
STATE OF MARYLAND
BOARD OF PUBLIC WORKS
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PRESENT

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HONORABLE NANCY KOPP

Treasurer

HONORABLE PETER FRANCHOT

Comptroller

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JEANNIE HADDAWAY-RICCIO

Secretary, Department of Natural Resources

MICHAEL LEAHY

Secretary, Department of Information Technology

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Recording Secretary, Board of Public Works

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PROCEEDINGS

GOVERNOR HOGAN: Good morning, everyone.

ALL: Good morning.

GOVERNOR HOGAN: Welcome to the Board of Public Works. I want to first of all begin by congratulating all of our agencies on achieving an 86 percent reduction in the number of single bid contracts brought before this body over the last five fiscal years. That deserves a big round of applause.

(Applause.)

GOVERNOR HOGAN: That really took a lot of work and a lot of effort on behalf of not just our secretaries and their procurement teams, but a lot of people in the agencies throughout the administration. And I want to congratulate you for all of those efforts. It's something that we have been talking about for a long time and focused on. In the year before I became Governor, the previous Board approved 93 single bid contracts, most of those despite the objections from the Comptroller, I'll say. He's been on top of this issue for a long time. And all three of us agreed that we were going to work hard to try to find ways to make the bidding process more competitive. And so in fiscal year 2019, the number was brought down to 13 from 93. So I just want to congratulate everybody. I would say it's 13 too many. We're going to work to get down to zero. But it's a heck of a lot of progress. And this is a massive decrease and an

incredible achievement and a concentrated effort by a lot of people throughout the administration. So I want to thank our cabinet, and our procurement teams, and all of their staffs. And thank you for working so hard to make that happen. I appreciate it, but --

(Applause.)

GOVERNOR HOGAN: -- I also want to bring up another important issue this morning that this Board is working to try to resolve. And there's been quite a bit of discussion about this recently. There are five individuals who were wrongfully convicted and who are attempting to get resolution on their cases. All of them experienced pain and indignities while they were incarcerated. There's no question that they deserve to be justly compensated as they work to rebuild their lives. And I think all of us strongly agree with that.

However, the Board of Public Works clearly does not have the expertise, the capacity, or the personnel to determine what those actual damages sustained by each of the individuals is. The Legislature has tried but failed to address this issue for several years in a row. These individuals should not have to wait for the Legislature to finally act. So I would like to ask the Board of Public Works General Counsel to work on preparing a memorandum of understanding with the Chief Administrative Law Judge to immediately put into place a process which can ensure individualized consideration of every one of these important cases so that these five innocent individuals can be compensated justly prior to the

Legislature finally taking action. And when the Legislature returns to work in January, we are going to continue to push hard for legislative action and legislation which will lay out specific guidelines for compensating any additional exonerees moving forward.

So with that, I'll be happy to turn it over to the Comptroller for any opening remarks.

COMPTROLLER FRANCHOT: Thank you, Governor and Madam Treasurer. And I just want to extend a note of thanks to you, Governor, for making the demise of single bid awards possible. You have made it a top priority for your administration and I'm delighted to join with you and the Treasurer in reducing the number of single bids. I'm not suggesting that the single bid contracts are unfair or somehow back room deals. All I'm saying is that if we're going to show the Maryland taxpayers that we're spending their money carefully, we need to have at least two competitive bids on these big contracts. That's the only thing they will have confidence in, that we in fact are getting the best return on their investment. And Governor, without your leadership, frankly without the bipartisan reputation, I would say, the non-partisan leadership of the Board of Public Works, I think this shows how seriously we take our responsibilities as the principal fiscal officers of the State. And Madam Treasurer, Governor Hogan, thank you for basically joining in on a fundamental

reform of the procurement process. And I hope it goes on long after we're down in Ocean City full time.

(Laughter.)

COMPTROLLER FRANCHOT: But if I could --

GOVERNOR HOGAN: I may run against the Comptroller for Mayor of Ocean City --

(Laughter.)

COMPTROLLER FRANCHOT: Stay tuned on that.

(Laughter.)

COMPTROLLER FRANCHOT: And I would like to compliment the Governor on his statement about the situation that is before us on the fact that individuals are illegally incarcerated, I guess, is the right word. These folks need to be compensated. It needs to happen now. I'm delighted that our staffs are going to be working on this and I'm sure we'll come up with something that is fair and compassionate and timely. Time is of the essence here, as my famous predecessor William Donald Schaefer would say --

TREASURER KOPP: Do it now.

COMPTROLLER FRANCHOT: -- just do it now. I know we can't do it now. I know we're in a lot of negotiations at the staff level. And I really appreciate the fact that everyone can kind of put aside their concerns and

work together to see what we can come up with. And so we'll, I'm looking forward to that.

If I could just take a second and comment about the Maryland Retailers Association Awards Banquet that I had the privilege of attending last week up in Harford County. I was especially humbled to receive the Louis L. Goldstein Award, named after my legendary predecessor, for my work in promoting Maryland's small businesses and independent retailers. I have said often that small businesses serve as critical engines of our State's vibrant economy. I'm proud to do my part in highlighting their contributions and the indispensable role they play in our State. And it's hard to believe that, before we know it, the holiday season is right around the corner, will be here. And once again, I'll be traveling across the State, talking with every Marylander I can, about the importance of shopping local and patronizing our bricks and mortar small business stores.

