STATE OF MARYLAND BOARD OF PUBLIC WORKS

GOVERNOR'S RECEPTION ROOM, SECOND FLOOR, STATE HOUSE ANNAPOLIS, MARYLAND

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PRESENT

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Governor

HONORABLE NANCY KOPP

Treasurer

HONORABLE PETER FRANCHOT

Comptroller

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DAVID GARCIA

Secretary, Department of Information Technology

JIMMY RHEE

Special Secretary, Governor's Office of Minority Affairs

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Recording Secretary, Board of Public Works

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PROCEEDINGS

GOVERNOR HOGAN: Good morning.

AUDIENCE: Good morning, Governor.

GOVERNOR HOGAN: This Board of Public Works annually oversees about \$4 billion worth of procurement contracts and modifications. And it's no secret that the way in which the State of Maryland does procurement is in dire need of reform. The previous approach of patchwork, legislative, and regulatory fixes is outdated and increasingly unworkable. This framework is unpredictable and discourages participation. This leads to undesirable outcomes such as lack of competition, too many single bid contracts, and frivolous protests by incumbent vendors who believe they should not be subject to competition. This is unacceptable.

That is why this morning I signed an executive order creating the Commission to Modernize State Procurement, which will undertake a comprehensive review and analysis of our procurement processes and regulations. Our goal is to modernize the system, to create predictability, transparency, and to ensure that we get the best value for each taxpayer dollar that we spend.

Now I'm going to ask Lieutenant Governor Rutherford to step up to the podium. If I could, I'd like to turn it over to him for a more in depth

explanation, to the man who will lead our effort, Lieutenant Governor Boyd Rutherford. Let's give him a round of applause.

(Applause.)

GOVERNOR HOGAN: The Lieutenant Governor's experience as the former Secretary of the Department of General Services and his oversight of over \$4 billion in annual procurement as the Assistant Secretary of Agriculture and the Chief Acquisition Officer at the U.S. Department of Agriculture make him the most qualified person to lead our procurement efforts and modernize our efforts. Furthermore he did an incredible job successfully leading our Heroin Task Force and Regulatory Reform Commission. So with that I'd like to turn it over to the Lieutenant Governor to talk a little bit about the executive order we signed this morning.

LIEUTENANT GOVERNOR RUTHERFORD: Thank you, Governor. Good morning, Madam Treasurer and Mr. Comptroller. I really appreciate this opportunity.

As the Governor stated and as many around here know, procurement is something that I have been very interested in since I had the privilege to serve as the Secretary of the Maryland Department of General Services. This is actually the first time I have come to the podium. I've had, like I said, the privilege --

GOVERNOR HOGAN: We didn't want you sitting on our laps up

here.

(Laughter.)

LIEUTENANT GOVERNOR RUTHERFORD: It would be a

little awkward, wouldn't it?

(Laughter.)

LIEUTENANT GOVERNOR RUTHERFORD: But thank you for

allowing me to chair the commission. The Commission to Modernize State

Procurement will be a problem solving commission and not a study group. And

we are generally aware, I think most people are generally aware, of the challenges

we have with our current system. And we are going to seek comments from

industry as well as explore best practices from other states and the federal

government to devise solutions to our challenge.

Now briefly the commission is going to be made up of 19

individuals, including the Treasurer and the Comptroller or their designees, along

with four members of the Legislature, the Secretaries of the Department of

General Services, Budget and Management, Information Technology, Minority

Affairs, as well as five public members who have experience in construction,

architecture and engineering, federal procurement, as well as information

technology.

We will review and suggest ways, among others, to implement how best to implement a number of initiatives to improve the system, looking at standardizing the interpretation of our statutes and regulations and where appropriate recommending changes to statutes and regulations; looking at how we can implement a statewide training process for our procurement professionals; simplify the current requests for proposals; as well as review our terms and conditions which we've found anecdotally over the years that a number of vendors choose not to bid on contracts in Maryland because there are concerns with some of our terms and conditions. And we need to really take an in depth look at that, working with the Attorneys General, to make sure that that is something we can do. Simplify the MBE process, certification process, is another. And so there will be a number of issues that we wish to explore and evaluate and we'll have recommendations to you by December 1st of this year and we will be announcing our first meeting in the next couple of days.

