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

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Treasurer

HONORABLE PETER FRANCHOT

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PROCEEDINGS

GOVERNOR O'MALLEY: Well ladies and gentlemen, welcome to the Board of Public Works on January 7th, 2015, my last public, my last Board of Public Works meeting. Please, hold your applause.

(Laughter.)

GOVERNOR O'MALLEY: Don't, now hey, come on, hold your applause. Eric, don't spike the crowd. So, look it's been an honor to serve here with all of you. And I, I want to thank all of the members of, not only the Comptroller and, and the Treasurer, but also their staffs who have worked with the able men and women of my staff, Peggy Watson, and, and Liz Harris, Kevin Large, and, and all of you. It's been a great honor to serve on this Board. This is a very, very important mechanism of our instrumentalities of self-governance. And because of the tough decisions that have been made at this Board time and time again we were been able to come through this recession in advance of most states. And I don't believe that that would have been possible were it not for, for this mechanism, this Board. And it's been, as I say, a real honor to have served with the Comptroller here and also with the Treasurer. For me, it was like listening to classical music out of one ear and heavy metal out of the other. It was like --

(Laughter.)

GOVERNOR O'MALLEY: So --

TREASURER KOPP: I know which one I --

GOVERNOR O'MALLEY: -- one of the main pieces of business we have to deal with today is another one of those middle of the year, between Session, round of cuts that we, this will be the ninth one of these that we have had to, that I've had to present to the Board of Public Works. So we're going to handle that as the first order of business after opening comments. And again, it's been a great honor to have been able to serve the people of Maryland here. Mr. Comptroller? Madam Treasurer?

COMPTROLLER FRANCHOT: Thank you, Governor. And switching to the classical music channel --

(Laughter.)

TREASURER KOPP: Whatever.

COMPTROLLER FRANCHOT: -- I wanted to just take a moment and sincerely thank you. It is a historic meeting. I, my wife Annie has joined me. She wanted to come down and, and give you her best. And my view is that with so much focus in the country these days on what people in public office are doing that is wrong, this Governor's dedication and commitment not just to the Board, which I appreciate, but to the citizens of our State over the last eight years, to me

it serves as a shining example of those who get into politics for all the right reasons.

GOVERNOR O'MALLEY: I thank you, Peter.

COMPTROLLER FRANCHOT: And for those who spend every other Wednesday morning here, as the Governor noted we haven't always agreed on every item that came before the Board. But throughout Maryland's history Comptrollers and Governors have butted heads on more than a few occasions. And I think compared to our predecessors who have come before us, our points of consensus here have always been sincere, our disagreements have always been respectful.

Through it all there has never been a single moment when I questioned this Governor's commitment to those time honored Maryland values of opportunity, inclusion, and fairness. And whatever might come next, Governor, there is no doubt that our State and our country will be far better off as a result of your continued engagement and involvement in the public debate. And before we get to the heart of this Agenda in commemoration of your commitment and service I'd like to present you with a parting gift that my wife Annie and I picked out together for you and the First Lady.

GOVERNOR O'MALLEY: Oh, you shouldn't have.

COMPTROLLER FRANCHOT: Even in our points of disagreement, Governor, I've always admired and shared your passion for history, your commitment to progress, and your appreciation for Maryland art. So Annie and I picked out this piece for you at a fabulous gallery in Baltimore City called Galerie Myrtis. It depicts one of America's greatest pioneers for justice, Maryland's very own Frederick Douglass, along with one of his most memorable lines, "The thing that is worse than rebellion is the thing that causes rebellion." As the Governor who made Frederick Douglass the first African American to have his portrait hang in Government House, it's fitting that you have his likeness to take with you as a reminder of your time and service on behalf of the State of Maryland. We actually have the artist, Benjamin Jancewicz, with us today, and the founding director of this fabulous gallery on North Charles Street, Myrtis Bedolla, are with us today. And could I ask both of you to stand, just for, to be recognized by folks? Nice to have you here with us.

(Applause.)

COMPTROLLER FRANCHOT: Annie and I liked this so much that I think they came just to make sure I actually give it to you, Governor.

(Laughter.)

GOVERNOR O'MALLEY: Wow. Shall I stand and unwrap?

COMPTROLLER FRANCHOT: Sure, definitely.

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

COMPTROLLER FRANCHOT: Yep.

GOVERNOR O'MALLEY: That's great.

COMPTROLLER FRANCHOT: Governor, thank you.

GOVERNOR O'MALLEY: Peter, thank you.

(Applause.)

COMPTROLLER FRANCHOT: I actually wanted, if Annie and Benjamin and Myrtis could join the Treasurer and the Governor and I? And if you could all give a standing round of applause to the Governor, because he deserves it.

GOVERNOR O'MALLEY: Aw.

(Applause.)

GOVERNOR O'MALLEY: Thank you. Thank you very, very much. Thank you. Thanks very, very much. Annie, thank you. Yeah, I love it. It's very, very cool. Very much. Thank you.

COMPTROLLER FRANCHOT: Myrtis, Treasurer Kopp, and Governor O'Malley.

GOVERNOR O'MALLEY: Myrtis, how are you?

COMPTROLLER FRANCHOT: The owner of the gallery.

GOVERNOR O'MALLEY: Come on up close. It will feel unnatural, it will look good. Benjamin, how are you, man? Awesome stuff. Good to meet you, too. Love Frederick Douglass, been my hero since boyhood. You guys can all sit down.

(Laughter.)

GOVERNOR O'MALLEY: Thank you. Annie, thanks very, very much. Aw, thanks, Peter. Thanks a lot, guys. That is very, very cool.

TREASURER KOPP: That's a good thing, because the very large Frederick Douglass that now resides at the mansion is much too large to move --

(Laughter.)

GOVERNOR O'MALLEY: Mr. Comptroller, thank you. And Annie, thank you as well, Peter and Annie both. It's been an honor to serve here with you. Thanks. It's very kind. Madam Treasurer, any thoughts?

TREASURER KOPP: Well, yes.

GOVERNOR O'MALLEY: What do you think about me? Go ahead.

(Laughter.)

TREASURER KOPP: I made some remarks yesterday, Governor.

GOVERNOR O'MALLEY: Yeah, you did. You did.

TREASURER KOPP: Here's -- well, first of all, I think that's beautiful, and I congratulate you on your work. I'm very glad it's signed. I've got to get to the gallery sometime in the next -- quickly, quickly, you'll see me there. Yeah, I also was fortunate enough as many people were here to go to the unveiling of the Harriet Tubman, unique Harriet, Harriet Tubman bust on Monday, was it Monday? It was fascinating, and I urge everyone who can get in there now to, to go because, and you would really appreciate it, that the, the artist, the sculptor took a 60-year-old woman, big photo of a 60, 65-year-old woman, and using the best forensic science and his creativity drew a beautiful, made a beautiful bust of a 35-year-old, which, which is the age that Harriet Tubman was when she was leading the Railroad. And it really is an amazing thing. I mean, it was very impressive. So I want to thank you, Governor, for putting Harriet Tubman and, and Frederick Douglass in the people's house.

There are so many things I could say. I will say what I, I said yesterday, which was I think that no other Governor of Maryland since 1939 has, has governed through such very tough times. People forget, it's amazing how people forget that the global capital markets nearly broke down. That we were faced with some, what some people called a great recession and others a lesser depression. And through it all, Governor, you led. And we made cuts. We made billions of dollars of cuts. We, we had to unfortunately make position cuts. But

with an eye on priorities. And I know there are some folks who are unhappy today. I share their unhappiness. Nobody likes to cut the programs that are most important and investments in people like higher education. But through these tough times where some states just went in and slashed the priorities of Maryland and Marylanders were, were maintained. And I think it's really quite extraordinary, in fact perhaps unique in, in, in this nation. And as a citizen and a parent, I just want to thank you. It's, it's been a pleasure. Our tastes in music are not exactly the same, but --

GOVERNOR O'MALLEY: Oh, they're closer than you think.

(Laughter.)

TREASURER KOPP: Exactly. But I just, I do want to thank you for being the right man at the right time.

GOVERNOR O'MALLEY: I thank you, Madam Treasurer. It's been an honor serving here with you.

Okay, we're going to get into the serious business of this work today and none of this is, are things that we enjoy. No one likes, no one likes doing the, there are so many good things that are being done by people throughout our State and we know that we could be doing more of it and we could be doing it better and, and, and touching in a positive way even more people, and, and we are doing that certainly better and more broadly than we were four years ago in the

middle of this recession and we will do it even better in the, in the years ahead. But right now requires that this is a, a time when we have to do some rebalancing, when we have to make some painful and difficult choices and tough choices, but this too is fiscal responsibility and this is what it takes in order to make progress.

So shortly we're going to hear from Eloise Foster. I'm going to, I'm going to stand up and run through just a few slides here. And as I, as I do that I wanted to kind of set the broader context. I mean, if there's been one aspect that has, you know, kind of colored the backdrop of our work over these, thank you, over these last few years it has been having to weather this great recession, or more minor depression. And so it's all about the economy, right folks? I mean, without jobs there is no progress. And so everything that we do, the investments we make to educate, to innovate, to rebuild our infrastructure, it's all about jobs and making our economy go and grow and do so in ways that create more and better jobs.

Now back during the last presidential campaign one of the, one of the candidates in the proud party of Lincoln, Mr. Romney, promised vote for me and we'll get GDP growth back up to four percent. Newt Gingrich, not to be outdone, said vote for me and we'll get GDP growth up to 4.4 percent. Last quarter, nationally, GDP growth reached five percent, greater than what either of those would-be contenders had promised. Also at that time candidate Romney

promised vote for me and I'll get unemployment under six percent. Well national unemployment is now under six percent. In fact, it's better than that, it's 5.8 percent. And candidate Gingrich promised vote for me and I'll get gas prices down to \$2.50 a gallon. Nationally gas prices are now \$2.38 a gallon. So there are many things that are, that have improved and are going a lot better in our national economy.

And as I say these things I know as discerning and thinking citizens of our State you're asking yourself, well, why then do we have to do these cuts? The reason we have to do these cuts is because our strength is also our weakness, as Sun Tzu said, and in this Chesapeake region, which is home to the National Capital Region, investments in science and security and the health of our country are also things that affect our economy much more directly than they do other parts of our country. And so government shutdowns, continued threatened government shutdowns, congressional misbehavior that results in sequester cuts that continue on and on and on have a disproportionate impact on our economy compared to, say, the economy of Southern California or the Northwest or, or even New England.

So that's, that's what we're contending with here. Having come out of the recession in advance of most states, we now have had to sail through, along with our sister state Virginia, we have had to bear the brunt and really take

it on the chin more than any other region because of the misbehavior in, in Congress. So let me run through a few of these here. And I know I have to switch this to on, right? There are two speeds in government, on and off. All right, so we are in on.

These are the things that we've done together. This is where Maryland is, right now. Number one public schools in -- you're going to be on T.V. if you stand there. This is Jeremy, he never smiles.

(Laughter.)

GOVERNOR O'MALLEY: He is the -- all right. So Maryland today, number one public schools in America five years in a row, record investments every single year over the last eight years to make that happen, not only operating side but also school construction. Number one median household income in America. Number one in innovation and entrepreneurship, not says us but says the U.S. Chamber of Commerce. Three years in a row, the U.S. Chamber of Commerce has named Maryland number one in innovation and entrepreneurship, the things we do on stem cells, cybersecurity, life science, biotech. And finally, and I think probably most significant of all of these, is according to the Pew Center on States, Maryland is one of the top three states in the United States for upward economic mobility at a time when our entire nation is wrestling with the question of how to make our middle class grow, how to get

wages to rise again. Right, Unite Here? And, and how to restore that forward movement that our country had sustained for roughly 230 years prior to this last decade.

