounts for 25 percent of all of the brook trout streams in the State of Maryland.

MS. WARD: Mm-hmm.

MR. PRICE: Yes. It's an incredibly important watershed for brook trout. And I, you know, for us, and Lisa mentioned this, that this is really one of the first of its kind credit deals for habitat.

A voluntary contribution, or a purchase from a

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conservation group of these credits to be combined with the State investment. So in some ways it's a great example of a public/private partnership to really maximize our, you know, our collective interest in trout protection.

GOVERNOR O'MALLEY: You should write that one up, Takirra, Izzy. That's good. So you think this might be the shape of things to come, huh?

MR. PRICE: We think it's one of the strategies. One of the tools that we feel would be great to add to our quiver.

GOVERNOR O'MALLEY: He sounds like he's scared to death we're going to pull out the State participation.

(Laughter.)

GOVERNOR O'MALLEY: What, is this, where is this in relation to Savage River Lodge? Is this north of it, or south of it, or --

MR. PRICE: As the crow flies --

MS. WARD: I'm not really sure, Governor.

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GOVERNOR O'MALLEY: Okay.

MS. WARD: We can get back to you on that.

The Savage River Stewardship Project, it's, we try to include as many partners along, as you know the Savage River is over many counties. We always love to partner with people that like to give us stuff. So Pinchot goes into the marketplace and gets the credits and is able to help us conserve in a more specialized way that we are not able to reimburse property owners for.

GOVERNOR O'MALLEY: So Pinchot is a habitat aggregator? Credit aggregator?

MR. PRICE: Well we aren't, this is, I mean, this market is new.

GOVERNOR O'MALLEY: Mm-hmm.

MR. PRICE: I mean, carbon markets, voluntary and otherwise, have been in existence for a little bit. With voluntary habitat markets are new. And I think in some ways this is a pilot and a demonstration of how this can work.

GOVERNOR O'MALLEY: Uh-huh. Cool.

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MR. PRICE: But for this project, that's how we're working. Trout Unlimited is involved.

GOVERNOR O'MALLEY: Mm-hmm.

MR. PRICE: We hope that they become more involved with the State as, you know, as can we with this type of transaction, you know, to the extent it really, you know, helps protect brook trout.

GOVERNOR O'MALLEY: Great. Hey, thanks a lot. Anything else? Okay. 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 now move on to the Department of Budget and Management.

MS. FOSTER: Governor, Madam Treasurer, Mr. Comptroller, good morning. There are 23 items on the Department of Budget and Management's Agenda for today.

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I would like to withdraw Item 18-GM. And I would be happy to answer any questions you may have.

GOVERNOR O'MALLEY: Any questions?  
Comptroller?

COMPTROLLER FRANCHOT: Item 9, please. 9-S.

MS. FOSTER: Item 9, Mr. Comptroller, is an item which basically increases the spending authority to the State's existing healthcare contracts. The original authorizations were based on a financial model that was developed in December of 2008 and so this just, this item reflects revised spending projections that are based on actual enrollment in the program. And over the last seven years enrollment has increased, basically due to economic conditions as more spouses have joined our plans as well as legislative changes. The largest being the change with the Affordable Care Act, which basically increases the age of eligible dependents up to age 26.

COMPTROLLER FRANCHOT: Okay. I see that we are adding with this vote today \$390 million to the

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State of Maryland's healthcare benefits contract. But you say, I thought it was 2009 but maybe it was 2008 when we approved the \$5 billion contract. And my preparation also agrees with your explanation, that it's being attributed to a mix of economic conditions that have pulled more spouses and dependents from other plans into State plans, and legislative changes that have dramatically expanded the pool of eligible participants.

I do want to ask a couple of a granular questions in a minute about how we pay for it and whether it's going to hit the consumer harder in the wallet. But I would like to just bring to your attention a report that was released eight days ago by the Institute of Medicine. It's one of the most prestigious, best known, most respected healthcare organizations in the country. And the report from a panel of experts convened by the Institute of Medicine estimated that roughly 30 percent of healthcare spending in 2009, around \$750 billion, 30 percent of

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the whatever it is, \$2.5 trillion, was wasted on unnecessary or poorly delivered services and other needless costs, lack of coordination at every point in the healthcare system is a big culprit. But then it went on to say, "worse, the extra spending of \$750 billion was not only wasted but the extra spending in fact hurt a number of patients." And they looked to studies about how hospitalized patients were harmed during their stay by their care.

So that kind of caught my eye. Because literally a third of \$390 million, or 30 percent of \$117 million, 30 percent of \$5 billion, which we originally approved, was \$1.7 billion. And I guess my question for you is A, did anybody bring that report to your attention? And is there any chance someone in your shop or DHMH might have broken down that report? And if so what are folks' reactions? Because this is not a, this is a very obviously top flight group.

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MS. FOSTER: Well Anne Timmons, who is the Director of the Employee Benefits Program is here. I think she has seen the report and I think she will --

COMPTROLLER FRANCHOT: If I could, I don't, I'm not, I don't want to bring up the whole issue of healthcare necessarily. But we are voting right now on \$390 million of existing or new taxpayer monies. And I guess the question is, have we, are we confident that we are scrubbing everything, A, so we are not wasting money? And B, are we making sure we are not hurting people? Which hadn't really occurred to me before.

