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P R E S E N T

GOVERNOR WILLIAM DONALD SCHAEFER, Presiding;

HONORABLE LOUIS L. GOLDSTEIN, Comptroller;

HONORABLE LUCILLE MAURER, Treasurer;

JAMES J. MCGINTY, Secretary, Board of
Public Works;

EARL SEBODA, Secretary, Department of
General Services;

LOUIS H. STETTLER, III, Secretary,
Department of Budget & Fiscal Planning;

CONSTANCE LIEDER, Secretary, Department
of State Planning;

MICHAEL NELSON, Assistant Secretary,
Department of Natural Resources;

MARION J. BOSCHERT, Administrative Assistant,
Board of Public Works; and,

K. P. HEINEMEYER, Director of Real Estate.

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P R O C E E D I N G S

GOVERNOR SCHAEFER: The Board will come to order. What's first?

MR. MCGINTY: Department of Transportation.

GOVERNOR SCHAEFER: Department of Transportation.

MR. BRISTOW: Good morning. I'm Chuck Bristow from the Maryland Department of Transportation. Originally, there were five items submitted for the Board's consideration this morning. Item 4-E has been revised, and Item A-6 is a supplemental item to our agenda. I have extra copies of them, if anybody needs it.

At this time, we're prepared to answer any questions you may have about our agenda.

MR. GOLDSTEIN: My first question, Governor, is Item 1-C-MOD, page 1, the Seagirt Marine Terminal, the extension of that contract. Mr. Green, are these prices the same as the original contract?

MR. GREEN: Yes, sir. Good morning. I'm Bob Green, Deputy Port Administrator. The items on this modification are the same prices that were in the

original bid contract.

MR. GOLDSTEIN: Do you have somebody monitoring it to be sure that they're dredging and replacing this material based on the contract and everything?

MR. GREEN: Yes. We have inspectors that are on the dredges 24 hours a day while the dredging is going on.

MR. GOLDSTEIN: And they're your employees?

MR. GREEN: These are state employees. Part of every dredging contract, we provide the inspection crew, and they are on the dredge as long as the contractor is working.

MR. GOLDSTEIN: Have you had any overruns yet with these people? You know, they had a lot of problems with them down there on Hart-Miller Island. Are you keeping tabs on it, so we can't have that same problem again?

MR. GREEN: Well, we monitor it and keep track of it, you know, as good as we can. I can't promise you nobody will put in a request for additional charges.

That's up to the contractor, but we're comfortable that we do not release any monthly progress pay requests until our inspectors have certified that the work has been done and that we're getting value for the money being requested.

MR. GOLDSTEIN: Well, have you had any overruns to date?

MR. GREEN: No, sir. No, sir.

MR. GOLDSTEIN: You know, we had a big problem with the same company on Hart-Miller Island.

MR. GREEN: The same company that put in a claim on the original construction, and that was later settled for substantially less than their claim.

MR. GOLDSTEIN: You know, once the bee stings, you don't want it to sting you a second time.

MR. GREEN: That's correct.

MR. GOLDSTEIN: Okay. A word to the wise should be sufficient.

MR. GREEN: Yes, sir.

MR. GOLDSTEIN: Thank you.

MS. MAURER: Number 5, has that been

withdrawn?

MR. GOLDSTEIN: My second question is Item 3-M, page 3, why does it cost so much to paint four cranes?

MR. GREEN: Bob Green, Port Administration.

MR. GOLDSTEIN: They're \$340,000.

MR. GREEN: These are 20-foot -- 20-story high cranes.

MR. GOLDSTEIN: You mean the extension may be 24, but the crane itself is not 24 stories.

MR. GREEN: It's 20 stories high.

MR. GOLDSTEIN: Yes, but it's not a big thing.

MR. GREEN: Well, it's high. It's detailed work. It's very specialized work; and the paint that's on there, if there's rust that has to be taken care of first, it's got to be properly primed and several coats put on; and it's long, tedious work. It's not like standing up and painting a wall, because you are operating up in the air.

MR. GOLDSTEIN: I understand that. I understand that, but a crane comes down. The whole thing is not standing on top. It comes down, doesn't it? It

goes up and down, then you bring it down?

MR. GREEN: Well, the boom is straight out.

MR. GOLDSTEIN: Right.

MR. GREEN: And the only thing that comes up and down is the mechanism that hooks onto the container.

MR. GOLDSTEIN: Right. Now, what experience do these people have painting cranes, K&K Painting Company?