So this is job growth in our region. So the, the red line there is Virginia, the yellow line is Pennsylvania, and that top line is us. So we have since the depths of the recession achieved a faster rate of job creation than our neighbors in Virginia and than our neighbors in Pennsylvania. Even though they are larger geographically and population wise, we have achieved a faster rate of job creation.

We have now recovered, actually for the second time, a hundred percent of the jobs we lost in the recession. And that's what it has looked like. And this has been the slog every month. When I was Mayor of Baltimore, every day I'd look at crime numbers. I do that every day here as Governor as well, the overnight crime reports. But every month any one of my staff can tell you my mood was always colored most when those monthly job numbers came out. Because this is the hill we needed to climb and get over. We need to in order to move forward.

Now like Virginia we have to deal with the revenue impact of the federal shutdown and continued sequester cuts. And also the damage that is really done to business and consumer confidence when you have Congress threatening

every, it seems like every time you turn on the news, to shut down our government again or to shut it down unless some unreasonable demand is, is met. Today we'll be asking, I will be asking, this administration will be asking the Board of Public Works to approve \$410 million in budget reductions to balance the fiscal year '15 budget, which is the one that we will be, we're right smack dab in the middle of, actually. There are six more months in that '15 budget. And to better prepare for our recommendations for the '16 budget, which will be a budget introduced ultimately to the General Assembly, or should I say imminently to the General Assembly by the Governor-elect.

A brief history of where we are and why from a fiscal standpoint, just a refresher course here. Some of you were here when many of these things happened, many of you were not here when these happened. Some of these things were external things that were done to us and some of them were things that we did to ourselves.

From 1997 to 2002, without any really good damn reason, our elected representatives chose to do an across the board income tax, for everybody including millionaires, multimillionaires, and multi-multimillionaires, a ten percent across the board income tax cut. It was like the cotton candy of campaign time. Everybody loves saying they cut taxes. But the problem was it took \$1 billion out of our revenue stream at almost the same time that the General

Assembly passed Thornton, which locked in a \$1.5 billion increase in our expenditure for schools. So at campaign time it sounded great. We increased school funding and we've cut taxes across the board. But math is a stubborn thing. And when you take \$1 billion out and tack \$1.5 billion on in new investments, eventually there comes a time of reckoning.

Now that can was kicked down the road from 2002 to 2006. And we really didn't take action to resolve the structural deficit and so it continued to grow. In 2007 this administration called the Special Session, what many called the especially horrible Session, and we did a number of tough things. We took balancing actions that included cuts of \$550 million to attack a \$1.7 billion structural deficit and we also took measures to restore the revenues we had lost back here. So we put in place a progressive income tax for the first time, that while it lowered income taxes on 85 percent of us it raised income taxes on the top 15 percent of us. We asked all of us to do another penny on the sales tax, raising us from the, I think the, what, the 32nd lowest sales tax to now roughly the 30th lowest sales tax. But that one penny generated about \$700 million, paid for schools. The third thing we did was we asked our corporations to pay another one percent on the corporate income tax. We also did some things on the tobacco tax in order to cover a lot more people with healthcare. And so that's what we did.

No sooner had we taken this action to address the structural deficit than we got hit by the great recession. And the great recession took twice as much money out of our bottom line as that ill-considered politically popular tax cut back in the, at the turn of the decade. We've cut \$2 billion that fell out of our, our revenues because of the recession, the job losses, the home losses, the foreclosures, and everything else that shook our economy.

We made a lot of tough decisions in order to maintain a AAA bond rating and to maintain our investments in that better economy. We came out of the recession ahead of most people, most states. But then in 2013 our strength of having the National Capital Region in our region started to be a weakness. And the federal sequester began. And it was cuts to a lot of places where moms and dads throughout Maryland work on science, health, and security. It hurt our economy. Then came the government shutdown that happened -- when was that? October, '13? Was that October, '13? 2013. And then repeated threats, so long with the sequester, which didn't just happen in one year, it happens one year, and then it repeats every year. It's almost like a vice here. So that's the brief history.

This is a slide that we refer to as the psychedelic dollar, ladies and gentlemen. The psychedelic dollar shows you where your State tax dollar goes, where your General Fund dollars, which is the bulk of our budget. We're not talking the federal dollars that flow through us but we're talking the State dollars,

where they go. So right now 49 cents out of every dollar goes to education. Twenty-five cents of every dollar goes to health, which I think is down from what it was before. Eleven cents out of every dollar goes to public safety, so that's prisons, the jail, parole, probation, juvenile services, and also State Police. And then the rest is 15 cents out of every dollar. So sometimes citizens will understandably say, look, I want you to look for waste. I want you to find ways to save money. Just don't hurt education, health, or public safety. It limits the places to look in some sense, in that 15 cents out of every dollar is left because education is 49 percent, health 25, public safety 11. You get the point.

So no progress without fiscal responsibility. The cuts and budget actions that I'm asking of the Board today will now raise to a cumulative total \$9.7 billion in cuts that this administration, the O'Malley- Brown administration has had to enact over the course of these last eight years. And again, I want to acknowledge the, the hard work and the service of the Comptroller and the Treasurer and their office, because they have had to go through and comb through each of these things. They are only one person's judgment. But then we had to consider them here at the Board. So this, that's 9.7 in cumulative cuts. Budget growth has been held to the lowest in a generation, and depending on how you count generations, we're counting generation as Marvin Mandel, but it might even be lower than that. So budget growth is the lowest levels in a generation. We

have reduced the size of the executive branch to 1973 levels on a per capita basis, that's even with a 37 percent increase just over the last few years in degree attainment. You know, teaching more and more people through our higher ed. We have abolished 6,000 positions in State government just since 2007. This is the eighth, we have submitted eight budgets, eight consecutive budgets, even through these tough times, and every single one of them complied with the spending affordability guidelines of the General Assembly. We have always maintained and have never dipped into our rainy day fund below the five percent required. And even with these cuts today that rainy day fund will, will remain at five percent, which of course plays into the fact, Madam Treasurer, that our State's AAA bond rating was reaffirmed once again in July of 2014.

So this is what the mountain of cuts has looked like cumulatively here. Down at the bottom these red, these red bar graphs represent the dollar amounts, this is in billions on the side here, that were taken out of the State budget either in annual budget submissions or, where so indicated, Board of Public Works action here. One, two, three, four, five, six, seven, eight, and nine. Now as you can see from over here the actions that we take today, while significant and painful, are not as large in dollar terms as they were in some of these other rounds here at the Board of Public Works. However, once you have done all of these other things you are down to a point where you are in fact not doing more with

less but you are doing less with less. Each one of these cuts here became successively more difficult if part of your goal was not only to cut, any nitwit can cut, but to cut in ways that did not harm our strength and our forward movement and the progress that we were achieving for our children's better future.

So this is the average annual General Fund growth rate for the last administrations going back to Marvin Mandel. Every granule of General Fund growth, and this includes rainy day fund, Mandel was 13 percent, Hughes 8.6, Schaefer 5.7, Glendening 5 percent, Ehrlich 8.2 percent average annual General Fund growth, O'Malley 1.3 percent.

This is State employees per capita now. We're now down to the lowest level of State employees per capita that we've had since back here in 1973. The rainy day fund balance is, even with these Board actions, will be \$785 million and it meets the 5 percent requirement that the bond rating agencies look to as a sign of fiscal stability. Moody's, Fitch, Standard & Poor's, Maryland is one of only seven states through this recession to have maintained its AAA bond rating. And again, as I said, it was recently reaffirmed.

These are nice words from the *Baltimore Sun*, which I always try to put on a big board whenever they rarely happen.

(Laughter.)

GOVERNOR O'MALLEY: Maryland is on track to be in an even stronger position when he leaves. This is total State and local tax burden as share of personal income. So the highest state and local tax burden as share of income is AK, which is Alaska. We have the fourth lowest State and local tax burden as share of income in the United States. Stated another way, there are only three states that have a lower State and local tax burden as share of personal income than we do, and those states are South Dakota, New Hampshire, and Tennessee. The source for this, Michael, is the *Federal Funds Information for States*.

So these are the things that we're going to be asking of the Board of Public Works today. They are total \$410 million, of which 402 of these will affect the General Fund. So total fund reductions of \$206 million. Fund balance transfers, that is to say a cut from one fund reallocated to another, is \$108 million. Contingent fund reductions and cuts, \$53 million. Additional revenues, only \$3.6 million but hope springs eternal. And I'm sure as soon as I walk out of here we might get our first revenue estimates that exceed projection. You know? Actually we did have some that exceeded projection. What was it? The sales tax? Was that the one that exceeded projection this last time? Anyway, so planned diversions \$1.4 million, and a voluntary separation program. We did one of these once before. When was that, Ms. Peggy?

MS. FOSTER: 2010.

GOVERNOR O'MALLEY: In 2010 we did a voluntary, you know the retirement thing? And so between that and the abolishment of vacant positions, that's another \$37 million. So all of that totals up to the 410 in budget actions that I'm asking of the Board today. There are no layoffs to State employees, Pat. No cuts to K to 12 education. And this is the ninth time that I've asked the Board to approve midyear budget cuts to not only preserve the balanced budget and the AAA bond rating but really to move Maryland forward. Thanks a lot.

(Applause.)

GOVERNOR O'MALLEY: Madam, we're going to go to the Budget. And the first one is the walk on item, which are these cuts and other budget actions. Secretary Foster?

MS. FOSTER: Thank you, Governor. Good morning, Madam Treasurer, good morning, Mr. Comptroller. I will introduce the entire Agenda. There are 15 items on the Department of Budget and Management's Agenda for today. Item 15 is the hand-carried item and this is the item that requests the Board to approve \$410 million in total fund budget balancing actions. We are doing this to address the revenue write down for, that occurred in December as well as to address anticipated deficiencies.

As the members of the Board already know, many states, including many of our neighboring states, have been dealing with significant budget challenges due to shortfalls in their revenue collections. And as the Governor indicated in Maryland we too have experienced under performance in our revenues and our revenue estimates for the current year have been written down twice, once in September and then again just last month. So in keeping with the Governor's commitment to fiscal responsibility we really believe it's important to take action now to address the shortfall. These actions will ensure that the --

GOVERNOR O'MALLEY: And Madam, Madam Secretary, could you just, what was the dollar amounts of the two write downs that have already happened? Not to throw you off.

MS. FOSTER: So the write down in September was \$177 million, Governor, and the write down for December was \$123 million. So --

GOVERNOR O'MALLEY: \$177 million revenue write down, 123, thank you.

MS. FOSTER: So \$300 million over the course of three months.

GOVERNOR O'MALLEY: Thanks a lot. I'm sorry to interrupt.

MS. FOSTER: That's all right.

GOVERNOR O'MALLEY: But I think it's important.

MS. FOSTER: So as we go forward and make these reductions these actions are really going to ensure that the State's books are in order as we transition to a new administration, and of course these reductions will improve the State's long term budget outlook.

Now as I said earlier, the reductions before you are part of a \$410 million package. The Governor has already discussed the major components of our plan. The items, members of the Board, are included in a detailed summary in your packet but I'll just give you an overview of what some of the major reductions are.