I know my colleagues, Governor Hogan and Treasurer Kopp, share my deep appreciation and respect for our small businesses and the recognition that we must continue to support the growth and success of these businesses. I know a lot of them come and go. But I often say it's the genius of the private sector system that allows us to have them all over the place. And, you know, I was up at John's Men's Shop in Belair, a brand new, woman-owned small business. I walked in and gave them a recognition and they said, well, don't you want to

shop? I said, well, I don't know. And they, I started to look around, and I found a pair of blue jeans that I said I wear this size, and they said, here they are. Don't you want to try them on? And I said, no. I never like to try anything on. And they said, that's why we have a men's retail shop here, because you guys are all completely different from your better halves. And so I'm, thankfully I will report that the jeans fit perfectly and --

(Laughter.)

COMPTROLLER FRANCHOT: -- but there's a small store that started as an internet, online operation, now is a favorite shopping place for primarily, obviously, men up in the Belair area. And Governor, I would suggest you stop by at some point. They are creative.

GOVERNOR HOGAN: I'm going to try the jeans on because mine never fit.

(Laughter.)

COMPTROLLER FRANCHOT: Anyway, small businesses, it's the heart and soul of our State's economy. Thank you.

GOVERNOR HOGAN: Thank you. Madam Treasurer?

TREASURER KOPP: Yeah. I too want to congratulate people on the reduction of single bid sole source. I understand, we had a little disagreement, that at times it's necessary. But only after you've tried as hard as you can to broaden the pool. It's good for the taxpayers and it's good for the economy

because it means more people can come in and compete. And my hat's off to the people in this room who have been behind that.

I want to say my hat's off, also, to someone on the State Treasurer's staff –

COMPTROLLER FRANCHOT: Oh, good.

TREASURER KOPP: -- and I just want you guys to hear this. Yesterday, there was a very, very brief peak in overnight investment rates. And our staff is on top of things. They come in early, quite early, to place their bids. And Keynesha Fontaine was there. She did it. There was a spike going up to 6 percent for overnights. We put in slightly over \$1 billion in overnights, that one bid. And the taxpayers benefitted by \$300,000 in that one move.

GOVERNOR HOGAN: Wow, is she here?

TREASURER KOPP: That, she unfortunately is not here.

GOVERNOR HOGAN: Let's give her a round of applause anyway. That's --

TREASURER KOPP: She's at work.

(Applause.)

TREASURER KOPP: That's the sort of unsung hero that we have everywhere in the State, people who are really dedicated, who are there, who are sharp, who are on top of things. And I will tell you, her compensation is nowhere near \$300,000. So I just, my hat's off to all those people. A --

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COMPTROLLER FRANCHOT: It wouldn't hurt to give her 10 percent because --

TREASURER KOPP: Where's that --

(Laughter.)

TREASURER KOPP: A bounty, yes. I mean, just a very personal note. Yesterday, we lost, we, all of us, this country lost a great person. Peter, I think you know, Cokie Boggs --

COMPTROLLER FRANCHOT: Mm-hmm.

TREASURER KOPP: -- who, Cokie grew up in the Congress. Her father was the Majority Leader. Her mother took his seat after he was tragically lost in an airplane accident. She had the capacity to view objectively something that she knew so well and intimately, dedicated to the first branch of government. She did many other things, but it was this insight and this dedication and this belief in the Congress, in representative government, that I think shown through.

I came from California to college 54 years ago this month, and the second person I met on that campus was Cokie Boggs.

GOVERNOR HOGAN: Oh, wow.

TREASURER KOPP: And even then, she took in this young person, she was a sophomore, I was a freshman, this young person and brought

her into the political science and history family. And really was an inspiration and has been since I was 17 years old.

We need more people like that, who understand our government, who are dedicated. She believed, she understood clearly, and her father, who was a Congressman from Louisiana and signed on a declaration in support of civil rights, it was not in his personal political interest to do that. She understood the founding, the principles, and the way we fell short of them but still work for them. And I hope that inspiring all of those citizens, plus the women journalists and everyone else that Cokie has inspired for all these years, that we will continue that faith, that critical latitude, that ability to know we can do better and what we should be doing better. And continue to have the free press and the knowledgeable free press, true journalists who are not just bloggers but actually understand and can educate, and that we'll all remember Cokie. Thank you.

GOVERNOR HOGAN: Well, thank you, Madam Treasurer. That was nice tribute. Let's start with the Secretary's report.

SECRETARY MCDONALD: Thank you, Governor. Good morning, Madam Treasurer and Mr. Comptroller. We have ten items on the Secretary's Agenda. There are no emergency reports today. We are happy to take any of your questions on the regular Agenda.

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

COMPTROLLER FRANCHOT: Move approval.

SECRETARY MCDONALD: Thank you.

GOVERNOR HOGAN: Second? Three-nothing. Move on to the DNR Real Property Agenda.

MS. HADDAWAY-RICCIO: Good morning, Governor, Madam Treasurer, Mr. Comptroller. For the record, Jeannie Haddaway-Riccio, Secretary of the Department of Natural Resources. We have ten items on our Real Property Agenda for which we are seeking approval today and I'm happy to answer any questions.