So thank you again. I appreciate this opportunity.

GOVERNOR HOGAN: Thank you, Lieutenant Governor. We look forward to the results of your work. I'll turn it over to my colleagues.

Madam Treasurer, any opening comments or --

TREASURER KOPP: No, I'd just like to say I think this is a very timely project and one that should have the full support of everyone. Done in a collegial manner --

LIEUTENANT GOVERNOR RUTHERFORD: Mm-hmm.

TREASURER KOPP: -- everyone knows, A, that there are problems and complications that have come up over the years, things build on, layers build over each other. And technology has changed around us.

LIEUTENANT GOVERNOR RUTHERFORD: Right.

TREASURER KOPP: And we have to make sure we are taking advantage of the most modern technology.

LIEUTENANT GOVERNOR RUTHERFORD: Mm-hmm.

TREASURER KOPP: A system that is characterized by well trained practitioners with up to date equipment, assuring transparency and consistency so that everyone is treated equally and we get the best product that we can, both, and the one thing I would urge, that you are looking at services as well as --

LIEUTENANT GOVERNOR RUTHERFORD: Yes.

TREASURER KOPP: -- goods?

LIEUTENANT GOVERNOR RUTHERFORD: Oh, absolutely.

And the, representatives from the nonprofit community as well.

TREASURER KOPP: Sounds like a great adventure.

GOVERNOR HOGAN: Great. Mr. Comptroller?

COMPTROLLER FRANCHOT: Yes. I just want to take a minute

and join the Treasurer and just tell you why I think this is such an important
HUNT REPORTING COMPANY
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Serving Maryland, Washington, and Virginia 410-766-HUNT (4868) 1-800-950-DEPO (3376) executive action by Governor Hogan, and why I am pleased that Lieutenant Governor Rutherford is heading up this commission.

We have in my opinion, having voted on over \$85 billion in State contracts over the last nine years, we have a broken system. And I sometimes perhaps in a simplistic way describe it often as an incumbent vendor protection program, where we get single bid multiyear very expensive contracts put before us with one bidder, single bidder, nobody else apparently applies. We are told that they tried and tried and tried. Inevitably the single bid is from the incumbent. And then we are told, gee, this is a great deal for the taxpayers. We have looked at it. And it's, we're not going to know. Obviously I say over and over again we're not going to know whether it's a good deal for the taxpayer unless there is some competition. And the Governor mentioned other aspects, and Lieutenant Governor Rutherford is an expert in this. I just want to tell both of them that I am delighted that this action is being taken. It is exactly what the public in Maryland wants and deserves. It's called management. It's called oversight. It's called getting the best deal for our folks. And so Governor Hogan, thank you for doing this. Lieutenant Governor Rutherford, frankly I may not show up at all the meetings.

LIEUTENANT GOVERNOR RUTHERFORD: That's all right.

As long as you send someone.

COMPTROLLER FRANCHOT: But I will be there, I will be there in spirit.

LIEUTENANT GOVERNOR RUTHERFORD: Okay.

COMPTROLLER FRANCHOT: And if I could just for a moment

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GOVERNOR HOGAN: Thank you, Lieutenant Governor.

LIEUTENANT GOVERNOR RUTHERFORD: Thank you.

COMPTROLLER FRANCHOT: Thank you. Just indicate, Governor, that our, my agency took serious steps to combat the mounting problem of tax fraud and identity theft recently in our State. We have stopped processing thousands of electronic tax returns from dozens of Liberty Tax franchises and several tax preparers after detecting suspicious and potentially fraudulent activities. To give you a sense, we are talking about returns where business income is reported, the taxpayer doesn't have any business; refund amounts requested that were much higher than previous tax returns; inflated or undocumented business expenses; dependents claimed when taxpayers didn't have dependents; highly inflated wages and withholding information. We are talking about perpetrators who are attempting to defraud the State out of money that is desperately needed to invest in roads, schools, and public safety, and unscrupulous preparers who prey on unknowing taxpayers, that rob them of their money, their credit, and their financial security. Protecting Marylanders from

being victimized by fraud and identity theft continues to be a top priority for my office.