MS. TIMMONS: Sure. Good morning, Mr. Governor, Madam Treasurer, Mr. Comptroller. Anne Timmons, Employee Benefits Division. And yes, I have seen that report. I have about four inches of reading a week so I am reading all these things as they come through. And it is true, you are seeing more waste in healthcare and that has become an issue. And the changes that we made to our benefits plans this July 1, one of the key ones was the increase in the emergency

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room copay to discourage the overuse of emergency rooms for unnecessary care. So we are keeping a close eye on that and looking at our data too to see where there may be issues.

Medicaid, or Medicare began I believe two years ago a program where they won't pay for medical mistakes. So what they call never events. And we are working to build those into our contracts as well. And then the Lieutenant Governor's program, the Healthcare Quality Cost and Control Council is looking closely at diseases or illnesses that you can pick up while you are in the hospital to try to reduce those here in the State of Maryland as well.

COMPTROLLER FRANCHOT: Well we obviously have a lot more to do. I know the President's healthcare projects has some pilot projects. But they are cited in this study as just being the barest tip of the iceberg of what needs to be done. I would suggest, if you haven't already, figuring out way to require your providers to at least tell people when they are in a

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hospital who the heck is in charge. 75 percent of all hospital patients, according to this report, have no idea who their clinician is.

MS. TIMMONS: Right. And we always encouraged our employees to know their benefits, understand, ask questions of their providers. You know, is this test really necessary for me? What happens if I don't have this procedure? All those type of things.

COMPTROLLER FRANCHOT: Well I guess -- I'm sorry, give me your title again?

MS. TIMMONS: Director of Employee Benefits, Anne Timmons.

COMPTROLLER FRANCHOT: Well, could we, could you get something perhaps back in writing that would document what you are doing in this area? Because it, and perhaps give it, if my Board colleagues are interested in this. Because apparently what is happening is that because nobody knows who their doctor is, they are getting shuffled from one doctor after

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another, and one specialist after another, and it's all adding up to a lot of unnecessary procedures and treatments that we are paying for that they don't need. And in some instances are actually hurting them.

MS. TIMMONS: And those articles will also speak to, some of this is defensive medicine. The doctors are having all these tests done to make sure that they are covered. So that is another piece to that puzzle.

COMPTROLLER FRANCHOT: But who, I guess wouldn't this all be very quickly remedied if Dr. Sharfstein and others simply insisted that these patients receive some kind of strategic advice as to what the heck is happening to him? And that somebody helps them sort this out? Because my sense from the report is that they disappear into the health system and they have no idea what they are getting treated with at unbelievable cost and --

MS. TIMMONS: Well that's also a focus of the patient centered medical home projects that are

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happening. AAMC has a three-year pilot. Carefirst has a pilot on that as well, where they provide counselors within their primary care doctor's office that helps the patients through the insurance process, the testing process. Why they need these, counseling on nutrition, what to expect when you go to the hospital. Those types of things are a part of that as well.

COMPTROLLER FRANCHOT: Well it seems we agree on the overall issue.

MS. TIMMONS: Mm-hmm.

COMPTROLLER FRANCHOT: I guess I'm just interested in whether anything is actually happening that can address this enormous issue.

Two other quick points. We, apparently banks, they talked in the report about how everybody, every other sector except for the health sector is fully using electronic records, etc. They talk about banks offering customers financial records that are updated in real time. And I've heard for years about these digital, real time information records that are

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enormously expensive that we are implementing in Maryland. What is the status of that?

MS. TIMMONS: That is through another agency that I, so I can't really speak to that other than I know there are challenges in that area due to the protected health information under HIPAA. So that has slowed that overall --

GOVERNOR O'MALLEY: Dr. Sharfstein is here.

COMPTROLLER FRANCHOT: Oh, great.

GOVERNOR O'MALLEY: He knows something about that.

COMPTROLLER FRANCHOT: Yeah. I don't mean to impose on him, and he's probably here for something else. But --

DR. SHARFSTEIN: No problem. The status in Maryland is that we have well over 1,000 primary care doctors who have gotten electronic medical records through the incentives. And we have an infrastructure called the health information exchange that connects all the hospitals. So they can see each other's data.

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All, every single hospital is putting in data about admissions and discharges. About half of them are putting in clinical data. And all of them will be very shortly.

So just to give you a real specific example of something we can do in Maryland that essentially no other state can do. A primary care doctor who gives this system the list of their patients can get an immediate secure email as soon as someone is seen in the emergency department or admitted to the hospital, by the system. So that allows the doctor to know, to your point about who is my doctor, who is caring for me, we will have the first system, and that is being piloted now, it is actually happening for certain doctors. And then it will be widely available where doctors can know when their patients, when and where, and so that they can get involved with the person who knows the patient. That's one specific thing that's happening.

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COMPTROLLER FRANCHOT: You know, it almost sounds like it doesn't even have to be a doctor necessarily. Just somebody who is in charge of what's happening to that client of ours, patient, that we are paying for.

DR. SHARFSTEIN: Right.

COMPTROLLER FRANCHOT: And sorting out unnecessary from necessary. Let me just, have you read the report?

DR. SHARFSTEIN: The Institute of Medicine report? Yeah, I'm familiar with it.

COMPTROLLER FRANCHOT: Yeah maybe if you could get your providers, I forget how many we have or who they are --

DR. SHARFSTEIN: Yep.

