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STATE OF MARYLAND
BOARD OF PUBLIC WORKS
GOVERNOR'S RECEPTION ROOM, SECOND FLOOR, STATE HOUSE
ANNAPOLIS, MARYLAND

September 6, 2017
10:09 a.m.

PRESENT

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Governor

HONORABLE NANCY KOPP,
Treasurer

HONORABLE PETER FRANCHOT
Comptroller

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Recording Secretary, Board of Public Works

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PROCEEDINGS

GOVERNOR HOGAN: Good morning, everyone.

ALL: Good morning.

GOVERNOR HOGAN: Welcome to the Board of Public Works. I hope everybody enjoyed Labor Day Weekend. Welcome back from summer, summer vacation. We didn't really have one, I guess.

But I want to begin by expressing our deepest sympathies to House Majority Whip Talmadge Branch on the tragic loss of his grandson in a shooting death in Baltimore City over the weekend and I hope you'll join me in keeping Delegate Branch and his family in our thoughts and prayers.

I also want to express our deepest sympathies to our BPW Secretary Sheila McDonald and her family. We were really saddened to learn of the passing of her father, Captain Ewing "Mickey" McDonald. Captain McDonald was a proud graduate of the Naval Academy and he served our country in Korea and in Vietnam. And Sheila, I know how proud you are of his service in the Navy and I'm sure that your dad was really proud of the tremendous service that you give to the State. And we're very sorry for your family's loss as well.

SECRETARY MCDONALD: Thank you.

GOVERNOR HOGAN: At this point I'll turn the floor over to my colleagues for any opening comments that they may have. Madam Treasurer?

TREASURER KOPP: Thank you, Governor. First of all, I want to echo both to Sheila and Talmadge and his family. The Comptroller and I served with Talmadge on Appropriations. And when you're close to somebody like that, this sort of horrible thing hits even harder. It shouldn't happen to anyone. But once it comes really close to home you realize what a terrible thing this is.

And I think we would be remiss to let the day go by without mentioning Houston and the hurricane, which was another terrible natural event but one that really brought out the best in a lot of people. I for one was very impressed by all the volunteers and the community spirit. And now I know people are watching our East Coast and Irma coming and just hoping that it doesn't wreak the sort of harm that we saw last week. It's just amazing.

Governor, I mentioned to you that I had a particular concern, and I do. It's not a new one, as you know. But I think, I don't use this as a pulpit very often, but I'm very, very concerned about President Trump's decision to endanger the future and the lives of so many of our young people, hundreds of thousands, including those in Maryland and in our communities in Maryland. I think it's important for the State and the Executive of the State to speak out and I'm glad you're doing that --

GOVERNOR HOGAN: I did that very strongly yesterday.

TREASURER KOPP: -- yes, to reassure our neighbors and our people that we're not turning our back on them. Innocent, hard-working people

who came as kids, they're in Montgomery College. They're all over the State.
And it's just wrong. It's just really bad.

As you know, I've said here several times we're seeing increasing incidence of hate in our schools and in our communities. Swastikas, and nooses painted and hanging from trees. I think there always are better and lesser angels in our nature. And unfortunately the so-called leaders in Washington are I think bringing out the worst, the worst in us and sort of giving impunity for people to do what they want. And now spotting these young people and telling them to get ready to be deported, I think is just un-American. It's wrong. And I stand with you and with the Comptroller, and I'm sure with all the officials in our government saying that we're not going to turn our backs on our kids, on our families.

This is not partisan. It's not political. But what's happening is un-American and it's wrong. And I think we all feel threatened by it. And when it's happening at the same time that there's such instability in the world, and now the President has said maybe we'll renege on our debt in order to build the wall separating us from all of the southern hemisphere. I'm proud to be a Maryland citizen. And I'm proud to stand with Maryland. And to know, as I mentioned earlier, Governor, that the First Lady is in Korea right now representing you and us and we reach out. Maryland is a diverse state. We appreciate that. It's our

strength. And I don't think we should ever, ever let so-called leaders lead us astray. Thank you.

GOVERNOR HOGAN: Thank you. Mr. Comptroller?

COMPTROLLER FRANCHOT: Thank you, Governor. And good morning, Madam Treasurer, and everyone here. I hope you all had an enjoyable and relaxing Labor Day holiday weekend. I know that families, students, teachers across our great State appreciated the extra time off to catch one last ball game at Camden Yards. And what a game that was last night. Make one last family trip to Deep Creek out in Western Maryland, or Ocean City, and maybe attend the State Fair, and enjoy some of the great amenities and activities Maryland has to offer before the unofficial end of summer and schools come back into session.

And I know our hardworking small business owners, so many of whom depend on our summer tourism industry, from Baltimore City, to Ocean City, to Accident, Maryland, they all greatly benefitted from the additional economic activity generated from the holiday weekend. Governor, again, I want to thank you for making school after Labor Day the law of the land and I hope it will be for decades to come.

Now we have another subject before us today, which is \$62.4 million, I believe, worth of cuts to the current fiscal year's budget. The tough choices we're asked to make today underscore the continued volatility in our economy, the uncertain fiscal climate that our State continues to experience.

Last Friday, my office released the close out numbers for fiscal year 2017. And while we ended the fiscal year with \$90 million beyond our conservative revenue forecast, and while I'm obviously very pleased that we have more revenue funds than we'd planned for, we can't forget the fact that we continue to live in very uncertain economic times and that the dysfunction in Washington has the potential to impact Maryland more than almost any other state in the Union.