My agency remains dedicated to taking appropriate actions to detect, prevent, go after individuals who engage in these criminal activities. As Marylanders prepare to submit their taxes this year I urge everyone to be mindful of a number of red flags that may be indicative of tax fraud. If your tax preparer deducts fees from the taxpayer's refund for deposit into the tax preparer's account, please get up and run, don't walk, away from that tax preparer. Because not only is there something sketchy there, you could very well be left holding the bag as the taxpayer. Second warning sign, if your tax preparer doesn't sign the tax return. Think about that for a minute. You sign it, you are not sure really what's in it, he doesn't sign it. Or fails to provide the preparer taxpayer identification number on the return. So contact my office. This is not a problem unique to Maryland. Folks may have read in the paper that in South Carolina the U.S. Attorney down there has brought some pretty unbelievable charges against tax preparers involved with the Liberty Tax group down in Columbia, South Carolina. So this is a problem going on all around the country.

If you do see some suspicious activity in your return, just call 800-MDTAXES. Any activity that you report we are happy to take a look at. And Governor, thank you for being supportive of my agency and understanding the challenges that we are facing right now in this area.

GOVERNOR HOGAN: Thank you, Mr. Comptroller, for all that great work. Madam Secretary, if I could I'd like to move up the DGS Agenda. We have Delegate Kathy Szeliga here this morning and she is playing hooky from the House downstairs and I don't want to keep them waiting. So don't worry, I won't rat you out to the Speaker.

(Laughter.)

GOVERNOR HOGAN: I think she wants to address Item 9 on the DGS Agenda. Thank you, Delegate.

DELEGATE SZELIGA: Thank you for having me. And this is the first time I've come before you and stood at this podium to advocate for a project. And also so interesting that it's falling right on the heels of the wonderful work you are doing with the Lieutenant Governor and reforming procurement. This is a project that has been stalled for some time. And I'm working with Secretary Belton, really thank you for helping push this forward. It's the Wildlife Center in Phoenix and finally getting this lease signed is a wonderful thing. Kathy Woods is here, I believe, and she, I don't know how this works because this is the first time I have come before you. Does she, can she get up and speak?

GOVERNOR HOGAN: She can come right up here.

DELEGATE SZELIGA: Come on up, Kathy. It's a wonderful project the community has taken on of rescuing wildlife. This isn't cats and dogs, but birds and raccoons and other wildlife. And we're just really thrilled to finally HUNT REPORTING COMPANY

have the lease signed and I'll give Kathy a couple minutes, or to make a couple comments.

GOVERNOR HOGAN: Great. Good morning, Kathy.

MS. WOODS: Good morning.

TREASURER KOPP: Good morning.

GOVERNOR HOGAN: Good morning.

DELEGATE SZELIGA: Don't be nervous.

(Laughter.)

DELEGATE SZELIGA: They're not scary.

GOVERNOR HOGAN: We don't bite.

DELEGATE SZELIGA: They are all nice people.

MS. WOODS: Okay. So I have a Department of Natural

Resources permit.

SECRETARY MCDONALD: Could you introduce yourself for

the record?

MS. WOODS: I'm sorry. My name is Kathleen Woods. I live in

Phoenix, Maryland.

SECRETARY MCDONALD: Thank you.

MS. WOODS: I am a Master Wildlife Rehabilitator under the

Maryland DNR, the State of Maryland, and I also have a U.S. Fish and Wildlife

permit, and I have a Bald Eagle Permit also from the State of Maryland. We

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rehabilitate about 1,400 animals a year, everything from bats to bald eagles, all the endangered species. We have a really good success rate. We also do a lot of education in the community. We are, I think have a really good reputation with NRP and DNR and we have outgrown our space. And a mile and a half from where we live now is this wonderful, wonderful property which is part of Gunpowder Falls State Park. And we have requested this house and five acres of the 223 acres that are there to move our rehabilitation facility to. And we would fund the whole thing and hopefully be able to do lots of teaching for DNR and all the folks who just really want some extra added stuff about wildlife.