Major reductions include a 2 percent reduction that's allocated across the State agencies, that totals \$113 million. We also recognized nearly \$22 million in savings from reducing the growth in rates for providers unless they had already negotiated. There's nearly \$18 million in reductions to the public higher education institutions, and a \$7 million cut to the local community colleges. Certain components of local aid are being reduced, specifically police aid, local health, and the disparity grant. Those reductions are taking the funding for those programs back to fiscal year '14 levels. It generates \$14.5 million in savings. Our balancing plan also includes a \$65 million transfer from the Local Income Tax Reserve Fund to be repaid at a future date. There is a \$45 million reduction based on a proposal to use the non-federal portion of the remaining MHIP, or the

Maryland Health Insurance Program fund balances. Those funds, those monies will be used to support increased Medicaid costs, including those associated with former MHIP enrollees. There's also an \$8 million reduction reflecting assumed savings in Medicaid from a reduction in hospital rates due to reductions in uncompensated care costs.

Now all of these actions when combined will result in a positive fiscal year '15 General Fund balance of nearly \$6 million. As the Governor indicated, the, with these actions, cuts in the O'Malley administration will reach \$9.7 billion. By basically putting this plan into, into place the administration is once again making the tough but fiscally responsible decisions to keep our State's financial house in order and to preserve our AAA bond rating.

In closing I would ask the members of the Board to approve Item 15 and if you have questions I'll be happy to address them. Thank you.

GOVERNOR O'MALLEY: Thank you, Madam Secretary, and for all of your good work through these years. Questions on all or any of these items?

TREASURER KOPP: Just to put on the record, Madam Secretary, the, the question of the Local Income Tax Reserve.

MS. FOSTER: Yes.

TREASURER KOPP: What this actually does is transfer a portion of what had been allocated to the Income Tax Reserve to be allocated to the General Fund and insert a recognition of an obligation to repay or to, to fill it in. Is that right? So that, so that in the accounting book, which is what I'm focusing on in the moment, there essentially is a balance as opposed to what was done at one time in the past, which was simply take money out --

MS. FOSTER: Correct.

TREASURER KOPP: -- and create a greater unfunded balance. Is that --

MS. FOSTER: You're correct. And I would point out, Madam Treasurer, yes, there is a plan to, to repay it in subsequent years. The Fund has a balance of about \$250 million. And the other thing I would stress is that certainly in taking this there is no local government who will not receive a payment on a timely basis.

TREASURER KOPP: Right. Right. Okay, let me just say, Governor, I hate, I hate cuts. I particularly hate cuts in education. And this is really higher education. It has been kept in better shape in Maryland than almost any other state across the nation in the last eight years and I know this will not be easy to meet. I am, I have to say, I was pleased to hear that these, the

discretionary items were actually taken from the list that the university did not want but thought were the most prudent to take. And I, I appreciate that.

So now moving, moving on, I, I just have to say reading the paper the situation in Europe, the situation in, in South America, it's great that the price of oil is going down but it has some very serious implications, among other things for our trading partners and for export. This is a very complicated world and now we have the new Congress that was sworn in yesterday and it's very uncertain. And one of the concerns is that Maryland is the home to some great, not only the federal installations, civilian and, and defense, but some great contractors and subcontractors. And those private corporations, ranging from the large Lockheed Martins to the, to the small subcontractors, are just standing there trying to figure out what to do and whether to, to slow down their spending, even though their allocations have not yet been, been cut, because of concerns. Not just sequester, but additional cuts. And so the ripple effect in Maryland, not as bad as Virginia because that's so focused just on defense, but still the ripple effect in Maryland is going to, is going to continue.

I would not for a moment like to see Lockheed Martin, or its subcontractors, or the Johns Hopkins institution, or Marriott, or Northrup Grumman leave this State. They are important to our State. But that is one of the prices that we pay for having these great corporations and institutions.

GOVERNOR O'MALLEY: Any other questions? Mr. Comptroller?

COMPTROLLER FRANCHOT: I just wanted to thank the Budget Secretary for the overview.

MS. FOSTER: Mm-hmm, thank you.

COMPTROLLER FRANCHOT: And frankly if this is your final presentation before the Board on budget issues, I want to thank you for your extremely effective service --

MS. FOSTER: Oh, thank you.

COMPTROLLER FRANCHOT: -- to the State of Maryland. And Governor, I couldn't agree with you more. I think none of us, including the Treasurer, want to conclude your tenure on the Board with this, these cuts. And it was obviously not something you had in mind when you were first elected Governor back in 2006, which was a, as you noted, a far more prosperous time in Maryland and in the country. The fact is that those days are gone and have been for some time. And we have experienced the worse economic crisis since the Great Depression, punctuated by the near collapse of our nation's financial system, and followed by the slowest and most anemic recovery of our respective lifetimes. And the State of Maryland, as the Treasurer noted, continues to feel the aftershocks of our great recession, from unemployment that remains high by

Maryland standards, to wage salary growth that remains unable to keep pace with inflation. The fact of the matter is that for far too many consumers they are simply unable to have the disposable income to spend and put back into the Maryland economy. Or at least if they do have the disposable income they don't feel comfortable right now given the economic winds that are blowing out there. And when that occurs our consumer driven economy suffers, our small businesses don't do well, our economy sputters, government doesn't take in the revenue that's needed to maintain all the services we would like to provide. And so we're left with the unappealing choice of whether to leave the problem untended for a brand new Governor to deal with at the moment he takes office, or to take more immediate action to staunch the bleeding. And I for one believe that Governor O'Malley is doing the right thing here this morning. Actions that we're taking today will enable us to get ahead of the immediate problem instead of falling further behind. They will leave Governor-elect Hogan in a far more tenable position from which to address the long term fiscal challenges that still confront our State.

In addition to saluting the Governor for the actions he's initiated here today, I would like to echo his comments about this most unique institution, the Board of Public Works. Because it allows us to make real time course corrections without having to wait for the General Assembly to reconvene. It's

impossible to overstate the importance of this Board and its constitutional authority to take immediate and substantial steps to curtail State spending in times such as these. They are, it's extremely important, in my opinion, to the fiscal well being of the State. Do I like everything that's contained within the proposal? Of course not. Nobody wants to sit here and sign off on significant cuts to mental healthcare for the developmentally disabled, colleges and universities, life changing biotechnology research, just to name a few priorities. And to be sure there will inevitably be those who believe that this Board should make even deeper cuts and rely less upon balance transfers and such than we have today. But at moments like these when the State is spending more than it's taking in I firmly believe it is the Governor's responsibility and his prerogatives to make these difficult choices, and given their important context I'm not inclined to challenge what he's trying to accomplish on a piecemeal basis despite all of the phone calls that I'm sure all of us have received. Rather it's my hope that the actions the Governor has initiated here today will be part of a sustained effort in the coming years to continue to get Maryland's fiscal house in order once and for all, which will ultimately allow us to preserve and not dismantle those investments that we consider truly vital to our State's quality of life. So Madam Treasurer and Governor, I'm pleased to join you in yet another round of, not pleased, but I'm appreciative of what is going on today and I think it is a positive

step towards where the State needs to be. And thank you for bringing these cuts before us.

GOVERNOR O'MALLEY: Thank you. Any other questions? All right. Having repeated all the -- Madam Secretary, was there any caveat you wanted to put on one of these? We had talked in --

MS. FOSTER: I did.

GOVERNOR O'MALLEY: Okay.

MS. FOSTER: It's, I did it when I went through. It was in regard to the \$22 million for the provider rates unless those rates had been negotiated.

GOVERNOR O'MALLEY: Unless already negotiated? Okay.

MS. FOSTER: Yes.

GOVERNOR O'MALLEY: 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 now move on to the Secretary's Agenda.

MS. FOSTER: Governor --

SECRETARY MCDONALD: -- the whole balance of her Agenda? Because she had somebody --

MS. FOSTER: Actually that was --

SECRETARY MCDONALD: -- that wanted to speak on an item.

TREASURER KOPP: One item.

MS. FOSTER: I was going to say, I have 14 other items. I understand that for Item 4 we do have someone who is here to speak.

GOVERNOR O'MALLEY: I'm sorry.

MS. FOSTER: And Item 4 --

GOVERNOR O'MALLEY: I meant to say on to the balance of the Secretary's Agenda.

MS. FOSTER: So maybe -- okay. So for Item 4 is a contract to provide inmate food services at the Baltimore City correctional and detention facilities. And from --

GOVERNOR O'MALLEY: Sure. I'm sorry, Madam Secretary, I had neglected to recognize the Treasurer --

TREASURER KOPP: No, I didn't mean to interrupt you.

GOVERNOR O'MALLEY: -- before we move on.

TREASURER KOPP: I just thought that was an opportune moment to add to what the Comptroller said. That among the very great things

about your administration, Governor, I think were the people whom you brought in to serve, some of them not for the first time, the people of the State of Maryland. And I think the role that Secretary Foster, who doesn't like cutting actually any more than anyone else does, Secretary Foster has played in these very difficult times can't, it's hard to understand how difficult it's been, how deep it's been, and how much, how much the people of the State of Maryland owe her. And I just wanted to acknowledge, acknowledge that.

GOVERNOR O'MALLEY: Hear, hear. Eloise, we would have been lost without you.

TREASURER KOPP: And the rest of the --

GOVERNOR O'MALLEY: Thank you.

MS. FOSTER: Thank you.

(Applause.)

TREASURER KOPP: For someone who has retired twice already. There's one other lady, if I could, if I could cite, the former Budget Director and Finance Director of Baltimore City, Ms. Watson, who is sitting --

(Applause.)

GOVERNOR O'MALLEY: And Peggy, we would have been lost without you, too.

MS. FOSTER: Yes.

TREASURER KOPP: Yes. So I, I just wanted to thank you.

GOVERNOR O'MALLEY: Peggy was our Finance Director in the City of Baltimore, where unlike New Jersey we kept getting upgraded in our bond rating.

(Laughter.)

TREASURER KOPP: I just, sorry for interrupting.

MS. FOSTER: Well thank you very much. That's very nice, thank you. But Item 4, Item 4 is a contract to provide comprehensive inmate food services at the Baltimore City correctional and detention facilities. From the Department of Public Safety we have Acting Secretary Carroll Parrish.

MR. PARRISH: Good morning, Governor O'Malley, Madam Secretary, and Mr. Comptroller. I'm here today to recommend for the Board's approval to establish a contract with Crystal Enterprises to provide inmate food services for our correctional and detention facilities in Baltimore City. This contract is to provide food services, to include all food supplies, food preparation, distribution, staffing, sanitation, and maintenance for the food services areas within correctional detention facilities in Baltimore. The contract will result in a decrease in the current contract pricing of approximately 35 percent or over \$20 million over the next three years.

The contract will result in a substantial economic benefit to the State of Maryland as Crystal is a woman-owned certified minority business enterprise with its principal office located in Glenn Dale, Maryland. One hundred percent of the contract dollars will be recycled into Maryland's economy through the purchase of food and supplies, payroll taxes, sales taxes, revenues, minority business enterprise subcontract dollars, and health insurance coverage for Crystal employees from a Maryland-based company.

Also, as a result of the changes in the specifications from the current contract specifications awarding the contract will also result in the department being able to take advantage of improved food quality and more stringent adherence to federal nutritional and preparatory guidelines, an automated system to maintain and forecast food supplies and inventories, an extensive emergency plan, enhanced sanitation ratings, and access to a pool of certified and experienced personnel to prevent staffing shortages.

The department released the RFP on May 9, 2014 and proposals were due on August 8, 2014. An evaluation committee evaluated the proposals in accordance with COMAR Title 21 and the evaluation criteria set forth in the RFP. The evaluation committee submitted numerous rounds of curious clarifications in order to maintain competition and to ensure the department would receive the most advantageous offer. The recommendations were forwarded to me and I

concurred with the procurement offices based on the fact that Crystal was deemed both technically and financially superior to Trinity. And so when looking at it we found that it was a great benefit to the State of Maryland. So for that, I'm asking your, asking you to consider and approve of this contract in sincere appreciation. And if there is any potential questions, I'll take those now. Yes, sir?