MR. GREEN: These are -- matter of fact, all three of these bidders are experienced crane painting companies, and we have worked with all three of them; and we normally, every three years or so, want the cranes repainted before rusting damage can come in, as part of our preventive maintenance program, and this is a normal cycle that we're into for the Locust Point cranes. These prices are commensurate with what we've received bids on in the past.

MR. GOLDSTEIN: This runs about \$85,000 a crane, approximately.

MR. GREEN: Yes, sir.

MR. GOLDSTEIN: This is in line with all the

cranes you've had painted?

MR. GREEN: I'm sorry?

MR. GOLDSTEIN: Is the price in line with other cranes which you've had painted in the past?

MR. GREEN: Yes, it is. Yes, it is. We finished last fall painting three or four cranes at Dundalk Terminal on their cycle, and these prices are right in line with that. Matter of fact, they're --

MR. GOLDSTEIN: And how many years has it taken in between the time you painted and the next painting time?

MR. GREEN: About three to four years.

MR. GOLDSTEIN: Three to four years.

MS. MAURER: What's the down time during the paint for a crane, or do you --

MR. GREEN: In some cases, when the crane is being painted, we can continue to operate. There's other stages in the painting process when you do have to take it out of business. These three cranes have to be finished before winter weather starts, and so we -- our crane painting usually takes place from early May until

the end of October or early November.

MR. GOLDSTEIN: Who furnishes the paint?

MR. GREEN: The contractor does.

MR. GOLDSTEIN: Well, see, that's my main question. How do you know the quality of the paint?

MR. GREEN: Well, we test --

MR. GOLDSTEIN: See, here you're around salt water; and, if you don't have a high-quality paint -- now, do you put a base coat after you -- like Rustoleum after you chip it? Do you use a base like Rustoleum or something like that before you put the main coat on to prevent rust?

MR. GREEN: The paint has to meet our specifications, and it is tested all during the process by laboratories that we hire.

MR. GOLDSTEIN: See, there's nothing in this contract about that. So I just wanted to be sure --

MR. GREEN: Yes, sir.

MR. GOLDSTEIN: -- that you get the right kind of paint. There's good paint -- you know, years ago, Governor, we used to have these guys come around in the

summertime from down south and would paint barn roofs, metal barn roofs, would spray them with aluminum paint; and, man, they looked beautiful. The first rain in the fall time of the year after the left, it would come right off, you see. One of the biggest rackets in this country. It still goes on.

GOVERNOR SCHAEFER: Yes.

MR. GOLDSTEIN: And I just want to be sure you're getting quality paint.

MR. GREEN: It's quality paint.

MR. GOLDSTEIN: Okay. That's why I wanted to put it in the record. Thank you, sir.

Governor, Item 5-RP, page 5, Baltimore/Washington International Airport. That's a right big price to pay for a few acres of land, based on the assessed value.

MR. BRISTOW: The Department of Transportation would like to withdraw Item 5-RP at this time.

MR. GOLDSTEIN: Is that right; you're going to withdraw it?

That's all the questions I had. Oh, wait a while, about the boat, Item Number A-6, that new

supplemental item.

MR. BRISTOW: The Administrator for the Port Administration, Mr. Dave Wagner, is here to address that item.

MR. WAGNER: Good morning, Governor, members of the Board. I'm Dave Wagner, and I'm Port Administrator. Last week, you all considered an item involving the potential replacement of the NYMPH, the vessel that the Port Administration has used since 1963 for showing the port to various business customers, and a series of questions were raised at that session, which you asked us to come back and comment on before taking final action.

The first question, I think, has to do with whether or not the vessel actually needs to be replaced. We provided you with a brief report this morning that has copies of the marine surveyors' reports in it. The vessel was taken out of the water in January and then a second time in February to get two independent marine surveys, both of which determined that the vessel was not safe for continued operation and that to make it

structurally safe would require somewhere between 250 and 300 thousand dollars in repairs, mostly to the substructure, but also to the deck area. So there's little question that the existing vessel, which is over 70 years old, would be an extensive and large expenditure in order to keep operational.

The second question is whether or not the NYMPH in its present usage and past usage has been an effective sales tool and an effective use for the Port Administration. We provided you with a listing of five or six very specific examples from the last year of operation and a whole series of additional examples of a more general nature that the vessel has been used for over the years. Some examples in the last year: the Toyota arrangement that was announced by the Board and the Governor at a meeting earlier this year, were estimated for 15 years to the port at the Maryland Dry Dock Facility came about after a review of facilities in the port, part of which took place on that vessel last year where we looked at a series of properties that we could not gain access to from the land side, we looked

at on the water side, by Toyota to help them and us select a final site for that terminal. So the vessel was used in that situation.