COMPTROLLER FRANCHOT: -- maybe you could get them together and come and visit some of the staff and myself --

DR. SHARFSTEIN: All right.

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COMPTROLLER FRANCHOT: -- and tell us what are the in house reforms in addition to the electronic --

DR. SHARFSTEIN: Oh, yeah.

COMPTROLLER FRANCHOT: -- that Maryland is doing and how we stack up against other states. And whether in fact we are going to be able to make a dent in this.

DR. SHARFSTEIN: There is a lot to be said. I will be happy to do that.

COMPTROLLER FRANCHOT: Great.

GOVERNOR O'MALLEY: If I could interject there?

COMPTROLLER FRANCHOT: Please.

GOVERNOR O'MALLEY: I mean, part of our new way of doing things here involved creating a common platform. I mean, the people are the ones that make it happen but in medicine especially, whether it is from HIPAA, whether it is just from tradition, whether it is from Lord knows what, there has been lacking a common

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platform that then allows the people to coordinate on that common platform against benchmarks and measures that are focused on the wellness and the outcomes rather than the number of services and number of visits and number rather than volume. And so we're actually fairly far down the road with some of our partners, like United, in developing that common platform that allows us, especially for all of those, all of the bills that we pay as a people, to be able to start managing those costs down while dialing the wellness up. And part of that involves going much further upstream away from the most acute evidence of a symptom to the points at which, you know, you avoid the emergency room visits and improve the wellness and better maintain health rather than churning services. Does any of that make sense?

DR. SHARFSTEIN: Absolutely.

GOVERNOR O'MALLEY: I mean that's what we're, imagine, if you will, ComStat for healthcare. I mean, for those of you familiar with the policing models and

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the performance management stuff. Josh, do you have something you want to add to that?

DR. SHARFSTEIN: I think that's exactly what needs to happen. And what's absolutely critical, and what we could talk at length about, is the importance of aligning incentives in the healthcare system to reward that kind of work. So this is, you know, one example when I was the City Health Commissioner we heard from the Fire Chief that there were people who were going back to the emergency room a lot, calling 911 many, many, many times. And so they gave us the list of the top, you know, ten callers to start. And we sent out home visitors to see what, you know, the problem was. And I recall there was a 91-year-old lady who was lonely, liked the EMTs, thought one of them was cute, would call three times a week. And when we got a home visitor that she liked, she stopped calling. She was happy. Someone whose, you know, husband thought that when you gave insulin you were supposed to go unconscious and call 911. And the dose got adjusted

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and the ER visits stopped. And that was, the paper was published, that was cost saving in the healthcare system, I mean, in the 911 EMS system alone, let alone the costs in the ER and the hospital. But the, this was, you know, the hospitals actually lost business the more successful we were. And so the incentives were lined up against it. They were supportive in principal, but they weren't going to expand the program because it kept people from the system.

So as these incentives change over time then we are seeing actually now, and we had a great meeting yesterday about it, the hospitals starting to put in money in these kinds of initiatives. So it's aligning the incentives to exactly the kind of analysis, to getting people the right kind of treatment.

COMPTROLLER FRANCHOT: I think you put your finger on it, though. It was a real person that went and visited with another real person. And said, "What's happening?" That rarely happens, according to this report, in healthcare. So to the extent you could

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come up with something that's not just ten people, but these providers are actually doing that much more aggressively, I would like --

GOVERNOR O'MALLEY: What is the report you are referencing?

COMPTROLLER FRANCHOT: Institute of Medicine. It came out eight days ago. There was a big article in the *New York Times*. And I have chunks of it here. And it's a fabulous report because --

DR. SHARFSTEIN: There's a great graphic that compares the healthcare industry to other industries and, you know, how advanced other industries are.

GOVERNOR O'MALLEY: They hate that.

DR. SHARFSTEIN: Yeah.

GOVERNOR O'MALLEY: Yeah, the guys that we saw in Camden, and even that hospital in Des Moines, they had a lot of presentations on this stuff at the last Governors meeting down in Williamsburg.

COMPTROLLER FRANCHOT: Okay. Banks offer customers financial records that are updated in real

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time. Automobile manufacturers produce thousands of vehicles that are standardized at their core while tailored at the margins. Builders rely on blueprints to coordinate the work of carpenters, electricians, and plumbers. But healthcare is kind of all by itself.

And I appreciate what you are doing, Governor.

DR. SHARFSTEIN: Well we have the ability --

COMPTROLLER FRANCHOT: If you guys can come up with something that puts us at the front of the line rather than somewhere back in the middle, that would be great.

DR. SHARFSTEIN: Well we do have the ability to generate maps and take very specific actions across the State as we understand the early causes of illness, and I think that's going to be a major strategic goal.

GOVERNOR O'MALLEY: I think we are ahead of most. I mean, there are some that are ahead of us on an institutional basis or a city basis. As a state I'm not sure there are many that are ahead of us.

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DR. SHARFSTEIN: I don't think, I think everybody, including the teams in New Jersey, are very jealous of the data capacity that we have, particularly around the health information exchange and its utility to be able to intervene by understanding where costs are coming from.

GOVERNOR O'MALLEY: Right. And part of that was our ability to have built upon the HCRC, right? And the, and that common platform because of the way we --

DR. SHARFSTEIN: Pay for hospital care.

GOVERNOR O'MALLEY: -- pay for hospital care. So we started a little ahead of the others in terms of having some commonality.