GOVERNOR HOGAN: Great. Well thank you very much for your incredible work.

TREASURER KOPP: So what are your plans for, when can we come see this?

MS. WOODS: Well it's a vacant house right now. Dean is, Dean Hughes is here and he's the ranger for the property. Right now it's just a fabulous, fabulous empty house. It was a, it's an older house but we've had contractors look at it. So I think we'll probably get it up and running at least in the fall, and you are all invited.

TREASURER KOPP: Oh, cool. Well remember us.

MS. WOODS: Yes, I will. I promise. Yes. I will.

GOVERNOR HOGAN: Well thank you very much.

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MS. WOODS: Thank you, sir.

GOVERNOR HOGAN: And thank you, Delegate. Let me know if you need a note to the Speaker. I'll be happy to --

(Laughter.)

DELEGATE SZELIGA: Thank you so much.

MS. WOODS: Thank you.

DELEGATE SZELIGA: And I just want, while I have a moment like to thank Secretary Belton. Dean Hughes is a star State employee. If you could replicate this man and his hard work, I just can't say enough good things about him. So thank you all.

GOVERNOR HOGAN: Great. Thank you very much.

MS. WOODS: Thank you.

GOVERNOR HOGAN: And now I guess we'll move on to the rest of the Department of General Services Agenda.

SECRETARY MCDONALD: Do you want to introduce it, Secretary Bassette?

MS. BASSETTE: Good morning.

GOVERNOR HOGAN: Good morning.

MS. BASSETTE: Good morning, Madam Treasurer, Governor,

Mr. Comptroller. For the record, my name is Gail Bassette and I'm the Secretary

of General Services. And we have ten items on our Agenda, and we are withdrawing Item 10. We would be glad to answer any questions you may have.

GOVERNOR HOGAN: Thank you. Any questions of the, on the DGS Agenda? Okay. Is there a motion?

COMPTROLLER FRANCHOT: Move approval.

TREASURER KOPP: Second.

GOVERNOR HOGAN: There we go, three-nothing on the DGS Agenda. I like that. We're off to a good start.

(Laughter.)

GOVERNOR HOGAN: Now let's jump back to the Secretary's Agenda. Madam Secretary?

SECRETARY MCDONALD: Yes, I just needed to find -- excuse me, Governor. Good morning, Governor, Madam Treasurer, Mr. Comptroller. On the Secretary's Agenda we have five -- 15 items this morning. Fifteen. We have one report of an emergency procurement. We are withdrawing Item 14.

GOVERNOR HOGAN: Okay.

SECRETARY MCDONALD: And we're ready for your questions.

GOVERNOR HOGAN: I'd like to address Item 6, please.

SECRETARY MCDONALD: Yes. Is the Department of Housing

and Community Development with the McCulloh Apartments? I'm not sure who
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410-766-HUNT (4868) 1-800-950-DEPO (3376) is here, if Ms. Cornick or Mr. O'Toole came from Housing and Community Development, if Mr. Maneval is here? All right. This is the grant of general obligation bond funds of \$2.5 million for the McCulloh Apartments in Baltimore City. Do you want to introduce yourself?

MR. O'TOOLE: Brien O'Toole, Deputy Director of Rental Lending, DHCD.

GOVERNOR HOGAN: Well, good morning. I just really wanted to note my enthusiastic support for this \$2.5 million Rental Housing Works loan which will provide funds to extensively rehabilitate the McCulloh Apartments, including substantial renovations to the apartment units and the property's mechanical systems and hundreds of hardworking families in Baltimore City will benefit from the State's assistance on this project. And I just wanted to recognize you and thank you for the hard work the department has been doing. I didn't have any questions. I don't know if anybody else does. But thank you for all the hard work. It's a great program.