GOVERNOR HOGAN: Questions on DNR?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second? Three-nothing. We'll move on to DBM.

MR. BRINKLEY: Good morning, Governor, Mr. Comptroller, Madam Treasurer. David Brinkley, Secretary of the Department of Budget and Management. We've brought 11 items on today's Agenda. We're withdrawing Item 11-GM, leaving ten for your approval. Item 6-S has been revised and I have people here to address any questions you might have.

GOVERNOR HOGAN: Any questions on Budget and Management?

COMPTROLLER FRANCHOT: Item 9.

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MR. BRINKLEY: Item 9, 9-S-MOD. Jamie?

MS. TOMASZEWSKI: Good morning, Jamie Tomaszewski, Chief of Procurement for the Department of Budget and Management.

COMPTROLLER FRANCHOT: Thank you for being here. And Governor, Madam Treasurer, we're being asked today to add two two-year renewal options to a contract with Kaiser Foundation Health Plan, which provides a fully insured health benefits plan for State employees who are not eligible for Medicare. The proposed cost of this contract is I think nearly \$310 million.

This contract, which is the, part of our, is the integrated health model, or IHM, is part of the nearly \$9 billion State Employee Health Benefit System. And this being one of the State's largest and most critical expenditures, I think we need to make sure that we cross every T and dot every I each time we consider modifications to these very large contracts. According to the background materials, the department is seeking these two additional two-year renewal options in order to align the end date for this contract with the expiration of the remaining functional area contracts, Preferred Provider (PPO), Exclusive Provider (EPO). Both the PPO and EPO contracts have two two-year renewal options while this contract, the IHM, does not, which the department now indicates was an oversight when this item came before the Board in 2014.

While I appreciate the intent of the department in aligning the expiration of this contract with the potential expiration of the other two employee

health benefits contracts, I'm concerned that moving forward with these additional extensions will in all likelihood mean this nearly \$9 billion of contracts will not be re-procured until 2024, ten years after they were initially awarded in August 2014.

So, collectively this Board has made tremendous progress in combating the culture of what I describe as an incumbent protection program, where renewal options are simply tacked onto contracts and a competitive procurement is delayed even further at the taxpayers' expense. I'm not suggesting the incumbent vendors are not doing a good job. But as the State's Chief Fiscal Officer and member of this Board, I want us to ensure that we create a level playing field for our vendors and ultimately the taxpayers are getting the best possible deal.

I guess I'm skeptical that we need to wait until 2024 to re-procure these contracts, especially since the renewal options for the other two contracts are simply that, options. So my preference would be to deny the request for additional renewal options and have the department competitively bid all three contracts by December 2020. There's no logical explanation that would justify us waiting for a decade until we test the marketplace again.

MS. TOMASZEWSKI: Thank you, Mr. Comptroller.

COMPTROLLER FRANCHOT: And yeah, no, that's kind of a little bit of a philosophical objection to what's happening here. But why shouldn't we just re-procure the entire package by the end of next year?

MS. TOMASZEWSKI: I would say one of the main reasons would be that we no longer have an Employee Benefits Director and we would need that subject matter expert to assist with the procurement and what plan we want to have going forward for --

COMPTROLLER FRANCHOT: Who doesn't? DBM doesn't?

MS. TOMASZEWSKI: DBM does not. Anne Timmons no longer is working for the State and has taken a job outside of --

MR. BRINKLEY: Mr. Comptroller?

COMPTROLLER FRANCHOT: Yes, Mr. Secretary?

MR. BRINKLEY: Yes, she left I think in the beginning of August. And we have some pretty attractive candidates now that we're looking at to fill that replacement, to make sure that we have the personnel in place to handle that eventuality.

GOVERNOR HOGAN: But I would say one of the main reasons, which maybe you can, you or the Secretary can discuss, is that for the first time in a decade, we have lowered rates for everyone in the State of Maryland. And the denial of this extension would almost certainly guarantee rate increases for all public employees on their health insurance. And maybe you can discuss that --

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MS. TOMASZEWSKI: That's a --

GOVERNOR HOGAN: -- I don't think it has anything to do with whether or not --

MS. TOMASZEWSKI: -- good point --

GOVERNOR HOGAN: -- you have someone in that position. I don't want to see the rates go up for all of our State employees. And that's the only reason I believe we need to do this extension.

MS. TOMASZEWSKI: And that's a very good point, Governor. And I would say, yes, that should be the main point. Is that we are providing services to State employees at a very good rate. The reason we did the contracts initially with a six-year base and two two-year renewal options is because this contract started a wellness program that the State did not have prior to this contract being in place. So we are looking at the health and welfare and well-being of our State employees through these contracts. And we get economies of scale having the longer term on this contract because there is a ramp up time to get those wellness programs in place and to get all the employees to use them. And so the Integrated Health Model did not have the wellness program but that program was something that our State employees liked. And so, like I said, like you said, hindsight, we should have had all of them the same because there would not be a good reason for us to do separate procurements for each different type of medical services that we provide for those benefits. So by having all three of

them together, we maintain the economies of scale that we're getting for the State employees.