COMPTROLLER FRANCHOT: Are you confident that the winning bidder can actually produce the services that were in your RFP? And what protection for the taxpayers is there if there is, to your disappointment, an inability to stay within budget?

MR. PARRISH: Yes, sir. We, we believe that they can adequately supply and meet our, our needs. We do have contract monitors that operate our State correctional facilities, our State contract monitors. So we, we are confident that we can, that they can meet our need and we can sustain.

COMPTROLLER FRANCHOT: And there, there is a bond on this that they agree, if they for some reason fall short in performance, are they, is the State going to be able to I guess rebid this if this doesn't work?

MR. PARRISH: I'm pretty sure there should be. Yes. Yes, sir.
Yes.

TREASURER KOPP: Is it \$2 million?

COMPTROLLER FRANCHOT: So there's a performance bond?

MR. PARRISH: Yes, sir.

SECRETARY MCDONALD: The item, the item was revised a few minutes before the meeting to indicate that there is a \$2 million performance bond on this. So that will be in the record, a \$2 million performance bond.

COMPTROLLER FRANCHOT: Okay. And your explanation on why there was such a big gap between the winning bidder and the losing bidder, the incumbent, is, did you look into that?

MR. PARRISH: You're saying a wide gap between the winning, you're talking about the --

GOVERNOR O'MALLEY: Right, in other words there was a big price differential. The winning bidder was --

COMPTROLLER FRANCHOT: Yeah --

TREASURER KOPP: Thirty-seven to 89 --

COMPTROLLER FRANCHOT: Fifty million, I'm sorry, I had it wrong.

MR. PARRISH: Okay. Yeah, I have to --

GOVERNOR O'MALLEY: Which is why they were the winner.

COMPTROLLER FRANCHOT: Yeah, so I assume. But --

GOVERNOR O'MALLEY: But can they perform, I think is the question, at that dollar amount?

MS. HOPKINS: Yes, they can absolutely perform the services.

SECRETARY MCDONALD: Joselyn, can you introduce yourself?

MS. HOPKINS: Yes, I'm sorry. Good morning. Joselyn Hopkins, I'm the Procurement Director for the department. I was also the --

GOVERNOR O'MALLEY: I like your scarf.

TREASURER KOPP: Yeah, that's a great scarf.

MS. HOPKINS: Thank you, it was a Christmas gift. And I was also the Procurement Officer on this particular opportunity. Crystal absolutely has the experience to provide the services. They have over 15 years of experience. They actually provide services currently to the department at our Police and Correctional Facility, they've provided services at MDOT, and they've actually contracted with over 100, they've had actually over 100 government contracts. So we're confident. We've checked all their references. We checked their fiscal integrity. And we feel that they absolutely can provide the services.

As far as the disparity in cost, their price per meal is actually a little bit less than what we negotiated with Trinity back in August when we extended the contract for six months in order to complete the procurement process. So we don't feel that actually there is that much of a disparity in that sense, that we're actually not paying that much less than the current price.

COMPTROLLER FRANCHOT: Mm-hmm. Mm-hmm. And any advice you can give me on the discrepancy, on the disparity issue noted? Because it is rather large. And, but I, what you're saying is that the incumbent's contract right now is more or less in the ballpark of what this awarded contract is?

MS. HOPKINS: Correct.

COMPTROLLER FRANCHOT: And any insight as to why the other bid was so high?

MS. HOPKINS: We can't speak to that. But we did make sure that we did two rounds of financial evaluations. We made sure that, you know, the vendors had an opportunity to either revise, you know --

COMPTROLLER FRANCHOT: Mm-hmm.

MS. HOPKINS: -- either up or down their, their financial proposals. We also went back to Crystal to make sure that in fact they understood the requirements of the RFP to make sure that their financial proposal was sound.

COMPTROLLER FRANCHOT: And so how long have you been a Procurement Officer?

MS. HOPKINS: I have been in State procurement almost 20 years.

COMPTROLLER FRANCHOT: Mm-hmm.

MS. HOPKINS: Well I went to the City for four and a half years.

COMPTROLLER FRANCHOT: Well, it's very impressive and thank you for your comments.

MS. HOPKINS: Thank you.

GOVERNOR O'MALLEY: Can I ask about the security stuff? I mean, employee security? I mean, will these, will these services be the services provided at Baltimore City Jail?

MR. PARRISH: Yes, sir, for the, the Baltimore region.

GOVERNOR O'MALLEY: And what if any new measures are being taken with regard to security and screening given the contraband --

MR. PARRISH: Yes, sir.

GOVERNOR O'MALLEY: -- and the corruption issues that we've been fighting there ever since day one?

MR. PARRISH: Yes, sir. The measures, all of the measures that we put in place will still, because we have enhanced security measures in place and we will still continue our investigation process, still continue with the intense screening. With all new employees we will continue that same process.

GOVERNOR O'MALLEY: And how about the background checks on prospective employees? Any new employees that would be coming with this contractor? Are there any, are there any additional things in this contract that requires more of the contractor or --

MR. PARRISH: I'm not, let me ask Joselyn to come up --

MS. HOPKINS: There are actually two levels of background checks. The contractor is responsible for doing one and then when those individuals are presented to the department we then go back and do another level of federal background checks. So there's two levels of screening prior to an individual working within an institution.

GOVERNOR O'MALLEY: Okay, thank you.

MS. FOSTER: I think we had one other individual who wants to speak.

MR. LIVINGSTON: Good morning. My name is Scott Livingston. I'm here on behalf of Trinity. We're the proposer who proposed about \$50 million higher than the bidder that is poised to be awarded the contract if you vote that way. And with me is John Duffy, he's the Regional Manager on behalf of Trinity. It's a company that does about \$850 million worth of work annually providing correctional, food in correctional settings, prisons. This particular setting is about nine different facilities and about 5,700 inmates.

The proposed awardee has never, never provided food services in a prison of that size. The parties who were competing for this contract did not share a common, did not share a common understanding about what would be required. And that's because the RFP, though interesting, contains serious flaws. They are

not that hard to find but when my client tried to inform DPSCS it didn't yield success. We could have filed a protest because of these flaws and we didn't because Trinity wants to work with, not argue with, its customers.

So one place in the RFP it says there are 5,700 inmates. When you multiply that times three you get about 17,000 meals per day. But if you look at the bid form it requires that you put in a price for 22,300 meals a day. There aren't going to be 22,000 meals per day. So the low bidder may have actually thought that, gee, there will be 22,000 meals per day, that's a relatively high amount over which to spread relatively fixed costs. So his bid price is lower. But if it turns out that the number of inmates and the number of meals stays more or less as it is, he'll never collect that \$22,000 times X dollars per unit. He'll collect 17,000, 30 percent less. I don't know if he knows that. But after 35 years of dealing with procurement in the State of Maryland, I'm familiar with that.

There's another part of the form that required bidders, proposers, to identify the cost of à la carte catering. Once in a while there's a lockdown, there have been several lockdowns in these prisons in recent times, and that means they have to bring in food from outside. So we reflected in our bid price what we're obligated to, which is roughly \$7.5 million worth of food for à la carte, à la carte catering. The actual amount at these prisons, at these facilities, is

about \$50,000 a year, not \$7 million. The point is that the financial bid form does not correspond with the reality that we're aware of because we're the incumbent.

What I think should be done is you ought to defer this, we'll spend the next few weeks explaining this to the Department of Budget and Management if we're given an opportunity. We've never had an opportunity for a formal debriefing. And then whenever the next Board of Public Works meeting is, it may be considered.

I don't, and I'm sorry that I'm ending the Governor's career here as Governor on this note. The truth is, you've done a good job on procurement. You've actually introduced something, you don't have a fancy name for it but I do, it's called high performance powered, high performance procurement. It means you get more out of less. So at the State Highway Administration there's a provision that says put in the bid and if you've got a, if you win and you've got a cheaper, better way to do it that meets the requirements, give us your value engineering change proposal. So that saves money. Baltimore City doesn't have that.

GOVERNOR O'MALLEY: Mm-hmm.

MR. LIVINGSTON: So that's a, one of numerous examples that I've encountered. You know, I fancy myself an expert in procurement law. And I look over there and I see that picture of Spiro Agnew with his eyes looking

behind my back, and that other picture by, another Governor that gave rise to issues on procurement. You haven't. So it's a thing to talk about the good things you've done, the high, what I call high performance procurement. But let's look at the things you didn't do. No scandals, no corruption. You never hear anybody say, oh, because I know Governor, I know the Governor, he's going to give me a sweetheart deal. You never hear that said.

There's a, there is a link, easy to feel but difficult to quantify, between the kind of ethics that you have at the top as embodied by your two colleagues here on the Board of Public Works and the staff below you who works with a view toward establishing a similarly high ethical standard. But in my role as a consumer of those services, I'm proud. And you should be proud. You did a good thing on this.

But every once in a while, like one out of a hundred, there's a flaw. That's what we have here. And it's correctable. And what I'd like to have the Board do is defer this for a few weeks, give us a chance to explain to the staff what the issues are, the staff at DBM, the staff at Board of Public Works. And I think that you'll find that this flawed, flawed RFP should not go forward and you should not award a contract to an entity that is poised to rely on the numbers that were given to it by the State, put in the bid too low, and then five, and soon after

the contract is awarded find out how he has been misled or induced to put in the price too low. Thank you.

GOVERNOR O'MALLEY: Thank you.

MS. FOSTER: Just for the record, though, this isn't a DBM procurement. This is a Public Safety procurement that's on the DBM Service Agenda.

GOVERNOR O'MALLEY: Let me allow, let me allow Public Safety to respond.

MR. LIVINGSTON: Yeah, it is my understanding that DBM is the control agency, so it's possible that you have not had an opportunity to review the details. And I would love it if your staff would do that.

MS. FOSTER: The Secretary is going to speak.

MR. PARRISH: -- Joselyn has more expertise, so.

MS. HOPKINS: I'd like to address Mr. Livingston's four points. On the first one is that he stated that Crystal had no experience in correctional, in correctional facilities. This was not a requirement of the, an RFP. We felt that putting that requirement in the RFP would cause it to be too restrictive. One of the guiding principles of COMAR is to encourage competition. So we felt that putting that in there would definitely restrict competition and that's not what we wanted to do.

The second thing, as far as the estimated number of meals, we feel that that's correct. What we did was we used the average daily population, which in the Baltimore correctional facilities are about 6,000. We timesed that by three, the number of meals, and we came up to about 18,000. So that's not a big disparity between the 18,000 meals and the 22 that are in the financial proposal. However, there's also language in the RFP that states that the department does not guarantee a minimum or maximum number of meals. So that covers that legally.

As far as the number of à la cartes, we, we just took a look at the, the historical data, and how many meals as far as the à la carte were provided in the past. But again, the fact that the RFP has language in there that covers us if there's a disparity in the number of meals because we understand that that fluctuates. You know, we're covered by that. So that addresses that.

Also in accordance with Maryland law if an offeror has an issue with the specifications they are required under law to submit a protest prior to proposal due date. The proposals were due in August. Here we are five months later and now they have issues with the specifications. So, I mean, we can't address that at that point. If they had issues they should have addressed it prior to proposal due date.

Mr. Livingston also stated that they were denied a formal debriefing. I actually did a debriefing on December 19th with the V.P. of Sales of

Trinity and I explained that to him as well. I'm not sure why he's saying that they are being denied. They were given that opportunity to have the debriefing and I conducted it via a conference call on December 19th.

I also have Crystal here and they would be more than happy to explain that they are in fact capable, if that's, if that's needed.

