

---

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

**May 10, 2017**  
**10:10 a.m.**

---

# PRESENT

**HONORABLE LARRY HOGAN,**  
Governor

**HONORABLE NANCY KOPP**  
Treasurer

**HONORABLE PETER FRANCHOT**  
Comptroller

**SHEILA C. MCDONALD**  
Secretary, Board of Public Works

**ELLINGTON CHURCHILL**  
Secretary, Department of General Services

**DAVID BRINKLEY**  
Secretary, Department of Budget and Management

**PETE RAHN**  
Secretary, Department of Transportation

**MARK BELTON**  
Secretary, Department of Natural Resources

**MICHAEL LEAHY**  
Acting Secretary, Department of Information Technology

**JIMMY RHEE**  
Special Secretary, Governor's Office of Minority Affairs

**MISSY HODGES**  
Recording Secretary, Board of Public Works

HUNT REPORTING COMPANY  
Court Reporting and Litigation Support  
Serving Maryland, Washington, and Virginia  
410-766-HUNT (4868)  
1-800-950-DEPO (3376)

# CONTENTS

Subject	Agenda	Witness	Page
<b>Presentation of Customer Service Heroes Award to Cybil Preston and Mac the Bee Dog</b>		Governor Hogan Cybil Preston	5
<b>Grant to Easton Utilities for the Easton Wastewater Treatment Plant Photo Voltaic Array Project</b>	SEC 9, p. 14	Sheila McDonald Bob Willey	13
<b>African American Heritage Preservation Program Grants</b>	SEC 12, p. 17	Sheila McDonald Dale Green	12
<b>Public School Construction Capital Improvement Program for Fiscal Year 2018</b>	SEC 14, p. 21	Sheila McDonald Robert Gorrell Alan Kittleman Michael Martirano Joan Schaefer	14
<b>DNR Agenda</b>	DNR	Mark Belton	52
<b>DBM Agenda</b>	DBM	David Brinkley	52
<b>USM Agenda</b>	USM	Joe Evans	53
<b>Lottery Central Monitoring and Control System</b>	DoIT 2-IT, p. 70	Michael Leahy Gordon Medenica Tessa Hill-Aston Ralph Tyler Emmanuel Bailey Mike Johansen	54

<b>ExpressPoll Hardware Replacement Purchase</b>	DoIT 3-IT, p. 74	Michael Leahy Linda Lamone Patrick Hogan	91
<b>DOT Agenda</b>	DOT	Pete Rahn	107
<b>Energy Saving Measures at Holly Center</b>	DGS 2-EP, p. 103	Ellington Churchill Del. Carl Anderton	108

---

# PROCEEDINGS

GOVERNOR HOGAN: Good morning, everyone.

ALL: Good morning.

GOVERNOR HOGAN: Thank you for joining us. The first thing I want to do is take a moment to recognize Teacher Appreciation Week. And we may have a couple of educators here in the room, but this week we're acknowledging Maryland's educators and the countless contributions that they make in the lives of our students. Maryland has some of the best schools in the country and it wouldn't be possible without the incredible teachers that we have that encourage, motivate, and inspire our students. So I want to just encourage all Marylanders to thank their teachers for the critical role that they play in shaping our future leaders of the future.

I've also proclaimed today, May 10, as State Employee Appreciation Day. And we have many State employees in the room here. We appreciate each and every one of you for all of your hard work. We really are fortunate to have a dedicated team of hard-working State employees who are the backbone of our State government. They serve with integrity and they go to work every single day, working hard, with the mission of making State government work for everyone in the State. And I believe they provide great service to the citizens.

And I want to welcome two special guests this morning as we once again recognize State employees who have exhibited customer service excellence. We have a Customer Service Heroes Award and I'm pleased to present the Customer Service Heroes Award to Cybil Preston, who is an Inspector at the Maryland Department of Agriculture, and her partner, Mac the Bee Dog. And this is a great story.

(Applause.)

GOVERNOR HOGAN: So Cybil and Mac provide vital inspection services for Maryland's honey bee colonies inspecting them for American Foulbrood, one of the most dangerous disease infestations to bee colonies. And with Mac's help, Cybil can inspect 100 colonies in 45 minutes. So Cybil and Mac do a tremendous job protecting our bees, which is one of our State's most vital industries. So congratulations. I know we're going to take a picture with this in a minute. The *Baltimore Sun* headline will read, "Hogan let the BPW go to the Dogs."

(Applause.)

(Laughter.)

ALL: Aww.

SECRETARY MCDONALD: It's a treat. It's a treat.

COMPTROLLER FRANCHOT: In Maryland, even the honey bees get customer service.

(Laughter.)

(Applause.)

COMPTROLLER FRANCHOT: So how do you train him?

MS. PRESTON: (Indiscernible).

SECRETARY MCDONALD: Excuse me, if you could talk into  
the microphone?

MS. PRESTON: Oh sorry --

GOVERNOR HOGAN: That's okay.

SECRETARY MCDONALD: No, no, no. Into the microphone.

COMPTROLLER FRANCHOT: That's okay.

SECRETARY MCDONALD: Into the microphone. The  
microphone. The microphone. We need it for the court reporter.

MR. BRINKLEY: So everybody can hear you.

SECRETARY MCDONALD: Yeah, yeah, yeah, yeah. It's just it  
will be kept for posterity that way.

GOVERNOR HOGAN: Mac just wants to go smell some bees.

MS. PRESTON: He does.

SECRETARY MCDONALD: Thank you.

MS. PRESTON: Thank you so much. He's a farm dog, tried and  
true. So we trained alongside the Maryland Department of -- do you want to take  
him?

(Laughter.)

MS. PRESTON: Public Safety and Correctional Facility. So while they were training their drug detection dogs, they let us come into their boot camp and we just supplied the bacteria and we just started, they trained me like their detection officers do. And in, we trained at home because I couldn't go full time. But so I trained him on my farm. And in six months, six full months of full training, we were certified and we actually just got funding to get another dog.

GOVERNOR HOGAN: That's wonderful.

MS. PRESTON: So we'll have another one on staff, hopefully by next year.

TREASURER KOPP: So where do you take him? How does it work?

MS. PRESTON: So I go out to mostly commercial beekeepers and wherever they keep their bees, their apiary, the one big apiary we work in is in Hagerstown. I drive out there and he goes through the bee hives and he alerts if he finds the bacteria. And then we, once we finish, I finish out my permit or my paperwork, and then we drive to the next apiary and do it again.

TREASURER KOPP: And can you actually eliminate then the bacteria and bring back the bees? Or make the bees safe?

MS. PRESTON: So the bacteria is contagious. So once we find it, we get it certified with the bee lab. I don't know that we, the bee lab is having



some issues right now. So they are the ones that confirm that he has alerted correctly. And then once, if it is American Foulbrood it must be burned. It's that contagious. So.

COMPTROLLER FRANCHOT: And the bees don't sting him?

MS. PRESTON: No, we only work in the winter when the bees are dormant. So --

(Laughter.)

GOVERNOR HOGAN: That's a smart plan.

MS. PRESTON: I work on the bee hives during this season. And so from November through March, when the bees are dormant and in cluster, he inspects the bees. And then from March through October, I inspect the bees. So.

GOVERNOR HOGAN: Very good.

MS. PRESTON: But he can do so much more than I can do. He did 1,600 in a matter of two months.

TREASURER KOPP: Wow.

MS. PRESTON: I could never do that even in one year, an entire season.

GOVERNOR HOGAN: Your nose isn't quite as good?

MS. PRESTON: No.

(Laughter.)

MS. PRESTON: No, not at all.

GOVERNOR HOGAN: Well thank you so much, Cybil.

MS. PRESTON: Thank you very much.

GOVERNOR HOGAN: Congratulations to you and Mac.

MS. PRESTON: Thank you.

(Applause.)

TREASURER KOPP: Governor, I think Mac is wearing the official Maryland leash and we should --

GOVERNOR HOGAN: I --

MS. PRESTON: Leash and collar.

TREASURER KOPP: Leash and collar. We should --

GOVERNOR HOGAN: I have a little dog that has the same one. That's a, we'll be happy to do that, show the colors. Madam Treasurer, any opening comments?

TREASURER KOPP: It's a pleasure to be here. I look forward to the meeting.

GOVERNOR HOGAN: Great. Mr. Comptroller?

COMPTROLLER FRANCHOT: Thank you, Governor and Madam Treasurer. It's hard during this time of the year not to be excited about Maryland's sports teams. The Os and the Nats wrapped up the first two games of their series in Baltimore last night and both are battling for first place in their respective divisions. Obviously I am eternally hopeful that 2017 will be the year

when they finally play each other in the World Series. But that Beltway World Series is going to be something to behold. But in the interim, guess what? Tonight we have the seventh game of the Stanley Cup Quarterfinals where the Washington Capitals, who for 34 years I've been a born to sorrow fan of this wonderful team, they are playing our arch enemy the Pittsburgh Penguins tonight and in the seventh game. I happen to be a passionate fan, Governor, and I hope this club finally gets the hex off its back and wins this and moves on to the Stanley Cup. So --

GOVERNOR HOGAN: I'm still a little mad they moved out of Landover.

COMPTROLLER FRANCHOT: Well, that's true. They, it didn't do them any good. But this might be the year. And I'd also be remiss if I didn't point out that the men's and women's lacrosse teams at University of Maryland and their coaches won the Big Ten conference titles and are ranked number one in the country nationally. And speaking of our Maryland colleges, how about Salisbury University? Who earned yet another number one NCAA tournament seed as they prepare to compete for their, get this, Salisbury University -- I see the Mayor from Easton is here over on the Eastern Shore. Salisbury University, which I call the Yale University of Maryland, because that's how beautiful it is, they are competing for their 12th national championship in lacrosse. And also

hats off to Towson University's lacrosse team, because they captured another Colonial Athletic Association title. They are heading into the NCAAs.

And Governor, let me just close by once again congratulating the Baltimore Blast on winning the MASL Championship last month. I had the great honor and privilege of hosting members of the team, the coaching staff, and its owner Ed Hale at the Treasury Building last week where my staff and I had the opportunity to congratulate the championship winning team and thank the Baltimore Blast for their invaluable contributions to the City of Baltimore and the region through their outreach.

And Governor, the team asked me to present you and the Lieutenant Governor with your own custom-made Baltimore Blast jerseys with an invitation for you and your families to come to a Blast game next season.

(Applause.)

COMPTROLLER FRANCHOT: Thank you.

GOVERNOR HOGAN: Thank you very much.

TREASURER KOPP: Governor since we're talking --

GOVERNOR HOGAN: You don't want me to change into this right now?

COMPTROLLER FRANCHOT: No.

(Laughter.)

TREASURER KOPP: Since we're talking about the University, on a slightly different level, tomorrow is the inauguration of the St. John Learning Center at College Park, the most modern, effective teaching and learning center in the world, maybe.

GOVERNOR HOGAN: Yes, like you say it's a great milestone for the University and thank you for mentioning that.

TREASURER KOPP: Thank you for your support.

GOVERNOR HOGAN: Unfortunately I'm going to be in Carroll County all day with a pretty full schedule. But I'm going to again I think reach out to Ed St. John and thank him for his generosity --

TREASURER KOPP: Yeah.

GOVERNOR HOGAN: -- and congratulate the University of Maryland on --

TREASURER KOPP: It's going to be pretty exciting.

GOVERNOR HOGAN: -- new project there. Thank you. I think we're ready to start with the Secretary's Agenda.

SECRETARY MCDONALD: Good morning, Governor, Madam Treasurer, Mr. Comptroller. We have 14 items on the Secretary's Agenda this morning. We have two reports of emergency procurements. We are prepared to take your questions on the Agenda.

GOVERNOR HOGAN: Thank you. I see that we have Mayor Bob Willey from the Town of Easton joining us this morning. So maybe we'll bring up Item 9. This is a \$3 million grant from the Maryland Department of the Environment to the Easton Utilities Commission to install a photo-voltaic array at the wastewater treatment plant. Mr. Mayor, we'd be delighted to hear from you about your project.

SECRETARY MCDONALD: And Jag, you can come up from the Department of the Environment. Mayor Willey, please come to the stand, too.

MR. WILLEY: I wasn't sure how long I'd have to speak to I'm prepared to go up to three hours.

(Laughter.)

GOVERNOR HOGAN: Well you can stay and keep talking. We won't be here to listen.

(Laughter.)

MR. WILLEY: But briefly, the Town of Easton is committed to making fiscally responsible decisions which demonstrate resource conservation and help protect the environment. The Easton Sustainability Campus located at the enhanced nutrient removal wastewater treatment facility is an exceptional model of this commitment. As the recipient of a \$3 million grant from MDE, Easton Utilities plans to add a two-megawatt solar array to the campus. This array will provide 100 percent of the wastewater facility's annual electrical

consumption, generate renewable energy credits, and enable all Easton citizens, customers, in effect to participate in solar regardless of housing situations.

The solar component follows a recent installation of a landfill gas to electric generator, which is currently using methane gas and converting it to green energy. We're actually piping the methane gas off of a closed landfill into a generator and that is supplying the power for the dryers at the wastewater plant.

This project will highlight Easton and Maryland as leading innovators in utilizing renewable energy and is a great example of State and local governments working routinely together to protect our environment and serve our community. There were a couple of numbers that were thrown out that I had to ask them to check because they were really outstanding. But from the wastewater treatment plant, we have a 90 percent decrease in discharged nitrogen and 97 percent decrease in discharged phosphorous since 2006. The total nitrogen equals .79 megagrams per liter and the permitted level is 4.0. The total phosphorous is .08 megagrams per liter, and the permitted level is .3. So we've made some really outstanding progress on taking pollutants out of the Chesapeake Bay.

Also with the methane gas being used up, methane is 28 times greater than carbon dioxide as a global warming gas. So we feel pretty comfortable that this is a project that is going to benefit the Town of Easton and the State of Maryland for years to come.

GOVERNOR HOGAN: Thank you very much, Mr. Mayor.

TREASURER KOPP: What is the roll out of, when is this going to be fully in effect?

MR. WILLEY: Pardon?

TREASURER KOPP: When is it going to be fully working, everything together?

SECRETARY MCDONALD: Mr. Grunden from Easton Utilities

--

MR. WILLEY: Well before I get to showing you how much I don't know about megawatts --

TREASURER KOPP: No I --

(Laughter.)