With negotiating this modification with Kaiser for the two two-year renewal options, which are that, options, we were able to lock in the rates that we have for the last year of Kaiser's contract that we're going into right now for 2020. And we have that for the next four years. So Kaiser's rates will stay the same for our employees for the next four years by allowing them to do the renewal option. And it gives us time to be able to actually get a new Employee Benefits Director in place, stand up our new Office of State Procurement on October 1st, put together a team and a procurement officer to do a new procurement. But either way, if we started a new procurement tomorrow for all three different plans, it will take us two years. And that was the reason the renewal options were set for two years, because we'd have to make the decision now if we were going to exercise option one and that would take a year of, you know, the year starts earlier than when the contract starts because we have to have the employee benefits books and everything together by July. So --

GOVERNOR HOGAN: And if you start a new procurement now to take place in two years, it's almost guaranteed to have higher rates than the ones we are locking in now.

MS. TOMASZEWSKI: Right. And if we shorten up the contract term, we're not going to get those same benefits for the wellness program.

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Because then a new vendor would have to come in and stand up that program again. So we're in essence looking at --

COMPTROLLER FRANCHOT: Yeah. Okay. So I --

MS. TOMASZEWSKI: -- those options for that to do the procurement.

COMPTROLLER FRANCHOT: -- yeah, I'm not particularly, or I'm very skeptical about the whole procurement officer. I mean, this is not rocket -- obviously it's a big contract. But it's something that there are talented people in procurement that can be hired, I believe. So the fact that Ms. Bishop is not there is, you know, yeah, we need to get somebody on board to do it. But we're talking about December 2020. Hang on. So I'm not particularly sympathetic to that argument that you brought up.

I listened closely to what the Governor was saying. But you know often, I mentioned incumbent vendor protection programs, we end up at the end of the contract with them saying you've got to re-up us again because otherwise, what, rates will go up or something if we're not allowed to maximize the volume or whatever it is, this and that that we're putting in. I mean, the whole point of competitive bidding is that it tests those theories. And yes, rates are down. I think that's fabulous. But what about a new bid? That would not jeopardize those rates but we're not putting ourselves in a situation where, oh, the rates are going to go down further if you extend our options by two years. I just, I just

think we end up in effect sticking with the incumbent way too often in these situations, particularly with big, complicated healthcare contracts.

So it's just food for thought. I'm not suggesting that we break up a system that is delivering good products. I'm not interested in doing that. But I am, you know, we started out this session talking about the genius of the marketplace. And maybe the marketplace could lower the rates even further, we just don't know.

MS. TOMASZEWSKI: Well, and that was one of the things we did before we started working on this modification, was to see how the market was for specifically the Integrated Health Model. And the pool was small when we went out for our procurement last time. We only had two proposals submitted at that point. The pool is still small. It's not that big of a market anymore with the way PPOs and EPOs are going. So we would want to have our Employee Benefits Director in place to make the decision if that's something we're going to continue. But we want to do all of our medical insurance programs at the same time so that we are able to get the best pricing and competition for all of those, because several of the offerors proposed on more than one functional area. So we want to give them that ability. And it keeps them from having to create proposals year after year after year. They can do one full proposal.

So to be ready for the 2021 employee benefits year, we would have to have a new contract in place by July of next year, 2020. And so that only gives

us about seven months and we are, we cannot do this type of procurement in that time period. That's why we had two-year renewal options on the contracts, to give us the time that we would need to completely field the pool, you know, for those contracts, get questions answered by the vendor community, and accept proposals for those contracts.

GOVERNOR HOGAN: And they are options, so two two-year options. If after the first two-year option we want to do a new procurement, we could.

MS. TOMASZEWSKI: Exactly. So it gives us the ability, we have to make the decision now to whether we are going to exercise the renewal options --

COMPTROLLER FRANCHOT: Yeah. Why don't we just give them one two-year option?

TREASURER KOPP: Why not just one?

MS. TOMASZEWSKI: And then -- yeah.

COMPTROLLER FRANCHOT: One. One option.

GOVERNOR HOGAN: Is that going to affect the rate?

MS. TOMASZEWSKI: The rates are going to be, they are locked in --

GOVERNOR HOGAN: Is that in the procurement?

TREASURER KOPP: The question is, why two? Why not just one two-year?

MS. TOMASZEWSKI: Well there currently are two two-year renewal options in the PPO and EPO contracts. So Kaiser, if we just gave them one, they would only have one two-year and that would force us then to have to do the new procurement now.

GOVERNOR HOGAN: To rebid it.

MS. TOMASZEWSKI: And so the benefits that we're getting from the wellness program, I don't know what we would see if we procured it now versus two years later. But we still would make that decision when we look at the market for that time period.

COMPTROLLER FRANCHOT: Well, I've had my questions answered. I think we should, I mean, I have to think about it a little bit. Because --

GOVERNOR HOGAN: I think the fact that we've got the lowest insurance rates, it has gone down for the first time in a decade, and I'm very concerned about doing anything to throw a monkey wrench into this deal at the last minute that might put public employees at risk of this, what is in everybody's opinion a great contract. There are very few bidders if any out in the marketplace. It might delay things for two years and we would be almost guaranteed to have higher rates and potentially worse service by going out to rebid it. So, I'm, you

know, I want to move forward with the item. But if there are other questions, we'd be happy to answer them.