DR. SHARFSTEIN: Yeah.

GOVERNOR O'MALLEY: And on what of the 9/11 dividends, I mean part of it, I mean, it was the biosurveillance system and connecting up the hospitals just on the basics of their symptoms and all of that. So many of the same people that were involved in



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opening up those data sources are now, are the same people that we work with in creating the common platform and the electronic ability to track and improve patient care.

COMPTROLLER FRANCHOT: I will, I think that's an excellent point, Governor. I think we probably one of the best in the country, if not the best. But I forgot to tell you that I went to the Anne Arundel Fair last week and was walking through the big expedition, all the crafts and stuff, I bumped into our underwater archaeologist. Susan, I forget her last name?

SECRETARY MCDONALD: Langley.

COMPTROLLER FRANCHOT: Langley. It turns out she has been appointed the Beekeeper of Maryland. And she was very proud to show a jar of honey that had a blue ribbon on it and she claimed came from your beehive.

GOVERNOR O'MALLEY: It did.

COMPTROLLER FRANCHOT: Number one.

GOVERNOR O'MALLEY: Number one, numero uno.

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COMPTROLLER FRANCHOT: And --

GOVERNOR O'MALLEY: Governor's Gold.

COMPTROLLER FRANCHOT: But it was under Susan's name because she didn't want to have any bias. But number one in honey, number one in healthcare.

(Laughter.)

COMPTROLLER FRANCHOT: If I could just ask quickly on the way out, where is the \$390 million coming from? Who is paying for this? Is it federal, State? Is it our plan subscribers? What is the --

MS. FOSTER: Well the funding is included in the budget. Actually, you know, it's paid for from, the State makes a contribution. Employees pay a portion of this, as well as retirees. We also have some funds that come from the feds that were available through health reform. And again, I guess the bottom line is every year when we get ready to enter enrollment we adjust the rates, open enrollment for people to look at and select their plans, we adjust the

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rates based on what the enrollment projections are for the upcoming year.

COMPTROLLER FRANCHOT: We have to pay the bills. I agree. But what I'm talking about here is something really huge. This is not just trimming around the margins.

GOVERNOR O'MALLEY: Over what period of time is this?

MS. FOSTER: This contract is a five-year contract. It started July 1, 2009. It runs through June 30, 2014. So that's the \$5.4 billion number, for the five years.

GOVERNOR O'MALLEY: Mm-hmm. Okay. Anything else?

TREASURER KOPP: Could I just ask, following up, both for Ms. Timmons and for the Secretary, we have been briefed from time to time on various parts of this, including the preventive. I wonder if it would be possible at some time in the near future to get together and have sort of an integrated, bringing us up

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to date on all the sorts of things you talked about, the Governor talked about, what you all have been doing? I think the public and the State employees and everyone else would have the benefit of the same sort of briefing and updating that we do on a, so you can plan it ahead of time.

GOVERNOR O'MALLEY: So the topic is what are we doing to improve outcomes and bring down costs for -

TREASURER KOPP: What are we, exactly. Both for our employees and the public.

MS. TIMMONS: Yeah. Our agencies are already working together and there's a lot of overlap there. So, yeah.

TREASURER KOPP: Yeah. I think it's very important. I think the Comptroller raises a very good point.

MS. TIMMONS: Mm-hmm. We'd be happy to.

GOVERNOR O'MALLEY: Sometimes we get so busy doing, we don't take time to explain why or what.

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TREASURER KOPP: Yeah. Thank you.

GOVERNOR O'MALLEY: Okay. Any other questions, Department of Budget and Management Agenda items? The Treasurer moves approval, 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. We move on to University System of Maryland.

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

GOVERNOR O'MALLEY: Performing arts center official opens at UMBC. The Freeman Hrabowski Center for the Performing Arts, I think that's --

(Laughter.)

TREASURER KOPP: Not yet.

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GOVERNOR O'MALLEY: Any questions, University System of Maryland? 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. Thank you, Mr. Evans.

MR. EVANS: Thank you.

GOVERNOR O'MALLEY: Department of Information Technology?

MR. SCHLANGER: Good morning, Governor, Madam Treasurer, Mr. Comptroller. Elliot Schlanger, Department of Information Technology. This morning we have eight items on the Agenda. I would like to withdraw Item 7-IT. I am happy to answer any questions on any items at this time.

COMPTROLLER FRANCHOT: Mr. Secretary, if I could, Governor?

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GOVERNOR O'MALLEY: Sure.

COMPTROLLER FRANCHOT: At the last meeting the Lieutenant Governor had deferred one item.

MR. SCHLANGER: Correct.

COMPTROLLER FRANCHOT: Was that, did you come up and satisfy him as far as why it's 15 years?

MR. SCHLANGER: Yes, we have met with the staff. We explained it and I believe that you all have been briefed and are comfortable with the term of the contract.

GOVERNOR O'MALLEY: Okay. 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.

MR. SCHLANGER: Thank you.

GOVERNOR O'MALLEY: Let me do the Department of General Services Agenda items.

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MR. COLLINS: Sure.

GOVERNOR O'MALLEY: Any questions, Department of General Services Agenda items?

SECRETARY MCDONALD: Well, he's withdrawing a couple of items. He needs to withdraw.

MR. COLLINS: Yes. Let me just, Governor, we have 30 items. We are withdrawing Items 12, 16, and 19. And for the record we have revised Items 5, 23, 24, and 26.