MR. WILLEY: -- the CEO of Easton Utilities --

TREASURER KOPP: Because I have to tell you I think this sounds like one of the most exciting things I've heard in a long time.

MR. WILLEY: If, when you guys come to Easton next time we're going to take you down to the Dover Neck area and that has, we're even investigating turbines now, wind turbines, right on the Choptank. You'll see the methane generator. You'll see the wastewater plant. All exciting stuff. But it is a great area to visit and it's a great area to see what's happening and what can happen in a small town.



TREASURER KOPP: There are people who are really interested in environmental and energy tourism to see the best sites all over.

MR. WILLEY: Mm-hmm.

TREASURER KOPP: And it seems to me that this really could put us significantly on the map.

MR. WILLEY: Well this is quite a growing area. If you look at the sustainability campus that they are setting up, it's not maybe a good hollering distance from the Dover Bridge that's being replaced. So it's all happening right in the particular area. And it's an environmentally sensitive area. And it really starts to pay rewards.

GOVERNOR HOGAN: I like that it's in hollering distance of the Easton Bridge.

MR. WILLEY: There you go.

(Laughter.)

GOVERNOR HOGAN: Thank you, Mr. Mayor.

MR. WILLEY: All right.

GOVERNOR HOGAN: Yeah, this project is one of several clean water and safe water infrastructure projects that we are approving this morning. We have them located in Baltimore City, Anne Arundel County, and Talbot County. And all of them will ultimately lead to a cleaner Chesapeake Bay. And these items reflect a nearly \$150 million investment in these types of projects

initiated by our administration two years ago. Thank you, folks at the Maryland Department of the Environment for your efforts.

TREASURER KOPP: And Governor, the methane capture is something that people are trying for all over the country, all over the world, and is actually going to be done. You know, I wish you were of my party. But I think that the leadership --

GOVERNOR HOGAN: I'll invite you to my party.

(Laughter.)

TREASURER KOPP: No, and these accomplishments are really very significant.

GOVERNOR HOGAN: Thank you very much. We're all a part of making it happen and --

TREASURER KOPP: Yeah.

GOVERNOR HOGAN: -- I want to thank the professionals that are doing such a great job.

Continuing with our Easton theme, Professor Dale Green from Morgan State University, who is also the Vice Chair of the Maryland Commission on African American History and Culture, has joined us this morning to talk about Item 12 which is a very important item for the Bethel AME Church located in the Hill neighborhood of Easton. It occupies a very important and special place in our State's history. Thank you for coming this morning.

MR. GREEN: Thank you, Governor Hogan, Comptroller Peter Franchot, and Treasurer Nancy Kopp. It's a pleasure to stand before you on this morning and to talk briefly about the Bethel African Methodist Episcopal Church located in the wonderful town of Easton where the Mayor is Robert C. Willey and in the great County of Talbot County.

The Maryland Commission on African American History and Culture, where I serve as the Vice Chair, and I'm a Professor at Morgan State University of Architecture and Historic Preservation. We have been working on the Hill community project since 2010. The great Comptroller has been able to visit that area last year. And the Governor held his African American History Month program there, where the Lieutenant Governor presided.

The Bethel AME Church is Maryland's Eastern Shore's oldest African American independent church. It was created in 1818. It will celebrate its bicentennial celebration on next year. It will also celebrate its 140th anniversary next year which marks the year that Frederick Douglass, native son of Talbot County, dedicated the church structure, November of 1878. So it is a very historic church in the midst of a very significant African American community, for which we now know to be the nation's oldest African American community that is still in existence. It is not the oldest, or earliest rather, in our country, but it is the oldest that still is existing and has the same families that have been settled in this area at least since 1790.

So we are very proud to have recommended this project for funding. It has received funding in the past and this work will restore the church to its period of significance when Frederick Douglass dedicated it in the year of November of 1878.

We would also make the members here mindful that the work of the Commission, which has funded projects like this since 2010, has saved nearly 80 sites similar to this site across the State in nearly 18 counties and this has created nearly 500 jobs since the founding of the grant program in 2010. So again, we thank you and your administration for the great work that it is allowing us to do in these various communities.

GOVERNOR HOGAN: And thank you, Professor Green, for all of your hard work and such wonderful projects. Any questions?

TREASURER KOPP: Is there a document or a site somewhere that brings them all together?

MR. GREEN: For the Bethel AME Church?

TREASURER KOPP: The projects? No, the projects that you mentioned.

MR. GREEN: We have a site for the Hill community project that's going live in 2018. And it will also feature the work that's been funded at the Asbury Church, which is also one of the projects that's been funded. And

several of the houses that the Town of Easton and the county are also restoring in the community.

TREASURER KOPP: Super.

MR. GREEN: So that site rather will go live in 2018.

TREASURER KOPP: Terrific. Thank you.

GOVERNOR HOGAN: Thank you very much.

MR. GREEN: Thank you.

COMPTROLLER FRANCHOT: I just wanted to say thank you for you comment and I wanted to thank the Mayor for his leadership. Mayor Willey, fabulous job down there. And Easton Utilities is a wonderful business. So thank you very much, Hugh, for being here.

MR. GREEN: Thank you.

GOVERNOR HOGAN: Thank you very much. Next I'd like to bring up Item 14.

SECRETARY MCDONALD: Item 14 is an item from the Interagency Committee on School Construction. We have Robert Gorrell here, who is the Director of the Public School Construction Program. And of course, you also have Secretary Churchill here, who is a member of the IAC. But Director Gorrell is here, with his Deputy Director Joan Schaefer.

GOVERNOR HOGAN: Good morning, Mr. Gorrell.

MR. GORRELL: Governor Hogan.

GOVERNOR HOGAN: Thank you. So the IAC has presented a Fiscal Year 2018 Construction Capital Improvement Plan to the Board of Public Works for our consideration. And the constitutional and fiscal officers of the State continue to exercise their oversight role. As we discuss this item before us, we are going to see some examples of the Board's oversight role and the Board of Public Works I believe was rightly concerned about mold and air quality issues in Howard County's public schools that affected the health and safety of students and teachers. Parents and teachers felt that the school system wasn't listening to their concerns and the Board of Public Works was their last resort to come before us to have their concerns heard. We asked some tough questions of the school system. We ended up withholding funds when the answers to our questions were unsatisfactory. And when the Board exercised its oversight authority, things happened and positive change occurred. So taxpayers are reassured that someone in government is listening and looking out for them.

Mr. Gorrell, I understand that Howard County has now submitted materials and testified that they have made good faith efforts to address the concerns about mold and air quality issues in several of their schools. Is that correct?

MR. GORRELL: That is correct. They initially immediately resolved the problem and then they put processes in place to prevent it from happening again. And I believe they are here and can speak to it directly.

GOVERNOR HOGAN: Great. Well maybe we'll just cover the other issues and then we can talk about that. But just make your presentation. Thank you.

MR. GORRELL: Thank you. So the IAC approved the FY '18 CIP per House Bill 151 on May 2, 2017. And we have, we stand for detailed questions if you would like, Mr. Governor.

GOVERNOR HOGAN: Okay. Well I, I think my friend, County Executive Kittleman and some folks from Howard County are here. Before you come up, I'd just like to make a motion to release the \$9.6 million which the Board of Public Works withheld from Howard County last January. Is there a second to that?

COMPTROLLER FRANCHOT: Second.

TREASURER KOPP: Second.

GOVERNOR HOGAN: The motion carries three-nothing. Mr. County Executive --

TREASURER KOPP: And that is in the report, also? That \$9 million?

MR. GORRELL: Yes, that --

TREASURER KOPP: Good. Terrific.

MR. GORRELL: -- that funding was in the report and was approved. And this is a condition that the Board of Public Works had put on that county --

TREASURER KOPP: Terrific. Excellent.

MR. GORRELL: -- and this action that you're doing today --

GOVERNOR HOGAN: So the motion now will release the funds.  
But if you've, maybe we'll have the county, Howard County --

MR. GORRELL: Yes.

GOVERNOR HOGAN: -- we'll hold you there for other questions. But good morning, Mr. County Executive.

MR. KITTLEMAN: Good morning, Governor, Comptroller, Treasurer. It's great to be with you. If I could have, also with me today is the Board Chair Cindy Vaillancourt and actually even more important to introduce you to is our new Acting Superintendent of Schools in Howard County, Dr. Michael Martirano.

GOVERNOR HOGAN: Welcome.

MR. KITTLEMAN: We're excited. We appreciate your willingness to continue to work with us. We really are doing the best we can to make sure the county and the school system are working together to make sure our facilities and our places for our children to learn and our teachers to teach are the best possible in Maryland. And I know you've all been to Howard County



schools. You know how great our school system is. And we're committed to making it continue to be even better in the future. But if I could introduce and have the Superintendent address you that would be great.

GOVERNOR HOGAN: Please. Absolutely. Thank you.

DR. MARTIRANO: Well good morning, everyone. Governor Hogan, it is wonderful to see you and meet you in person. I most recently hail from the great State of West Virginia and your colleague, Governor Earl Ray Tomblin, sends his regards to you.

GOVERNOR HOGAN: He's a good guy.

DR. MARTIRANO: And we appreciate your help during the flood that occurred recently --

GOVERNOR HOGAN: Yes.

DR. MARTIRANO: -- in the state there as well.

GOVERNOR HOGAN: Thank you.

DR. MARTIRANO: I'm a lifelong Marylander --

COMPTROLLER FRANCHOT: Didn't you serve in St. Mary's at some point?

DR. MARTIRANO: And I did. Just briefly --

TREASURER KOPP: Yeah.

DR. MARTIRANO: -- I served in St. Mary's. You were my representative when I opened Sligo Creek in Montgomery County. I'm a lifelong

Marylander and I had a three-year stint in West Virginia. And I'm back home.

And --

GOVERNOR HOGAN: Welcome home.

TREASURER KOPP: Yeah.

DR. MARTIRANO: -- absolutely wonderful, it's wonderful to be home. Most recently the Board of Education has appointed me as their Acting Superintendent and I am thrilled to be back in Howard County. I lived there for 20 years, have many friends there. And I want to make a contribution to revive the hope and the aspect of full transparency to the public school system. I'm thrilled to work with our County Executive with my Board Chair, Cindy Vaillancourt, who have been just absolute individuals of strong caliber in terms of working for the citizens.

I recognize the challenges that have been experienced in our county. I recognize the challenges that have been experienced in Glenwood Middle School. I've listened to our parents in the short period of time that I've been on board in one week. I visited the school yesterday. I participated in an on site visit. I'm very pleased with the work that has occurred. But I'm also very, I want to apologize to this body for the lack of transparency that did occur in the past. But it is also a new day as we move forward. I appreciate the fact that you have released the \$9.6 million because that will allow us to move forward. I give you my pledge, my honesty and trust as a servant in the State of Maryland for

many years that as we move forward you will have my full cooperation to work with this body in the way that I've worked with them in the past. Thank you for your time and thank you for your faith and contributions to the system of Howard County.

GOVERNOR HOGAN: Well thank you, Mike. And welcome back. We appreciate you being here.

(Applause.)

MR. KITTLEMAN: Just a quick closing, Mr. Comptroller, it is my understanding of the women that are on the University of Maryland women's lacrosse team that are the best in the nation, approximately half are from Howard County.

(Laughter.)

GOVERNOR HOGAN: Very good. There you go. Thank you, Mr. County Executive.

TREASURER KOPP: Alan, I think we should recognize also the hard work you put in to coming to this good day and resolution.

MR. KITTLEMAN: Thank you. Thank you, Madam Treasurer. I appreciate it.

GOVERNOR HOGAN: Thank you very much.

MR. KITTLEMAN: Thank you very much. Thank you. Good to see you all.

GOVERNOR HOGAN: Thank you for your leadership. Mr. Gorrell, I have a question for you about Prince George's County. Back in January we noted some concerns about the lack of design progress for their top priorities and it seemed like an extremely large amount, over \$70 million, in uncontracted allocations from prior years. Are there some resources that the State could possibly offer to assist Prince George's County with their design and contracting problems to try to help alleviate this serious backlog and maybe get some of these projects moving?

MR. GORRELL: Governor Hogan that is a good observation. Yeah, there's money sitting on the shelf that's not moving forward creating jobs and helping the schools. We have as the IAC had an all-day retreat studying this type of thing. This isn't the only. And there is opportunity to be made. Where the resources might lie in that I don't have an answer for you today. But there is opportunity for improvement, project management being able to see where pieces are and how to move them to the next step and holding people accountable is something that is needed and could be improved.

GOVERNOR HOGAN: You know, the Stadium Authority is building the schools and overseeing the process in Baltimore City. We've got expertise in our Department of General Services and our Department of Planning. And you know, if we can help provide the resources to get, if you only have one county that can't seem to get the things moving, it's just a suggestion --

MR. GORRELL: Understand.

GOVERNOR HOGAN: -- for the IAC to look at how could we help the local jurisdiction.

MR. GORRELL: Governor Hogan, members, it's absolutely the truth. If you have resources and that you can put towards managing something, you can move it along faster. It doesn't matter what the business is. The Stadium Authority is a good example. Of course they charge a percentage of the cost. But do you get that back in return for a faster moving project? In my opinion, you do. So there are opportunities and we need to look at them all.

GOVERNOR HOGAN: My last comment for you, I'm delighted to see Somerset County is receiving 100 percent of their request for the Tawes Center project. I think it's an important project. I know back in January when Somerset County was before us the Comptroller and I had a very constructive conversation with them about how their geographic location puts pressure on their ability to control construction costs and contract bidding because they are so hard to reach, the Lower Shore. But I want to make sure along the same lines on Prince George's County that we are leveraging all of our State resources, in particular utilizing the human capital that we have in DGS and our Planning Department, to kind of assist the unusual circumstances that we have down in Somerset County.

MR. GORRELL: I can't honestly answer that we are doing that but we will look at that. And there, sometimes whenever you are in an outlying area there are certain types of contractors that are more prolific than other types. So matching up the construction type to the available work source is one of the options. We'll meet with them. We plan to go out. And I'll report back to you and to your staff what we find out.

GOVERNOR HOGAN: Thank you very much. Mr. Comptroller or Madam Treasurer, any questions of the IAC?