COMPTROLLER FRANCHOT: Well are there other items that are being talked about on the --

GOVERNOR HOGAN: Any other questions on DBM?

TREASURER KOPP: Yeah, I just, I share the Comptroller's concern. And I understand the problem with Anne Timmons being gone and wanting to make everything come out on the same date. I'm still not convinced you're going to need the last two years if you work diligently now. So I hope that you will be back with the Board of Public Works. I would like to see, could you give us, could you give us, Jamie, just a time chart of what you expect to be happening when? So we can follow it and be on top of it and hope that maybe the second option will not be needed unless it's very clear then that it really is in the interests of the State and the employees.

MS. TOMASZEWSKI: Absolutely. So --

GOVERNOR HOGAN: These are, some of these are also part of labor negotiations, am I right, with unions with signed contracts. And --

MS. TOMASZEWSKI: Yes. And that's one of --

GOVERNOR HOGAN: -- these benefits is going to require going back to renegotiate labor agreements.

MS. TOMASZEWSKI: And so, yeah, so that's why Anne Timmons' position --

GOVERNOR HOGAN: So I mean, it's a lot more complicated --

TREASURER KOPP: Yeah. I think --

GOVERNOR HOGAN: -- than just saying let's just go back and see if we can raise rates in two years, and let's go back and renegotiate all of our contracts --

TREASURER KOPP: Right.

GOVERNOR HOGAN: -- with SLEOLA and other people involved.

TREASURER KOPP: I think something that shows that and so we can keep on track, on top of how things are rolling out. And if the market changes, take advantage of the market changing.

MS. TOMASZEWSKI: Right. Exactly, which is what we do as part of the procurement process. So we backtrack as to when we would want that new contract to start, do the market research, see what's out there, see if it's to our benefit to exercise our option or to go out and do a new procurement. And so timing wise, that's going to happen this spring with our new employee benefits director so that we can make a decision this spring. Because we would have to come to the Board to exercise that first renewal option and then let you know, you

know, what the market is that we're going to do the new procurement at that point.

TREASURER KOPP: And in our new world, will you be handling this? Or how --

MS. TOMASZEWSKI: Yes. Yes. So this is my last Board meeting as the Chief of Procurement for DBM. On October 1st --

TREASURER KOPP: So there will be a Services Division, or something --

MS. TOMASZEWSKI: There is, yes. We will have procurement officers within our Procurement Bureau that will be run by Danny Mays. And we'll have procurement officers that will continue to do the procurements for DBM and DoIT as well. So --

COMPTROLLER FRANCHOT: Okay.

MS. TOMASZEWSKI: -- we'll still be working closely together. But we'll be housed at DGS.

COMPTROLLER FRANCHOT: Okay. So I appreciate the Treasurer's comments and obviously the Governor's comments. And I hope to be around in some capacity in 2024 --

MS. TOMASZEWSKI: I hope so, too.

COMPTROLLER FRANCHOT: -- and so I'm going to vote for this. But if you could --

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GOVERNOR HOGAN: I hope not to be around in 2024.

(Laughter.)

MS. TOMASZEWSKI: I'll definitely put together a timeline and send it over. So.

COMPTROLLER FRANCHOT: Yeah. And also, if you could check in with our offices, I guess, all of us but particularly mine, as to, you know, on an every six-month basis what the situation is as far as rates and the ultimate re-procurement in 2024.

MS. TOMASZEWSKI: Okay. Thank you. I appreciate it.

GOVERNOR HOGAN: Thank you very much. Any other questions on DBM? Is there a motion?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second? Three-nothing. Move on to University System.

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

GOVERNOR HOGAN: Questions on the University System? Is there a motion?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second? Three-nothing. Move on to the Department of Information Technology.

MR. LEAHY: Good morning, Governor, Madam Treasurer, Mr. Comptroller. For the record, I'm Mike Leahy, Secretary of the Department of Information Technology. Today we have four items on your Agenda. Two are supplemental, and we are withdrawing Item 2.1 from 2-IT. I have agency representatives available to answer any questions you might have.

GOVERNOR HOGAN: Questions on DoIT?

COMPTROLLER FRANCHOT: Item 4-IT.

MR. LEAHY: Yes, Mr. Comptroller.

COMPTROLLER FRANCHOT: Thank you. So this contains requests for new awards and modifications. The task order is a request from the Department of Labor to extend by one year a contract for 16 personnel working on the Unemployment Insurance project program. The cost of this modification before us is \$2.9 million, which is in addition to the nearly \$12 million in previous modifications to the same contract since it was initially awarded in 2014. In 2014, the initial five-year contract was approved at a cost of \$1.4 million. With today's modification, we're looking at a total contract value of just over \$16 million. I guess what exactly is the project? And why is the cost of the contract 11 times the original cost since it was approved five years ago?

MR. MCGLONE: Good morning. David McGlone, Deputy Secretary with the Department of Labor. Good morning, Governor --

GOVERNOR HOGAN: Good morning.

MR. MCGLONE: -- Madam Treasurer, Mr. Comptroller. This is for the Unemployment Insurance modernization project and this is for a project management office. The initial amount of \$1.4 million was simply for project managers who came on in the initial stages of the project. But wisely, the Department of Information Technology made sure that they added resources throughout this contract so that as the project was scaled up, the resources could be brought on to match that scale up in the project. So that's what's been happening over time.