COMPTROLLER FRANCHOT: So 12 has been withdrawn?

COMPTROLLER FRANCHOT: Yes, sir.

GOVERNOR O'MALLEY: Okay. Any questions on the remaining Agenda items? On the remaining Agenda items? The Treasurer moves approval, seconded by the Comptroller. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)



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GOVERNOR O'MALLEY: And the ayes have it. We now go to the Department of Transportation.

MR. MOBLEY: Good morning, Governor, Madam Treasurer, Mr. Comptroller. For the record, Acting Secretary Darrell Mobley representing MDOT. MDOT is presenting 28 items. Item 13-M has been withdrawn. Item 17-M has been revised. And we'll be more than happy to answer any questions that you may have.

GOVERNOR O'MALLEY: We have a protest on this one?

SECRETARY MCDONALD: I'm not sure I would characterize it as a protest. There has been a request to speak on Item 28.

GOVERNOR O'MALLEY: Okay.

SECRETARY MCDONALD: Does the Department of Transportation want to explain Item 28 first?

MR. MOBLEY: Item 28, Item 28-GM, Digital Information Advertising System, Motor Vehicle Administration Locations Statewide. MBE participation 15 percent, expiration date September 30, 2017 in the

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amount of \$83,125. At this time if you have any questions I'll be more than to answer them regarding that contract.

SECRETARY MCDONALD: Okay. Do you just want the speaker to come up? Is Mr. Guthrie here? Mr. Phillip Guthrie? Mr. Dion Guthrie? They have requested to speak on Item 28.

MR. PHILLIP GUTHRIE: Hi, I'm Phillip Guthrie. And this, I'm here with my father, Councilman Dion F. Guthrie, regarding the item for the video information services. I just wanted to take this opportunity to talk about this proposal.

I'm here as a Maryland based business owner and a State resident and taxpayer for my entire life. I am concerned that this project is being considered for an out of state company when this project will be set up to funnel important benefits and sums of revenue to another state while passing up a bid from a favorite son vendor.

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It seems the RFP for this project was flawed and did not adequately consider the long term benefits to the State of Maryland, revenue, State and payroll taxes, local jobs and spending to boost the Maryland economy. So I would like to request that the Board reconsider awarding this contract today since it may not be in the best interests of the State of Maryland.

This is especially important now that the State is reevaluating its procurement practices. And this is not just a one time, short term contract where a company just performs a job and leaves. This is a five-year, revenue generating contract with a renewal option of five additional years. The repercussions of this decision will affect Maryland taxpayers for ten years and possibly longer.

Over the ten years of the contract the out of state company is offering about \$174,000 to the State of Maryland. But that only represents about two percent of the expected revenue. The other 98 percent,

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or about \$8.5 million over ten years, will not benefit Maryland taxpayers, the local economy, in tax income, project revenue, local jobs, or spending. The out of state company will run most of this project from its home office in Connecticut with only a few jobs being hired here in Maryland. The company will pay all its taxes in Connecticut. Since most of their employees work from the home office they will pay their taxes in Connecticut, not in Maryland. When these employees spend money, they will spend it in Connecticut. When they hire more employees, most of them will not be hired from the State of Maryland.

Most of the administrative costs to operate this business outside of the State, such as supplies, equipment, lease payment utilities, office furniture, will all be spent at Connecticut businesses not here at Maryland businesses.

The losses to Maryland over the ten years of this contract will be tremendous so it's just not in

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the best interests of Maryland taxpayers to hand all of these benefits over to another State.

When I found this contract may be awarded to an out of state vendor, I contacted the procurement officer to ask how this company would be able to offer more benefits to the State of Maryland than a local business. The response to me was that the Connecticut company met a minimum requirement. It seems the RFP may have set the bar way too low on the expected benefits to Maryland taxpayers. Local taxpayers deserve a benefit better than was put forth in this RFP, one that will truly support the Maryland economy and the Maryland taxpayer.

If we mean to do what is in the best interests of Maryland taxpayers the Board should reject this contract and recommend a reworking and rebidding of this RFP to better identify the benefits to the State of Maryland and to the State taxpayers. The RFP should ensure that whatever company is awarded this contract will have a responsibility to generate

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revenue, taxes, jobs, and spending here in Maryland, not in another state. If this is awarded to an out of state company then there should be a clear set of criteria to ensure that there will be an obligation to the State of Maryland that is equal to a resident business.

Thank you for your time and consideration. And I have extra copies of my statement if you would like them.

GOVERNOR O'MALLEY: Questions?

TREASURER KOPP: I had one question of the department. Thanks.

MR. PHILLIP GUTHRIE: Mm-hmm.

TREASURER KOPP: As I understand, this was awarded based on a 70/30 breakdown of technical and financial competence?

MR. MOBLEY: Yes, Madam Treasurer.

TREASURER KOPP: Can you just tell us a little about --

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MR. MOBLEY: Absolutely. I will, at this time I'd like for Milton Chaffee, Deputy Administrator for MVA, to come up to speak on this particular contract.

TREASURER KOPP: Thank you.