TREASURER KOPP: I just want to thank you or Joan, I'm not sure which --

GOVERNOR HOGAN: How about thanking them both?

TREASURER KOPP: Thank you both for these notes you've given us of the difference between what we saw before and what we see now. It is so helpful to have this all brought together in a simple brief document. Then you can really focus in on whether there are systemic issues or -- thank you.

GOVERNOR HOGAN: Yeah, it's real progress. And you know, we know you haven't been on board that long, Mr. Gorrell. But you have a good team and all of you working together I think we are pleased with some of the progress that we're seeing.

MR. GORRELL: Thank you, Governor.

GOVERNOR HOGAN: Yes, sir?

COMPTROLLER FRANCHOT: Yes, I wanted to also thank Secretary Churchill for his service on the IAC. And thank you for that and your leadership. And Mr. Gorrell, I just wanted to echo what the Governor was saying. I think it's a new day at the Maryland Public School Construction Program. And I think your leadership frankly is a breath of fresh air. And suffice it to say I think many of the strides we're currently making might not have been possible in the past.

Much has been made about the time honored role the Board of Public Works plays as the final level of scrutiny in our all important process to allocate public school construction dollars. And there are those who have tried to devalue the transparency and accountability that this Board provides or to minimize the forum it allows for taxpayers to voice concerns. I respect and appreciate the important role that you and the IAC plays in this process. But you were never intended to be the final level of scrutiny for the hundreds of millions of taxpayers' dollars that we invest in our schools.

When our current Public School Construction Program was established back in 1971, it bestowed final authority over school construction funding and regulations to the Board of Public Works for a reason. Given how important school construction funding is to the educational and economic future of our State, and the magnitude of public dollars at stake, the final oversight over school construction was intentionally placed with three Statewide constitutional

officers, two of whom are directly accountable to the public at the ballot box and the other who is elected by the members of the General Assembly. That wasn't by chance. It was a very deliberate choice. And time has shown the wisdom of that decision.

Thanks to the transparency and public accountability that the Board of Public Works provides, we put a much needed emphasis on improving, for example, school maintenance. Which is leading to better use of scarce resources and improved morale, but even more importantly better educational outcomes for our kids. This Board also heard the desperate calls from parents, teachers, and students who were being ignored, ignored, in Baltimore County about sweltering classroom conditions. The horrible stories of children sweating through class, passing out, and struggling to concentrate in sweltering classrooms were heard. And thanks to the pressure we applied to those dragging their feet to address this untenable public health and safety issue, they are now finally seeing an effort to rectify it once and for all. And those families in Howard County, as the Governor brought up, who were concerned about mold, mold, I mean, we're applauding people that are inspecting bee hives. But parents in Howard County are concerned about mold for their kids in their classrooms. They were told, frankly, they were wrong or that they were lying. That's what those parents in Howard County were told. They were given a voice, however, at this Board. And thanks to that public scrutiny there is real progress being made. And while



the leadership responsible is no longer in charge in Howard County, students and teachers won't have to endure asthma attacks and other mold related ailments caused by a clear problem that they were repeatedly told did not exist.

And this isn't about bypassing local school systems. It's about working constructively to ensure that our limited public resources are doled out fairly and efficiently. Like in January when we questioned the method used to calculate after concerns were raised by Superintendent Gaddis, as the Governor noted. But his concerns in Somerset has led to every school system across the State now being eligible for millions of dollars in additional school funding that they need to effectively build and renovate schools. Kudos to the IAC and everyone at the Public School Construction Program for following up on this Board's constructive feedback and making sure that this important calculation reflects the true cost of construction across the State.

There is no doubt of the critical need for this Board's central role in the State's public school construction funding allocation process. If recent events have demonstrated anything, it's the obvious need for more transparency, more accountability in our public school construction process, not less. Now more than ever parents, teachers, and students, rely on the oversight, accountability, and transparency that we provide at the Board of Public Works to ensure we are getting the best possible outcomes with limited taxpayer dollars. I'm not sure there is anything we do as a State, frankly, than is more important

than educating our kids and providing the facilities that teachers require to do their jobs and kids need to reach their potential. That is why the transparency and accountability that we provide here at the Board is so important. And seriously, thank you. And thank the rest of the staff at the IAC for working with us on this.

I have a couple of question. I'm sorry if I'm too long here. I just have a couple more minutes, Governor, and I'll shut up for the rest of the session. How's that?

GOVERNOR HOGAN: Do you promise?

(Laughter.)

COMPTROLLER FRANCHOT: No.

(Laughter.)

COMPTROLLER FRANCHOT: But back in January I asked questions about fiscal year '18 construction costs per square foot being reduced to \$20 below the fiscal year '17 rate. It seemed out of kilter somehow. So there were some concerns the figures didn't reflect some of the challenges faced by jurisdictions outside of Central Maryland. So I'm particularly pleased that the IAC reconsidered those costs at their March meeting and decided to increase the cost per square foot by \$13 instead of decreasing it by \$20. Kudos.

Based on my rough calculations for a school, like Tawes Technology and Career Center and Somerset, the school by the way that caused us to stop and take a look at this in the first place, the difference between \$315 a

square foot and \$348 a square foot means that instead of losing \$2 million in desperately needed State funding, Somerset County will be eligible for \$3.3 million in additional funding. Does that sound as, I don't mean to put you on the spot, but does that sound more or less accurate? And as I said, it doesn't benefit one county at the expense of others. If I'm not mistaken, this change will mean an additional \$2 million for the new William Schmidt Outdoor Center and another \$7 million in State funding for Anne Arundel County to build the new Crofton High School, among others. So thank you for that.

In January we approved eight roofing projects, which were the direct result of issues raised by Treasurer Kopp in January of 2016. She aired her concerns about the apparent lack of connection between Montgomery County's roof inspections and repairs to correct the identified deficiencies, citing the maintenance reports we had recently received. Thank you, Governor Hogan. The Board asked for a plan to address the issue. Public School Construction Program worked with dedicated local leaders in Montgomery, like Mr. Song, who responded to our concerns by developing a detailed action plan that will ensure our students and teachers in Montgomery County have safer and longer lasting roofs over their heads for years to come, frankly. Again, tremendous and much needed changes that have resulted from this Board's critical role in this all important process.

Mr. Gorrell, could you provide us with a quick update on Montgomery County's progress on their roofing repairs and maintenance?

MR. GORRELL: I'm going to reach back to my professionals. Joan?

MS. SCHAEFER: Good morning.

COMPTROLLER FRANCHOT: Yeah.

GOVERNOR HOGAN: Good morning.

MS. SCHAEFER: I'm Joan Schaefer. We have, we believe that Montgomery County is going ahead. They had outlined a very good plan for their inspections. We have every reason to believe that they are keeping to that based on our conversations with them. We haven't done their inspections this year. We do that in the spring. Actually, they are at the end of the cycle this year. And we will definitely find out for sure then. We can report back to you if you like.

COMPTROLLER FRANCHOT: Excellent. I applaud you for that. And Mr. Gorrell, if I could just get you for a few more updates. I'm interested in an update on the air conditioning in Baltimore County. I know that in September the IAC approved Baltimore County's request for a waiver, which allowed Baltimore County to solicit bids for installation of air conditioning at 12 schools several months ahead of schedule. While I'm pleased that they are finally making the desperate need for climate controlled classrooms a priority, I do have to ask whether or not you believe their plan to install air conditioning in 21

schools over the next four months is actually feasible. Are you confident this will allow enough time to install central air conditioning into the ten elementary and middle schools being funded this year, as well as the nine schools funded in fiscal year '17, one elementary school funded in fiscal year '16, and one high school funded by the State back in fiscal years '14 and '15. Are we really in the parameters of reality here as far as this construction plan?

MR. GORRELL: I think that that's a tough question. They have to deal with BGE to provide power and I know that that's been an obstacle for them. And they've shifted gears to put in a more permanent solution than the window units. It's very similar. It's a vertical unit that attaches to the wall. And I don't know if that has affected their schedule or not. Joan, do you?

MS. SCHAEFER: I think that the prior year projects are under contract right now. And I know that they have sent documents in for the projects that you approved early this year. They've sent those documents in for DGS review. So I believe that they are on track.

COMPTROLLER FRANCHOT: Okay. Excellent. And if you could --

MS. SCHAEFER: And we could again report back to you.

MR. GORRELL: We will report back.

COMPTROLLER FRANCHOT: Thank you. And then just staying on Baltimore County for a minute, can you provide us with an update on

the status of the Dulaney High School and Lansdowne High School projects?

And with the change in leadership in the school system in Baltimore County, do you expect any changes to timing or priorities for projects other than Dulaney and Lansdowne that are in the pipeline?

MS. SCHAEFER: You can correct me, but I believe that the Dulaney project was cancelled and pulled from the CIP request. We don't know where they are --

TREASURER KOPP: By the school board?

MS. SCHAEFER: I believe so. But I don't know where they are now in making a decision on how to move forward.

COMPTROLLER FRANCHOT: Okay. And then just quickly, Mr. Gorrell, do you have any update on the air conditioning in Baltimore City as opposed to Baltimore County?

MS. SCHAEFER: Baltimore, I believe Baltimore City is moving ahead with their projects as well. They made a little change. They, if you can help me here, they moved from installing window air conditioning units to the vertical package units. And we thought that was a good thing to do and so we were able to, we allowed them to change their CIP request and gave them the funding.

COMPTROLLER FRANCHOT: Okay. And then I have a quick question, Joan you can stay right up there if you want, about the Havre de Grace -

-

MS. SCHAEFER: Havre de Grace?

GOVERNOR HOGAN: Havre de Grace.

COMPTROLLER FRANCHOT: Havre de Grace, Havre de Grace, Havre de Grace. Havre de Grace Middle and High School replacement. I've visited both the middle and high schools. It's been great to see the level of engagement exhibited by the school staff, the community, the board of education, local government, the school system, and the county government. And I commend them for seeking cost effective alternative methods.

MS. SCHAEFER: Mm-hmm.

COMPTROLLER FRANCHOT: I think it's County Executive Glassman and others who were moving this modern facility forward. I know they were having construction documents drawn up for two different options and that their design team is planning to perform a side by side comparison, I believe DGS has pioneered some of that for, that their design team is planning some kind of pre-engineered commercial model and a traditional model. And where are they in that process? And --

MS. SCHAEFER: They, it's now my understanding that they are bidding the project with standard construction and then after that then they are

putting out an RFP for companies to present them with ideas on how to reduce the cost. So it's just, they are trying to get the same end where they can compare. But they are doing it a little differently than we, they first discussed.

COMPTROLLER FRANCHOT: Great. Secretary Churchill, you might keep us informed, along with you, Joan, as to how that goes.

MS. SCHAEFER: Mm-hmm. Mm-hmm.

COMPTROLLER FRANCHOT: Because --

MS. SCHAEFER: It's unusual what they are doing. And it will be very interesting to see how this ends up and the information they receive.

COMPTROLLER FRANCHOT: Okay. And then the Governor mentioned obviously the situation in Howard County. And I continue the Glenwood Middle fiasco was addressed and the trifecta of leaky roof, failing HVAC, and high humidity issues. I know this was a point of contention locally. But are you saying that there is now a consensus between the school board and the county and the professional staff from your perch --

MS. SCHAEFER: I --

COMPTROLLER FRANCHOT: -- there is a consensus as to what to do in Howard County or is that --

MS. SCHAEFER: Yes, it is. That's my understanding.

COMPTROLLER FRANCHOT: Okay. And then --



MS. SCHAEFER: I do really think that they had this well under control. And it --

COMPTROLLER FRANCHOT: Excellent. Well I'm just delighted to see the new superintendent here. But I see that of the nine related requests, only four are fully funded, Mountview Middle, Pointers Run, Rockburn, and Burleigh, while the other five are C listed. Is there some reason why these projects are not eligible for funding?

MS. SCHAEFER: It's not that they were not eligible. It's that they did not in the end have local support. So we, I imagine that they will be back next year for those projects. You would have to ask them. But that was the hold up. So they are essentially getting everything that was eligible.

COMPTROLLER FRANCHOT: Okay. And just finally on Prince George's County --

MS. SCHAEFER: (Indiscernible).

COMPTROLLER FRANCHOT: -- I want to echo what the Governor said about this is not a Democratic or a Republican issue, this issue of management of school funds. And when you have \$70 million sitting on the sidelines, why not call on expertise at the State level to manage better the construction program so that those dollars are quickly put into the economy? But thank you for paying attention to that. And maybe are we getting an update on that at some point?

GOVERNOR HOGAN: We would certainly like to. They said they were going to look into it.

MS. SCHAEFER: Okay.

COMPTROLLER FRANCHOT: Thank you very much.

GOVERNOR HOGAN: I just have one more question. We had a serious problem with the fact that the maintenance reports were years behind, two or three years behind.

MS. SCHAEFER: Yes.

GOVERNOR HOGAN: Have we gotten to the point where we've caught up and that we think we can now get them completed in the time frames that they are supposed to be completed?

MS. SCHAEFER: Well we, as we have always done, we have the inspections themselves are caught up. We are a little behind on the reports. We don't think it will be anything like it used to be. We're going to try as hard as we possibly can to get those reports done so that you have your annual report in the fall. We have, I mean, I would have to say we had lost our program manager for that program and but that's --

GOVERNOR HOGAN: Are you looking for a new one?

MS. SCHAEFER: Yeah, that position is frozen.

GOVERNOR HOGAN: Well I mean, the story we got before when they were three years behind was we need to hire an extra person. So we

added an extra person. And then we still didn't seem to make any progress and now you've lost a different person.

MS. SCHAEFER: It's always been a staffing issue, having the people in place that can do the work.

TREASURER KOPP: Why is it frozen if it's needed?

MS. SCHAEFER: Department of Budget and Management.

GOVERNOR HOGAN: There's a --

TREASURER KOPP: Well maybe --

(Laughter.)

GOVERNOR HOGAN: -- there's an overall hiring freeze to make sure --

MS. SCHAEFER: Yes.

GOVERNOR HOGAN: -- that we're --

TREASURER KOPP: Right. But there is a process, isn't there?

GOVERNOR HOGAN: There is a process to go through.

TREASURER KOPP: For the needed positions.

GOVERNOR HOGAN: And if you feel it's an urgent, critical position, then the Department of Budget and Management can approve it. It sounds like it may be. So we'll take a look at it.