We've added schedulers. We've added testers to this. We added resources that went to our consortium partner in West Virginia. We've added change management people to the project, as well as trainers to help train the staff. So, all of that has been getting added over time to this project.

COMPTROLLER FRANCHOT: Okay. But did the five-year contract we signed up for in 2014 indicate that that was what was going to happen?

MR. MCGLONE: That was all part of the task order, or not the task order itself that was initially let, but the IFB, the invitation for bids that went

out had all those things laid out, that these additional resources could be called upon at any time.

COMPTROLLER FRANCHOT: Okay. So I'm not picking you out of the air here, but I'll use you as an example and I would hope that agencies in the future will come in and say, yeah, we're wanting \$1.4 million in 2014 but that's just for the managers. It could go up to \$15 million or \$20 million over the next couple of years. Otherwise it's, you know, I could see some unfortunate fiscal decisions being made. But you say it was in the RFP but was not in the backup --

MR. MCGLONE: In the IFB. Yes, all these different resources were laid out so that they could be added at the appropriate time. As the project scaled up, we could bring on those resources.

COMPTROLLER FRANCHOT: Okay --

GOVERNOR HOGAN: So it was in the original item. It's just you didn't need the money until the phasing came through each year?

MR. MCGLONE: Until later on, as the project started ramping up.

GOVERNOR HOGAN: And it's been five years.

MR. MCGLONE: Right.

GOVERNOR HOGAN: Any other questions?

COMPTROLLER FRANCHOT: No.

GOVERNOR HOGAN: All right. Is there a motion?

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COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second? Three-nothing. Move on to the Department of Transportation.

MR. RAHN: Good morning, Governor, Madam Treasurer, Mr. Comptroller. For the record, my name is Pete Rahn. I'm Secretary of the Maryland Department of Transportation. MDOT is presenting 16 items and one supplemental item from the Maryland Transportation Authority. And we brought the big guns to answer any questions you may have.

GOVERNOR HOGAN: Questions on Transportation?

COMPTROLLER FRANCHOT: Yeah, Item 1-S.

GOVERNOR HOGAN: 1-S.

COMPTROLLER FRANCHOT: Oh, I see Mr. White here.

GOVERNOR HOGAN: Mr. White has --

COMPTROLLER FRANCHOT: Oh, yeah.

GOVERNOR HOGAN: -- arrived just to answer your tough questions.

COMPTROLLER FRANCHOT: Okay. So Jim, come on up, if you would. And --

GOVERNOR HOGAN: Before you ask the tough questions --

COMPTROLLER FRANCHOT: Yeah, please --

GOVERNOR HOGAN: -- can I just interrupt and say that Jim White is here representing the Port. And we had, again, some terrific news about the Port. And I think is it 11?

MR. WHITE: Eleven million tons.

GOVERNOR HOGAN: Eleven million tons for the first time in history. We keep setting records there every single year. Why don't you give us a little bit -- and congratulations. Another great year at the Port.

(Applause.)

MR. WHITE: Thank you, Governor. The Port is having another wonderful year. Containers continue to grow. Just yesterday, we broke another record of truck transactions at the marine terminal. We did 4,000 truckloads in one day.

GOVERNOR HOGAN: Wow.

MR. WHITE: We had, this past weekend, or two weeks ago, we had a ship in where we handled 5,000 containers on one ship. It's just amazing. We continue to grow. And we're just starting to hit our stride now on containerization, with the Panama Canal being completed. There's three big alliances now on containerization. They probably handle about 80 percent of the world's global goods. Our car business, eight years running, we're the number one port in the U.S. for automobiles. We did 850,147 cars last year.

GOVERNOR HOGAN: Approximately.

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MR. WHITE: Approximately. The cruise business is very healthy. We have Royal and Carnival here and forest products, we want to be number one, we're number two on the U.S. East Coast but we'll get there.

GOVERNOR HOGAN: Well, congratulation.

MR. WHITE: Thank you, sir.

GOVERNOR HOGAN: And please pass on our congratulations to your team and everybody who works so hard to make that happen. Sorry. Now you can ask him, now you can grill him on the hard questions.

COMPTROLLER FRANCHOT: You mentioned, yeah, you mentioned forest products. How are we doing there?

MR. WHITE: Terrific. You remember when you were Chairman of the Transportation Authority, we came to you and we had a decision to make. Either we were going to take down our forest product sheds or we were going to rehabilitate them. We made the decision to move forward and rehabilitate the sheds. That's when we started to gain momentum in the forest products industry. Now we're handling large amounts of cargo, both from Northern Europe, basically Finland, fine quality of paper coming in for magazines, as well as pulp coming up from Brazil. So there's a big tender coming out probably the fourth quarter of this year which we expect to win and become number one again.

COMPTROLLER FRANCHOT: Yeah. I can remember Jim White saying to me, we don't want to do this. But you're Chairman of the

Committee. If you insist, we'll do it. But how do you sleep at night doing things like this? I said, I --

GOVERNOR HOGAN: Do you have no conscience?