We have been attempting to get some major steel coil imports from the Far East diverted from some of our other ports that are in competition with us. Last summer, we hosted a number of foreign officials looking at facilities within our port to move those materials through because they were not happy with their condition in another port on the East Coast. That particular situation resulted in a positive reaction from those officials. We are going to the Far East in two weeks, hopefully to continue discussions in negotiations on that. That would ultimately result in a significant amount of new business to the port coming in in the calendar year 1988 and thereafter.

We have used the vessel just within the past summer for two or three major steamship lines to show them the new Seagirt Marine Terminal from the water side. Although you can get to it from the land side, there's a tremendous amount of construction going on in

the land side. It's not easily visualized. From the water side, you not only can see the terminal, you can look at the access channels. There were some questions from the shippers about access channels into and out of the facility and how it would operate. We have used the vessel to help in that effort.

We used it with the AT&T officials when we were looking at alternate sites for relocating their long lines operation from the Western Electric area to another part of the port. We investigated four or five potential sites with them. The water side access was extremely important to them, both from a channel standpoint as well as berthing facilities.

We have used it for clients such as ACL, who is in the process of lengthening their ships right now. They're going through a process of lengthening ships from 800 feet up to 950 feet in length, and they have had concerns about channel access and berthing arrangement at various parts of the port. We've used the vessel to show various parts of the port to them.

So there are five or six examples there, that

I could add many more of, of specific business arrangements that have taken place as a result of that vessel. In addition, we provided you with a listing of upwards of 60 or 70 additional firms that we hosted on the vessel at various points in time last year, some of which used that opportunity to announce new business arrangements in the port: Chem Medicals of Curtis Bay, G&L Sales, German Military Command, all of which used it to announce cargo that was going to be moving through our port; a very extensive listing of companies that we have used to show the port to, to either solidify business that they have here or to entice them to increase business here, even to the point that we used the vessel for a customer who may not have been in the port for the last year or two individually, but his company is doing business here, to show him new improvements in the port. We can within an hour take that vessel out and show Seagirt, Dundalk, North Locust Point and South Locust Point -- that would literally take a full day driving by land to visit those facilities -- and bring our existing shippers and our future shippers

up to date on what's happening at those terminals, what improvements are being made, and how we can continue to serve their business.

We have provided for you a listing of information that shows that we have used the vessel approximately 160 to 180 times a year for each of the last five years in those kind of efforts. We also provided you with a complete listing of the major customers that we have talked to and shown the port on those vessels. About 75 percent of the usage of the vessel is by the Maryland Port Administration in those kind of arrangements. About 25 percent of the usage of the vessel is by the private sector themselves. When that is done, we provide the vessel and the crew. The private sector individual using the vessel will provide any food or any other amenities that he wants to add to it. It is used by some of the banks. It's used by the stevedores. It's used by -- any business that is port related we allow the vessel to be used for to show their customers port facilities and sell their customers on the port, because eventually their customers become our

customers in moving cargo through the port.

I can tell you that, from my own personal experience just in the year that I've been there, it has been an extremely effective means of showing customers facilities in a first-class manner, generally in a fairly inexpensive manner, taking into account that you're dealing with executives from the vice-presidential and CEO levels, who often don't have a day and a half to see your entire port, and they will devote an hour to it, in an hour that you can take them on a vessel and show them everything that you need to show them and see our port.

We've used it for a lot of other activities. Lobbying efforts -- it's a very effective lobbying tool. It played a big role in the 50-foot channel discussions, because it's very easy to get a Washington person over here, whether it's a political person or a staff person, and use them effectively from a standpoint of getting information to them in a proper setting that lends to the opportunity for us to get positive legislation done. That's not been extensively done, but it has been done

for that purpose, and it's been a very effective use. It's often used by DECD, by BEDCO, often by GBC and other companies that use it to show off the region as a whole and the facilities that the region has from a business standpoint. So I think it has been more than an effective investment for us in the past, and it's certainly worth us giving serious consideration to continuing in that mode.

Finally, the question of what alternatives we have available to us. Repairing the existing vessel is extremely expensive and still leaves the question of how much useful life would remain of a vessel that's 70-some years old.

MR. GOLDSTEIN: Are you going to sell the NYMPH?

MR. WAGNER: Pardon?