COMPTROLLER FRANCHOT: Yeah, I just want to, I was up there a week ago, right across the street.

TREASURER KOPP: At the school.

COMPTROLLER FRANCHOT: At the historic elementary school up there, the Samuel Coleridge Taylor Elementary School, and looking at the new library that they have put in with private sector help and Weinberg

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Foundation and other groups. Right across the street were the apartments. And this money is well directed. Because one of the kids recently was shot and killed on the corner. So keep it up, whatever investment and help you can put into that block of homes. It is unbelievable what's going on. And I know the Treasurer would enjoy going up there from a social conscience standpoint. Because what that school is doing --

TREASURER KOPP: Oh, it's a wonderful school.

COMPTROLLER FRANCHOT: -- is just amazing. They've got a Judy Center there. They've got dozens of people who are in that school from your agencies, Governor, who are helping those kids. It's a safe harbor for the kids in the school right across the street.

TREASURER KOPP: And the kids are achieving.

COMPTROLLER FRANCHOT: Yes.

TREASURER KOPP: You saw that when you were --

COMPTROLLER FRANCHOT: Yes. It's a --

MR. O'TOOLE: I will be delighted to pass that on to the staff. I think they will really be encouraged --

GOVERNOR HOGAN: Please pass it on to the Secretary and the staff --

MR. O'TOOLE: Will do.

GOVERNOR HOGAN: -- and thank them all for their efforts.

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MR. O'TOOLE: Thank you.

GOVERNOR HOGAN: That's easy. You thought we were going

to beat you up this morning.

(Laughter.)

GOVERNOR HOGAN: Thank you very much.

(Laughter.)

GOVERNOR HOGAN: You'd better get out while you can. Next

I'd like to go to Items 11 and 12, please.

SECRETARY MCDONALD: Okay. This is the Department of

the Environment. Deputy Secretary Mary Tung is here from the Department of

the Environment.

GOVERNOR HOGAN: Good morning.

MS. TUNG: Good morning, Governor, Madam Treasurer, Mr.

Comptroller. I'm Mary Beth Tung from the Department of the Environment,

Deputy Secretary.

GOVERNOR HOGAN: Well thank you for coming. These two

items for the Blue Plains Wastewater Treatment Plant represent hundreds of

millions in State investments my administration has committed to protect the

Chesapeake Bay and its tributaries. These funds are a big boost to the Bay

cleanup effort, keeping us on track to meet our environmental goals. Our

administration is, it's our commitment to phosphorous management reduction, for

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agriculture and nitrogen reductions for the Blue Plains Treatment Plant are powerful examples of the progress that we can achieve through collaboration and innovation.

And speaking of innovation one of the things I'm excited about this project is that this effort will also fund a combined heat and power project at Blue Plains to reduce energy costs and air emissions. This is why my budget includes \$16.2 million for combined heat and power projects and other energy saving measures at wastewater treatment plants beyond Blue Plains and throughout the State, cleaning the water, saving energy, and reducing costs to rate payers and consumers. So I want to please have you pass on to Secretary Grumbles my enthusiastic support of this and my congratulations on an incredible effort by your department.

MS. TUNG: Thank you very much. We appreciate that. And I will pass the word along to him. I know he's excited about this as well.

GOVERNOR HOGAN: Any other questions on Items 11 or 12?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Any questions on the rest of the Secretary's Agenda? Is there a motion?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second?

GOVERNOR HOGAN: Three-nothing on the Secretary's Agenda. We're on fire. We're going to move on to the DNR Real Property Agenda. Good morning, Mr. Secretary.

MR. BELTON: Good morning, Governor, Mr. Comptroller, Madam Treasurer. For the record I'm Mark Belton, Secretary of the Maryland Department of Natural Resources. There are nine items this morning on the DNR Real Property Agenda for your approval.

GOVERNOR HOGAN: Any questions on the DNR Agenda? Is there a motion?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second?