When the General Assembly convenes in January I hope the Governor and the Legislature will work together to close the \$700 million-plus structural deficit that our State faces in fiscal year 2019. So Governor, as we continue to face fiscal and economic uncertainties, it's my hope that everyone will continue to exercise fiscal restraint and budget the taxpayers' money in the most prudent way as you chart the course for our State's fiscal future.

And I want to again underscore the fact that this is not something new. This is one of the very important functions of the Board, to be able to make reductions in real time to stem the tide of what is obviously a situation where we're taking in less money than we're spending. The last administration that preceded us I believe cut almost \$2 billion cumulatively at the Board of Public Works. And it was difficult. It was a hard exercise for me, because I was literally just here's the piece of paper, Mr. Comptroller, with all the cuts. And that is in complete contrast to what occurred over the last week or so with Secretary

Brinkley and Mr. Newgent on the staff and Governor Hogan, and it was a collaborative approach. And I believe the result will stand the State in good stead. And I wanted to thank you personally for not just giving me something like a piece of paper shot across the desk, Governor. I believe it's what the public wants as far as governing. Thank you very much.

GOVERNOR HOGAN: Thank you, Mr. Comptroller.

TREASURER KOPP: Could I just say that actually the proposal was posted for public examination last week, Thursday, as it should be. And I have to say that in accordance with the law, with a bill sponsored by a delegate from Montgomery County, Delegate Korman. And I think it really, people were a little concerned about making things public. But in fact, what happened, people saw it, they understood it. There were a couple of concerns and those concerns were addressed. And I think we all appreciate that. And I agree with the Comptroller. I endorse very much what the Comptroller said.

GOVERNOR HOGAN: Well thank you both very much. I think it has been a very collaborative process. And I want to thank Mark Newgent on our staff, and the Budget Secretary and his team, and both of you for, we sat down, we discussed it, we made some adjustments, and I think it's something that we can all be proud of, the way the process works.

TREASURER KOPP: Now Governor, let me say that some of us actually consulted in the prior administration also.

GOVERNOR HOGAN: Some of you did?

TREASURER KOPP: Yes.

GOVERNOR HOGAN: We didn't have that opportunity.

COMPTROLLER FRANCHOT: Yeah.

(Laughter.)

TREASURER KOPP: I think --

GOVERNOR HOGAN: But that leads us right into, I think what we're going to do is take up the budget items first, Budget and Management's Agenda. And we'd like to discuss Item 13, which I want to take up. So let's go ahead and get started with the DBM Agenda and then we can go back to our regular Agenda after that.

But for nearly a quarter of a century the Board of Public Works has been vested with this important budgetary authority. And as the Comptroller said, it's a normal occurrence. It's always happened. Today it's necessary for us to again exercise that authority even though in our very first budget that we submitted the day after I was sworn in we eliminated a \$5.1 billion structural deficit which we inherited. But due to continued unsustainable spending, automatic spending increases, and huge debt service payments that will soon exceed what we spend on school construction, the State is again spending more than it takes in.

While our revenue growth is fairly healthy at three percent, better than a lot of people in the country, we have an eight percent rate of this forced increased spending, which continues to outpace what the revenues are. And to give you a sense of what that means, each percentage point in the difference between revenue and spending equals \$170 million. So this gap between revenues and the mandated spending increases is estimated to reach \$750 million in the next fiscal year. That's why we have to take these budgetary actions today in order to better position our finances for tomorrow.

The Legislature's chief fiscal officer, Warren Deschenaux, agrees with these actions. Although Warren is retiring in a few months, his call for the Legislature to get real, get real, about unsustainable spending increases is a warning that must still be addressed. He also used, and I thought it was very appropriate, he used the analogy of Groundhog Day because we keep reliving the same budgetary problems over and over again. And in order to get out of our fiscal predicament, it's pretty simple. We need to stop spending more than we take in. And that's been a top priority of our administration since day one. We've repeatedly asked the Legislature to work with us in a bipartisan manner to finally adopt a common sense budgeting process where spending does not automatically increase at a rate that continually outpaces revenue. And it's my hope that we can break this cycle so that we can stop reliving these Groundhog Days over and over again.

With that, I'd like to turn the floor over to Secretary Brinkley so he can walk us through the Department of Budget and Management's recommended adjustments.

TREASURER KOPP: Governor, to be fair could I just point out that the State, as all of our investors know, ends the year with a balanced budget. We have to make cuts and we may not like the cuts. We may not like the cuts. But Maryland does have a balanced budget. And in terms of the mandates, there obviously is a large portion of the budget that is mandated. But what's mandated is education, healthcare, and real services. And I think we have to talk not at a high level about mandates necessarily but about the real services and programs for people that are going to be cut unless the wealthiest state in the nation decides to pay for them.

GOVERNOR HOGAN: Well we're going to let Secretary Brinkley talk about the real cuts --

MR. BRINKLEY: Okay.

GOVERNOR HOGAN: -- in detail.

MR. BRINKLEY: Good morning, Governor, Madam Treasurer, Mr. Comptroller. And thank you for the opportunity to explain Item 13-S on the Department of Budget and Management's Agenda. I also have staff here to address any specific questions, namely my Deputy Secretary Marc Nicole is here in the audience in the event we need to go there.

Following the Legislature's action on the current budget in April, DLS estimated a cash shortfall of nearly \$750 million going into FY '19. As the Governor referenced, revenues are growing at a healthy average rate of 3.4 percent but spending growth averages 5.6 percent per year, with FY '19 expenditures are estimated to grow a whopping eight percent.