MR. GOLDSTEIN: Are you going to sell the NYMPH?

MR. WAGNER: Assuming that we buy a new vessel, we would sell the NYMPH, yes, in an "as is, where is" condition; and it might draw some interest

from the standpoint of the artifacts that are on it, because it's a vessel that's 70-some years old. It certainly will not --

MR. GOLDSTEIN: It's a classic boat.

MR. WAGNER: It's a classic boat that, if someone wants to operate, they've got to spend \$300,000 on to put it in an operating condition.

MR. GOLDSTEIN: They may want to put it up on dry land as a classic boat. You see them down in Annapolis all the time. They come in the harbor here. They've got a sign. You pay to get on, right down here.

MR. WAGNER: To take anybody on it and put it in the water, this vessel has to have an extensive amount of work done.

Our recommendation to the Board is to purchase a new vessel. We have located a vessel since the last Board meeting. At the last Board meeting, we did not have a specific vessel in mind. We had asked the Board for authority to spend up to \$470,000 to purchase a new vessel. We've reviewed several hundred vessels, mostly in the Florida area where there's a great market for

used vessels these days. We narrowed to three vessels. I went to Florida myself last week and selected the final vessel that we're interested in buying. It is a purchase price of \$335,000. The vessel is a Trumpy. It was built in Annapolis in 1962 in the Trumpy shipyards, which no longer exist here. It's over where the Chart House now exists, about a half a mile away from here. The name of the vessel is the Mary Lynn, and we did not pick it because of that name. We picked it because it's a very nice vessel; and it has the contours, the size and the shape very, very similar to the NYMPH. I have a picture here that we'll pass to the Board. The color picture is a photo of the Mary Lynn. The black and white is the NYMPH. You can see from a size, shape and line standpoint it is quite similar to the NYMPH that we now have in our port.

We have put a deposit on the vessel subject to Board of Public Works approval. The ultimate purchase of the vessel is also subject to sea trials, to a marine survey and to an appraisal, all of which will be done by independent entities that we will hire in Fort Lauderdale

in order to complete that within the next week, should the Board approve it.

I'd be ready to answer any questions you may have.

MS. MAURER: What do you spend for a year in just print advertising to market the port, to get people to the port?

MR. WAGNER: The port spends about \$500,000 a year in advertising the port in trade journals, magazines and things like that.

MS. MAURER: So, just to compare it with your annual expenditures, this is a capital expenditure which the boat would last many years.

MR. WAGNER: If this vessel lasted 20 years, which is not unreasonable, you're --

MS. MAURER: It would be a very small --

MR. WAGNER: -- talking about ten or 15 thousand dollars a year in amortized annual cost probably.

MS. MAURER: A year, very small. And, if you rented a boat or chartered a boat for when you need it --

MR. WAGNER: Chartering boats are very, very expensive. We've looked at chartering vessels both in Florida for the season and bringing them up here as well as chartering locally. The prices range anywhere from 4,000 to 8,000 dollars a week, dependent on whether you take crew or not take crew with it; and the quality and size of the vessel -- you could easily spend \$150,000 in a single season, sailing season, in chartering a vessel and pay for a vessel like this two or three times over within a short period of time.

MS. MAURER: Your pay-back is actually almost two years in terms of a rental as an alternative.

MR. GOLDSTEIN: What kind of bottom does this boat have on it, this vessel?

MR. WAGNER: This is a -- it's a wooden vessel throughout. It has a fiberglass coating on it, on the hull and on parts of the deck. It has a teak deck. It has teak extensively throughout it. My personal inspection of it is that it's in excellent condition, but that will be certified by someone who knows a heck of a lot more about it than I do, a marine surveyor who

will have it -- it will be out of the water and inspected out of the water, inside and out extensively, both mechanically/electrically as well as structurally, to determine that it is in excellent condition; and the final purchase is subject to those surveys. The contract that has been put forward is cancellable if any issue occurs in any of those surveys that would cause us to have second thoughts about the vessel.

MR. GOLDSTEIN: Now, how many crew do you have on your present NYMPH?

MR. WAGNER: We have three full-time crew members in the port that run the various vessels in the port that spend a great deal of their time on the NYMPH when the NYMPH is in operation in the summer, and those same people would be operating the same vessel. The vessel is almost exactly the same in size and scope. It's obviously a lot newer vessel. It's a lot more powerful from a engine standpoint. One of the benefits of this vessel is that the NYMPH, because of the age of its engines and equipment, could only do about six to eight knots and was restricted to operating strictly

within the Baltimore harbor area. We could not take people out to look at Hart-Miller Island, as an example, because of the time it took the vessel to get out there. We could not have the vessel be available to go to anywhere other than in the very area of the central part of the port. This new vessel, because it has newer engines and much more up-to-date equipment on it, has the capability of cruising at about 15 or 16 knots, which means that we could go to Hart-Miller and back within a morning, or we could even come to Annapolis and back within a day, if we had to.