MS. SCHAEFER: And we are going to examine that program and see if there are some things that we can do a little bit differently that might get better results or different results that we think are applicable.

GOVERNOR HOGAN: Yeah. Well we'd just like to be looking at the current year's maintenance reports rather than the ones from three years ago.

MS. SCHAEFER: So noted.

GOVERNOR HOGAN: Yeah. Any other questions?

TREASURER KOPP: Can I ask -- yeah, a couple of questions. One is related to that, actually. And I do hope you will have the staff and use them efficiently. I mean, that's all we could ask for. But we could provide that. But once you do the reports --

MS. SCHAEFER: Mm-hmm.

TREASURER KOPP: -- I would like to see, we have seen occasionally, but I think it would be very useful to see the local responses so that you can keep track --

MS. SCHAEFER: All right.

TREASURER KOPP: -- of what, it's not a black hole. It's not just a report.

MS. SCHAEFER: Well and what --

TREASURER KOPP: It's a working document.

MS. SCHAEFER: What you receive are the annual reports.

TREASURER KOPP: Right.

MS. SCHAEFER: Which is just a document with a little  
paragraph --

TREASURER KOPP: Exactly.

MS. SCHAEFER: But all --

TREASURER KOPP: And I assume that there is something more  
--

MS. SCHAEFER: There definitely is. That's the hold up.

TREASURER KOPP: -- and that action is taken.

MS. SCHAEFER: Mm-hmm.

TREASURER KOPP: Well maybe that little --

GOVERNOR HOGAN: That's what you're waiting for, is the  
responses?

MS. SCHAEFER: It's the written report and for some of these  
school systems, you know, Baltimore City or the large school, you might have a  
stack that big. Every school is an individual report.

TREASURER KOPP: Right.

MS. SCHAEFER: And then we expect responses.

TREASURER KOPP: Right.

MS. SCHAEFER: So --

TREASURER KOPP: Right.

MS. SCHAEFER: So we --

TREASURER KOPP: But what I want to know is that that loop is closed, you get the responses, and you look at the responses. I mean, in the end what we want are the schools in good shape --

MS. SCHAEFER: Yes.

GOVERNOR HOGAN: Yes.

TREASURER KOPP: -- not just a bunch of reports.

GOVERNOR HOGAN: And maybe we --

TREASURER KOPP: Right?

GOVERNOR HOGAN: -- we don't need to get into the weeds, I don't think --

TREASURER KOPP: No --

GOVERNOR HOGAN: -- on the massive amount of detail on every single, you know, maintenance report on every school.

TREASURER KOPP: Yeah.

GOVERNOR HOGAN: But if it's an overarching problem, like roofs in Howard County --

MS. SCHAEFER: Mm-hmm.

GOVERNOR HOGAN: -- or mold issues, or air conditioning, and whatever county can't get seem to get things done --

TREASURER KOPP: Yeah, I'm talking about the --

GOVERNOR HOGAN: -- or the issue in Prince George's --

TREASURER KOPP: -- about the top.

GOVERNOR HOGAN: -- we can see generally here --

TREASURER KOPP: Absolutely.

GOVERNOR HOGAN: -- was what the report said about this county and here is the progress or the lack of progress that they've made.

MS. SCHAEFER: Mm-hmm. Well we can provide whatever you want to see individually and then --

TREASURER KOPP: I don't think we, I'm not talking about getting in the weeds. We just want to know, I would like to know that there's a process --

GOVERNOR HOGAN: Yeah.

TREASURER KOPP: -- and that each parts of the processes are in place and working.

MS. SCHAEFER: There is.

GOVERNOR HOGAN: So we know whether to allocate money for school construction or not, you know, how much. We have to set our budget for next year and we'll have to decide, you know, how many of hundreds of millions or billions we're going to spend. And we want to make sure we're spending it wisely.

COMPTROLLER FRANCHOT: Maybe we should have a meeting and hear from the locals as to what they want to see allocated for school construction.

GOVERNOR HOGAN: We'll probably do that this December.  
Thank you very much.

TREASURER KOPP: I, two other questions that you can respond to later.

MS. SCHAEFER: Okay.

TREASURER KOPP: But just to get out there because I know this process of looking at the school construction process is going to --

MS. SCHAEFER: Yes.

TREASURER KOPP: -- kick up again, I assume.

MS. SCHAEFER: Mm-hmm.

TREASURER KOPP: So there's a longstanding concern that there's too much time between planning and actual construction and that kicks back and impacts the process because some of the assumptions are out of date and have to be redone, and the LEAs have to start over again. I have no idea how common that is but we have heard complaints about it and that's what is said to us. So the question is, are you going to look at ways to shorten that process and therefore make it more cost effective? And I don't know if you want to go into that now, or get back to us, or --



MR. GORRELL: It's about expectations and when the funding matches up to the actual projects.

TREASURER KOPP: Mm-hmm. Yes.

MR. GORRELL: You heard earlier that there was local funding that was matching. So the, right now it's a pretty complex process. It's very complex.

TREASURER KOPP: Yes.

MR. GORRELL: It requires a lot of professional subjectivity to bring everything up in a fair manner. Even the maintenance, it's too complex. It needs to be simplified to get to the points that are important so that we can focus on what's important and then look at deviations from what's important. So to be able to line projects up many years in advance so that the locals can line up their funding and not start into the funding, not start into the planning until they know funding is available, will allow the projects to march forward --

TREASURER KOPP: So the answer is yes, you're looking at that process and that problem?

MR. GORRELL: Yes, we are. And we absolutely are. And we will have some recommendations in the next few months.

TREASURER KOPP: Super. And similarly the efficiencies in the construction process, alternatives in the construction process itself. I assume you are looking at that also?

MR. GORRELL: Yes, that's an ongoing. There are always going to be changes in technology and there are going to be new ways to look at how we can build and deliver school facilities. Their only purpose is to support the educational programs within them. So there is a tendency to try to stick with what works in order to reduce risk. And as you heard earlier there is already work on trying to look at other ways to go out and compare. And we need to be doing that all the time and --

TREASURER KOPP: And are you working with the local superintendents? Or do you intend to once you've gotten this --

MR. GORRELL: Absolutely. Yes. And to close that, communication between everybody needs to be real time so that we can learn what worked and what didn't work and then share it so that --

TREASURER KOPP: Thank you. I mean, from my perspective knowing that those processes and systems are in place is the most, and inclusive, is the most important thing.

MR. GORRELL: Absolutely. And they are required to be transparent and accountable so that as information is being disseminated it is in a way that everybody can see it at the same time. Because errors are made and you want eyes on things.

TREASURER KOPP: Well absolutely. And I must say, I don't know about the others, but I get comments from the local governments, some of

whom put more money into building a school than the State does of course, that they have the same concerns. I mean, I think there is, there are common concerns, it's just good to know that they are being brought together and somebody in charge is looking at them.

MR. GORRELL: Thank you, Treasurer.

TREASURER KOPP: So I think -- there is a note here about Howard County School kitchen? Was that an issue, on the school kitchen?

GOVERNOR HOGAN: I don't know.

TREASURER KOPP: Do you know?

MR. GORRELL: I don't know anything about a kitchen. And none of us do.

TREASURER KOPP: We'll get back to you on it.

GOVERNOR HOGAN: Well again, thank you all. Your team has made some terrific improvements and we're pleased --

MR. GORRELL: Yeah, they are fantastic.

GOVERNOR HOGAN: -- with the progress and we want to thank you for all your efforts.

MR. GORRELL: Thank you.

GOVERNOR HOGAN: This is one of the most important things that we do. It's one of our biggest expenditures. And we want to make sure

every dollar is being spent wisely so we can build as many quality schools as we can where we need them. So thank you.

MR. GORRELL: We need school facilities. We can't do it without them. Thank you.

GOVERNOR HOGAN: All right. Thank you. Are there any other questions on the Secretary's Agenda? Is there a motion?

COMPTROLLER FRANCHOT: Move approval.

TREASURER KOPP: Second.

GOVERNOR HOGAN: Three-oh on the Secretary's Agenda. Thank you very much. Now we'll move on to the DNR Real Property Agenda.

MR. BELTON: Good morning, Governor, Mr. Comptroller, Madam Treasurer. My name is Mark Belton, Secretary of the Maryland Department of Natural Resources. And we have eight items on our Real Property Agenda for your approval this morning.

GOVERNOR HOGAN: Any questions on DNR? Motion?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second? Three-oh. Next up is the DBM Agenda.

MR. BRINKLEY: Good morning, Governor, Mr. Comptroller, and Madam Treasurer. David Brinkley, for the record, the Secretary of the Department of Budget and Management. And Governor, actually as a follow up

just five minutes ago Mr. Gorrell reached out to me on April 28th and he and I are scheduled to meet after this meeting --

GOVERNOR HOGAN: I say let's give them the PIN --

MR. BRINKLEY: -- to go over a number of items.

GOVERNOR HOGAN: -- get that stuff done. I don't want to influence your decision, but --

(Laughter.)

GOVERNOR HOGAN: -- if you were asking my input, I'd say he probably needs it.

MR. BRINKLEY: I've got it loud and clear.

GOVERNOR HOGAN: Any questions on DBM?

MR. BRINKLEY: The department has submitted ten items, but I've withdrawn two items, Item 7-S-MOD and 10-S, leaving eight items. 3-S-OPT has been revised for your consideration.

GOVERNOR HOGAN: Any questions on DBM?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second? Three-oh on DBM. We move to the University System. Good morning.

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

GOVERNOR HOGAN: Thank you, Mr. Evans. Any questions on the University?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second? Three-nothing. Thank you.

MR. EVANS: Thank you.

GOVERNOR HOGAN: Moving on to Information Technology.

MR. LEAHY: Good morning, Governor --

GOVERNOR HOGAN: Good morning.

MR. LEAHY: -- Madam Treasurer, Mr. Comptroller. For the record, I'm Michael Leahy, the Acting Secretary of the Department of Information Technology. Today we have three items on the Agenda and I do have agency representatives here to answer any questions you may have.

GOVERNOR HOGAN: I, thank you, we have some folks signed up to speak this morning on Item 2, the Lottery's central monitoring contract. And first I guess we'd like to hear Director Medenica come up and present the item and then we'll get to the speakers. Good morning.

MR. MEDENICA: Good morning, Governor Hogan, Treasurer Kopp --

TREASURER KOPP: Good morning.

MR. MEDENICA: -- Comptroller Franchot. I'm Gordon Medenica, Director of the Maryland Lottery and Gaming. With me today, in case

I need backup, Gina Smith, our Deputy Director and CFO; Jim Nielson, our Assistant Deputy Director and COO; Bob Howells, our Procurement Officer; Bob Fontaine, who is our Principal Counsel from the Office of the Attorney General; and James Butler, our Director of Legislative and Policy Affairs.

We are here today to discuss our recommendation for a Lottery central system, which is our largest outsourced vendor contract for the Lottery. And I would briefly like to basically describe what a Lottery central system is because it isn't just a technology system. It's a very comprehensive relationship with a vendor that does a lot of the work of the Lottery. However, there is obviously a big technology component. It is all of the equipment at 4,600 retailers, and that includes our terminals; the printers; the video screens for our monitor games; the video screens for marketing purposes; ticket checkers for our customers to check if their tickets are winners; various signage, electronic jackpot signs, Lottery signs, things like that.

There is also obviously the central data center. And included in this is a tremendous amount of redundancy, multiple servers, that sort of thing, and an entire remote redundant data center elsewhere in the country. This includes obviously the servers, the hardware, the software. And the software is very unique to the Lottery business and that's why there are very few companies that in fact do Lottery central systems. And of course, heavy measures of security and integrity related to all transactions of the Lottery.

Connecting those data centers and those 4,600 retailers are a series of communication links. And this is where technology has actually changed quite a lot over the years. And for example one of the features that we think is very important for the reliability of the Lottery system is a dual communication network, where you in fact have real time dual communication links. And if any one of the systems go down for any reason whatsoever the terminals continue to operate and we continue to sell and it's fairly transparent to everyone.

And then there's also of course retailer service. This vendor would also be the one who provides the technicians who service these retail accounts. We have various metrics of performance that they have to fill with various ways of enforcing those performance metrics.

But again, that's just the technology and that's not really what's special about the relationship here. One of the things that we get very well from the vendor is a retailer best practices. Again, the Lottery actually doesn't interact with its players directly. That happens at retail. And so for all the convenience stores, grocery stores, places like that, our ability to advise them, not just through our own sales force, but really through the vendor himself is very important. For example, our incumbent vendor, Scientific Games, has a proprietary program that they call Sales Maker. And it is all about taking best practices from around the industry and applying them at retail and advising our retail partners how best to display and to promote and to sell our games.



Obviously the Lottery itself has a very complex portfolio of games.

We have various categories of games. One major category, draw games. Within draw games it includes the daily games, Pick 3, Pick 4, that are drawn a couple of times a day. Monitor games, and we're very successful in monitor games in Maryland, and that is Keno. And we are unique in the Lottery industry in America in that we have a very successful second monitor game, it's a virtual horse racing game called Racetrax. We also have the big national jackpot games. In fact, when most people think of the Lottery I think they think of Powerball, Mega Millions, those kinds of games. Those are actually a somewhat smaller part of the portfolio. And then there's a whole category of instant games. And I think, again, everyone is familiar with that. We launch something like 50 instant games a year. We're on a monthly launch cycle. We'll launch three to five to six games every month. These have multiple price points, from \$1 up to \$30. We just launched a \$30 ticket this year. It was our first ever. It's been a fabulous success.

But behind the scenes of all of that activity, launching games and distributing them through 4,600 retailers, there is a whole back end to that. Our warehouse that distributes the tickets from our printers, the whole distribution, inventory management. And there are licensed products, where there are fees for games that Family Feud, Price is Right, things like that. So the instant game category is a huge category. And it's, I have to say, for all our strength in draw games, daily games, monitor games, instant games is where we have headroom.

In other words, our performance in Maryland is not what it should be. Typically in the Lottery industry 50 to 60 percent of sales of any Lottery comes from instant games. In Maryland that's only about 34 percent.

So we see instant games as one of the most important drivers of future growth for the Lottery. And we've had recent success. We've had double digit growth in instant games over the last couple of years. And even year to date, I think we're just short of that at about nine percent. So instant games very, very important.