Legislative spending mandates are to blame for a good portion of this gap. In fact, \$418 million of new mandates over the next four years were passed in the most recent 2017 session alone. This pattern of overspending is simply unsustainable. Governor, you have warned about and provided remedies to this predicament every year since taking office. The Legislature's own lead Budget Analyst also agrees that the State cannot continue to spend more than it brings in.

Governor, you referenced in your comments the item about the debt subsidy. And this one item in the general fund budget is the fastest growing item in our general budget. In FY 2013 it was zero. In FY '19 it is anticipated to exceed \$400 million, which exceeds what we put into school construction spending by over 20 percent.

So let me shift to the reduction summary. We are proposing reductions today to maintain a sufficient fund balance that will allow us to address required FY '18 deficiencies and to provide a down payment on the FY '19 cash shortfall. Our balancing actions total \$79.9 million: \$61 million in general fund

budget reductions; \$9.95 million in revenue actions, including a \$9 million fund balance transfer from the University System of Maryland. There are \$9 million in debt service savings that we are accounting for due to the refunding of existing refinanced bonds at the recent BPW meeting.

Agency reductions range from as little as one-tenth of one percent to 2.5 percent. Most reductions are in the one to two percent range. The largest agency reduction is \$22.2 million in the Maryland Department of Health. The largest single reduction in MDH is the result of decreased average length of stay in hospitals. This saves the State an estimated \$10 million. MDH also expects to save \$5 million from renegotiating certain large procurement renewals. We are using \$5 million of excess balance in the cigarette restitution fund to offset Medicaid costs.

The University System of Maryland is reduced by \$8 million. Reductions include facility renewal, administrative expenditures, and personnel related expenditures. Thirty vacant positions, I want to emphasize vacant positions, are being abolished at University System of Maryland. Reductions of a similar proportion are made to Morgan State University, St. Mary's College of Maryland, and Baltimore City Community College.

Within the executive branch, the administrative is recognizing salary savings throughout several agencies from positions that have been vacant since the start of the current fiscal year, with the largest savings coming from

Public Safety of \$8.4 million and the Department of Human Services of \$1.9 million. The Department of Human Services is reduced by \$7.1 million total, \$3.7 million due to a realignment of temporary cash assistance funding, again to reflect our actual experiences, and \$1.9 million in salary savings, as I referenced. \$1.5 million through DHS is coming from information technology savings tied to the Maryland Think Project.

Due to declines in the population served, there is a reduction of \$4.5 million at the Department of Juvenile Services. And the increase in the Sellinger Program is being halved, leaving the program with a 4.5 percent increase for a total remaining subsidy of more than \$48 million.

To close, Governor, and Madam Treasurer, Mr. Comptroller, I'd like to reiterate that the ability for this body to make mid-year spending reductions when necessary is something that the bond rating agencies consistently highlight as one of our budgetary strengths. Although some have claimed that there is a lack of an immediate financial crisis, or fiscal crisis, facing Maryland, the reality is that such attitudes and beliefs betray a fundamental misunderstanding not only of sound budgeting principles but also of the serious challenges this State faces in the next few years based on its current spending patterns.

The proposed actions you have in front of you are a critical step in not only providing a down payment on the FY '19 cash shortfall, but also in

bringing us closer to achieving long term fiscal stability in the State. And I ask for your support for these proposed reductions as well as the rest of the DBM Agenda.

GOVERNOR HOGAN: Well thank you, Secretary Brinkley.

Madam Treasurer, Mr. Comptroller, any questions?

COMPTROLLER FRANCHOT: Move approval.

TREASURER KOPP: No. Just to point out that there, this is not exactly what was posted. The cuts in fact are less than what was originally posted, including which items?

MR. BRINKLEY: We had three items that were modified on it.

But this was posted, Sheila --

TREASURER KOPP: Originally posted.

SECRETARY MCDONALD: It has been online as of this morning at 9:00 a.m.

MR. BRINKLEY: It went online as of this morning, yes.

TREASURER KOPP: No, but the original posting --

SECRETARY MCDONALD: Right. But originally Thursday --

TREASURER KOPP: -- that was transparent and caused some concern --

MR. BRINKLEY: That's correct.

TREASURER KOPP: -- in fact --

MR. BRINKLEY: We took three items off of that: the Disparity Grant Program, the \$200,000 for the historic research, and \$150,000 for the Humanities Council. Is that correct? Those three items were taken off.

TREASURER KOPP: Because of a better understanding of the impact --

MR. BRINKLEY: Sure.

TREASURER KOPP: -- of each one.

GOVERNOR HOGAN: Yep.

TREASURER KOPP: Thank you, Governor.

GOVERNOR HOGAN: Very good. Did you have a motion?
Second?

COMPTROLLER FRANCHOT: No, yeah, let me just also add, I want to thank the Governor and his staff for the fiscal responsibility that this action demonstrates. The Treasurer mentioned all the uncertainty coming out of Washington. This, having a conservative, cautious approach to the fiscal matters of the State is a line of defense for our taxpayers and for our families. And Mr. Secretary, kudos to you, and Governor, I'm very supportive of this. And I, you know, my hands are not clean from having been in the Legislature. I was always jerry-rigging things and grabbing money and taking dollars and substituting debt. And you know, it was a, like an annual event down there. And --

GOVERNOR HOGAN: Thank God you've seen the light.

COMPTROLLER FRANCHOT: Yeah, no, no --

(Laughter.)

COMPTROLLER FRANCHOT: Thank God I'm not there anymore. But I think what the Treasurer noted about what's occurring in Washington is added incentive for us to really tighten down and be very cautious in the State. Thank you.