COMPTROLLER FRANCHOT: -- and it happened. You know, and thank you, Jim, for --

MR. WHITE: Thank you.

COMPTROLLER FRANCHOT: -- your leadership. The Port is just a catalyst for the State's economy. And your team at the Port does a fabulous job. And I'm delighted that you're a survivor. You hang in there and it's all good. And the news that's coming out now is something that resulted from years of preparation.

MR. WHITE: Yes, sir.

COMPTROLLER FRANCHOT: Thank you. So I do have a question about the five-year contract with two three-year renewal options to the Corporate Building Services for the World Trade Center. The proposed total cost including renewal options is now \$65 million for the potential 11-year contract. I remember we approved this contract -- when was it? Back in January. So I guess, how is this different from the contract we approved earlier this year?

MR. WHITE: Well I met with my staff and they reminded me that we had questions from you in separating the marine terminal from the World Trade Center as far as repairs moving forward. We took that advice and this

contract allows us to concentrate repairs at the World Trade Center within this project. And that will leave the monies that we had for the marine terminals in place where we won't have to take money for the marine terminals and apply that towards the World Trade Center. So I think that we took your counsel on that. We moved forward with this and the next time the marine terminal contract comes up, we'll design it so that it just involves the marine terminals.

GOVERNOR HOGAN: You separated out --

MR. WHITE: Yes, sir.

GOVERNOR HOGAN: -- the World Trade Center.

COMPTROLLER FRANCHOT: Excellent. And I take it that the fact that you picked a higher bidder was based upon technical concerns and that the taxpayers are still going to get a good deal, even though we're paying I think more than \$4 million more than the low bid?

MR. WHITE: That is correct. The building has spectacular views but it's challenged, the mechanics of the building. And getting the right company in there to help us correct some of the issues that we have was very important. And the technical part really drove the award for us.

COMPTROLLER FRANCHOT: Excellent. Thank you for --

GOVERNOR HOGAN: Thank you. Any other questions on Transportation? Is there a motion?

COMPTROLLER FRANCHOT: Move approval.

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GOVERNOR HOGAN: Second? Three-nothing on Transportation. Thank you, Mr. White.

MR. WHITE: Thank you.

GOVERNOR HOGAN: We're going to move on to the Department of General Services.

MR. REICHART: Good morning, Governor, Madam Treasurer, Mr. Comptroller. For the record, I'm Nelson Reichart, Deputy Secretary of the Department of General Services. The department has 22 items on our Agenda, including one supplemental. We are withdrawing Item 13-CGL and we'll be glad to answer any questions that you have.

GOVERNOR HOGAN: Questions on DGS?

TREASURER KOPP: Governor, it's not a question. But in case anyone had any doubt, we heard a couple of times from Senator Kagan's office of her strong support of our project in Rockville. She is the Senator from Rockville and I think it's number 17, 18? And I just want you to know how much, how supportive she and that entire team are in working together with the agencies and with the private sector to move a very worthy project, the Main Street Connects project, that they have been working on for some time.

GOVERNOR HOGAN: Great.

TREASURER KOPP: We appreciate --

MR. REICHART: Thank you.

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GOVERNOR HOGAN: Thank you.

TREASURER KOPP: -- we appreciate the action taken.

GOVERNOR HOGAN: Thank you.

COMPTROLLER FRANCHOT: And I, yeah, no, I noticed also there's an item for Paul's Place --

TREASURER KOPP: Right.

COMPTROLLER FRANCHOT: -- which is up in Baltimore. It's been a Godsend to families and residents of the Pigtown communities and Washington Village. It provides a wide range of services, from meals, to health screenings, clothing, programs for children. Governor, you and First Lady Yumi Hogan, along with Jaymi, I believe your daughter was there, and my wife Annie and I visited Paul's Place in December of 2014 to serve lunch to local residents. I, you know, government does a lot of good but it can't do everything. And nonprofit organizations like Paul's Place and the faithful volunteers that they have, like Mr. Paul Schurick, who I have great confidence in --

GOVERNOR HOGAN: Who's hiding in the back of the room back there.

COMPTROLLER FRANCHOT: Is he back there?

GOVERNOR HOGAN: Yes, he is.

COMPTROLLER FRANCHOT: Oh, very good. Stand up, Paul, and let's give you a round of applause.

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GOVERNOR HOGAN: Thank you, Paul.

(Applause.)

COMPTROLLER FRANCHOT: Yeah, no, this is the gentleman that is why we created the William Donald Schaefer Helping People Award that we give out all over the State. Paul was his staff director and was the only member of his administration that spoke to me after the election. And but he is, you know, we do that because there was something almost genius like about William Donald Schaefer helping people. And that was his thing. And anyway, well, Paul has been a big volunteer at Paul's Place and I am totally a fan of the amazing work that they do and they are tight with a dollar. They are not getting a huge amount of money in these capital grant funds. But it's going to be used towards the creation of a community kitchen facility. So thank you, Paul. And feel free to come back and ask for more.

(Laughter.)

COMPTROLLER FRANCHOT: Because it's a small amount of money --

MR. SCHURICK: Thank you, Mr. Comptroller --

COMPTROLLER FRANCHOT: -- and a lot of people to help.

MR. SCHURICK: -- Mr. Governor, Madam Treasurer.