Another aspect of this contract is the financial reporting. People don't realize that when you buy a Lottery ticket at a retailer, that retailer is actually communicating back to the central data system in real time. And by the time you get your ticket, we've already recorded that in the central data center. And so there is an electronic record of every ticket that's sold at retail. And that's a very important part of the security and integrity process that is behind the scenes and relatively invisible to players.

But the financial reporting is absolutely critical. We get detailed financial reports, the real time reporting. And it's the prime import into our own Lottery financial system, our internal control system.

Then there's marketing and promotion. And again, here is where the partner does a major part of the lifting for us. We do lots of fairs and festivals,

grass roots promotions throughout the year. They help us. They distribute and are good partners there.

Most importantly, though, of all of these sort of non-technical aspects of this contract, will be retail recruitment. I've already mentioned instant games as a major driver of growth. The other major driver of growth for the Lottery is going to be an expansion of our retail network. We have about 4,600 retailers now. There are industry best practices that suggest we should, there's a population to retailer ratio of about 1,100 to 1,200 to one. Based on those best practice ratios, we think there is room for another 500 to 1,000 retailers in Maryland. However, we are resource constrained. And this is where this new contract with our partner will help us tremendously because they will have devoted resources to retail recruitment to allow us to expand the networks.

Anyway, all of those factors go into what are called the technical criteria. And it's really a misnomer because this is not just a technology contract. I'd rather we could say it was called capabilities and resources. I think that's a much better way of describing that body of abilities and capabilities that a vendor brings to the party.

I want to touch on some of the unique aspects of the Lottery business. And again, as a businessman, it is a fascinating business. First of all, just a pet peeve, there is no taxpayer money in the Lottery. We pay for ourselves. We are a revenue agency. We are the fourth largest revenue for the State of

Maryland. Last year we did \$1.9 billion in sales, which is a good number. But more importantly to the State \$570 million in profit that goes to the general fund and other special causes. \$570 million in one year coming from the Lottery. It's very important that we understand that.

Costs, and this is, it's a stunner when people realize this, our total costs for running the Lottery, this is this contract, all our other contracts, our other vendors, our personnel, everything we do, 3.2 percent of sales. And again, that's not atypical in the Lottery business. It's very good performance, I have to say. But again, as many people in the Lottery business know, there's almost a cliché. There is no leverage on the cost side of this business. This is a revenue business. You have to drive the top line. You can't make \$570 million a year on the cost side of the business.

Another aspect of the Lottery business, many tasks are outsourced. Obviously we're talking about the central system today. Instant ticket printing is another huge contract of ours. Right now our primary instant ticket printer is Pollard Banknote, a Canadian company. Our advertising relationships, we have agency relationships both for creative and for media buying. And another stunning statistic is our employee count is very low. For the Lottery it's 164 people. That's it. But our vendors, for example SGI currently has about 117 full time equivalents and 86 of those are in the State of Maryland. So you can compare that with our total of 164, about half of which is our sales

force by the way, and see that the vendor role in basically doing the basic work of the Lottery is absolutely critical.

Now there are only three companies in the world that are qualified to do this kind of work in the United States. IGT, it was formally known as GTech, is an Italian company that does this work; Scientific Games, which you are familiar with, is our incumbent, an American company; and Intralot, a Greek company. And we were fortunate that all three of these companies submitted very competitive bids. That's not always the case in lotteries. The competitive intensity among these companies is very great. And that is what I think keeps them, you know, keeps their toes to the fire.

Interestingly on the instant ticket printing side there's also only three companies in the world. Two of the same, Scientific Games and IGT, but Pollard is actually a very major player in the instant ticket world. Intralot does not do instant tickets. So there are two of these companies that only specialize in really those halves of the business.

Let me get into some of the details of the RFP process that we just went through. The RFP was initially issued in December of 2015. The document itself is nearly 300 pages long. As you can imagine it's very detailed, very intense, a lot of very specific things in there. We received no protests, no challenges on any of the terms, contract's criteria, everything that was fully disclosed in the original RFP contract.

One area that we did get some feedback and we responded to was our MBE participation goal, which was originally issued at 15 percent. And hearing comments from the marketplace, we've raised that goal unilaterally to 20 percent. Now all of you are familiar with State procurement law. The MBE goal is a pass/fail goal. The way Maryland procurement works is every company has to meet that goal, has to demonstrate the subcontractors that they are willing to employ and see how we can meet that. At that point that qualifies you then to enter the bidding.

So we extended our deadline for initial bids by two months because of this change because we wanted to make sure all bidders had sufficient time to line up the proper MBE component of their bid. Then we entered into our initial evaluation. Our evaluation committee, seven people, industry professionals, highly, highly experienced with decades of specific experience. And again, not just technology. We had our head of sales, we had our head of marketing, we had our Chief Financial Officer, our Chief Operating Officer, our contract manager. And most interestingly we had the Vice Chair of our Commission, as you know the Lottery has an independent commission. Diane McGraw is our Vice Chair. She volunteered as well to be on the evaluation committee and Diane, if you don't know, had many years of experience in Washington working for the NSA and has a specific issues of computer security and integrity and those sorts of things. And her contributions were invaluable.

Bids themselves are intense. They are roughly 2,000 pages, if you can imagine. The stack of binders that we received from each one of the bidders is huge. It took about four to six weeks of full time work for the evaluation committee to go through all of those bid submissions. And that was over a perhaps three- to four-month span. So basically what that means is everyone's work load doubled because they all still had their day jobs during that period.

The evaluation criteria, as it was laid out originally in the RFP, there were six levels of criteria and they were clearly labeled as these are the most important things, second, third, fourth, fifth, sixth. And then within each level of criteria was a total of 35 individual criteria, which didn't necessarily have a ranking within the levels.

By June of 2016 we were back to the bidders asking for best and final offers, which we received. And then the evaluation committee, and again I am not part of the evaluation committee. I recused myself. It's a proper, normal procurement challenge. My role is to evaluate the evaluation committee's process and to make sure that it was done independently, objectively, fairly, and considered all of the factors properly.

When the evaluation committee submitted their report to me, I reviewed it. I decided that the process that they followed was in fact excellent. And I recommended that we then move that recommendation on to our Commission. The Commission met in executive session, because a lot of the

obviously information in these bids is considered confidential and proprietary.

They met and they unanimously approved the recommendation for Scientific Games to be awarded this contract.

Now the technical ranking of the three bidders, number one, Scientific Games; number two, IGT, formerly GTech; and number three, Intralot Gaming Innovations. Price ranking, not surprisingly, exactly reversed from that. The lowest ranked technical bidder was also the cheapest, vice versa. Overall ranking, though, was the same as the technical ranking. SGI, one; IGT, two; and Intralot GI, three.

We then informed the non-winning bidders and we had our debrief sessions. And then over the next few months we've received a total of five protests, three from IGT, two from Intralot GI. Those came in between August and November of 2016. We then through our Attorney General responded to those protests point by point by point. The protest denial document is a very lengthy document and again we shared them with your staff. And that was issued in December of 2016, so a year after the RFP originally went out. And at that point, IGT declined to appeal to the Board of Contract Appeals. They had three of the protests. They saw our responses and they chose not to appeal. Intralot GI did appeal. They went to the Board of Contract Appeals, filed an appeal in January 2017. However, in less than a month, in February, they withdrew that appeal. And again, I think seeing the arguments that were made against their



protest points were pretty compelling, pretty powerful. And I think they made the decision that it wasn't likely to be won at that level.

So why did we pick Scientific Games? And the critical statement that's in all the procurement is best value to the State. Best value does not mean cheapest price. Best value means who can do the best job for the State. And for us, and again I hearken back to my earlier comments about our mission, our ability to drive revenue performance. Everything is about revenue performance in terms of evaluating these bids. The price difference among the three bids has been variously touted out there as \$50 million. And again, because of the way numbers are presented to this Board it is the cumulative total of the full potential term, which in this case could be as long as ten years, the contract is for seven plus a three-year renewals. So but what that really means is the price difference is about \$5 million a year. That is, again, on a business that generates \$570 million over the course of the year. That represents less than one-quarter of one percent of our sales.

However, part of our analysis was to do sort of an apples to apples comparison, because different companies included different components in their base bids. And by the way, the base bids are expressed as a percentage of sales. So there is a built in incentive for whoever the vendor is to maximize sales because that's how they get paid. And the more that we're successful on sales, the better that they will do.

Nevertheless, in truing up the components we had to add some optional costs that were presented by the bidders, other things that we could buy. One feature, and I touched on this much earlier, is we believe dual comm communications are very important to us. We think it's a feature that is important to reliability and performance of the Lottery. Scientific Games included 100 percent dual comm as part of their base bid. So to true up the bids, we had to add the optional cost, for example in the case of IGT they were only offering 15 percent of the network with dual comm. We wanted to get that up to 100 percent. So we added the cost of that additional feature to the bids from IGT and Intralot GI.

Another component was a smaller terminal for retail locations to do online only games, which in this case is primarily our Keno and our monitor games. And this allows a player not to have to rely on the waitress or the bartender when they want to play Keno. They can go up to the terminal and do it themselves. That's another feature that was very important. We had to add that in. And in this case the Intralot GI optional cost was in fact significantly greater than the Scientific Games cost. And interestingly, IGT doesn't even build a terminal like this. And that was, you know, one of the factors that certainly hurt their bid.

So when you add in those apples to apples cost totals, the difference, the ten-year difference for the two bids is about \$20 million, or \$2

million a year. However, again, we're a revenue agency. We did extensive cost benefit analysis. And first of all, in terms of the importance of technical scores versus financial scores, again, technical outweighs them. And that is absolutely best practice in the lottery injury. We looked at the last 11 lottery central systems that were bid out in the United States and the weighting on technical factors ranged from 63 percent to 91 percent for an average of 75 percent. When I was still in New York the last time we did a conversion there we had 85 percent weighting on technical factors. So it's very difficult, and it makes sense, and it's good business practice, that the price differences are somewhat diminished because in fact what you are really out for is those revenue increases and the ability of the vendor to drive your business.

On top of that, then, we still has this difference, which was at that point no so material. But we also wanted to look at what would be the revenue impact of these bids. One specific piece was our Racetrax game. Racetrax, again I've said it already, uniquely in Maryland we do about \$170 million in sales, just under \$40 million in profit, from that one game alone. It comes through our existing vendor, SGI. And it's a game that is owned by an Australian company called Tabcorp. Scientific Games has an exclusive agreement with Tabcorp to bring that game to the U.S. We made very clear statement in the RFP that we expected any winning bidder to equal or exceed the performance of Racetrax.

And of course both the other bidders also presented racetrack games that we did not think were as good as the Tabcorp game.

Now there's been some confusion out there saying, well, Tabcorp is an exclusive. You put something in your RFP that the other bidders couldn't match. Not true. First of all, it's well known that Scientific Games' agreement with Tabcorp expires if they lose this account. So Tabcorp was up for grabs. Anybody could have negotiated with Tabcorp for this specific game. Also, it's not that proprietary. There are other vendors in the world who provide these kinds of virtual horse racing games. So the options for the other bidders were to negotiate with Tabcorp, to negotiate with another bidder. In fact, Intralot's bid included a new game that doesn't exist in the U.S. right now from a vendor called Vermantia. And we certainly thought that was better than the Tournament One game that IGT showed us and that Intralot itself uses in Washington, D.C., but not as good as the Racetrax game. And there are other companies, Inspired and everything, who do that.

Finally the third option for any bidder, you can build your own. Again, this is nothing unique. It's a matter of devoting the investment in software and graphics and those sorts of things. You can build your own. That's an option.

So what was missing from both of those other bidders was what would it cost for them to in fact match Racetrax? So there was a piece of the cost element that was never included because they didn't have a comparable game.

Again retail recruitment a very important part. We made estimates of the impact.

By the way, on Racetrax, when we calculated the revenue impact we only reduced our current sales and profits from five percent. It's a very subtle increase. We thought what was presented would, we would lose five percent. On the IGT example we dinged them to the tune of 15 percent. So again, Racetrax is somewhat overblown in terms of the impact in the total decision.

Retail recruitment was another point of analysis. And again, your staffs have all of the numbers that related to these. Higher staffing levels, the SGI bid clearly had, you know, superior staffing levels, particularly on retail recruitment. Marketing skill and management quality, all of those factors played a big part.

When we added all those things up, we believe that Scientific Games had about \$113 million revenue advantage over Intralot. That \$113 million compares to what we think is the \$20 million in cost difference between the two. So it was clearly advantageous on a financial analysis to go with SGI.

And then the one final piece that we didn't quantify that we think is very important, and that is SGI's expertise in the instant ticket category.

Obviously they are not our primary vendor for instant ticket printing. However, they are the leading instant ticket printer in the world. And their expertise in driving that part of the business we think is very important to us and we would not get that with an Intralot bid.

Finally just to wrap up, again to repeat that our two main growth areas are going to be from instant tickets, again getting it up to that industry average of 50 to 60 percent from the current level in the low 30s, and the retail expansion piece. And we firmly believe that Scientific Games is the best positioned vendor to deliver that growth. Thank you very much.

GOVERNOR HOGAN: Thank you. Any questions for the Director?

TREASURER KOPP: Not at this point.

GOVERNOR HOGAN: Thank you. We may call you up in a little while. We've got two different groups interested in speaking, both Gaming Innovations, LLC with Ralph Tyler and others, and we've got Scientific Games with Mike Johansen and others. But I'm going to use my discretion as Chairman to call up my friend Tessa Hill, the Chairman and President of the Baltimore NAACP first. And then we'll get into the other groups.

MS. HILL-ASTON: Thank you, Governor. Hello, everybody. Thank you. Good to see everybody. My name is Tessa Hill-Aston. I'm the

President of the Baltimore City NAACP. I have over 2,500 members. We're the largest branch in the State of Maryland.

I'm here to oppose this particular company getting this contract. Very good presentation, but I didn't hear no word about diversity, I didn't hear any word about minority participation. We know that a lot of minorities of all brown colors and other people play the Lottery everyday. I live in Baltimore. I don't think that no company should have a company with the State of Maryland without some diversity and minority participation at a better level. I --

GOVERNOR HOGAN: Tessa, just one second. I think we did hear a little bit about it.