MR. GOLDSTEIN: Now, will you have your -- evidently, you must have a top man and two people working under a captain; is that what you have now?

MR. WAGNER: We have a captain and two crew members, yes.

MR. GOLDSTEIN: Now, does the captain operate the boat or the crew people operate the present boat?

MR. WAGNER: The captain operates the boat.

MR. GOLDSTEIN: Now, will the captain be present when you have this marine inspection?

MR. WAGNER: Yes, he will. He will --

MR. GOLDSTEIN: To be sure that the wiring and that -- in other words, when you have --

MR. WAGNER: Assuming the Board approves it, our captain will fly to Florida, will be present throughout the sea trials with the marine surveyor, so that our captain will accept it as well as the marine surveyor. If that's acceptable and the Board has approved it, our captain and crew will bring the vessel up the inland waterway. It will take about 14 days to bring it up here from Florida and will be here approximately the last week in May.

MR. GOLDSTEIN: Well, now, suppose your captain and your crew will go down to Florida and inspect this boat with this marine inspector and find some defects?

MR. WAGNER: Well, the captain only goes first. The crew stays here until we close the sale, but the captain goes first; and, if we find defects that are strong enough for us to reconsider purchase, then we would cancel purchase and would go look for another

boat. If we had --

MR. GOLDSTEIN: Right on that point, what do you mean, defects that you find strong enough?

MR. WAGNER: You could take the boat out on seal trial, as an example, and find -- I don't know -- leakage in an area of the boat that foretold deeper problems. The marine surveyor could look at it and come back to you and say, "If you're going to buy this boat, you have to be aware that it has this condition or this condition with it." At that point in time, we can say, "It's too much money to correct that. We're not going to deal with it." We have the choice of going back to the owner and saying, "We want another \$15,000 knocked off the price of the boat because it's got a big problem with it here that needs \$15,000 to correct." If it's a minor issue as repainting, things like that, those are usually assumed by the seller if they're less than five, ten thousand dollars, and are done in a boat yard in Florida before the vessel is brought up here.

MR. GOLDSTEIN: And you'll be able to inspect the hull, even though it's got fiberglass on it? See,

it may look good from the exterior. You put it up on a railway --

MR. WAGNER: They will be able to go inside of the vessel --

MR. GOLDSTEIN: -- because then they can go inside it. It's just like a man's body or a woman's body. It may look beautiful on the exterior --

MR. WAGNER: They will be able to go inside of the vessel --

MR. GOLDSTEIN: -- and it may have all kind of defects.

MR. WAGNER: -- down into the substructure of the vessel and inspect all of the interior of the vessel before it's accepted by a marine surveyor.

MR. GOLDSTEIN: And you recommend that we go this way?

MR. WAGNER: I strongly recommend that the Board approve it. It is an extremely valuable tool for the port and a very cost-effective one.

MR. GOLDSTEIN: Mr. Green was here last week. He couldn't give us the benefits, to the Governor and

myself -- Miss Lucy was away -- as to what benefits would flow from this boat. Is Mr. Green still here today? Remember, we asked you to find out.

MR. GREEN: That's correct.

MR. GOLDSTEIN: Because, after all, you don't buy a pig in a poke; at least, I don't; and, if you're buying something for the state, you've even got to be more cautious. When you've got 4,400,000 bosses, they can knock the hell out of you real quick.

Okay. You answered my questions.

MR. WAGNER: Thank you.

MS. MAURER: Move approval? Well, we'll wait for approval when we do the whole thing.

MR. GOLDSTEIN: Pardon?

MS. MAURER: Do you want to do a separate approval or just do it when we do the whole agenda?

MR. GOLDSTEIN: I believe we'd better do something separate here to put it on the record. I mean, that would be my recommendation.

MS. MAURER: I'll move approval of this item.

GOVERNOR SCHAEFER: Second.

MR. GOLDSTEIN: Well, I'm voting for it with the understanding that your presentation made here today -- you answered a lot of questions that weren't answered last week. And you're going to sell the NYMPH; you're not going to keep that?