GOVERNOR HOGAN: Thank you very much. So there's been a -

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TREASURER KOPP: Could I just add one thing?

GOVERNOR HOGAN: Sure.

TREASURER KOPP: Governor, I mentioned to you the savings from reducing the days in the hospital also I think another result was better health and better healthcare for people and should be noted.

GOVERNOR HOGAN: Absolutely.

TREASURER KOPP: And I thank you.

GOVERNOR HOGAN: Well thank you. There's been a motion and a second. The vote is three-nothing. Thank you. Good job.

SECRETARY MCDONALD: Do you want to do the rest of the Agenda? Do you want to --

MR. BRINKLEY: Okay.

SECRETARY MCDONALD: Okay.

MR. BRINKLEY: Governor and Madam Treasurer and Mr. Comptroller, we have 11 more items on the Agenda. We had a withdrawal of -- which one did we withdraw?

SECRETARY MCDONALD: Two and three, I think.

MR. BRINKLEY: Two and three --

SECRETARY MCDONALD: Right.

MR. BRINKLEY: -- so maybe it's ten items.

GOVERNOR HOGAN: I'd like to if I could highlight Item 14, which is a request from the Maryland 529 Program. I don't know if anybody is here for that. But I just --

TREASURER KOPP: Excuse me, Governor, but Lauren Shipley, who is the Executive Director of the 529 Program.

GOVERNOR HOGAN: Lauren, good morning.

MS. SHIPLEY: Good morning, Governor, Comptroller, and Madam Treasurer. Thank you.

GOVERNOR HOGAN: I just want to highlight this. I don't really have a question. I think it's a wonderful program and so Item 14 is a request for, from the Maryland 529 Program for program management program services for the ABLE Program, the Achieving a Better Life Experience. ABLE is an innovative program that we all created in 2016, which allows our fellow citizens with disabilities to save their own money and to plan for the future.

Under the ABLE Program Marylanders with disabilities and their families can open savings accounts with the Maryland 529 Program allowing them to create assets and save money without jeopardizing their federal disability benefits. And this would not have been possible without your efforts and the disability community, along with the Legislature, the Comptroller's Office, the Treasurer's Office, all working cooperatively with our administration. And the Maryland ABLE Program I believe is a shining example of how by working together we can change Maryland for the better. So I just wanted to thank you for your efforts.

MS. SHIPLEY: Thank you, Mr. Governor. It was definitely a group effort by a lot of people, especially the collaboration with the Department of Disabilities. And Secretary Beatty is here today, and also a member of our 529 Board.

GOVERNOR HOGAN: See, I didn't even see Secretary Beatty. We've got to give her some, a shout out, too. Madam Secretary?

COMPTROLLER FRANCHOT: Oh, yeah.

(Applause.)

GOVERNOR HOGAN: Thank you.

TREASURER KOPP: Governor, could I just point, in case people don't know the Maryland 529 Program is also the College Savings Program, and this is a new --

GOVERNOR HOGAN: Yeah.

TREASURER KOPP: -- partner for college savings. And as the Chair of the Board, let me say that we had a special committee working with Lauren that worked very hard on this, chaired by Secretary Beatty. And Comptroller, you'll be pleased to know that one of the driving members of that subcommittee was Mr. Andrew Friedson --

COMPTROLLER FRANCHOT: Excellent.

TREASURER KOPP: -- who is a huge supporter and very enthusiastic supporter and has been from the beginning of the ABLE Program, and worked with the Legislature. Susanne Brogan and your appointees to the Board, Dee Anna Sobczak and Charles Tharp, and those are the people who really have driven this along with the community and the activists and the legislators. And it wouldn't have happened without the hard work of Lauren and her staff.

GOVERNOR HOGAN: Thank you, Lauren.

MS. SHIPLEY: Thank you.

COMPTROLLER FRANCHOT: Yep. Good. And --

(Applause.)

COMPTROLLER FRANCHOT: -- the Treasurer kindly mentioned Andrew Friedson, who is a former senior advisor to me as of yesterday, I think, because he's off running for office himself.

TREASURER KOPP: What is he running for?

COMPTROLLER FRANCHOT: I think for Comptroller.

(Laughter.)

TREASURER KOPP: I think for the First Council District of Montgomery County.

COMPTROLLER FRANCHOT: Yes. But I wanted to salute our colleagues in the Legislature. Craig Zucker was here earlier, he also happens to work with us in the off season, the State Senator who sponsored the bill that I believe was passed unanimously in the House and Senate. And I agree completely with the Governor. It's bipartisan cooperation, which is, you know, it's alive and well in Maryland, put it that way. And thank you for mentioning Mr. Friedson and I wanted to give, I guess Senator Zucker left. But he deserves a good pat on the back for getting this bill through.

GOVERNOR HOGAN: Thank you.

MR. BRINKLEY: So Governor, I was unclear --

TREASURER KOPP: Senator Feldman also. They were a team.

COMPTROLLER FRANCHOT: Oh. Okay.

MR. BRINKLEY: I think I was unclear in the transition. Just what you have before you, Items 1 through 14. Two and three have been withdrawn. Thirteen you have previously adopted.

GOVERNOR HOGAN: Great. Any other questions on DBM?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Is there a second?

TREASURER KOPP: Second.

GOVERNOR HOGAN: Second. The vote is three-nothing on DBM. We're going to move on back to the Secretary's Agenda, Secretary McDonald.

SECRETARY MCDONALD: Good morning, Governor, Madam Treasurer, Mr. Comptroller. Thank you for your kind words, Governor. I have one little short story, if you'll indulge me a personal moment.