GOVERNOR O'MALLEY: Let's bring Crystal up. Crystal, come on down. Ms. Hopkins, did I see you in that Leadership Maryland class that went through recently?

MS. HOPKINS: Yes, Lori is my, my classmate.

GOVERNOR O'MALLEY: Okay, Crystal?

COMPTROLLER FRANCHOT: Could I ask Ms. Hopkins a question, Governor, before? What, I noticed that the winning bidder not only had the low price but also got first rank as far as technical.

MS. HOPKINS: Yes.

COMPTROLLER FRANCHOT: Could you just discuss a little bit about how the technical versus the cost, and what that technical rating was weighted on, I guess?

MS. HOPKINS: It was based on a lot of things in accordance with how they responded to the requirements of the RFP, based on what those criteria were in the, in the RFP. There are a lot of things that I can't disclose publicly

about those specifics. I can provide you with that information. Actually I provided my recommendation to the Secretary that actually lists all of those things but in accordance with COMAR I can't disclose it publicly until after award.

COMPTROLLER FRANCHOT: Okay.

GOVERNOR O'MALLEY: Crystal?

MS. THURMAN-CUSTIS: Good morning.

GOVERNOR O'MALLEY: Hi. Will you introduce yourselves for us for the record, who you are, and your company please?

MS. THURMAN-CUSTIS: Good morning. I'm Sandra Thurman-Custis, the founder and the CEO of Crystal Enterprises.

MR. CUSTIS: Good morning, Mr. Governor, Mr. Comptroller, and Madam Treasurer, I'm Thurman Custis, the COO of the company, and Ms. Custis' son.

(Laughter.)

MR. WILBOURN: I am Brian Wilbourn. I am an attorney from Piliero Mazza. I'm outside counsel to Crystal. But these folks are far more qualified to speak about their abilities than I so I'll let them take the lead here.

GOVERNOR O'MALLEY: Comptroller, I mean, you've heard the -- go ahead, sir.

MR. WILLIAMS: I'm Reuel Williams, Director of Business Development for Crystal Enterprises.

GOVERNOR O'MALLEY: I'm sorry. Thank you, Mr. Williams. So I think the Comptroller's question, and I think the question for the Board, can you, did you know what you were bidding on and can you perform and deliver?

MR. CUSTIS: Yes. I think the best indication and answer to that question is our past performance, which is what the State looked at when they were making these evaluations. And we have a number of very large and complex operations which we currently handle, one in New York, one in Colorado, with the volume of meals that this contract has. Our past performance is impeccable. We have won the --

MS. THURMAN-CUSTIS: We won the Hennessy Award, which is awarded for the best food service program in the United States Air Force. We currently operate the Air Force Academy in Colorado.

GOVERNOR O'MALLEY: Hm.

MS. THURMAN-CUSTIS: Our health inspection ratings nationwide is an average of 97 percent. We currently provide consulting services for the Reserve Board for all of their food service entities, where we actually oversee a billion dollar, a billion dollar firm that operates and could not pass inspections. We took over the consulting services two years ago. Since that time

we have brought their health inspections into compliance. These facilities are located in the state of, in Washington, D.C. So we are an award-winning company. We are a preferred federal contractor. We have done business with the State of Maryland for 15 years without any incident. All of our options have been exercised.

MR. CUSTIS: Yes, and we have also taken over two contracts where the previous vendor failed and have been successful and had all options --

MS. THURMAN-CUSTIS: Exercised.

MR. CUSTIS: -- exercised. So we're just, we're very confident and we're very excited to be a part of this historic day and to offer savings to the government. But we've looked at the numbers. We, we have had experts on, you know, we've talked exactly with our food vendors so they have told us exactly what they're going to charge us. The RFP really laid out the staffing plan that they want based upon what they have seen. And so we've put that staffing plan in. We've loaded it up. We know how to put all the union overhead in there, which 95 percent of our business right now is with union labor. So we've accounted for all costs. Our bank, BB&T, has already said that they are there to finance everything that we need. And as the gentleman said earlier, we also have a performance bond on the contract. So I think all the Ts have been crossed and all the Is have been dotted, and we're ready to serve the State.

TREASURER KOPP: And you were aware of the question of whether it's 18,000 or 22?

MR. CUSTIS: Yeah, what, what they are, what they have alluded to is there is a number of meals that you work your numbers on and if that's overstated --

TREASURER KOPP: But there's no guarantees --

MR. CUSTIS: -- then the risk --

MS. THURMAN-CUSTIS: There's no guarantee.

MR. CUSTIS: Right, there's no guarantees. And if that's overstated then some of the fixed costs that will be hard to get away from can put you at risk. And so, yeah, that is valid. But the numbers that we have have a lot of cushion in there as well. We feel very comfortable with even if it is at 18,000 or even a little bit lower that we'll be able to provide the service that we have been providing for 26 years.

TREASURER KOPP: Could I ask, you do not have, or do you, corporate experience in providing food services in a correctional facility? Is that right?

MS. THURMAN-CUSTIS: Of the, of the size --

TREASURER KOPP: Of this size?

MS. THURMAN-CUSTIS: Of this size, that is correct. But that was not a requirement --

TREASURER KOPP: Right.

MS. THURMAN-CUSTIS: -- made up front in the solicitation. However, I think that the State does a week long, I know for sure, the State has put in that they will do a week long training for all new employees to get them oriented to what's different about food service in a correctional facility. But above and beyond that, one of our business, teaming partners on this venture is the Ridley Group, which is a private consulting firm that specializes in the operations of correctional institutions.

TREASURER KOPP: That was my question.

MS. THURMAN-CUSTIS: So we brought that in to shore up whatever deficiency we may or may not have had.

TREASURER KOPP: Thank you.

GOVERNOR O'MALLEY: I just want to alert you to the fact that just like other states, gang leaders, hit men, murderers, I mean, this is the place where --

TREASURER KOPP: They are.

GOVERNOR O'MALLEY: -- we, they are, this is how we protect the rest of the citizenry, by locking them up. And they don't suddenly, you know,

transform themselves into well behaving individuals simply because they are behind bars. So that's a roundabout way of saying that our State has had for decades and decades a corruption problem, a problem with contraband. It was, before the State took over this Baltimore City jail there was a problem there, after the State took it over there was a problem there. We have been attacking it every day in every way but we really need you to be mindful of that. It's a lot better than it was, and there have been a lot of federal indictments thanks to the U.S. Attorney's Office agreeing to join us in the task force that went after those. But I just want to express in the clearest, plainest terms I can that you have got to screen and watch your employees to be on guard against threats, bribery, and other sorts of pernicious influences that these drug gangs will seek to exert on people that are there working hard for their daily bread.

MS. THURMAN-CUSTIS: Duly noted.

GOVERNOR O'MALLEY: Thank you. Okay. Any other questions?

COMPTROLLER FRANCHOT: I'd just like to compliment Ms. Hopkins. I know we always a lot of complaints about procurement. But I appreciate your clear testimony. Mr. Livingston is obviously someone we have a lot of respect for. We see him often. I'm not exactly sure what his response might be, but it certainly seems like this procurement, Ms. Hopkins, was a job

well done. And on behalf of the taxpayers, if in fact this moves, goes through, the alternative is just a lot more expensive. But thank you. And good luck to you. I'm going to flag this so don't come back for contract adjustments.

(Laughter.)

COMPTROLLER FRANCHOT: I'm still going to be around. And, but thank you. And thank you for the success of your business in Maryland. I really appreciate it.

MS. THURMAN-CUSTIS: Thank you.

MR. CUSTIS: Thank you.

GOVERNOR O'MALLEY: Okay.

MS. FOSTER: So this is still the Budget Agenda.

GOVERNOR O'MALLEY: This is the only Budget Agenda?

MS. FOSTER: This is still --

SECRETARY MCDONALD: -- balance.

GOVERNOR O'MALLEY: Okay. The Comptroller moves approval, seconded by the Treasurer on the balance of the Department of Budget and Management Agenda items, including this one. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

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

SECRETARY MCDONALD: Good morning. I think Mrs. Foster carried the bulk of the water of the Agenda this time so we should be able to go through everything else pretty quickly. We have 17 items on the Secretary's Agenda, one report of an emergency procurement. We are withdrawing Item 7. If there are any questions, we are ready for them.

GOVERNOR O'MALLEY: Hearing none, 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 now to the Department of Natural Resources Real Property, Program Open Space.

MS. WILSON: Good morning, Governor, Mr. Comptroller, Madam Treasurer. Emily Wilson with the Maryland Department of Natural Resources. We have 21 items on our Agenda today. And we have several, if you would allow me, to highlight. I actually really appreciate the opportunity to be

able to highlight, it's nice to have such great programs. So we do appreciate the support over the years. Item --

GOVERNOR O'MALLEY: I want to thank you, Emily, for all that you have done, and DNR. I mean, to be able to actually have an objective scoring criteria, to know --

MS. WILSON: Absolutely.

GOVERNOR O'MALLEY: -- what the ecological value of these parcels, each of these parcels is.

MS. WILSON: That's right.

GOVERNOR O'MALLEY: To be able to put them on a map in a common platform of GreenPrint for every citizen to access and see through the internet, that's some pretty cutting edge stuff. And it wouldn't have happened without a lot of good people at Natural Resources, including Barney Krucoff and all of the folks as part of your GIS. That GreenPrint, I don't believe that there's another state in the United States that is as advanced as we are in this, so thank you.

MS. WILSON: Thank you. We really appreciate the partnership with our mapping folks, certainly, in our, in our department. If I may, Item 3A is a neat little project in the City of Cambridge. It's really a partnership with the City, the County of Dorchester County, the State of Maryland, DNR, and our

great partner Eastern Shore Land Conservancy. We do have Anne Roane, who is the Dorchester County Planning Director, and Rob Etgen from Eastern Shore Land Conservancy here just in support of the item. This is an acquisition of 6.6 acres in the City. It's the former Phillips Packing Company site and it's adjacent to the existing county pool facility. And what's particularly neat about this is that the ultimate park design will be based on design contest entries from University of Maryland landscape architecture students. So this will be a nice park oasis, if you will, in the middle of the City of Cambridge on a --

GOVERNOR O'MALLEY: That's great.

MS. WILSON: -- on a revitalized site.

GOVERNOR O'MALLEY: Is it near Race Street? Where is it?

Not near Race Street. I'm sorry, orient me. We're on Route 50 --

MS. WILSON: It's in the middle of --

GOVERNOR O'MALLEY: Oh, I see it.

MS. WILSON: Yeah.

GOVERNOR O'MALLEY: Okay.

MS. WILSON: It's Cedar Street, Dorchester Avenue, and 343 that goes out to Hooper's Island. And then Item 10A is another great partnership. This is with, a partnership with the Conservation Fund and again the Navy REPI Program. And Bill Crouch is here from the Conservation Fund to show support.

This is 854 acres in St. Mary's County, so this is a very exciting acquisition to be added to Salem State Forest. It scored a 117, and it was acquired at a discount. And like I said, a great partnership, again, with the Conservation Fund and Navy REPI.

GOVERNOR O'MALLEY: That's a pretty big parcel, yes? How many acres?

MS. WILSON: 854.

GOVERNOR O'MALLEY: That's awesome. And where does that, the Western Branch of, what does that roll into?

MS. WILSON: This is probably going into the Patuxent, I would say. I'm not sure if it's the Patuxent or not. I don't know off the top of my head.

GOVERNOR O'MALLEY: Yeah, I heard you say right there.

MS. WILSON: But it's a fantastic ecologically significant parcel that will allow for low, low impact recreational development in that area, down in St. Mary's County immediately adjacent to both Salem State Forest and St. Mary's River State Park.