MS. HILL-ASTON: A little bit.

GOVERNOR HOGAN: He did say he increased it from 15 to 20 percent --

MS. HILL-ASTON: Yes, that was still a little bit. I think that there should be some inclusionary with a company that can help with doing some joint venture. All the things he said. I'm in Baltimore everyday. I see all the Lottery lines. I see the people playing all the games, the race game, the horses. I'm fascinated by it. I don't play it. I do play the things that have the American flag on it or the State flag. But I don't like that nobody is considering the give back.

In Baltimore, Maryland and I think in the State that when the Lottery first started years and years ago one of the big words that I've heard that is still a complaint of citizens is that there's not money being given back enough to the Education Department, the education across the whole State. And I'm more interested in Baltimore.

I don't see anything about transparency, partnership, or relationships with community groups. I don't see anything about, he didn't say anything about giving back to the State funds, things that would benefit. There's drug treatment programs. There are gambling programs. There needs to be some give back. No company should be granted this contract today without these things being looked at. So I'm definitely opposed. And if I would have known sooner, I would have had my 2,000 members here with me. Thank you.

GOVERNOR HOGAN: Thank you.

MS. HILL-ASTON: And they would come if I asked them.  
Thank you, Governor.

GOVERNOR HOGAN: We couldn't fit all 2,000 but --

MS. HILL-ASTON: I know. I talk fast. You know I do.

GOVERNOR HOGAN: I know you represent them very well.

MS. HILL-ASTON: I could get people here within 30 minutes. I can do that. Thank you, Governor.



GOVERNOR HOGAN: All right. Thank you, Tessa. And now I guess we'll call up Ralph Tyler and his group representing Gaming Innovations, LLC.

MR. TYLER: Thank you. Good morning, Governor, Madam Treasurer, Mr. Comptroller. Ralph Tyler representing Gaming Innovations. With me is the CEO --

MR. BAILEY: Good morning, I'm Emmanuel Bailey. I want to introduce you to my colleague, Byron Booth, who is Vice President of Intralot.

MR. BOOTH: Hi, thank you.

GOVERNOR HOGAN: Good morning.

MR. TYLER: We appreciate the opportunity to address the Board. There's no denying that this is an important contract. There's no question about the complexity of the tasks involved. Those are not really the issues. The issues from our perspective are that a flawed process yielded a deeply flawed result and it begins with the result, what the Board's Agenda item reflects is a \$50 million, almost \$51 million difference, between Gaming Innovations' bid and that of Scientific Games. And that difference we submit cannot be diminished or dismissed as easily as the Director seeks to do.

This is an agency that exists as he said to generate revenue. And right out of the box they're giving away \$51 million, which we submit will not be recovered. This is a bad deal and it's a bad deal because --

GOVERNOR HOGAN: Can you address his comment that they would actually increase revenue by \$123 million, I think he said?

MR. TYLER: We are highly skeptical of that projection. And Mr. Bailey will address it more specifically.

TREASURER KOPP: How about just that it's not 50 it's 20, if it's apples to apples?

MR. TYLER: Well that's not what the Agenda item reflects. I think the apples to apples comparison is that it's 50 over the projected term of ten years.

TREASURER KOPP: Well that's just a factual difference.

GOVERNOR HOGAN: The contract is actually seven years, right?

MR. TYLER: With, yes, seven plus the option years, yes.

TREASURER KOPP: Maybe at some point we could have the Director clarify that.

GOVERNOR HOGAN: Yeah, well I think when they are, after you're finished we'll maybe have him address any --

MR. BAILEY: Sure. Sure. If I may, Madam Treasurer and Mr. Governor, address that issue. I think the primary thing you need to focus on is what is the source of that revenue. And as we looked into it, and you simply need to look at the complaint from IGT, the protest, which is very detailed, very

comprehensive, and very well done, in that protest they state, IGT, not us, that the Director said to them that the source of that revenue was igaming. That revenue source is not legal currently in the State, and in most states in the U.S. So if you take out and normalize for revenue that's not legal in the State and would not be supported by most accounts, which has not been supported throughout the U.S., then that difference of \$50 million is there and more.

If you look at what is in the Agenda item it says that the total cost is \$348 million. Our bid was initially \$203 million. We got communication from the Lottery saying that they had made some type of spreadsheet error that then adjusted up our contract price of \$203 million to \$212 million. So it's not just, I don't know where the Director gets the \$20 million from. But if you just simply do the math and look at the contract that they've procured, the contract that they left.

And also in that protest, IGT states the following, that the Lottery suggested to them that they add igaming as an additional revenue enhancement. SGI had that in their bid. We as the third bidder heard no notice of that. And one of the fundamental tenets in Procurement 101 --

GOVERNOR HOGAN: Are you talking about the protest that was dropped?

MR. BAILEY: Yes.

GOVERNOR HOGAN: Okay.

MR. BAILEY: Yes. But it did --

GOVERNOR HOGAN: So it would be if somebody said something and then decided not to pursue it, it doesn't really hold a lot of weight with me.

MR. BAILEY: I would agree with one caveat, respectfully, Governor. They also have a current contract with the State which expires in 2020. So I'll just leave it at that. Ralph?

MR. TYLER: So I think that, I think what the truth of the situation is that the process was skewed to favor the incumbent. And I think the presentation is consistent with that. The emphasis on the Racetrax game favored the incumbent improperly and the licensing arrangements I think are more complex than the Director indicated. That favored the incumbent unfairly, tilting the process to the financial disadvantage of the State. Further, the process was unfairly tilted by essentially changing the rules in mid-course. We were told in the course of the bid process in response to a specific question that a joint venture was altogether permissible, and then in the debrief process that was a major point of criticism. And the financial wherewithal and the management wherewithal of the combined joint venture were more than adequate to meet the contract and to guarantee performance under the contract. Conversely the Scientific Games has had some serious financial challenges. Those were ignored and dismissed and not considered. And it all comes back to I think the really inexplicable price

difference here, which cannot be justified by any rational, lawful projection of revenue to make up for the difference. In the end the test is the best value to the State, and that best value proposition cannot be met here given the price differential and the capability of Gaming Innovations to meet this contract. We urge the Board to reject the recommendation and not award it, and to either award it to Gaming Innovations or alternatively to remand it to the agency to reconsider it and to review the proposals fairly and properly.

MR. BAILEY: If I could just add one point? This contract that's before this body would represent the most expensive contract every procured by any lottery in the history of the lottery business in this country. And that should not be ignored. Thank you for your time.

GOVERNOR HOGAN: Thank you very much. Any questions?  
Thank you.

MR. TYLER: Thank you.

GOVERNOR HOGAN: Maybe we'll have Director Medenica come up and address some of the things that they just said about you.

MR. MEDENICA: Thank you. I hope I followed most of that. And I took a few notes and so I'll address the topics as they came up.

Again, at the very beginning I said that the Lottery makes \$570 million for the State and it goes to the General Fund. And obviously the General Fund of the State of Maryland supports all of the good causes that we as the

members of the Maryland community enjoy. And, you know, the gaming side of the business does have specific carve outs where the bulk of the money goes to the Education Trust Fund. But again, we do fund education because it goes through the General Fund.

Also we did mention MBE participation. Scientific Games has been an excellent corporate citizen. Their previous contract had a goal of 15 percent and they were performing at an 18 percent level, which gives us confidence that they will be able to perform at the higher 20 percent level. And also, MBE really just relates to companies and subcontractors. I think it's also important to note the employees that are hired by Scientific Games. In their total employee base, this is the 86 that I mentioned, 47 percent of the 86 are minorities. And in their management ranks, 37 percent are minorities. So again, we think Scientific Games is an excellent corporate citizen.

There was a remark about changing rules in mid-course and the nature of the joint venture. The question that came up was would we accept a joint venture bid, and we said yes, of course. However, our concerns came later in evaluating the roles of the joint venture partner and more importantly the organization structure, which kept changing on us. We asked several times about who would be responsible for what. And again, this contract would actually be with Gaming Innovations, LLC, a company that really doesn't exist other than for bidding on this contract. Even though Intralot presented us with a lot of

suggestions that they would be responsible for everything, the fact is the contract would not be with Intralot. It would be with Gaming Innovations. So our concerns were with organizational structure and management responsibilities, not the fact that it was a joint venture per se.

There was another comment about igaming, which again took a lot of traction early on in the misinformation that was presented out there. We had a section in the RFP that asked for capabilities for e-commerce subscriptions. And right now, obviously, we do subscriptions for the Lottery but people have to mail in a check. And so this was to give us the capability of having people basically be able to do that on the internet like they do most other transactions.

Now in all fairness the technical capability to do e-lottery subscriptions online could also be built up to be a full iLottery solution, where we sell lottery tickets on the internet. But we have been telling our retailers, who are very much opposed to this, since I started in this job two years ago, we have no plans for internet Lottery sales. It's a non-issue for business reasons. The few states, there's a handful in the United States that have launched iLottery products, and they make minuscule money. Less than one percent of their sales come from internet sales. So for us to deal with the political lift of getting iLottery sales in agreement just isn't worth it, again, given the opportunities that we also know are much larger on the instant ticket side and the retail recruitment side.

Also the adjustment that was alluded to in the spreadsheet error, absolutely. We found an algorithm in our spreadsheets for analyzing these. We corrected them. That was all done ahead of time and all the players were recalculated. So again, it is an absolutely apples to apples comparison. It was simply an error on how the algorithm and the formula worked in the spreadsheet. It didn't really impact anything.

GOVERNOR HOGAN: On the apples to apples comparison, so you said when you spoke earlier that it was really \$20 million rather than \$50 million --

MR. MEDENICA: Yes.

GOVERNOR HOGAN: -- in the difference. Their argument was it's really \$50 million and you were wrong.

MR. MEDENICA: Yeah.

GOVERNOR HOGAN: So I'd like to kind of hear you address that. And then you said, really, it was really about the revenue.

MR. MEDENICA: Absolutely.

GOVERNOR HOGAN: And that you, I think you said you projected the revenues to be much higher. Now we didn't get into the details of that.

MR. MEDENICA: Right.



GOVERNOR HOGAN: But one group is saying it's going to cost \$50 million. You're saying we're actually going to make --

MR. MEDENICA: Right.

GOVERNOR HOGAN: -- \$100 million and something.

MR. MEDENICA: The adjustments on the cost side that brought that 50 down to 20, again, had two primary components. One was the purchase of those smaller terminal machines, I think 1,000 is what we have in there. And the other was the -- what was the other?

TREASURER KOPP: So how does that bring it from 50 to 20?

MR. MEDENICA: Dual comms, I'm sorry. I'm sorry.

TREASURER KOPP: How does the purchase of the machines work towards reducing the 50 to 20 --

MR. MEDENICA: The price that Intralot presented for those machines was much higher was an option than the price that Scientific Games. So the adjustment figures, and again I don't have them off the top of my head, but I think it was roughly \$40 million in incremental costs to buy those machines for Intralot and it was about half that to buy those machines from Scientific Games. And then the dual comm piece, to bring them up to 100 percent, was the balance that brought that 50 down to 20. So it was a total adjustment of about \$30 million.

TREASURER KOPP: And those two things were laid out in the RFP?

MR. MEDENICA: Yes. Oh, no, those were laid out as options. We asked --

TREASURER KOPP: That's what I mean. In the RFP?

MR. MEDENICA: Yes, absolutely. These were the numbers that were submitted in their bids for all the services that we wish to purchase.

GOVERNOR HOGAN: Director Medenica, you mentioned, you didn't get into the details, and we don't need a whole lot of details, but you said you would accept a possible joint venture but your concern was that this group doesn't even exist and perhaps while the parent company might have some money the one that's actually signing the contract does not have this financial capability. Is that the case?

MR. MEDENICA: That's right.

GOVERNOR HOGAN: Do you have concerns about that?

MR. MEDENICA: Yeah, we had major concerns. Also the joint venture partner also attributed, remember what I said earlier on, they submitted an initial MBE goal of 30 percent. Half of that, 15 percent, was attributed to the joint venture partner himself. So in rough terms that's about \$3 million a year that is going to the joint venture partner for his role in fulfilling the MBE requirements.

GOVERNOR HOGAN: So the real MBE would only be 15?

Lower than the other --

MR. MEDENICA: Well I think, you know, our sense was that they met the 20 percent goal. And finally, there was a point made about Scientific Games having financial challenges as a corporation. I think that's pretty much a non-starter. Obviously both IGT and Scientific Games had major expansions corporately just a couple of years ago where they both purchased the major players in the slot machine world. And so now they have become much larger companies with gaming sides of the business that are almost as comparable as the Lottery side of the business. And so there were heavier debt burdens that came from those acquisitions. And in the case of both companies, frankly, the acquisitions appear to have been fairly successful and they are working their way back to, you know, normal financial measures.

GOVERNOR HOGAN: All right.

COMPTROLLER FRANCHOT: Just your response to Tessa Hill-Aston's comments about give back to the community?

MR. MEDENICA: Well, again, we are a revenue agency. We also have many community events that we participate and sponsorships and reach out. We have, we place advertising in minority publications and in minority media. We have I think a very active and responsible community outreach program.

COMPTROLLER FRANCHOT: Let me just ask, you've mentioned \$570 million going to the General Fund, which obviously is very important to the State, but isn't it true that two zip codes in the State produce, are number one and two as far as purchasing Lottery tickets? And aren't they two of the poorest zip codes in the entire State? One up in Baltimore City, I think it's Park Heights, and one in Prince George's County, I think it's Capitol -- yeah, something down there. I mean, we have two zip codes, I believe, that purchase an inordinate amount of Lottery tickets.

MR. MEDENICA: This is --

COMPTROLLER FRANCHOT: What do we, is that true?

MR. MEDENICA: That kind of data has actually been presented in many lotteries around the country. And one of the factors there is that where Lottery tickets are purchased is not necessarily where the purchaser is from. For the most part people tend to purchase Lottery tickets at work, not at their homes. And so you see differences between where their residential patterns are and their work patterns.

More importantly, though, I think you raise a better question is what are the demographics of Lottery players? And in Maryland about 70 percent of the population plays Lottery games. And if you look at and you break down the demographics of Lottery playership it almost exactly replicates the demographics of the State as a whole. Again, Maryland has 30 percent minority

and we have about 30 percent minority playership. But if you break that down by age, gender, occupation, education, income, all of those factors, they pretty line up with the demographics of the State. And when you think about it, if you sell a product that is being purchased by 70 percent of the population, you would think that that, your purchase population is going to be very similar to your overall population.