MR. CHAFFEE: Good morning, Madam Treasurer, Governor, and Comptroller. We awarded this contract based on the merits of the contract. It provides more than just the monetary benefits from it. It allows us also without expense to us to broadcast to all of our locations from headquarters. That's something we've always wanted to do as it relates to having meetings with our employees. It also provides us the opportunity to update customers that are waiting in our locations with no expense to us of weather alerts, procedural changes, and such. So that's why we awarded the contract. There's more than just the monetary benefits.

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Now as far as equipment that is going to be used, all of that is going to be purchased from Maryland vendors.

TREASURER KOPP: Is that part of the contract?

MR. CHAFFEE: That's part of the contract. Also the subcontractors that will install the equipment are from Maryland. Any miscellaneous equipment will be purchased in Maryland. And then also one of the contractors, the local subcontractors, will be hired in Maryland that will do all of the work related to maintenance and such.

TREASURER KOPP: On what basis was it determined that the breakdown was 70/30? I understand that that was a determination ahead of time? Is that -

MR. CHAFFEE: Yes.

TREASURER KOPP: -- that's how the process works and you carried it out. What I'm asking you is why? There must have been a reason.

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MR. CHAFFEE: This is Pat Tarpley our procurement manager.

MS. TARPLEY: Good morning --

TREASURER KOPP: Good morning.

MS. TARPLEY: -- Governor, Madam Treasurer, Mr. Comptroller. I'm Patrician Tarpley, Manager for Procurement and Contracts. That decision was based on we wanted someone to come in with the technical expertise that was able to provide that service to us. And this vendor that we selected had more of the expertise and the financial backing that we needed to provide all of the service, to buy the equipment up front and was able to begin the project immediately and not prolong the services. The vendor that was not selected was not going to be able to purchase the equipment at the time that it was needed. He was going to have to get a loan if we selected him, which was going to prolong the, actually the project if he was selected. The vendor that was selected did have the financial backing to purchase the equipment up front.

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And also he was going to be able to install the equipment and start the services in all the 22 locations at the same time. The vendor that was not selected was only going to, wanted to, proposed to only do the installation in two locations and actually just do it staggered in the various locations.

TREASURER KOPP: So that was the technical --

MS. TARPLEY: Part of the technical process, yes.

TREASURER KOPP: That was the technical. And of course, there is no in state --

MS. TARPLEY: There is no in State preference, no, ma'am.

TREASURER KOPP: That's my question. Thank you.

GOVERNOR O'MALLEY: Anything else on this?

TREASURER KOPP: No, I --

GOVERNOR O'MALLEY: Mr. Guthrie, do you want to be heard again?

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EMR. PHILLIP GUTHRIE: Yes. I just disagree with several of Ms. Tarpley's statements. I had made a request that if it was possible to do this project in sections. And I was told by the person I was speaking with that that was approved for both parties. So that is not really an issue here. And the issue of my company, you know, not being able to supply the equipment and all that, that is just not true. I had a backer. I had a major home builder in the State of Maryland backing me on this, which I put in the RFP, that was ready to come on board and put down money to help finance all of the equipment. So it's just not true, what was said. We were completely prepared to come in and service the project.

But again, I'm not here as an angry person. I'm here as a person who is concerned about what this is taking away from the State of Maryland in taxes and revenue. A huge amount of money. And I think the MVA has been very shortsighted in wanting to offer services, which I can offer the exact same service that

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they were talking about. I don't know why it was making it seem my service was less. But on top --

GOVERNOR O'MALLEY: Have you done this in another state?

MR. PHILLIP GUTHRIE: Yeah, I already have it here in the State of Maryland. And I operate one through Florida as well.

GOVERNOR O'MALLEY: So you already do this in one of the MVA locations?

MR. PHILLIP GUTHRIE: No, no, no. It's in other venues. Gyms, you know, things like that. So it's already, you know, there is already signage up and they were certainly aware of that as well. So again, it's more, to me it's more about I'm not, you know, being angry about not getting it. I'm being more frustrated that the RFP itself was not zeroing in on the benefits to the taxpayers. And what I'm saying is that it should be scrapped and rebid and the RFP should be rewritten to make sure that the taxpayers are receiving a benefit from this \$8 million that is going

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to be, you know, awarded to this company for over ten years and that they are going to all just take back to the State of Connecticut. And that's really the concern.

GOVERNOR O'MALLEY: Mm-hmm. Has this other company done this before in other places?

MR. PHILLIP GUTHRIE: Yes.

MS. TARPLEY: Yes, sir. He has 20-plus years of experience in doing this in other MVA departments.

GOVERNOR O'MALLEY: And doing the teleconferencing stuff and all of the other --

MS. TARPLEY: That's correct.

GOVERNOR O'MALLEY: -- add on things?

TREASURER KOPP: Was that part of the RFP? I mean, that experience.

MS. TARPLEY: That we asked for experience in other, in doing this kind of experience? Yes.

GOVERNOR O'MALLEY: Mr. Comptroller?

COMPTROLLER FRANCHOT: Mr. Guthrie, why don't you appeal this to the Board of Contract Appeals?

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MR. PHILLIP GUTHRIE: I did appeal it. And after the whole process I went to the Board of Contract Appeals and they said yes, based on the information that I saw, that I had the right to continue with my appeal. Unfortunately at the time my lawyer said that the cost to me was going to be so extensive that, and at the end of the appeal I still wouldn't have been awarded the contract. I still would have to go back through the whole process again. They would just cancel the RFP and start over. So they said, he explained to me, Chris Ryan explained to me that it would be better for me to come here. I would get the same result by explaining this here as opposed to going through the court system. And that was the recommendation that I accepted.