MR. WAGNER: We will not. We will probably take a few artifacts off ourselves for mementos, because it's a nice vessel and it's a very old vessel.

GOVERNOR SCHAEFER: Before you do that, before you go selling that thing, I'd like to know what you're going to do with it. It's a possibility of having it as an attraction, too.

MR. WAGNER: It's possible. It would have to come out of the water, Governor, if we did it, which is possible, too, if you could put it in a location that it could have some benefits, because, honestly, the value that we will get out of it will be very small from a sales standpoint. It probably will be less than 70,000, maybe even less than \$50,000, if we put it up for sale. So its value in the marketplace is very limited. If we can have an active and a good use out of it elsewhere,

it would be something that we would certainly want to look at.

MR. GOLDSTEIN: The reason I make my statement, we had a nice excursion boat. They said it could not be fixed, had to get a new one. Do you remember that, sir? That was before your time.

MR. WAGNER: Port Welcome.

MR. GOLDSTEIN: Sir?

MR. WAGNER: The Port Welcome you're talking about?

MR. GOLDSTEIN: Yes, sir, the Port Welcome. They said it could not be fixed, had to get rid of it, the bottom -- electrolysis had worn it out. Were you in the State Highway Administration then?

MR. WAGNER: I was in the state government at the time. I was not in the port.

MR. GOLDSTEIN: You remember --

MR. WAGNER: I remember the issue, though.

MR. GOLDSTEIN: And they said it could not be fixed, it had to be sold; and they sold it, and it's still running around the harbor, isn't it?

MR. WAGNER: Just got sold again, matter of fact, I think.

MR. GOLDSTEIN: Sir?

MR. WAGNER: It just got sold again, matter of fact, I think, to another owner.

MR. GOLDSTEIN: Got sold again. So it's been used. So, in other words then, if you're not going to use it, Governor, it would be nice -- a classical boat is nice; but a boat -- you know, the time you buy it is the best time, and the time you sell it is the next second-best time.

GOVERNOR SCHAEFER: Well, you've got an industrial museum over there that is restoring a tugboat, and \$70,000 is not much in comparison to be able to use that as an attraction to bring people --

MR. WAGNER: I agree.

GOVERNOR SCHAEFER: -- down to the industrial museum. So, before you hastily take everything off and just sell it for practically nothing, I'd let somebody take a look.

MR. WAGNER: All right.

GOVERNOR SCHAEFER: There are groups that are interested in things, like the submarine. You know, some mariners took that over and ran that, and the city has made quite a sum of money as a result.

MR. WAGNER: Let us see what we can do and look around in those different areas; and, before we take any action, we'll come back to the Board and tell you what we're going to do.

GOVERNOR SCHAEFER: Yes. A lot of people have never been on a yacht.

MR. WAGNER: Pardon?

GOVERNOR SCHAEFER: A lot of people have never been on a yacht, and they most likely will never be on a yacht, and they might be able to walk through it.

MR. GOLDSTEIN: I remember the first time I got on a yacht. I was down at Solomons Island at Boeings Inn, and Senator Harrison -- I can see him now -- from Mississippi and Senator Donahay from Ohio came into Boeings Inn and said he had to have another young man to help -- get on this yacht. So I walked up, I said, "Sir, I'm here to help you," and I got on that

yacht. I didn't want any money at all. I just wanted to be able to get on a yacht, and I cut bait and put it on their hooks for Senator Donahay from Ohio and Senator Harrison from the great state of Mississippi. In their days, they were two of the most powerful men in the United States Senate. That was my first experience on a yacht at Solomons Island; and, boy, did I eat. Whew, boy, did I eat. I didn't drink, but I ate; but they were drinking and eating; and I was taking the fish off the line. I said, "Man, one of these days, I'd like to be able to have one of those yachts," but I've never been able to afford one; but I had a hell of a good time when I worked on that yacht, I can tell you right now. You're so right. Man, my eyes were as big as baseballs, associating with such prominent and distinguished senators from the great city of Washington, the city of sin and all that darn stuff. Man, was it something.

You're right about that. Yes, sir, like you're walking on -- feel good, put your captain's outfit on. Wouldn't that be nice?

GOVERNOR SCHAEFER: Yes. Kids who never had an opportunity to go on a yacht and see a ship, see a boat.

MR. WAGNER: Well, thank you very much.

GOVERNOR SCHAEFER: Okay. It's been moved and seconded. Any objections?

(No response.)

GOVERNOR SCHAEFER: Hearing none, so ordered. Is there anything else on this agenda?