COMPTROLLER FRANCHOT: If you could just respond to my question? Whether or not those two zip codes, one in Prince George's and one in Baltimore City, are the top zip codes in the State of Maryland for purchasing Lottery tickets because I'm talking about two economically challenged zip codes where there are not a lot of jobs and where there are some desperately poor individuals. And I -- separate from the contract I'm just curious as to whether that in fact is true or whether I'm just --

MR. MEDENICA: I don't, I don't have the data by zip code. I don't challenge it. I suspect it's probably right. I know that by county, certainly our three biggest counties are Baltimore County, Baltimore City, and Prince George's County in terms of Lottery sales.

COMPTROLLER FRANCHOT: Does anyone on your staff have

--

MR. MEDENICA: But again --

COMPTROLLER FRANCHOT: Does anybody on your staff have

--

MR. MEDENICA: Oh, it's easily obtainable. Absolutely.

GOVERNOR HOGAN: I would point out that all the money comes into the General Fund.

MR. MEDENICA: Yeah.

COMPTROLLER FRANCHOT: And we spend more money in Baltimore City and Prince George's County than in any other jurisdiction. We put I think \$2 billion into the City last year, \$16,000 per student in the school system which is higher than anywhere else in the State, and Prince George's County gets the second amount of money. So the money that's being generated, some of it is going directly to those jurisdictions.

COMPTROLLER FRANCHOT: No, that's a good point. I was just following up --

GOVERNOR HOGAN: In fact the majority of it, probably. Depending, you can't say which money comes from where and goes to where, but of our money we spend more there than anywhere else.

MR. MEDENICA: And again, we're neutral on those allocations. That's for people other than us.

COMPTROLLER FRANCHOT: You get my point.

MR. MEDENICA: Absolutely.

COMPTROLLER FRANCHOT: It's not a specific to this contract, it's a question about regressive sources of State revenue that really reach into the pockets of people that unfortunately don't have anything.

MR. MEDENICA: I understand.

TREASURER KOPP: But isn't it fortunate, and I don't support gambling at all including the Lottery. I think personally, I've told you this, I think it's not a good, I don't play the Lottery and I don't believe in it.

COMPTROLLER FRANCHOT: I do.

TREASURER KOPP: I know you do.

(Laughter.)

TREASURER KOPP: I know you do. And I know you did the slots.

GOVERNOR HOGAN: And he's in a different zip code --

(Laughter.)

GOVERNOR HOGAN: Takoma Park.

TREASURER KOPP: Yeah. At least if it is taking money disproportionately, if the Comptroller is right, and I fear he is right, at least it's being spent through the General Fund, which is the legal requirement, on an equalizing basis. Just as income tax from the larger and wealthier jurisdictions go disproportionately to the poorer jurisdictions with their school systems. Which is in the interest, I believe, of every citizen in this State.

MR. MEDENICA: If I could just add a final note --

GOVERNOR HOGAN: I think we're taking the money from you  
and the Comptroller, out of Montgomery County --

TREASURER KOPP: That's --

GOVERNOR HOGAN: -- and giving it to Baltimore City and  
Prince George's.

MR. MEDENICA: We also have a very robust responsible  
gaming program. We joined the World Lottery Association. We've already  
achieved level one and two of their responsible gambling program certification  
process. We're working on level three. And fortunately as an agency we have  
two lines of business. Today we've only talked about Lottery but we also have  
the casino side of the business. And we have a fixed funding level and I think we  
have probably one of the highest dedicated funding levels to responsible gaming,  
in the State of Maryland, of any state in the Union. And we're very proud of that  
and we are very much involved with the responsible gaming efforts. We were  
one of the founders of the Maryland Alliance for Responsible Gaming. It's a very  
active group and it includes all of our stakeholders.

TREASURER KOPP: Could I just tell you personally it hurts me  
every time I vote for an advertising contract for the Lottery or other gambling,  
because I don't think we should be doing that. But --

MR. MEDENICA: We're in the consumer entertainment business.



TREASURER KOPP: -- that's a different issue.

GOVERNOR HOGAN: Thank you, sir. And now we're going to bring up the group from Scientific Games International, Mike Johansen and the rest of his group. Whoever he wants to have join him.

MR. JOHANSEN: Thank you, Governor, Madam Treasurer, Mr. Comptroller. I think we can be brief. I'm Mike Johansen with the Rifkin Weiner Livingston Law Firm. With me is Pat McHugh, the corporate representative of Scientific Games; and Scott Livingston, my partner.

Briefly, I think we should mention that with respect to the Lottery generation of revenues part of the \$570 million goes to Baltimore City Schools, \$20 million a year, as well as stadium projects, two wonderful stadium projects in Baltimore City. So some direct return from the \$570 million.

In addition with respect to benefit to those other than the vendors in the room and the Lottery agency itself and the General Fund, are the 4,500 retailers who receive on average seven percent of sales in commissions and cashing commissions. So that's five times more than what the vendor gets in this circumstance with respect to sales. The average retailer gets \$40,000 a year. So if you look at where Lottery tickets are sold, and you look at the diversity of that small business group, small retailers, convenience stores, gas stations, licensed beverage stores, some of those retailers, for example, make up to \$400,000 a year in commissions. The highest grossing retailer Lottery agent is actually located in

Baltimore County close to the Anne Arundel County line. So I think that diverse group should not be ignored in this.

This Board, you mentioned with respect to being the final authority on school construction, this Board is the final authority on approval of contract awards. And it relies, however, on the fact that there's a process for resolving issues before they come to you. So you have the full benefit of everything that would have occurred. So counsel for Gaming Innovations and Intralot posted just Friday, a few days ago, new legal challenges. Not new in the sense that they haven't been stated before and been in a protest before and denied before, but raised them anew as if they are brand new ideas and they deserve to be presented here. But the process is they should go through the protest. They should go to the Board of Contract Appeals so that this Board has the benefit of that information.

We submitted a letter in response to their letter of concerns, the same concerns we submitted before, the same concerns that were denied before. So Governor, we don't really have anything more to add. Pat McHugh is here if you have any specific questions and he can certainly address those.

GOVERNOR HOGAN: Any questions?

COMPTROLLER FRANCHOT: Not for me.

GOVERNOR HOGAN: Okay. Thank you all very much.

MR. JOHANSEN: Thank you.

GOVERNOR HOGAN: Any other questions on this item? All right. I have questions on Item 3. This is Linda Lamone from the State Board of Elections. Good afternoon.

MS. LAMONE: Good afternoon, Governor, Mr. Comptroller, Madam Treasurer. I have with me Patrick Hogan, who is the Vice Chair of the State Board of Elections; and Nikki Charlson, who is the Deputy Administrator.

GOVERNOR HOGAN: Great. Thank you very much. This is a sole source contract for the purchase of electronic poll books for the 2018 election. Is that correct?

MS. LAMONE: Yes.

GOVERNOR HOGAN: And you know, it's one of our pet peeves is sole source contracts. Maybe just explain why it is a sole source?

MS. LAMONE: Because the poll books that we have currently, we need more of them. The company that we get them from doesn't really have any more new ones, other than the new model. And so what we're looking at is just getting prepared for your election next year with the new early voting centers in some of the counties we need more equipment. And --

GOVERNOR HOGAN: There's an election next year?

MS. LAMONE: Yes.

GOVERNOR HOGAN: She said, your election. There's a lot of people running.

(Laughter.)

GOVERNOR HOGAN: So I wanted to just, your agency just was the subject of an audit --

MS. LAMONE: Yes.

GOVERNOR HOGAN: And maybe you or the Board Vice Chair or somebody can address some of those issues. Because it was somewhat disturbing. They found that the State Board had exposed the social security numbers of 600,000 voters and, you know, making them vulnerable to identity theft. It found that there was a failure to maintain the integrity of the voter registration records, failed to adequately authenticate certain voters who had requested absentee ballots. And it allowed access to employees and contractors to voter databases that they should not have had access to or did not need access to. And I understand that you're taking steps to address some of these concerns and problems but maybe you could talk about that a little bit, what you are doing. And before we vote on this contract, I'd just like to see if there's any assurances you can give us that they will be addressed and that when Marylanders register to vote or step into the polling, the voting booth, that their security of their personal identification information is not going to be compromised and that their ballots are going to be secure.

MS. LAMONE: Well to answer your first question, yes and yes. I think it's very, there's a couple points here, Governor, that I'd like to make.

There's no evidence whatsoever that the voter registration database was breached and there's no evidence whatsoever that any voter information has been compromised.

GOVERNOR HOGAN: That's what the legislative audit said. I mean, I'm not making it up.

MS. LAMONE: I know you're not.

GOVERNOR HOGAN: It didn't come from us.

MS. LAMONE: But the problem here is, understand we have different systems. The voter registration database, which is sort of the core of our business, is a private network. There's no public access to it at all. The only way you get into it is if you have the log in credentials and know two different passwords and you're sitting at a computer that's been authorized to have access.

GOVERNOR HOGAN: So you're saying that the legislative audit was just wrong?

MS. LAMONE: He I don't think --

GOVERNOR HOGAN: Instead of we're going to fix it.

MS. LAMONE: -- completely understood the architecture of that voter registration database.

GOVERNOR HOGAN: And you've addressed that with the auditor?

TREASURER KOPP: No, excuse me, the auditor, did the auditor say it actually had been breached? Or he was concerned that there was the potential?

MS. LAMONE: He I think was concerned that there was a potential and he focused on the social security numbers. And --

TREASURER KOPP: And what should be done to assure that it couldn't be done. But I don't believe that there's been any allegation by the auditor of a breach. I just want people to feel comfortable that -- is that not so?

MS. LAMONE: No, that's correct. It's just that's been the implication in some of the press reports.

TREASURER KOPP: Well, that may be. But the question is what the audit said.

MS. LAMONE: No, the audit did not say it had been breached. It said that we put the social security numbers at risk. And --

TREASURER KOPP: Right.

MS. LAMONE: -- my response to that is, no, they are not at risk because of the architecture of the voter registration database and the security team that surrounds it and protects it, including the Department of Homeland Security. So we have a huge number of processes in place. Plus we deliberately built it so that it's a private network. It's not public facing. There's no, you can't even view it.

TREASURER KOPP: But you have taken steps also, or had taken steps also, it was my reading of the audit, to address each of these concerns and they are now in place?

MS. LAMONE: Absolutely. Virtually every one of them has been done.

TREASURER KOPP: I think that's what the Governor is asking for.

GOVERNOR HOGAN: Yeah. I don't know whether, what the wording is, or whether it's at risk or I think they said that you exposed the social security numbers of 600,000 people.

MS. LAMONE: Well they were in the database. People for years -- the social security numbers have been in the database for years and we've been audited every three years --

GOVERNOR HOGAN: It says finding two is the State Board of Elections does not ensure that the personally identifiable information from the Maryland voters database provided to an external third party was properly safeguarded.

MS. LAMONE: Oh, that's a different issue, Governor. That --

GOVERNOR HOGAN: There's a bonus plan. That's a new one.

MS. LAMONE: Yes. What they're talking about there is Maryland belongs to what's called ERIC, the Electronic Registration Information

Center. And that's a consortium of 21 states now. It originally was created by the Pew Charitable Trust. And the purpose of ERIC is to exchange voter registration data among the participating states. As I said, there are 21. It is now Virginia, Delaware, D.C., in this area participating. And since it went online I think in July of 2013 over almost 500,000 records in Maryland have been corrected. Either that people have died elsewhere that we didn't know about because of the state where you died determines whether it can be disclosed. Those kinds, moves. And what the auditor is talking about there is that the, all the information that we provide to ERIC for the data matching is what they call anonymized or hashed. And that means it's taken and if it were the word Linda it would just be a series of numbers and letters, it wouldn't be the word Linda.

GOVERNOR HOGAN: Hm.

MS. LAMONE: I'm looking at the Secretary over here for confirmation of that. And then when ERIC gets it they anonymize it further again. And when we get the reports back from ERIC there is no personally identifiable information in there. There is no social security number, nothing. It's just the name and the address. It would be Linda Lamone now lives in Virginia.

So what they, what the auditor, my understanding, and Nikki can correct me if I'm wrong, what the auditor really wants is that the company that ERIC uses to host the data have a SOC 2 security audit. And the Board directors for ERIC along with their security team of four fairly well known security folks



believe that it should be a different kind of audit based on ISO. And that's, a SOC 2 audit is like an accounting firm audit, and the ISO audit is more focused on IT. And that was the dispute as I understand it between the legislative auditor and the use of the ERIC stuff.

GOVERNOR HOGAN: I mean, this is the Department of Legislative Services. It's a, it's the audit that they are sending to Senator Craig Zucker, Co-Chair of the Joint Audit Committee and Delegate Bill Frick, Co-Chair of the Joint Audit Committee. And it says, it's talking about the period ending October 22, 2015. I guess that's somewhat outdated, but this document is dated April, last month. And it says, our audit disclosed that the State Board of Elections did not establish certain controls to maintain the integrity of the Statewide voter registration records and to protect certain voter data. For example user access to the voter registration system was not effectively controlled, consequently numerous system users had unnecessary access to the voter registration database which was removed after our inquiries. We also noted that SBE did not ensure that personally identifiable information from the database was either properly safeguarded when transmitted to a third party or contractor or removed from its own records. In this regard the full social security numbers of over 590,000 voters were retained by SBE in the database even though only the last four digits are needed. Regarding the voting process we noted that they did not adequately authenticate certain voters who requested absentee ballots for

primary and general elections. We noted that a certain critical voting system was not backed up off site when in use during elections and it was not addressed in SBE's disaster recovery plan. Then it goes on to talk about single source contracts, that \$18.8 million that SBE could not support the awards that were in the State's best interests and identified overpayments. It goes on. So either, I mean, this is not, I just found out about this today. I'm not involved in legislative audits. But just to say that the information is wrong --

MS. LAMONE: It's not all wrong.

GOVERNOR HOGAN: -- I would rather say we're going to fix all of these problems --

MS. LAMONE: Well we are.

GOVERNOR HOGAN: -- and we're going to get it done before the next election.