GOVERNOR O'MALLEY: So for citizens watching along, just because I really dig this, this is the sheet that we receive with every one of these parcels. So it has the score on it. This one has a score of 117. And then it lists the things, ecological value ranking, special adjustment, multiple benefit ranking,

habitat maintenance. Anyway, all the criteria that allows people to objectively reach that score of 117 on this one. 117 is fairly high.

MS. WILSON: It is.

GOVERNOR O'MALLEY: And then that's the countywide map which K. Large now has up on the big screen, which shows you the dark areas of the GreenPrint which we have managed to preserve and protect of Maryland's remaining, you know, mostly forest cover. And then the light green are pieces that we should protect that we have yet to protect, either through sensible zoning or, or further easements or trusts and the like. And then you can get down to a finer bore map, Kev, do you have that one? No. That one. No. That one. Yeah. Which shows you these 800 acres in particular, and you can see how they fit in terms of their connection to the pieces already preserved and the pieces yet to be preserved. Thomas Barry would be proud. All right.

MS. WILSON: And then finally, if I may, there's just a lot of good news on this Agenda.

GOVERNOR O'MALLEY: And we like good news. We need some good news today.

MS. WILSON: Items 11A through 20A are all reinvigorated CREP Permanent Easement Programs in targeted Rural Legacy areas across the

State. So these items total 566 acres of permanent CREP easements. And on some of --

TREASURER KOPP: CREP --

GOVERNOR O'MALLEY: CREP is?

TREASURER KOPP: CREP easement?

MS. WILSON: I'm sorry, Conservation Reserve Enhancement Program. So it's essentially taking highly erodible lands, lands that wouldn't normally be able to be farmed, lands that are along --

GOVERNOR O'MALLEY: Or that shouldn't be.

MS. WILSON: -- streamside.

GOVERNOR O'MALLEY: Or that shouldn't be because they are along streamside.

MS. WILSON: Exactly. And these CREP easements have instruments within the easements designed to protect those sensitive streams in those areas.

GOVERNOR O'MALLEY: This is great. And so this is something that this farmer has entered into voluntarily.

MS. WILSON: Exactly.

GOVERNOR O'MALLEY: And it is also supported by President Obama's Department of Agriculture --

MS. WILSON: Right.

GOVERNOR O'MALLEY: -- which because of our State's density and population, they had to make an adjustment so that it reflected market conditions and density of population here. So we've done a fair amount of these CREP easements, where we actually pay farmers in order to protect the stream buffers mostly.

MS. WILSON: Right.

GOVERNOR O'MALLEY: Or the highly erodable soil.

MS. WILSON: Right. And these are, in the, the CREP program, just to put a finer point on it, there are, you first enter into temporary ten- or 15-year contracts. And then what we're doing here is coming back along and making those contract provisions permanent. So these will be permanently protected via those CREP provisions. And --

GOVERNOR O'MALLEY: So these are more, this is another example of the things we don't do for farmers. That was a joke.

MS. WILSON: And as I said, today's items equal 566 acres in CREP, and we were also able to negotiate on some of these an additional 70 acres to be donated. So among Items 11A through 20A it's a total of 636 acres in permanent protection along streamsides. So this far surpasses, actually, our two-year milestone goal for CREP. And some of those farms that did not enter into

Rural Legacy before are now interested in coming back for Rural Legacy easements on the balance of their properties. So it's, it was an exciting endeavor.

GOVERNOR O'MALLEY: That's great. Good stuff. Is that it?

MS. WILSON: Yes.

GOVERNOR O'MALLEY: That's all you've got. I hate, I really will miss this part of the Board of Public Works Agenda items.

TREASURER KOPP: This is where you show us paddle boarding down the --

GOVERNOR O'MALLEY: This is where I scope out new paddle board sites. All right. 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: God bless the land.

MS. WILSON: Thank you.

GOVERNOR O'MALLEY: We move on now to the, skipping the Department of Budget and Management, I let you go first since you were last, since it was your last.

MS. FOSTER: Yes, thank you.

GOVERNOR O'MALLEY: I'll get very biblical here. University System of Maryland?

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

GOVERNOR O'MALLEY: Any questions? Hearing none, the Comptroller moves approval, seconded by the Treasurer. And before we vote, how's that Frederick Douglass statue on campus coming along?

(Laughter.)

MR. EVANS: I knew you were going to ask that question and I called down to College Park to find out exactly what was going on. And I was told that the Frederick Douglass Square is going before the Architectural and Landscape Review Committee at College Park on Friday for their approval and to look at the design. As far as the statue, there is a fundraiser that is being done by the North Star Committee and they are looking at construction of the Square the summer of 2015.

GOVERNOR O'MALLEY: Keep me in the loop if you need an Irish band for the fundraiser.

(Laughter.)

MR. EVANS: I'll make sure that they do.

GOVERNOR O'MALLEY: Frederick Douglass had a deep affinity for the Irish. Okay. And anybody, any partners down there, local NAACP or anybody else?

MR. EVANS: I'm not sure.

GOVERNOR O'MALLEY: Let's alert them, Ms. Peggy, before we're out the door so that we can drive this ball to completion. All right. Well, Mr. Evans --

TREASURER KOPP: Governor?

GOVERNOR O'MALLEY: Yes, Madam Treasurer --

TREASURER KOPP: Before we, before we --

GOVERNOR O'MALLEY: -- has a question.

TREASURER KOPP: -- pass, not really, but we've been talking about interesting and good things despite all the difficult things. What is the, what item, Item 2, the Institute for Human Virology?

MR. EVANS: I have Dave Wilkins, who is the Chief Operating Officer --

TREASURER KOPP: Ah, Mr. Wilkins.

MR. EVANS: -- of --

TREASURER KOPP: Can, can, can I just ask him to talk for --

GOVERNOR O'MALLEY: Sure, hold the vote. All right. Yes, absolutely.

TREASURER KOPP: -- just a minute or two about this project, which is a terrific thing.

GOVERNOR O'MALLEY: And a huge save for this administration, right?

MR. WILKINS: It is. It certainly is.

GOVERNOR O'MALLEY: Remember when Michigan was trying to get you guys?

MR. WILKINS: That's right.

TREASURER KOPP: Yes.

GOVERNOR O'MALLEY: Eight years ago?

MR. WILKINS: That was many years ago, Governor. Thank you for your intervention.

GOVERNOR O'MALLEY: Not that many.

MR. WILKINS: Treasurer Kopp, Governor O'Malley, Comptroller Franchot, thank you. I'd like to make two brief points about this. This is one of the great untold stories of not just our country but our State, what's called PEPFAR. In 2004 President Bush created a program to provide HIV/AIDS relief in Africa because it wasn't happening effectively. In the past eight years

the Institute of Human Virology alone, as part of the University of Maryland School of Medicine, we're going to pass early this year over one million people treated for AIDS in Africa through the funding from federal programs in this. That's --

GOVERNOR O'MALLEY: That's awesome.

MR. WILKINS: -- almost twice the population of Anne Arundel County's lives saved. It's a tremendous achievement. It's been accomplished by the federal government but also the support that comes through the State. This particular effort is to increase our contract to support our programs in Haiti, and we appreciate the Board's approval of that. The CDC has looked at the excellence of our operations in Haiti and turned over the operation of the Haitian National Laboratory, which runs the health of the entire country, over to us to operate. And these funds will allow us to do that. It's the kind of thing that happens with State funds that I don't think the typical taxpayer really understands. Or as a taxpayer I'm very gratified that the State allows us as a State to make those kinds of implications around the world.

GOVERNOR O'MALLEY: That's good stuff.

MR. WILKINS: The second thing I'd just like to recognize is if I had one of your cool laser pointers I'd point it over at Governor Glendening who had the foresight to recruit Dr. Gallo and Dr. Blattner and Dr. Redfield to

Maryland 18 years ago now. Treasurer Kopp has served on our board. Governor O'Malley and Comptroller Franchot have been very supportive. Governor O'Malley, you remember you came up to the Institute three years ago to announce a \$23 million vaccine grant that we had from the Bill and Melinda Gates Foundation. And it's just a great story of a State investment 18 years ago returning well over \$100 million back into the State economy through us winning federal grants and doing great work overseas. So it is a great thing. It's a part of your legacy.

TREASURER KOPP: Well, David, plus, plus the, the JACQUES Program, and JACQUES Program, and others that are also preserving the health and saving the lives in the State of Maryland.

MR. WILKINS: The Institute under Dr. Gallo's leadership does three things. We do basic scientific research, which is where we have the HIV/AIDS vaccine. We treat 5,500 AIDS patients in the City of Baltimore directly, which is the local impact that Treasurer Kopp just referred to. And then these international programs, which is the action today. So I think it's just a great story of what the State has accomplished and it brings revenue into the State from the federal government. So thank you for your support, to the three of you and to the room.

TREASURER KOPP: Thank you, Governor.

GOVERNOR O'MALLEY: Thank you. Peggy, can you help me get a transcript of David's, can you get, you know, when we're done I'd just like to, I had not heard that story about what you're doing. I knew what you were doing locally, I know what you were working on internationally, but I had not heard it articulated quite as succinctly. I'd like to see that transcript after this, I mean whenever it gets --

TREASURER KOPP: Well and at the time of the earthquake in Haiti, was it not Dr. Redfield and the IHV people who were the first on the scene setting up? Remember those tents operating?

GOVERNOR O'MALLEY: Right.

TREASURER KOPP: That was IHV.

MR. WILKINS: Through a partnership with the Shock Trauma Center at the University of Maryland Medical Center a team of doctors went down and set up one of the most effective shock trauma treatments right after the earthquake in Haiti. It was a very emergent environment, yes.

GOVERNOR O'MALLEY: Yeah. And that was when the *Comfort* was berthed here and the *Comfort* was down there, too.

MR. WILKINS: Yes.

GOVERNOR O'MALLEY: That was a, quite a Maryland infused humanitarian effort thanks to you guys.

TREASURER KOPP: Governor, David, I just want you to know that our attorney through an excess, I believe, I believe, an excess of caution thinks that because I am on your board of advisors, though there is no money involved or anything like that, I should abstain from this vote. And I will. But I just don't want you or Dr. Gallo or any of your guys to think for a moment that I am anything less than immensely proud of what you all have done.

GOVERNOR O'MALLEY: What item was this? Item 2? All right, well let's call Item 2. The Comptroller moves approval, seconded by the Governor. All in favor signal by saying, "Aye." Aye. The Treasurer abstains for reasons aforementioned. Now the balance of the Agenda items. The Treasurer votes, or moves approval, seconded by the Comptroller. All in favor signal by saying, "Aye." All opposed?

(No response.)

GOVERNOR O'MALLEY: And the ayes have it. And Mr. Evans, remember, that we are one, our cause is one, and we must help each other if we are to succeed.

MR. EVANS: Yes, sir.

GOVERNOR O'MALLEY: The words of Frederick Douglass.

TREASURER KOPP: Let's see that statue.

COMPTROLLER FRANCHOT: Mm-hmm.

MR. WILKINS: And Treasurer Kopp --

GOVERNOR O'MALLEY: In fact, it wouldn't be a bad inscription on it.

MR. WILKINS: -- the Institute is certain of your support. Thank you.

GOVERNOR O'MALLEY: Okay. We move on now to the Department of Information Technology.

MR. URBAN: Mr. Governor, Madam Treasurer, Mr. Comptroller, I have, Greg Urban from the Department of Information Technology. I have two items for you. I'd be happy to answer any questions you may have.

GOVERNOR O'MALLEY: Any questions? 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. URBAN: Thank you.

GOVERNOR O'MALLEY: Thank you for your good work.