GOVERNOR HOGAN: Please.

SECRETARY MCDONALD: I think Secretary Rhee might like this story as well as you. That my father, Captain McDonald, did receive many awards from the Korean government. And he was there in the 1950s in the Korean War. But my favorite award, commendation he got from the Korean government was because he was the first naval officer who entered into a procurement contract for kimchi, to bring kimchi onto the destroyer.

(Laughter.)

SECRETARY MCDONALD: And Korea was so happy to finally have somebody who showed up, a naval officer, who would come and engage and buy kimchi. So he awarded the first kimchi contract.

GOVERNOR HOGAN: That's amazing.

SECRETARY MCDONALD: There you go.

(Laughter.)

SECRETARY MCDONALD: Okay. Thank you.

GOVERNOR HOGAN: That's an amazing story. Just to follow up on that, I want you to know that I am the first Governor in America to have a kimchi refrigerator in my kitchen.

(Laughter.)

SECRETARY MCDONALD: I knew we had this connection, so.

(Applause.)

SECRETARY MCDONALD: Okay. But on to business, we have nine items on the Secretary's Agenda. We have ten emergency reports. We are withdrawing Appendix 1, the first emergency report; Appendix 2 was a numbering error. So in actuality we are presenting to the Board of Public Works this morning nine reports numbered A3 through A11. We are happy to answer your questions.

GOVERNOR HOGAN: Any questions? Is there a motion?

COMPTROLLER FRANCHOT: I just had a question about Item 5.

SECRETARY MCDONALD: Item 5 is the Department of Housing and Community Development. And is John Maneval -- yes, I did see Mr. Maneval here. It is a loan, right, a loan to general obligation bond proceeds.

MR. MANEVAL: Good morning. John Maneval, the Department of Housing and Community Development. Good morning, Madam Treasurer, Mr. Comptroller, Mr. Governor. Item 5 is a \$1.4 million loan, actually \$1.357 million loan through the Neighborhood BusinessWorks Program to support the renovation of the Historic Hamilton Hotel in Downtown Hagerstown. The project total cost is about \$5.5 million. These funds will be used to renovate this existing, vacant historic building, and turn it into 38 apartment units and six retail units. I'm happy to answer any questions you may have.

COMPTROLLER FRANCHOT: Yeah, and I was just up in Hagerstown because we opened up a new branch office location and I announced that we were going to put a remote call center right in Downtown Hagerstown. I think it's a wonderful city and love to support the ongoing efforts to grow Hagerstown's economy. And so I'm supportive of this loan, obviously. But I did want to ask a question. Because apparently the developer that the loan is going to has attempted to get the project underway in the past and I believe received historic tax credits for this project but they were unable to claim them.

MR. MANEVAL: Right.

COMPTROLLER FRANCHOT: Have you, since this is such a top priority for the city, I just wanted to make sure that you've gotten assurances from the developer that we're not going to run into that kind of delay again.

MR. MANEVAL: Yeah, I certainly hope that doesn't happen again. The back story here is the developer previously did receive an allocation of historic tax credits from the Maryland Historical Trust. They were unable to get the project underway.

I attribute the fact that they couldn't get it underway, despite the fact that we weren't involved at that time, to three different factors. One being the economy for small real estate developers, small scale real estate developers several years ago was very difficult. Capital was very hard to come by. It was tough to put deals together. And this is not, since this is a small business, and it's eligible for this program that we operate, they are not the kind of developer that had an incredibly deep balance sheet. So you know, it was tough for them at that time.

Secondly the realities of the marketplace have changed a lot in the last few years. Rents have stabilized. The economy has gotten a little bit better in Hagerstown so it's a more receptive time to be doing a transaction.

And third, and I hope most significantly, we're able through the Department of Housing's Neighborhood BusinessWorks Program to provide the kind of flexible capital that needs to be put into a deal like this to get it off the ground. And I'll also give some credit to the developer. They have managed to realign their finances somewhat to put some significant equity into the deal to make it financially feasible.

So I certainly don't hope we run into any delays. Our team has been working very hard to get it ready to move forward and we hope that they'll close on their loan before the end of the year.

COMPTROLLER FRANCHOT: Thank you for that excellent answer.

MR. MANEVAL: All right. Thank you.

COMPTROLLER FRANCHOT: Thank you.

GOVERNOR HOGAN: Is there a motion on the Secretary's Agenda?

COMPTROLLER FRANCHOT: Move approval.

TREASURER KOPP: Second.

GOVERNOR HOGAN: Three-nothing on the Secretary's Agenda.
We're going to move on to DNR.

MR. BELTON: Good morning, Governor, Mr. Comptroller, Madam Treasurer. For the record, I'm Mark Belton, Secretary of the Maryland Department of Natural Resources. And we have eight items on our Agenda for your approval this morning.

GOVERNOR HOGAN: Any questions on DNR? Motion?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second? Three-oh.

MR. BELTON: Thank you.

GOVERNOR HOGAN: We're going to move on to the University System.

MR. EVANS: Good morning. Joe Evans, representing the University System of Maryland. We have five items on the Agenda. In attendance I have the President of the University of Baltimore Kurt Schmoke. We're here to answer any questions.

GOVERNOR HOGAN: We'd like to welcome President Schmoke. Thank you for being here with us this morning. I don't have any questions but I want to bring up phase two of the new Cole Field House project. Last week I had the pleasure of touring the facility and it's pretty incredible what President Loh and the athletic department have done with that facility and built a great future for the athletic program on the site of such a historic site as Cole Field House. And I've got to tell you, Coach Durkin invited me to come give a little pep talk to the team before the game against Texas.