TREASURER KOPP: I have one, just to put in the record, the, is this -- yeah five. When we are buying these properties to find 3,000-plus acres on the Lower Eastern Shore, a part of the State of Maryland that is low and relatively flat and close to our Mother Bay, etcetera, you do look at the potential of sea level rise, storm surge, etcetera, impacting the properties?

MR. BELTON: Yes, ma'am. Absolutely. And all the parcels involved in number five this morning certainly were checked for that purpose and passed the test.

TREASURER KOPP: So that we're not, we're investing actually

in land that will stay land for a while?

MR. BELTON: Yes, ma'am. Yes.

TREASURER KOPP: Thank you.

GOVERNOR HOGAN: Thank you. Is there a second on the motion to approve the DNR Agenda?

TREASURER KOPP: Second.

GOVERNOR HOGAN: The vote is three-nothing. We're going to move on to the DBM Agenda.

MR. BRINKLEY: Good morning, Governor --

GOVERNOR HOGAN: Good morning, Mr. Secretary.

MR. BRINKLEY: -- Mr. Comptroller, Madam Treasurer, for the record I'm David Brinkley, Secretary of the Department of Budget and Management. We have submitted seven items for the Agenda and I have representatives here to address any concerns or questions you might have.

GOVERNOR HOGAN: I don't have any questions or concerns.

Anybody else? Is there a motion?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second? Three-nothing on the DBM Agenda. Now we're on to the University System's Agenda. Good morning.

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

GOVERNOR HOGAN: Any questions on the University of Maryland, University System? Is there a motion?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Three-nothing on the University System.

How's that? We're just making it easy for everybody today.

(Laughter.)

MR. EVANS: Thank you.

GOVERNOR HOGAN: Thank you for coming.

COMPTROLLER FRANCHOT: Yep.

GOVERNOR HOGAN: Let's move on to Information Technology, or the DoIT Agenda. Mr. Secretary, good morning.

MR. GARCIA: Good morning, Governor, Madam Treasurer, Mr. Comptroller. I'm David Garcia, Secretary of the Department of Information Technology. On the Agenda this morning we have one item and we have agency representation to answer any questions you may have.

GOVERNOR HOGAN: Any questions on the DoIT Agenda? Is there a motion?

TREASURER KOPP: Favorable.

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Three-nothing on the DoIT Agenda. I

love this meeting.

(Laughter.)

GOVERNOR HOGAN: I wish we could do this every time. Next

we're going to move on to the Department of Transportation.

MR. PORTS: I just hope it continues.

(Laughter.)

MR. PORTS: Good morning, Governor, Madam Treasurer, Mr.

Comptroller. For the record, my name is Jim Ports, Deputy Secretary for the

Maryland Department of Transportation. The Transportation Department is

presenting nine items. Items 5-C-MOD and 11-GM are being withdrawn.

GOVERNOR HOGAN: I'd just like to address Item 3, if I could.

This item requests additional funding for certain architectural and engineering

contracts related to our plan to invest \$2 billion into Maryland's highways, roads,

and bridges, which we designed to address the needs of citizens from one end of

the State to the other and to address every single structurally deficient bridge in

the State and the top priority road project in every single jurisdiction in the State.

Over the past several years obviously we've drained about \$1

billion from the Transportation Trust Fund and funneled that money into other

things that had nothing to do with transportation. And these critical transportation

dollars were transferred into the General Fund to paper over deficits and to pay

for spending in non-transportation, totally unrelated areas, leaving our highways

and our bridges to deteriorate and crumble.

So building, maintaining, and fixing Maryland's roads and bridges is our top transportation priority. However, as I like to remind everyone we can't celebrate for simply spending more money. So we need to be vigilant in how this money is spent. So I want to make sure that you, Mr. Ports, and Secretary Rahn, and you guys are focused on making sure that the additional funding for these contracts and the new contracts you are currently soliciting get us the best possible return on investment in order to build the roads and bridges that our citizens are demanding. And with that, I don't have any other questions on the MDOT Agenda. Anybody else? Is there a motion?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: The vote is three-nothing and we are adjourned. Wow, in record time.

(Whereupon, at 10:27 a.m., the meeting was concluded.)