MR. URBAN: Thank you.

GOVERNOR O'MALLEY: Department of Transportation?

MR. SMITH: Good afternoon --

GOVERNOR O'MALLEY: Jim Smith?

MR. SMITH: -- all right, it's still, it's still good morning. Good morning, Governor, Madam Treasurer, and Mr. Comptroller. Jim Smith on behalf of MDOT. Before I, I go into the stuff that's on your Agenda, I just wanted to, to offer a couple of personal comments. And one is Governor, I want to thank you for the opportunity you gave me to serve as Transportation Secretary and to join such an outstanding team that has really produced. I also want to thank you for your, your perseverance of projects from prior administrations that you may have even had, been a little skeptical as to their value, namely the ICC and the ETL on I-95 north of Baltimore. I think they are proving to be very, very successful. And whatever reservations you had, you set them aside and had the consistency of business approach which is critical to the well-being of any major state or jurisdiction. So, and I also want to thank you for, for leading the, the Transportation Infrastructure and Investment Act through the General Assembly. I mean, you were great on supporting system preservation prior to that. But as we all know, nothing new could be done because there was no money.

GOVERNOR O'MALLEY: Mm-hmm.

MR. SMITH: And since that effort there has been revenues, new revenues coming into the Transportation Trust Fund, although they are down from

the original projections because of the drop in the gas price. Which is good, as the Treasurer pointed out, but is, has its downside also. But even in the expending of those funds, you had, you had a very balanced approach with 52 percent going to transit projects and 48 percent going to highway projects. And you, you supported hundreds of millions of dollars in projects for, on the Eastern Shore, in Western Maryland, in Southern Maryland, as well as hundreds of millions of commitment to transit. And because of all of those goals and priorities that you set I had a wonderful time trying to make your vision and the vision of the State of Maryland a reality. So I just want you to know that I have enjoyed immensely these 20 months and it has been a real privilege to have tried to, to expedite the plans that you fostered and your administration fostered and that the department fostered. So thank you very much for that.

GOVERNOR O'MALLEY: And Jim, thank you. You have been terrific. Thanks very, very much. And all of the jobs that those projects represented, of moms and dads across our State, and the 57,000 jobs that we now have the ability to put people to work out through those, the Red Line and the Purple Line.

MR. SMITH: Exactly. And the economic stimulus it's going to be throughout the State, quite frankly, but certainly in the Montgomery County, Prince George's County area, and certainly in the Baltimore Metropolitan Area. I

mean, it's very, very exciting. All the investment that is anticipating the Red Line and the Purple Line will add immeasurably to the economic growth of Maryland and certainly will foster a tremendous number of jobs.

That being said, MDOT is presenting 28 items as Items 19-RP and 20-RP are being withdrawn. I'd be happy to answer any questions.

GOVERNOR O'MALLEY: Did Unite Here want to be heard on one of these Agenda items? Roxie?

MS. HERBEKIAN: Yeah, we'd just like a few minutes of your time.

GOVERNOR O'MALLEY: Sure, come on down.

MS. HERBEKIAN: Thank you, Mr. Governor, Treasurer Kopp, Comptroller Franchot, hello. We wanted to just stop in today because we have appeared at this meeting several times with regard to issues around the Airport and I have a couple of folks here from the Airport that just want to say a few words, and we'd like to wish you well.

MS. SHULER: Hi, Governor O'Malley.

GOVERNOR O'MALLEY: Hi.

MS. SHULER: I'm glad to be here once again, and I do appreciate that we're sharing in this historical moment. My name is Betty Shuler. I have been a lifelong resident of the State of Maryland all my life. I have been a

dedicated hospitality worker at our BWI Thurgood Marshall Airport for over 43 years. And I want to say, I want to thank you for your support especially most recently the request for information this past December and basically asking other companies to oversee our Airport. Number two, I'd like to basically say I'm looking forward to Secretary Treasurer Nancy Kopp and Comptroller Peter Franchot in continuing our efforts in taking several steps in what we need to do to accomplish at BWI Airport. I want to share with you we managed to get a union in with my company. For the first time we are going to basically be sitting down for a union contract. But that's only one step in the many steps that we have to look forward to once again being able to make our hospitality industry at our Airport a great job to work for. Thank you.

GOVERNOR O'MALLEY: Okay, thank you.

MR. BROWN: Good afternoon. My name is Tony Brown and I've been an employee at the Airport for four years. And on behalf of me and my coworkers I would like to thank you, Martin O'Malley, for putting out the RFI. And as Betty said, we are making progress at BWI but we have a long way to go. We look forward to working with Nancy Kopp and Peter Franchot because our efforts are going to stand fast. Thank you, and again we're trying to make our food and beverage jobs better at the Airport.

GOVERNOR O'MALLEY: Thank you, Mr. Brown.

MS. HERBEKIAN: And I'd just like to say that looking forward, looking at the budget outlook, that we think that not only does examining other companies and other models that might be able to run the food and retail at the Airport, something that we look forward to in terms of a way to address some of the issues and working conditions, but there has been a lot of innovation in the industry since that contract was first awarded under the Ehrlich administration. And we think that when that, when that RFP went out it was very narrow in terms of the kinds of business models it entertained. And this RFI opens up the models to whatever type of model might, might be out there. And we think it's going to show that there could be some better ways, more profitable ways to operate the Airport. Jim Walsh is here, who does an excellent job operating the overall Airport. I often say when something is well run you don't notice the organization, and that is certainly true at BWI. And so we hope to continue to work with MAA and look at ways to both get a more profitable and better run food and retail operation, and also open the door to address some of our concerns about worker retention and wages at the Airport. But we want to wish you all the best, Mr. Governor.

GOVERNOR O'MALLEY: Okay, thank you.

MS. HERBEKIAN: And we really appreciate you listening to us every time we come, and addressing some of the concerns, and sending us on a

good path. And again, we look forward to working with you, Peter and Nancy, moving forward. Thank you so much.

GOVERNOR O'MALLEY: Thank you very much, Roxie and Unite Here. Thank you all, and for the good work you do. Okay. Any other questions on Department of Transportation Agenda items? Mr. Comptroller?

COMPTROLLER FRANCHOT: Thank you. If we could, if I could just comment on Items 22, 23, 24, and 25? These contracts are a series of property acquisitions that will be needed to construct the Purple Line in the Washington suburbs, the Red Line in the Baltimore region. The acquisitions bear a total cost of just over \$5.1 million. And obviously as I've communicated to the Transportation Secretary and others, I'm a huge supporter of these projects. Imagine Washington, D.C. today without Metro. It wouldn't function as a city. So I'm particularly supportive of the Purple Line because I represented that area in the Legislature and that area will be heavily served by the Purple Line. I was one of the leading advocates for the Purple Line when I served as Chairman of the House Transportation Subcommittee during the Glendening and Ehrlich administrations. So I think my credentials are clear as far as investment in mass transit, and particularly the Purple Line.

My question is about the timing of these acquisitions coming just two weeks before a new Governor is brought in who to the best of my knowledge,

help me if I'm wrong here, has yet to signify his official support for either of these projects. I'm going to work very hard to try to importune him to support both of these transit lines. But why would we obligate the State's taxpayers to a \$5.1 million bill to buy real estate that depending on the priorities of the next Governor may never get used for that anticipated purpose?

MR. SMITH: Well we would be spending money. But if we do not keep these projects moving forward, any delays are going to increase the costs of these projects in the long term. We've had no indication from the transition team or from the administration to be that they want any slow down or stoppage of the activity. And if you will recall, at the last meeting we had acquisitions in connection with the Red Line on the Agenda. They moved forward. We are, at least at this point, assuming that the, these projects are to continue. We did, we did delay the, the submission of bids to give the new administration a chance to review the Purple Line because it did not affect the dates that we expect this to go to the Board for final approval and also for construction to actually begin next year.

COMPTROLLER FRANCHOT: Mm-hmm.

MR. SMITH: So we're doing the same thing that we've been doing all along, and that is keeping these projects on track.

COMPTROLLER FRANCHOT: Mm-hmm.

MR. SMITH: And, and we think that's the fiscally prudent thing to do. And, and till we are told differently, and we've had no indication. As you know, the CTP is coming out. It has both of these projects in it. There, there has been no indication that we should take, or revise either the timeline or the, the project itself, or eliminate the project itself from the CTP. So in order to, these are huge undertakings and they have significant ramifications to the business interests that are spending \$10 million to \$20 million each to prepare their bids. We're giving no indication to them that we are pausing or stopping or changing forces. We're moving forward and until a, a decision would be made to do otherwise. And I think it would, the ramification of not moving forward could be, number one, misinterpreted by, by our bidding teams. It could be misinterpreted by the public. And might cause the new administration even some distress assigning to them something that they weren't interested in, in doing. So I think it is a sound approach to continue both projects on their timelines so that we can maintain the estimated costs to those projects as they go to construction.

COMPTROLLER FRANCHOT: Okay. Well that's an excellent answer, frankly. Because obviously the Governor-elect has many, many cards that he can play on these projects should he go there. But I certainly will do what I can to indicate the advantages of these investments. But if my efforts fail and

others' efforts fail, I take it this surplus real estate that we are purchasing has some value that can either be recouped or reinvested for the taxpayers?

MR. SMITH: Well it certainly has the value that we're willing to pay for it, and certainly others would look at those if it were not used for our purposes as potential acquisitions for themselves. And we can address that down the road if it becomes an, an issue that must be addressed.

COMPTROLLER FRANCHOT: Okay, thank you. Thank you, Governor.

GOVERNOR O'MALLEY: Thank you.

COMPTROLLER FRANCHOT: I had one other item if you --

GOVERNOR O'MALLEY: Sure. And the other thing on that score, I mean, if you, I mean, campaign time there's a very vocal and wealthy group of people at a country club in Chevy Chase. And respecting their passion for their ninth tee, or whatever it is, that will be inconvenienced, it's hard to believe any governor of any state would turn away federal dollars for not one but two projects that have been green lighted that will create and support 57,000 jobs in the State. I mean, it's, I think we're the only state that's been green lighted by the federal government for two mass transit --

MR. SMITH: Two out of six.

GOVERNOR O'MALLEY: Two out of the six for the whole nation --

MR. SMITH: For the whole nation.

GOVERNOR O'MALLEY: -- came to Maryland.

MR. SMITH: Exactly.

GOVERNOR O'MALLEY: So it would, especially when you look at the harmful impact that an irresponsible Congress has had on our economy through the sequester, this was one of the rare instances where we're able to offset this by the infusion and the investment of these federal dollars for things that attack the biggest competitive disadvantage that we have as a region, which is traffic congestion.

MR. SMITH: And mass transit.

GOVERNOR O'MALLEY: Yeah.

MR. SMITH: Access. And the interesting thing is that the incoming administration doesn't have to raise one dollar for these projects. They are both fully funded. The State share has been allocated, the federal government's share has been pretty much assured. The, the, the local jurisdictions, Montgomery County and Prince George's County are putting up, if we're just talking the Purple Line, putting up \$220 million in cash and/or real value for what we would have to pay for otherwise that they are, that they are

paying. So I mean, you have \$900 million from the federal government, \$100 million in this year's budget appropriated, you have the \$220 million from, from the two local jurisdictions, you have the \$648 million from the State of Maryland, and then you have the up to \$900 million from the private, from the private sector. I mean, and it's a beautiful public and private partnership, and it's one that is being watched all up and down the East Coast. Because we have had members of our team go to conferences up and down the East Coast. All they're talking about -- well, that's an overstatement. But much of what they talk about is the Purple Line, the Purple Line, is that really going to happen? And in our, in our teams, of the four short-listed teams, there are international companies that are actually looking at is this going to work in the United States? Is this going to work in the State of Maryland? Because maybe we can get into this market now, which would again create competition --

COMPTROLLER FRANCHOT: Mm-hmm.