GOVERNOR HOGAN: Good morning, Paul.

MR. SCHURICK: It's a pleasure to be here. Thank you.

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COMPTROLLER FRANCHOT: And the people that are there, they have no voice. They have no choices. They have no hope, really, it seems. And you know you're there --

MR. SCHURICK: It can be difficult. But because of organizations like Paul's Place and the support that it gets from the State and so many private supporters, you know, we create that hope. But I appreciate your comments about Governor Schaefer's admonition to us to help people because this is what happens at Paul's Place every single day. You guys have been there. I invite you to come back. Madam Treasurer, I would extend that invitation for you to visit as well. It really is an extraordinary operation in West Baltimore.

GOVERNOR HOGAN: And thank you for all of your efforts, Paul. And I'd love to have the First Lady come back and, you know, cook a Korean meal. All I'm capable of is like clearing the tables or washing the dishes. But --

(Laughter.)

GOVERNOR HOGAN: -- I look forward to coming back.

MR. SCHURICK: I would imagine that would be welcome.

Thank you very much. Thank you.

GOVERNOR HOGAN: Thank you.

COMPTROLLER FRANCHOT: Thanks, Paul.

GOVERNOR HOGAN: Any other questions on DGS?

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TREASURER KOPP: Governor, this reminds me, Paul and the Rockville project, 70 units. I wish that at least the people in this room, and then all the people you talk to, go through this DGS Agenda from time to time. And you'll see some of the really great things that are going on all over your State, of people helping people supported by the State and the counties. It's really, we mentioned a few in the last few weeks. But if you go through this, not to mention what DHCD is doing, you'll see that there is a lot going on in the communities around the State and it doesn't make the press. People don't hear about it. But it's real and as Governor Schaefer would say, it really is helping people. He used to say it's fine to help people, but what person have you helped today? And this goes to exactly that. So thank you.

GOVERNOR HOGAN: Thank you.

TREASURER KOPP: Could I just go back to something you said? Because I appreciate your saying it. That our counsel is working with, we hope, on an MOU dealing with those five men who were innocent and incarcerated for years. I am the only one who is on this Board who was on the Board in 2003 and 2004, which was the last time we had these cases. And as I recall, the item was brought to us and articulated to us by Jervis Finney, who was counsel to Governor Ehrlich. And clearly the funds that we allocated at that point from the contingency fund were based on the number that had been allocated a decade before, increased by inflation. It was an arbitrary, as far as I recall, an arbitrary

per diem that fell about where other states were and it would, it was an amount that would be now the equivalent I believe of about \$70,000, \$70,000 to \$75,000 for each year based on inflation since 2004.

We did it. It's in the law. The law does say that the Board of Public Works may do this and the Board of Public Works did do this. And I would just urge us to move very rapidly to take care of these men who are in the community now but whose years in prison we can never restore. I mean, we took years, not just money. While we are working on a great plan to account for all factors, meanwhile remember that we have to act now on these people. I hope we never have people in the future, but if we do we work to set up a system with more factors to help them. I get that.

GOVERNOR HOGAN: Yeah. I think --

TREASURER KOPP: But now, they are not getting any younger.

GOVERNOR HOGAN: Yeah. I think we're going to try to get it resolved as quickly --

TREASURER KOPP: That's good.

GOVERNOR HOGAN: -- and fairly as possible. And then I think there's enough political pressure now on the Legislature that in January they will act finally.

TREASURER KOPP: There should be --

GOVERNOR HOGAN: I know they've been trying for several years --

TREASURER KOPP: Yes.

GOVERNOR HOGAN: -- unsuccessfully.

TREASURER KOPP: Yes.

GOVERNOR HOGAN: But I think that we'll make them get it done this time. So --

COMPTROLLER FRANCHOT: Could I just indicate that my concern here is that we're getting into areas where we're trying to quantify and attach money figures to pain and suffering. I'm completely on the side of these affected individuals and others who may come. But what we need here is an objective criteria that can be applied. And these folks don't have to go through all sorts of legal hoops and things to get compensated. It needs to be, okay, X number of years served unfairly, you get Y amount of money. And it's, it is a considerable amount of money. It's not, as the Treasurer was mentioning, there is a precedent for this. But, and I love the Legislature. I served there for 20 years. Who knows what goes on on this particular subject? And I think we can do both. I think we can be fair and compassionate, but also objective. And so that's, that will all be in the negotiations.

TREASURER KOPP: And do it now.

GOVERNOR HOGAN: Do it now.

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COMPTROLLER FRANCHOT: But do it now --

GOVERNOR HOGAN: William Donald Schaefer, do it now, right, Paul?

COMPTROLLER FRANCHOT: Yeah, but do it now so that it's basically done.

GOVERNOR HOGAN: Yeah.

COMPTROLLER FRANCHOT: So we don't have to revisit this time and time again.

GOVERNOR HOGAN: Exactly.

COMPTROLLER FRANCHOT: So anyway.

TREASURER KOPP: Thank you.

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

COMPTROLLER FRANCHOT: Move approval.

TREASURER KOPP: Second.

GOVERNOR HOGAN: Second? Three-nothing. Thank you. We're adjourned.

(Whereupon, at 11:02 a.m., the meeting was concluded.)