MS. MAURER: Shall we move adoption of the rest of the items on the agenda of the Department?

GOVERNOR SCHAEFER: Okay. No objection. So ordered. What's next?

MR. MCGINTY: Department of General Services.

GOVERNOR SCHAEFER: General Services.

MR. SEBODA: Governor, Board members, I would like to withdraw Item 1-C.

GOVERNOR SCHAEFER: Okay.

MR. SEBODA: We are going to go back and have some discussions about revising the policy with the State Bureau of Mines.

GOVERNOR SCHAEFER: There are no objections.
Okay.

MR. GOLDSTEIN: I don't know if you want a separate motion on this Chesapeake Beach thing or not, but it's Item 2A-C.

GOVERNOR SCHAEFER: Item 2A-C, is there a motion?

MR. GOLDSTEIN: I move we approve it.

GOVERNOR SCHAEFER: Second.

MS. MAURER: Second.

GOVERNOR SCHAEFER: No objection. So ordered.
Okay.

MR. SEBODA: I think you would probably need a special motion on Item 4-GM. 4-GM is the settlement of a claim that the state put against Leblang & Associates for design defects on four buildings out at Rosewood. The architect was told to put in fire dampers. He did not follow through, and we had to go back and correct this via a change order, and that we pursued recovery. What this will do is give us our costs, which are \$39,532, plus about \$468 that they are going to give us

because it will be paid in two installments. So I recommend approval.

MR. GOLDSTEIN: I move we approve it.

MS. MAURER: Second.

GOVERNOR SCHAEFER: No objection. What attorneys did you use? I was going to raise a point on it. Who did this?

MR. SEBODA: What do you mean, who did it?

GOVERNOR SCHAEFER: What lawyers did you use for this? Outside counsel?

MR. SEBODA: Oh, no, sir. We used the Attorney Generals within the Department of General Services; and, on all of the claims work that we've done, both in suits against us and suits that we've filed against other folks, we've used the state's Attorney Generals. There are no outside fees paid; and, so far, our pay-outs versus recoveries, the state is ahead two to one. Over the last three to four years, we've recovered around five million and paid out about 2.6.

GOVERNOR SCHAEFER: I just wanted -- the

reason I say this, I was very unhappy to read that it cost the state \$15,000,000 for lawyers' fees on the savings and loan. It looks bad. Depositors were on the air talking about "Why wasn't that money coming to us?" And, of course, everybody on all the news broadcasts showed the state paying \$15,000,000 in addition. We were able to get a break. We got a ten percent discount from one lawyer, and I thought that was sort of ridiculous. I'm not impressed at all.

I'm glad you used our lawyers.

MR. SEBODA: Yes, sir; and we always do that, and we have never hired outside counsel.

GOVERNOR SCHAEFER: All right. What's next?

MR. GOLDSTEIN: Governor, Item 11-RP, page 13, and 12-RP, page 14, I want to register my vote "no." I never signed the option. It was never submitted to me. This was one of those deals last December where the people wanted to sell. They were crying to sell, so they'd get the tax break that Mr. Reagan, our President, signed on October 22 with reference to capital gains. It was never presented to me as a member of this Board.

So I just want the record to show I'm voting against this. I think it's a real travesty against the taxpayers, paying these costs. This guy wanted to sell this property and got a million and some-odd thousand dollars for a piece of land that, in my opinion, was never worth that much. So I'm going to vote "no."

GOVERNOR SCHAEFER: Record the Comptroller as voting "no" on 10-RP, Patuxent Institution.

MS. MAURER: It's 11 --

MR. GOLDSTEIN: I've been on this Board 29 years, and I've never seen anything like this since I've been on this Board.

MS. MAURER: It's 11 and 12.

MR. GOLDSTEIN: So I don't approve -- didn't appreciate it. Wasn't discussed with me; just brought in here. You know what I'm talking about.

MR. NELSON: Yes, sir, I do.

MR. GOLDSTEIN: Never seen anything like this since I've been on this Board. A real sweetheart deal for somebody. So I want to be sure my name is never associated with it.

MS. MAURER: I believe the two items, 11-RP and 12-RP, are now the relocation costs of the businesses that were --

MR. SEBODA: Yes. Madam Treasurer, to give you the benefit, the original Board item was presented to the Board on December 17, '86, and we had an option that we had to exercise prior to December 31. In that item, we stated that there were businesses that would be moving and relocation costs that are provided under the law; and what this is, is the first two items of 14 were relocation and moving costs for the businesses that were there.