MS. LAMONE: And we've done that. And for example the one about authenticating absentee ballot requesters, the auditor is suggesting that we require everyone that submits a paper application for an absentee ballot to include the last four digits of their social security number. I have asked the Attorney General's Office whether or not that's legal and they have informed me, no. The law would have to be changed to do that. But even if the law were changed to do that, you are then excluding a whole population of people who don't have a social

security number from having the opportunity to vote by absentee ballot. And a large number of those are senior citizens, especially women, in the years ago --

GOVERNOR HOGAN: Well we're talking about 590,000 people who do have social security numbers that were put out on the --

MS. LAMONE: They weren't put out anywhere.

GOVERNOR HOGAN: That's what this says.

MS. LAMONE: Well --

GOVERNOR HOGAN: It says they were at risk.

MS. LAMONE: They weren't at risk. It's a closed network.

GOVERNOR HOGAN: Are you going to at some point address this, respond? Do you have to respond within a certain time frame?

MS. LAMONE: I did. It's attached to the audit report. And we've already removed, we had last fall a program change and removed everything but the last four digits. So and we also removed the ability of the local Boards of Elections to enter the full number because voters keep giving them to us.

GOVERNOR HOGAN: Okay, so on the last item, which we're, it's not about this contract, but the Legislature was concerned about multiple single source bid contracts at \$18.8 million and that we weren't supporting the awards in the State's best interest, and we have another sole source contract in front of us today. So I'm just --

MS. LAMONE: Let me, I'd like to address that. We had all the documentation for those sole source contracts, except it hadn't been typed up. It was the handwritten notes. And the Department of Information Technology approved them. We have the documentation to them and from them approving it. The auditor was upset because the people that did the evaluation took notes but they did not create a document.

GOVERNOR HOGAN: Well it says you couldn't support the awards and that --

MS. LAMONE: We could.

GOVERNOR HOGAN: -- they identified overpayments and things that should have been corrected.

MS. LAMONE: Well when you read our response, they then added a little box saying that we couldn't provide a document.

GOVERNOR HOGAN: I don't have any other questions.

COMPTROLLER FRANCHOT: I had forgotten that we have an election next year. And now that I'm reminded, I recall the last election in Baltimore County when I visited the polls there were some very irritated voters who had to spend in Baltimore County up to two hours because the county only had one scanning machine where the paper ballot had to be scanned into a, some form of Xerox machine or something. And that, I appreciate what the Governor was bringing up, but could you assure us that, I take it that's not your issue, the

scanners at Baltimore County election areas. But can you assure us that we're not going to have that problem in June of next year and November of next year?

MS. LAMONE: What I can assure you is that we're working with all of the counties to make sure they have enough voting equipment so that there are no lines. The issue of course is money, which is your area of expertise. But under the law the counties if they want more additional equipment they have to pay half of it, of the cost. But we've been working with the county government and the election director, and especially in Baltimore City, but it applies to a lot of the other jurisdictions because under the law they have to add additional early voting centers. So a lot of them need additional equipment. So we've been working, yes to answer your question, we're working with everybody to make sure they have enough equipment, especially in Baltimore County.

COMPTROLLER FRANCHOT: And so how much does it cost? I take it they had one scanning machine, which has got to be an example of the greatest administrative and mismanagement ludicrous situation to put your own constituents in. So what exactly will it cost Baltimore County to have, let's just be very optimistic, two scanners? I mean, you go into Montgomery County and they have a half dozen scanners. But what is the problem up there with Baltimore County's --

MS. LAMONE: Nikki tells me it's about a half, total half a million? Just for --

COMPTROLLER FRANCHOT: Half a million dollars? Well maybe you could share some correspondence with us with whoever is running things up in Baltimore County and say last election was a complete and utter disgrace. It wasn't, it didn't affect me. I just went up there and looked at the individuals --

MS. LAMONE: No I --

COMPTROLLER FRANCHOT: -- coming out of the voting booth, saying it took us two hours to get the darn thing Xeroxed.

MS. LAMONE: Yeah. Scanned.

COMPTROLLER FRANCHOT: And, you know, it's not your agency's issue, as you said. It's the local jurisdiction. But can't you somehow guarantee or give some oversight so that perhaps you could give us a heads up in January if some counties are claiming they can't do what they're supposed to do?

MS. LAMONE: I would be happy to.

COMPTROLLER FRANCHOT: Yeah.

MS. LAMONE: I would be happy to.

COMPTROLLER FRANCHOT: Please. Just, I mean, ten years ago it was Montgomery County that lost all the votes that were supposedly cast for me. Somehow they found them, I guess, because here I am. But you know something always seems to happen. And I hope next year is problem free.

GOVERNOR HOGAN: Well we had calibration issues with fat fingers and long fingernails --

COMPTROLLER FRANCHOT: I missed that.

GOVERNOR HOGAN: -- where everybody who tried to vote for me actually registered for Brown. That was all over the State. That was a good one.

COMPTROLLER FRANCHOT: Oh wow. I missed that.

GOVERNOR HOGAN: We got that fixed, too, though.

COMPTROLLER FRANCHOT: Okay. Well thank you. You just, I'm going to vote for this item because I think the case it's okay. But I mean, it's sole source because no one else sells these things, right? Or these particular --

MS. LAMONE: Well I just, we're just adding onto our existing inventory, yeah.

COMPTROLLER FRANCHOT: But I would appreciate it if you'd let us know how particularly the big counties are doing in January for the June primary and the general election as far as their ability to provide equipment.

MS. LAMONE: We should know before then and I'll be in touch.

COMPTROLLER FRANCHOT: And I see former Senator Hogan sitting here, standing here. To what do we owe the honor of your presence?

GOVERNOR HOGAN: He's the Vice Chair of the --

COMPTROLLER FRANCHOT: Oh.

MR. HOGAN: Thank you, Mr. Comptroller, Mr. Governor, and Treasurer. I'm Vice Chair of the State Board of Elections. And I very much appreciate all of your concerns about the audit. The Board shares the same concerns. As somebody who has dealt with legislative audits for 25 years, I will tell you that there's often findings -- audits are good things. They highlight issues that need to be addressed. One problem I have with audits, legislative audits, is they are a timeframe, by the time they come out, you pointed out, Governor, that's an April letter --

GOVERNOR HOGAN: Yeah, talking about --

MR. HOGAN: -- the audit was 2012 to 2015.

GOVERNOR HOGAN: Yeah.

MR. HOGAN: I encourage you to read the administrator's response --

GOVERNOR HOGAN: Good point.

MR. HOGAN: -- item by item has been either addressed or is in the process of being addressed.

GOVERNOR HOGAN: Which is just what I asked her, because I didn't feel like reading the entire thing.

(Laughter.)

MR. HOGAN: And please know that the State Board of Elections takes the audit very seriously. What always used to irk me, I was a member of the



Joint Audit Committee. No so much audit findings, but repeat findings. It's unexcusable for any agency not to address repeat findings. There are no repeat findings and hopefully there won't be --

GOVERNOR HOGAN: There won't be.

MR. HOGAN: -- none of those will repeat in the future.

GOVERNOR HOGAN: Great. Thank you both very much. I appreciate it.

MR. HOGAN: Thank you.

MS. LAMONE: Thank you.

GOVERNOR HOGAN: Any other further questions? I guess is there a motion?

COMPTROLLER FRANCHOT: Can I separate out the Lottery?

SECRETARY MCDONALD: That would be 2-IT, so you can vote on 1 and 3-IT?

GOVERNOR HOGAN: Do you have to make a motion to separate it out? It has to be seconded?

SECRETARY MCDONALD: Somebody should make a motion to approve one and three, perhaps. I mean, that would be what to do.

GOVERNOR HOGAN: Say that again?

SECRETARY MCDONALD: Perhaps somebody would make a motion to approve Item 1 and Item 3, and then there would be a separate motion about whether to approve Item 2.

COMPTROLLER FRANCHOT: So move.

SECRETARY MCDONALD: One and three?

COMPTROLLER FRANCHOT: One and three.

TREASURER KOPP: Second.

GOVERNOR HOGAN: Okay.

SECRETARY MCDONALD: Right. Okay, so now, if there's a motion on Item 2, to approve Item 2?

GOVERNOR HOGAN: I'll make a motion to approve Item 2.

SECRETARY MCDONALD: There you go.

TREASURER KOPP: I'd like to hear the rationale for opposing it.  
Can you, are you going to vote --

COMPTROLLER FRANCHOT: Yeah, no, I'm opposing --

TREASURER KOPP: Yeah.

COMPTROLLER FRANCHOT: -- the contract based on the cost.

TREASURER KOPP: Okay.

COMPTROLLER FRANCHOT: That's a lot of money. And --

TREASURER KOPP: Based on?

COMPTROLLER FRANCHOT: I'm not, I'm not convinced that the increase in revenue is actually a real figure. So I am opposing it on the differential between \$50 million and zero, I guess.

TREASURER KOPP: Okay.

COMPTROLLER FRANCHOT: That's a lot of money.

TREASURER KOPP: I mean, I am troubled by the question, I wish there were a way that we can get greater benefit and participation in the community. I think that would require a change in law because the money has got to go to the General Fund, but it would be a welcome change in the law. But having said that, it seems to me that this is a very difficult contract. I look at the flaws in the process and the allegations were very serious, but they seemed to be responded to by the agency. And so on that basis, both financial and technical, on that basis I would, I would support the motion.

SECRETARY MCDONALD: So the second motion --

TREASURER KOPP: The second motion.

GOVERNOR HOGAN: The second motion passes two to one.

SECRETARY MCDONALD: Thank you.

GOVERNOR HOGAN: Thank you. Move on to the Department of Transportation.

MR. RAHN: Good afternoon, Madam Treasurer, Mr. Comptroller, Governor. For the record, my name is Pete Rahn, I'm the Secretary of the

Maryland Department of Transportation. MDOT is presenting ten items for consideration today and at this time we are withdrawing Item 10-GM.

GOVERNOR HOGAN: Any questions on Department of Transportation? Motion?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second? Three-nothing. We move now to the Department of General Services Agenda.

MR. CHURCHILL: Good afternoon, Governor --

GOVERNOR HOGAN: Secretary Churchill.

MR. CHURCHILL: -- Madam Treasurer, and Mr. Comptroller. For the record, I'm Ellington Churchill, Secretary for General Services. The department has 21 items on our Agenda. We are withdrawing Item 19. And I am recusing myself of Item 14. We'll be glad to answer any questions that you have at this time.

GOVERNOR HOGAN: Well I think as Delegate Anderton is here and I think he wanted to talk about Item 2, the Holly Center. If he can get through the crowd of Lottery folks. Good afternoon.

DELEGATE ANDERTON: It is afternoon. Good afternoon, everybody. How are you all doing? When you all get to go back outside today, the weather is phenomenal. It's awesome out there.

GOVERNOR HOGAN: I think we may want to hold one of these outside.

DELEGATE ANDERTON: You should, absolutely. Under the tree would be great, a bagged lunch, you know, a nice blanket spread out.

GOVERNOR HOGAN: Yeah.

DELEGATE ANDERTON: I like that a lot. Madam Treasurer, Mr. Comptroller, Mr. Governor, I just wanted to come up and say thank you on behalf of the residents of Wicomico County, the Lower Eastern Shore, for the improvements that are being proposed to the Holly Center. And we're looking to turn that into more of a multifaceted facility and it's great to have the respite care aspect there stay intact. And the therapeutic pool, it's one of the only ones on the Lower Shore that has wheelchair access for therapy, so working together to get that back open is going to be phenomenal for our various communities that utilize that facility for that purpose.

I would like to touch base briefly on the vocational center in Somerset County. As a product of Somerset County Schools I think it's phenomenal that you're really being cognizant of the needs of the public schools in Somerset County. I think that's awesome. I really do. A lot of times, you know, us on the Lower Shore we tend to feel like we're forgotten a little bit. But as I say constantly when I'm here --

GOVERNOR HOGAN: Not anymore.

DELEGATE ANDERTON: -- we're definitely remembered now.

Absolutely. You got it. And Mr. Budget Secretary, I look forward to hanging out with you again this summer. So that will be good. You made me lose 30 pounds this winter, man, so we'll do it again. You know, the bypass project, Mr. Secretary, is looking great in Wicomico County. Not as many complaints as I expected. 404 is coming along great. I can't wait till that's done. That's my route to Annapolis from Delmar and so we'll be working with our colleagues --

GOVERNOR HOGAN: So what you're saying, Delegate, is that we're not going to hear any more of this forgotten Lower Shore talk?

DELEGATE ANDERTON: You're not going to hear that from me, brother.

(Laughter.)

DELEGATE ANDERTON: No. No. We have a seat at the table and we're eating lunch. So it's all good.

(Laughter.)

GOVERNOR HOGAN: All right. Well thank you. It doesn't look like you've eaten much, but thank you.

DELEGATE ANDERTON: So no, I just wanted to say thank you so much for everything you guys do for us on the Shore. And --

GOVERNOR HOGAN: Thank you. And the Holly Center is terrific. I'm glad that we got a resolution that everybody is happy with.

DELEGATE ANDERTON: Me too. Absolutely.

COMPTROLLER FRANCHOT: I want to thank Delegate Anderton for championing the Holly Center. As you know, your predecessor was a huge champion.

DELEGATE ANDERTON: Oh, absolutely.

COMPTROLLER FRANCHOT: And why don't you name one of those cottages after him down there?

DELEGATE ANDERTON: Sure.

COMPTROLLER FRANCHOT: Give him some visibility. Yep.

DELEGATE ANDERTON: Well we're doing roads and everything else we can name. We'll name the whole county if we have to.

COMPTROLLER FRANCHOT: Okay.

DELEGATE ANDERTON: But, you know, save one little corner for me somewhere. But anyway, thank you guys so much.

GOVERNOR HOGAN: All right. Thanks a lot.

DELEGATE ANDERTON: See you.

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

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second? Thank you very much. That adjourns our meeting.

UNOFFICIAL COPY  
FOR INFORMATIONAL PURPOSES ONLY.

To expedite access to BPW records, we post unofficial transcripts as soon as we receive them.  
When the Office has verified the transcript, we will remove the UNOFFICIAL designation.

112

(Whereupon, at 12:27 p.m., the meeting was concluded.)