MR. SMITH: -- which would, and with a, with the public-private partnership concept, and this is the first major transit project, certainly in Maryland and only the second in the country, that public-private partnerships may be relied upon by governments to do major transportation infrastructure because of things like the recession, things like what we're going through just today of having to cut government because revenue projections are down. So this is, this is

a big, it's a big deal and it's a big economic deal. It's a big business deal. It's a big employment deal. I mean, in every respect. Because, I mean, there are investors who have bought land in each of the sites of the, of the stations. They have, they have visions of really doing a lot of development and redevelopment all along the Purple Line, all along the Red Line. These are more than just getting people from point A to point B. They are a lot more than that. And, and I think it's very exciting that Maryland has two of those projects going.

GOVERNOR O'MALLEY: Two of the six national projects.

MR. SMITH: And I tell you, if, if we, just we get this from our bidding teams, if Maryland, Maryland goes forward with the Purple Line, and then goes forward with the Red Line, they are going to be asking what's next in the pipeline? What's the next public-private partnership? Well, we're spending \$60 million to study and engineer the bridge replacement that now the name is escaping me. But --

GOVERNOR O'MALLEY: What, Thomas Johnson?

MR. SMITH: No, no, the other one.

GOVERNOR O'MALLEY: The other one?

MR. SMITH: The Nice Bridge. Yeah, the Nice Bridge.

GOVERNOR O'MALLEY: Very nice.

MR. SMITH: We don't have the money to build it. But maybe that's a next public-private partnership.

GOVERNOR O'MALLEY: Mm-hmm.

MR. SMITH: I mean, so if we create credibility for ourselves, that we know what we're doing, and that there's no change in attitude when you get down the road, because we have over \$200 million already invested in the Purple Line. The Purple Line has been going on for ten, 12 years. I mean, it takes a long time. It took us ten years to get our NEPA, our record of decision from the federal government. We started in 2003 and we got it in 2013. So I mean, that's why they are looking. Does Maryland know what they are doing?

GOVERNOR O'MALLEY: Well let's hope that the best interests of Maryland, of job creation and business, common sense, triumphs over country clubs and ideology.

MR. SMITH: There are a lot of business people in the Washington area that are communicating with --

GOVERNOR O'MALLEY: Good.

MR. SMITH: -- the Governor-elect and his team about the importance of the, of the, of the Purple Line. And, and actually County Executive Leggett and County Executive Baker have both talked about it as their priority before the Washington Board of Trade and others. So I mean, there is a lot of

momentum in the business community and in the government of the area, plus the Chambers of Commerce in Montgomery County and the Chambers of Commerce in Prince George's County have also had input of their support and for the, for the project. So there is a lot going on that is very positive and --

GOVERNOR O'MALLEY: And it's all teed up, no pun intended.

MR. SMITH: Yes, it's all teed up.

(Laughter.)

MR. SMITH: No pun taken, but --

COMPTROLLER FRANCHOT: Governor, I, I, you mentioned the Columbia County Club, which is, the last time I was there was many, many years ago when I happened to attend a wedding at the country club. And for some reason I was seated with a number of the members of the club at a table. And one of the gentlemen announced in a loud voice a question, do you know what the most important issue facing the world is? And I said, no, nuclear proliferation maybe? Nuclear war? I don't know. He said it's that piece of the eighth, I think it was the eighth tee, not the ninth tee, that is being taken from our club for this mass transit project. And I haven't been invited back since, so --

(Laughter.)

MR. SMITH: All I can say is that's one heck of a way to set priorities, but --

GOVERNOR O'MALLEY: And I grew up there. As a little boy I used to catch crayfish when they could still survive in those creeks. And there was always a coal train that ran through there. There was always a coal train. But anyway, that didn't seem to affect the play of golf then, but --

(Laughter.)

GOVERNOR O'MALLEY: All right. Can we move on? Yes? Any other things on the Transportation?

COMPTROLLER FRANCHOT: I had a quick question on Item 18.

GOVERNOR O'MALLEY: Item 18?

COMPTROLLER FRANCHOT: Which is 12 airspace parcels by MDOT. Just to cut to the chase, Mr. Secretary, I noticed that there's a provision in here that the five option years that could be added onto this five-year contract do not have to come back to the Board of Public Works for approval. And I just am concerned with that because obviously we, we want to keep as much oversight as possible.

MS. DICERBO: Hi, Donna DiCerbo, I'm the Director of Procurement for the Maryland Transportation Authority, and with me is Dennis Simpson, the Director of Planning. And that is correct. We are requesting approval of the five-year leases, and also requesting that upon time of renewal

that we, that that approval by our Executive Director, that it does not require BPW approval.

COMPTROLLER FRANCHOT: Well --

MR. SMITH: What's the thinking behind that is what he's asking you.

COMPTROLLER FRANCHOT: Yeah.

MR. SIMPSON: It's, well it's, it's one renewal year, just one five-year renewal, just to be clear on that. And then the intent is that we would, it would still be based on fair market value. So the, the rental, the rents would still be adjusted based on fair market value at that point which is what the market values that we are presenting to you today are based on as well, is the current fair market values.

COMPTROLLER FRANCHOT: Well I'm going to vote no on this because of that provision. My view is if you're going to allow it to be renewed like that you probably should ask us to vote for a ten-year contract. But given that, I hope that, well I'd like to keep an eye on this and I hope that you'll change your mind on this at some point. Is this discretionary --

TREASURER KOPP: Can it be changed?

COMPTROLLER FRANCHOT: -- discretionary? Or can it be, it's a small issue but it, I would --

MS. DICERBO: It would require the approval of our Executive Board --

COMPTROLLER FRANCHOT: Well they, could you take, I'm going to let, I'm going to vote no on this. And if you could tell them that I would appreciate it if they could overrule that and bring that renewal back to us I would be grateful.

TREASURER KOPP: Why does that provision have to be in here?

MS. DICERBO: It doesn't have to be. I mean --

COMPTROLLER FRANCHOT: I'm happy to take it out, too.

SECRETARY MCDONALD: The Board can easily require them to come back for the renewals --

COMPTROLLER FRANCHOT: Oh, good.

SECRETARY MCDONALD: -- by striking that language in the item right now. And I do believe that's what the, I know that's what the Department of General Services and most agencies do, is come back for the renewals. You can leave it in. They have asked for it and if it's approved that way then that's the authority they get. But if the Board doesn't want to give them the authority we can strike that right out of this item.

COMPTROLLER FRANCHOT: I'd be happy to make a motion if it was supported --

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

THE BOARD: Aye.

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

(No response.)

GOVERNOR O'MALLEY: The ayes have it.

MS. DICERBO: Thank you.

GOVERNOR O'MALLEY: So it is stricken, so it shan't be.

COMPTROLLER FRANCHOT: Excellent.

MS. DICERBO: We shall bring it back.

COMPTROLLER FRANCHOT: Thank you.

GOVERNOR O'MALLEY: Different take on --

COMPTROLLER FRANCHOT: Move approval.

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

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

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

MR. WILSON: Good morning, Governor, Madam Treasurer, Mr. Comptroller. My name is Mike Wilson. I'm Acting Secretary for the Department of General Services this morning, actually it's this afternoon. And we have 23 items to bring before the Board, is on our Agenda. So we'd be happy to answer any questions that you might have concerning any of these items.

GOVERNOR O'MALLEY: Any questions? General Services? Mr. Murphy, did you want to be heard?

TREASURER KOPP: I was going to say --

GOVERNOR O'MALLEY: Or are you out of here?

MR. MURPHY: I'm leaving.

GOVERNOR O'MALLEY: You're done? Good.

(Laughter.)

GOVERNOR O'MALLEY: Well, thank you for being here. I apologize. I thought you were here on DGS items.

MR. MURPHY: No, but congratulations.

GOVERNOR O'MALLEY: All right. You're okay with what we did?

MR. MURPHY: Thank you, Governor.

GOVERNOR O'MALLEY: Oh, that's a first, Mr. Murphy.

Thank you.

TREASURER KOPP: Governor --

SECRETARY MCDONALD: Mr. McNeely is here from Baltimore City on Item 17.

GOVERNOR O'MALLEY: Mr. Armbruster, Mr. McNeely? I'm sorry, Madam Treasurer, you had something on another item?

TREASURER KOPP: No, no, I didn't. I was just going to mention the fact that the former Secretary of General Services who is not sitting there at the moment was also an outstanding member of --

GOVERNOR O'MALLEY: Al Collins.

TREASURER KOPP: -- of this cabinet, and others.

GOVERNOR O'MALLEY: Where is Al? Is he making sure they are laying the floors down --

MR. WILSON: He just, that did come up. We lost both the Secretary and our Deputy Secretary. Both Secretary Collins and Bart Thomas retired effective at the end of the year, December 31st. So --

GOVERNOR O'MALLEY: But I know Al is still around, isn't he?

MR. WILSON: He is still around. He was here today, actually. He's running around and taking care of --

GOVERNOR O'MALLEY: Good. I think he's pushing them on the old Senate Chambers.

TREASURER KOPP: I certainly hope so.

MR. WILSON: If you see him down there working on the floors.

GOVERNOR O'MALLEY: Could you also tell him, speaking of the Purple Line, and speaking of the Treasurer's beautifully colored purple blazer, there is a white dome that in times of national championship drives by our major city gets lit up purple, so it is written, so it shall be.

MR. WILSON: I hear you.

GOVERNOR O'MALLEY: Okay.

MR. WILSON: We'll take care, we'll take care of that.

TREASURER KOPP: Do you know, Governor, just mentioning that, I think Peter might remember, that when the Ravens were going into the Super Bowl and there was, I don't know whether it was, you were Governor or you were Mayor, but there was purple, what, cellophane, whatever, on all the lights. You could actually see the Milky Way from Baltimore City.

GOVERNOR O'MALLEY: Because of the light --

TREASURER KOPP: Because of the light, yeah, yeah. It was interesting bit of history.

GOVERNOR O'MALLEY: Another happy benefit of --

(Laughter.)

GOVERNOR O'MALLEY: Okay. Who wants to be heard, Mr. Armbruster, Mr. McNeely, on your Item 17?

MR. MCNEELY: Mr. Governor, Madam Treasurer, Mr. Franchot, I just thank you very much for that. This is an important contribution to the \$60 million Home and Community Partners Initiative that the Central Baltimore Partnership is managing with Hopkins and UB and MICA and 65 other partners, and including the Department of Transportation and Amtrak on the renewal of the train station. So thank you very much for the support.

GOVERNOR O'MALLEY: Thank you. You're doing some great work there. So visible, too, when you drive around the neighborhood that's emanating out from Hopkins. We realized years ago in the City that these universities could be the, the nodes, if you will, of repopulating and redeveloping our City. And Mr. Armbruster, thank you for everything that you've done with Goldseker and privately and also Joe McNeely, thank you.

MR. ARMBRUSTER: Thank you, Governor. You also sent me a successor to the foundation. I forget --

GOVERNOR O'MALLEY: You stole him.

MR. ARMBRUSTER: I forget who he worked for.

GOVERNOR O'MALLEY: Yes, Mr. Armbruster is talking about my beloved former Chief of Staff, and let's be honest, they only become beloved once they become former.

(Laughter.)

GOVERNOR O'MALLEY: And that was Matt Gallagher, who is there now trying to fill those big shoes. Okay. 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. And that concludes the Board of Public Works for eight years. Thank you.

(Applause.)

(Whereupon, at 12:16 p.m., the meeting was concluded.)

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