GOVERNOR O'MALLEY: I don't know of any contract where we were ever able to require that it be in state?

TREASURER KOPP: We can't.

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GOVERNOR O'MALLEY: Anything else on this?  
Mr. Guthrie, thank you. Anyone else? Comptroller,  
another matter?

COMPTROLLER FRANCHOT: The adjacent Item 27-  
GM.

MR. MOBLEY: Item 27-GM? Item 27-GM is the  
MOU to provide a guarantee on operating margin to an  
airline company in the amount of \$5.5 million. The  
start date would be April 1, 2013 expiration date of  
March 31, 2016 for British Airways, PLC. We're more  
than happy to answer any questions you may have, Mr.  
Comptroller.

COMPTROLLER FRANCHOT: Thank you. And I  
generally support this, although I continue to ask  
questions because I'm interested. What is the  
financial situation for British Air at BWI? And does  
it achieve a profit? I know it has daily service. And  
what exactly is the subsidy, how is that justified?

MR. MOBLEY: Absolutely. I do have Paul  
Wiedefeld, the Executive Director for the Maryland

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Aviation Administration, who is prepared to speak on this subject.

MR. WIEDEFELD: Good morning. Paul Wiedefeld, Executive Director of BWI Airport. Mr. Comptroller, there are actually three things that are driving this request for the MOU. One is we serve 108,000 passengers a year, this service does at BWI Airport. It generates roughly \$117 million worth of economic activity to BWI Airport. And it serves some of our major employers that need this service to compete in the worldwide economy.

I want to make clear that we understand that, what we really have here is an incentive program that we are exposed up to \$5.5 million to guarantee in effect eight percent return on investment for British Airways. But just so we understand, it's actually much smaller than that. As an airport we are only allowed to offer incentive programs for two years under federal regulations and then we can no longer do it. So at



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that point we start to collect all the revenues we would normally collect.

So in this case, in British Airways' case, even though the Secretary's Office in effect is offering a grant up to \$5.5 million, at the other end we are collecting dollars from British Airways. So we collect \$3.2 million a year from British Airways just in all the fees we charge them. So when they land a plane, they pay us. When they use a jet bridge, they pay us. You know, anything that, any space that you see with British Airways, they pay us.

We also then make a portion of anything that they touch. So for instance the baggage handling people. They don't work for British Airways, they hire a contractor. We get a portion of what they pay them.

We get a part of that revenue. And then, so that's roughly \$3.2 million.

Then we get another almost \$700,000 just from the passengers that are going through the airport that are buying coffees, that are parked in our parking

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lots, and things of that sort. So even though the grant is up for \$5.5 million, the trust fund is actually regaining \$3.9 million in the other end. So the exposure is about \$1.5 million. And I think just given the economic benefits this brings to the State, for us to lose this service I just think would be just a tremendous hit for the State.

COMPTROLLER FRANCHOT: No, I've voted for it in the past. I'm going to vote for it again. British Air is a very prestigious company. If they weren't there, I don't know who we would have. Fiji Airlines, or somebody. What exactly is going on, I guess, with our international travel? Have you --

MR. WIEDEFELD: It's actually very strong. We're up 17 percent year to date on international. We have a new service from Condor Airlines that is serving Frankfurt, Germany. Southwest has offered, or Southwest/AirTran is offering additional service to Aruba, for instance. So we're doing very well from that perspective. Again, lots of challenges. There's

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no doubt about it. We don't have the large fee like you have at Dulles with United, or in Philadelphia with U.S. Airways. But as Southwest moves into the international market we will have that. Just so you know, this money --

GOVERNOR O'MALLEY: When is Southwest moving into the international market?

MR. WIEDEFELD: They are starting now. This Monday they just opened, they broke ground for a \$100 million international concourse at Houston Hobby Airport. It will be their first one. And once they, so they anticipate by 2015 they will be into it fully. They will serve primarily to begin with Mexico, Canada, Latin America, and South America. And then from there, you know, the sky is the limit. So, but and when you think of the volume of planes that they bring through BWI it's going to be a natural feed for international service.

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GOVERNOR O'MALLEY: That's great. And I'm sure they are aware of the international concourse there that --

MR. WIEDEFELD: Just as an aside, this was a huge battle down in Texas between Houston Hobby and Bush International. Because Bush International always carried international and Houston Hobby did domestic. And Southwest wanted to get in there. And this was played out nationally. When I learned of it I sent a nice photo of our international concourse down to the President of Southwest Airlines. Where we are six gates, and basically it would save him \$100 million. He was very pleased and told me he would definitely be back in touch with us.

COMPTROLLER FRANCHOT: I retract my statement about Fiji Airlines.

(Laughter.)

GOVERNOR O'MALLEY: Okay. Paul, thank you for the great job you do there.

MR. WIEDEFELD: Thank you.

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COMPTROLLER FRANCHOT: I just had one other question on, there's not really an item here on this.

MR. MOBLEY: Okay.

COMPTROLLER FRANCHOT: But since I have you, Secretary, but it's that article that was in the Post about the \$6.7 million that was lost to E-ZPass scofflaws, I guess is a way to describe it. And what caught my eye is the State's sending 7,000 letters over four years to one car rental company that owe us \$209,000. My agency generally sends one letter. And we get the money. 7,000 letters over four years to one company and they still owe us the money?