MR. EVANS: I guess it worked.

(Laughter.)

GOVERNOR HOGAN: And, you know, and they were supposed to lose by three touchdowns and they put 51 points on the number 23 team. The first time in ten years they've beat a ranked team and it was a heck of a way to start the season. So now Coach Durkin wants me to come every week --

(Laughter.)

GOVERNOR HOGAN: -- and give a pep talk. But I think this is a tremendous, a tremendous program with a great, phase two of this I think is going to make it even better. So we were happy to get the tour last week. So that's, I don't have other questions or comments. Anybody else on the --

COMPTROLLER FRANCHOT: Yeah, no, I hope the Governor heads up to Camden Yards and speaks to the Os, too.

(Laughter.)

GOVERNOR HOGAN: I did speak to the Ravens.

COMPTROLLER FRANCHOT: Yeah. I just wanted to ask about the increase in the cost that's gone from \$147.4 million to \$195.7 million from the previous time we saw this I think two years ago. Can you help us understand that?

MR. EVANS: Yes. I'd like to bring up Bill Olen, who is the Executive Director for Design and Construction for the Service Center at College Park.

MR. OLEN: Good morning, Governor, Board members. To answer your question, Comptroller Franchot, last fall when the Senate bill came into act to have the campuses work closer together, the leaders at the two campuses, College Park and Baltimore, took another look at the research that was going to be done in the building. Originally it was going to be public health with orthopaedics, a focus on orthopaedics. The orthopaedic clinic is still going in.

It's grown a little, from six exam rooms to ten, so that's one of it, to bring in more patients, to be able to see more patients. The type of patients that will be seen, public servants, veterans from the armed forces. They've reached out to Walter Reed in Bethesda to talk about collaboration there. The University's Veteran Center is right adjacent to this space. So that was one component that grew.

The other component, the research side of it, the focus from public health to traumatic brain injury. There's a lot of press recently in the last year or so about injuries to professional football players, to others. There's little known about that. There's little research that's been done to date. So there was an intent to refocus the research program, the academic program on TBI. The, listening to the researchers, and I'm not going to do it justice, what they believe they are finding is folks that have had multiple concussions, more than one concussion, whether it's a firefighter that's fallen off a ladder, whether it's a family that's been in car accidents, a veteran overseas with a bomb blast, the brain does not go back to its original form and function after the second concussion, so whether it's an athlete.

So the center has been, there's been a lot of focus. The design is not done on that because it's a new research center. It will be one of maybe two in the country that have the athletic folks close to the research center along with the Veterans Center right there. So, you know, one of a kind.

The type of research, they found that folks with multiple concussions, one of the things they find is sleep patterns change. Their ability to work out, their ability to be mobile, and then their eating patterns change so people may gain weight. So that's been a big focus.

Outside the research area there's been more emphasis on the Academy for Innovation and Entrepreneurship. You know, collaboration for students working on projects with industry leaders, business leaders, business partners. And then we added a, on the athletic side we added two pieces which are part of the scope and the cost increase. We added and increased the size of the dining and nutrition facility to include all the sports teams, not just football. So that's on the top floor of the building. The intent is that any of the sports teams, any of the athletes can be together. So the Athletic Director and the President would like more collaboration between the teams.

The last piece is we did add a tunnel, a pathway for the players to leave the facility, Cole facility, and enter the stadium. Sort of a grand entrance, and then a way for them to leave. And then a halftime, a more suitable location for them to have halftime discussions between the coaches. So those are the major components.

COMPTROLLER FRANCHOT: And how is the system proposing to pay for the extra \$50 million in --

MR. OLEN: The funding plan has remained the same with the exception of the additional funds. The majority of the money on this project, over \$90 million, is coming from donors. As of, I haven't gotten an update this week, but as of mid to end of July it was, we were two-thirds of the way there. The folks doing that continue to raise money. Big 10 TV revenues, this last weekend, as the Governor said, helped us with TV revenues. And then institutional funds.

COMPTROLLER FRANCHOT: Okay. Thank you, Governor.

GOVERNOR HOGAN: Thank you. Any other questions on the University System Agenda? Is there a motion?

COMPTROLLER FRANCHOT: Move approval.

TREASURER KOPP: Second.

GOVERNOR HOGAN: Second? Three-oh.

MR. EVANS: Thank you.

GOVERNOR HOGAN: Thank you, Joe. We're going to move on to Information Technology.

MR. LEAHY: Good morning, Governor, Madam Treasurer, and Mr. Comptroller. For the record, I'm Mike Leahy, Acting Secretary of the Department of Information Technology. Today we have one item on the Agenda and there are agency representatives available to answer any questions.

GOVERNOR HOGAN: Any questions on Information Technology? Is there a motion?

COMPTROLLER FRANCHOT: I have a question. Oh, yes.

Okay, this is one of my favorite areas of interest. Item 13?

GOVERNOR HOGAN: Actually we're still on -- yeah.

COMPTROLLER FRANCHOT: Oh, sorry. Okay. Sorry about that, guys.

GOVERNOR HOGAN: He's jumping, yeah, we've got to finish up Technology.

COMPTROLLER FRANCHOT: Move approval, move approval of --

GOVERNOR HOGAN: Three-nothing on Information Technology. Now Secretary Rahn better get ready --

COMPTROLLER FRANCHOT: Yeah.

GOVERNOR HOGAN: -- because the Comptroller's got a tough question for you.

(Laughter.)