MR. MOBLEY: I don't, I don't know if that's accurate, if it was 7,000 letters.

COMPTROLLER FRANCHOT: That's just the --

MR. MOBLEY: From the news article there. I don't know if that's accurate.

COMPTROLLER FRANCHOT: Eight other rental companies owe between \$80,000 and \$200,000. So I guess

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the question is I'm not offering to help you with your business.

MR. MOBLEY: Well --

COMPTROLLER FRANCHOT: But it does strike me that that's a lot of money. And obviously people that pay the E-ZPass are not very happy when they read that folks just going through it are given a pass.

MR. MOBLEY: Let me say this, Mr. Comptroller. I certainly understand your concern. Our collection rate, our goal is 100 percent, to collect all tolls due. The uncollected rate is one percent, less than one percent of uncollected tolls. If you look at the data for our neighboring states, it's 3.4 percent in Delaware, 1.7 percent in Virginia, and 1.4 percent in New Jersey. Our goal is to collect all monies due to the State for going through those tolls. And the, I guess the, with regards to the video tolling, we have approximately 25 percent of those individuals are from out of state.

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We do not have the legislation in place to address video tolling, which is a new method of collecting tolls with the, for example with the ICC on board now with video tolling. The previous statute calls for a violator to be a person that does not pay a cash toll or the E-ZPass. We introduced legislation last year. We were late towards the legislative session in getting that in and it was unsuccessful. We have talked to transportation legislators, we have discussed it with transportation legislators to introduce new legislation now. We are working with CCU, Central Collection Unit, with Tony Fugett and Executive Secretary Foster to go after these individuals that are not paying those tolls. So our goal is to collect all monies due to the State.

COMPTROLLER FRANCHOT: Okay.

MR. MOBLEY: And we share your concern.

COMPTROLLER FRANCHOT: Got it. But I guess I, help me understand a little bit. Someone goes through the E-ZPass. They don't pay the toll. We have

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a photograph of their license plate. We know who they are, or we know it is a car rental company. Is there something in the law that says we cannot collect that money from that, either that individual or that car rental company?

MR. MOBLEY: When the original statute was written it called for a violator to be someone that is not paying by E-ZPass or cash tolls.

COMPTROLLER FRANCHOT: Someone not paying --

MR. MOBLEY: With the new technology that has been introduced, being the video tolling method, it creates another option for our customers to pay. That option is receiving a bill in the mail for a notice of tolls due. That person then becomes a, would then become a violator if there were, if there were, the legislation would state they would become a violator then we would issue a citation. We do not have the legislation in place to issue a citation of \$50 for that. We are aggressively working to recover it.



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COMPTROLLER FRANCHOT: So the original statute has a loophole in it, that if I have an E-ZPass transponder that I have agreed to, well I don't have an E-ZPass transponder and I just drive through, you are not allowed to either issue a violation or --

MR. MOBLEY: We issue a notice of toll due.

COMPTROLLER FRANCHOT: Who needs a violation? They owe us the money.

MR. MOBLEY: We issue a notice of toll due.

COMPTROLLER FRANCHOT: And the car rental companies say --

MR. MOBLEY: Car rental companies, the car rental companies must pay. We issue a notice of toll due and we are working with Central Collection Unit to recover that money.

COMPTROLLER FRANCHOT: So they are, they are obligated to pay that.

MR. MOBLEY: Yes.

COMPTROLLER FRANCHOT: What is the status of the \$6.7 million? Well, here, the \$200,000, \$400,000,

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\$500,000 that's, well there are eight rental companies.

But what's the status --

MR. MOBLEY: And we are working with those rental companies to recover those funds.

COMPTROLLER FRANCHOT: What's the timeframe for that?

MR. MOBLEY: I don't have the timeframe today right now, but we are working with them to recover that money as soon as possible.

COMPTROLLER FRANCHOT: Great. Well anything that we can do to help from my agency as a, if you need a little extra oomph, you know, we do this. We do a lot of collections. And people do not turn a, they don't ignore our letters. And so let us know if we can be helpful. And thank you for pursuing this because it addresses everybody's sense of what is fair about, you know, we are all paying a toll. And the fact that these folks are apparently getting away with not paying is incredibly, you know, frustrating to Marylanders.

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MR. MOBLEY: Mr. Comptroller, we are aggressively working to recover those dollars.

COMPTROLLER FRANCHOT: And if you could just keep us in the loop and let us know how you do on that I would be appreciative. Thank you, Governor.

GOVERNOR O'MALLEY: Sure. Why don't you do it, if you could come next time prepared to just give a quick three or four-slide update on our collection rates?

MR. MOBLEY: Yes, sir.

GOVERNOR O'MALLEY: Just one reading the headlines there would assume that everybody's asleep at the switch, which isn't true. But given the volumes you are dealing with people wouldn't know that from the headline and the lead.

MR. MOBLEY: Yes, sir.

GOVERNOR O'MALLEY: So next time if you just get something typed together?

MR. MOBLEY: Yes, sir.

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GOVERNOR O'MALLEY: To share with us about collections. And it would be nice if the Legislature would eliminate that ambiguity. But then again we used to send out the notices before. So. All right, anything else on Department of Transportation? 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: Thank you all very, very much.

(Whereupon, at 12:07 p.m., the meeting was concluded.)

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