GOVERNOR HOGAN: But before that, if we could I'd like to just highlight Items 15 through 18. These are requests from the Maryland Transit Administration to acquire properties for the Purple Line Project. And I just wanted to say that over a year ago, the Board of Public Works gave the State's final approval to the Purple Line. And I was really pleased last week to have the groundbreaking and to get the construction actually started. And I had the

opportunity to thank all of our local, federal, and private sector partners for their support and cooperation. And as we approve these key property acquisitions, I just want to thank both of my colleagues on the Board of Public Works. Mr. Comptroller, Madam Treasurer, thank you both. Both of you have been strong advocates for the Purple Line and without your support we could not have moved forward on this transformational project, which I think will act as an economic driver for the State of Maryland and for the National Capital Region. With that, Mr. Comptroller, we can go on to your --

GOVERNOR HOGAN: Governor, could, since you opened up the subject of the Purple Line, first of all I do congratulate people for getting it down the field. I think it will be a significant benefit to the economy and to the people. I must say, I don't understand, and I look forward to getting a briefing from you, Mr. Secretary, why our trail has to be closed for five years when my understanding was the building is started in Prince George's and moving west. And I'm also concerned about what is being done to assure that no more of our trees are taken down than necessary. I know a lot of this falls under the county, and not the State, not MTA. But we look to you to monitor it all. I know that county councilmen have raised issues or questions about it, although they too support it. And I just hope there will be more discussion and you will never please everybody. But many years ago Delegate Marsha Perry and I sponsored the Rails to Trails in Maryland bill. And we knew that the land was being

preserved so that it could be used for transportation again in the future. But I hope we can have a community in which the trail, which is used all the time. I mean, it's tremendously popular, tremendously overused trail, actually. That working with the county we can continue to have a great rail system and a great trail system. And I look forward to your leadership.

MR. RAHN: Madam Treasurer, the issue with the trail being shut down for the period of time of construction of the rail line for Purple Line is that while the groundbreaking was Prince George's, construction actually will be occurring across the entire 16 miles of the project. And so the trail has to be closed as the staging area for the work on the rail and the facilities to support that. And so when we are through the trail itself will actually be an improved trail for the public's usage. We believe it will be better than it is today. But that space is needed for the construction of the project.

TREASURER KOPP: Well I just hope, I know, I don't want to take up people's times here. But there are ways to reach out to the community. There are ways to keep people briefed. You never have 100 percent support. But I think it really would benefit everybody, now that we're going, to go together.

GOVERNOR HOGAN: I think it's a good idea, Mr. Secretary. If you would come back and give a briefing, not only to the Treasurer and the Comptroller and I, but I think reaching out to the public so we can make them more aware --

TREASURER KOPP: Yeah.

GOVERNOR HOGAN: -- of all the issues involved. Because I'm not sure everybody knows how we are going to protect trees and make a better trail --

TREASURER KOPP: Exactly.

GOVERNOR HOGAN: -- and why it's needed.

MR. RAHN: We're not cutting any trees that we do not have to. We know that that's a sensitive issue. But there will be trees that have to be taken down.

TREASURER KOPP: And that's been said from the beginning.

MR. RAHN: Right.

GOVERNOR HOGAN: Yeah.

COMPTROLLER FRANCHOT: Yeah.

GOVERNOR HOGAN: Mr. Comptroller?

COMPTROLLER FRANCHOT: Well yeah, you can cut all the trees you want as far as the Purple Line goes because this is a game changer for our area. I am facetious. I know the Treasurer wants --

TREASURER KOPP: No. Please.

COMPTROLLER FRANCHOT: -- those trees to be saved.

TREASURER KOPP: No more than absolutely necessary.

COMPTROLLER FRANCHOT: But you know --

GOVERNOR HOGAN: The gentleman from Tacoma Park --

COMPTROLLER FRANCHOT: You want me to -- yeah.

GOVERNOR HOGAN: -- is on the record saying cut all the trees down.

COMPTROLLER FRANCHOT: Yeah. If you have an extra power saw, let me know. We're on our way. But Governor, thank you for giving a pat on the back to the Treasurer and me, and all the legislators who have been so supportive of this. But seriously, I was stunned that you were able to go to Washington and come back with \$900 million in federal funding. That was just an absolute, whatever persuasive powers you used in Washington, please, bottle them. I'd like to buy some.

(Laughter.)

COMPTROLLER FRANCHOT: Because that was a, I don't mean to act surprised, but yeah, I was stunned at the success. And kudos to you. I did have a quick question about the difference between what we're paying for these four properties and what the appraised prices are. Why don't we just use eminent domain for these properties if people are going to hold us up on the sale price?

MR. RAHN: It depends. We do not have quick take authority under MTA, and where we do have quick take authority for SHA. So to the extent that --

GOVERNOR HOGAN: Why is that?

MR. RAHN: Pardon me?

GOVERNOR HOGAN: Why is that, I wonder?

MR. RAHN: State law.

GOVERNOR HOGAN: Hm.

MR. RAHN: We would love, of course, MTA does not get involved in this very quickly, or I mean, very often, I should say. So what happens is that we can be put in a position where under quick take, we can condemn it, we can actually take the property, start construction, and put money in escrow, and then the courts will decide what the cost is. Under the MTA process, we would have to go through the full condemnation cycle before we have access to the property. And so there is, there are determinations made as to whether the cost of, you know, paying above appraisal is worth it to us. And we are only doing that with critical, critical pieces of property. If there's a way for us to get around, if we have owners who believe their property is worth excessively more than what we think it is, if we have a way to deal with it other than taking it, then we do. But so in this case we don't have quick take authority. And the only option for us is to go through a multiple year process or we reach agreement with the property owner.

GOVERNOR HOGAN: Any other questions on any MDOT?

COMPTROLLER FRANCHOT: Yes. Item 13, if I could. I wonder if --

GOVERNOR HOGAN: Back to Item 13?

COMPTROLLER FRANCHOT: Yeah, is that okay?

MR. RAHN: I --

COMPTROLLER FRANCHOT: Yeah.

MR. RAHN: I think 13 is fine.

COMPTROLLER FRANCHOT: Yeah.

(Laughter.)

COMPTROLLER FRANCHOT: So I wonder if I could get Catherine O'Donnell, I see her sitting in the audience, to come up and explain exactly what we're doing here? Yep. And Catherine, if you could introduce yourself and --

MS. O'DONNELL: Good morning. Thank you, Mr. Comptroller, Governor --

GOVERNOR HOGAN: Good morning.

MS. O'DONNELL: -- Madam Treasurer. My name is Catherine O'Donnell. I'm Vice President and General Counsel for the Maryland and Delaware Railroad Company. And we are honored to be here today for our contract renewal, which is Item 13. So if you have any questions in particular, Mr. Comptroller, or anyone else, I'd be happy to answer them.

COMPTROLLER FRANCHOT: Well I'd just like to be on record supporting the project. Because I think it will help the economic activity on the

Shore. I know the Governor is supportive of this project and I think that it's well deserving of a State partnership. So Mr. Secretary, thank you for keeping an eye on it and moving the project along. I think we're going to see good paying jobs come out of it and I think the tourism industry, which is so important on the Shore, will benefit.

MS. O'DONNELL: Thank you. We're very grateful for your support. Thank you very much.

GOVERNOR HOGAN: Thank you so much for your efforts.

MS. O'DONNELL: Thank you.

COMPTROLLER FRANCHOT: Yep. Mr. Secretary, I didn't mean to preempt you there. But --

MR. RAHN: No. Absolutely not.

TREASURER KOPP: Before we leave mass transit, could I just say for the record that I trust reports have been exaggerated and extreme and it's not the position of the administration not to put any more money into Metro? The Purple Line is great. But if we don't have Metro Red Line and Green Line in Montgomery and Prince George's, our economy will suffer very, very significantly. It's the major, it's the major commuter service now for our citizens going into town and for the folks in Prince George's also. I understand that we have to make everybody come to the table and do the best we can for the citizens

of Maryland. But I think that the thought that we're not going to put any more money into Metro, which is what some people are thinking is --

GOVERNOR HOGAN: Yeah. That's not really accurate.

TREASURER KOPP: Yeah.

GOVERNOR HOGAN: I mean, we said we didn't want to put good money into the program until they solved some of the problems. And we're working on safety. We passed that through the Legislature last time. We're trying to fix some of the kind of historic problems in running that system. But there is a difference of opinion as to how we come up with the additional funding. And it appears as if the Chairman of the WMATA Board and the Mayor of D.C. want \$15 billion in tax increases. And we're not really interested in doing that and neither is Virginia. We're asking for more federal funding and trying to look at other alternatives. So --

TREASURER KOPP: I'm sure things will be worked out. But I, I don't want people --

GOVERNOR HOGAN: I'm pretty sure that's not a very popular thing to do in Maryland or Virginia so it's not going to probably happen.

TREASURER KOPP: And besides --

GOVERNOR HOGAN: We're working on alternatives.

TREASURER KOPP: -- you donated Mr. Wiedefeld to solve the problem.

GOVERNOR HOGAN: He's doing a good job.

MR. RAHN: He is. Governor, good morning, and may I for the record say that I'm Pete Rahn representing the Maryland Department of Transportation. And we have 18 items before you --

GOVERNOR HOGAN: Oh, we already went through the whole Agenda, didn't we?

MR. RAHN: But I wanted to take this opportunity to say based upon the comments of both the Treasurer and the Comptroller is that had it not been for the Governor, the Purple Line would not be underway. It took a call directly to the U.S. Secretary of Transportation. That call was made --

GOVERNOR HOGAN: It wasn't really a call. It was a face to face.

MR. RAHN: And had --

GOVERNOR HOGAN: I had to twist arms. You can't do that over the phone.

(Laughter.)

MR. RAHN: The contract was made on Friday and Sunday we received staff reports back that we would get the --

GOVERNOR HOGAN: There was a little delay in the process that we had to work on.

MR. RAHN: So it would not have happened without the Governor's contact to Secretary Chao. And otherwise we'd still be --

GOVERNOR HOGAN: I want to give Secretary Chao a lot of credit. Because she recognized the importance of it and helped us push it through. I mean, I don't, it was certainly, and thank you. It took a lot of people for a lot of years to make it happen. Any other questions on Transportation?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Move approval? Second?

TREASURER KOPP: Second.

GOVERNOR HOGAN: Three-nothing. Mr. Secretary, you snuck by on that one. Now we're going to move on to our final victim. It's the Department of General Services.

MR. REICHART: Good morning, Governor, Madam Treasurer, Mr. Comptroller. For the record, I'm Nelson Reichart, Deputy Secretary of General Services. The department has 29 items on the Agenda, including two supplementals. We'll be glad to answer any questions that you might have.

GOVERNOR HOGAN: Any questions on DGS?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second? Three-nothing. Great job.

Thank you all very much. The Board is adjourned.

(Whereupon, at 11:03 a.m., the meeting was concluded.)