MS. MAURER: I think we ought to vote on that separately, just so that the Comptroller's vote could be recorded and still give him the opportunity to vote on the other items. So I would move that 11-RP and 12-RP be adopted.

GOVERNOR SCHAEFER: Second. Mr. Comptroller recording as "no."

MS. MAURER: All right.

GOVERNOR SCHAEFER: All in favor, signify by

saying "aye."

BOARD MEMBERS: Aye.

GOVERNOR SCHAEFER: All opposed?

MR. GOLDSTEIN: No.

GOVERNOR SCHAEFER: Two in favor, one opposed.

MR. GOLDSTEIN: Item 19-EX, Governor, page 22, that's the modular relocatable classroom units. I want to be sure they'll be ready for school in September.

MR. SEBODA: Yes, sir. One of the things I want to do is, with this particular contract, I want the Board members to be aware that this is the first time that we have used incentive and penalty clauses and that with this contract, if all of the buildings are delivered prior to August 1, the contractor will receive a five-percent incentive payment. By the middle of August, between August 1 and August 14, he gets it at the contract price; and then, starting at that point, every week thereafter, he will then pay a five-percent penalty for failure to deliver.

The Board -- when the various subdivisions came before you in January appealing the decisions of

the IAC, the Board felt very strongly that one of the solutions of the problem was seeing that the modular classrooms were purchased in this budget and delivered in time for the up and coming school year; and we put in the incentive/penalty clauses to ensure that this happens.

MR. GOLDSTEIN: This is 30 of them, right here, this contract.

MR. SEBODA: Yes, sir, yes.

MR. GOLDSTEIN: Who delivers them? Do we pay -- is he going to deliver them to the spot?

MR. SEBODA: Yes. What they have -- there are other smaller contracts out that prepare the site and foundation, and so you will be having the utilities out to the foundation. This fellow then is responsible for manufacturing the relocatables, delivering to the site, putting on the site, and making the hook-ups.

MR. GOLDSTEIN: In other words, they put them on the site and hook them up?

MR. SEBODA: Yes, sir. Yes, sir.

MR. GOLDSTEIN: If they don't have them by the

middle of August, then they start paying a five-percent penalty?

MR. SEBODA: Yes, sir, the first week, and then another five percent the second week.

MR. GOLDSTEIN: I understand. That's the reason I asked, because I remember in January, Governor, how positive these folks were with reference to getting these school units in place prior to the opening of school.

MR. SEBODA: We wanted to see that it was done now.

MR. GOLDSTEIN: Thank you, sir. Item 20-EX, page 23, that's a right long-term lease, five years.

MR. SEBODA: Yes, sir. What this is, is to move the State Board for Community Colleges into a lease in the Annapolis area, that this is necessary to take care of some relocations with the Secretary of State's office; and we have a provision in here that, after 18 months, if the Crownsville project comes on stream, we have the right to terminate, so we can then move them back into state space.

MR. GOLDSTEIN: Thank you, sir. I move we approve the agenda with the exception of the ones prior approved or not approved.

MS. MAURER: Second.

GOVERNOR SCHAEFER: Any objections?

(No response.)

GOVERNOR SCHAEFER: Hearing none, so ordered.
What's next?

MR. MCGINTY: Secretary's Agenda. We are withdrawing Item 3, page 6, which will be brought back.

MS. MAURER: That's just to give us some more time to look at some of the technicalities under the Tax Reform Act of '86 the bond counsel has raised about arbitrage.

MR. MCGINTY: We have one revised item, which is Item 8, page 13. The Department of Health and Mental Hygiene had given us the wrong fund source. It's the last one on the page.

MS. MAURER: I notice we're still using bond issues of 1966, for example; and that's where you get into some complications.

MR. GOLDSTEIN: Governor, that Item 9 and 10 are related to the items that were on the General Services with reference to Chesapeake Beach.

MS. MAURER: Chesapeake Beach.

MR. GOLDSTEIN: I move we approve Item Number 9 and Number 10.

GOVERNOR SCHAEFER: No objection. So ordered.

MR. GOLDSTEIN: Governor, Item Number 12, there was an error in the amount originally. I don't know if you need a separate motion on that or not to approve it for 30,000. Now it's 175,360.

GOVERNOR SCHAEFER: Is there a motion?

MR. GOLDSTEIN: I move we approve it.

GOVERNOR SCHAEFER: Second?

MS. MAURER: Second.

GOVERNOR SCHAEFER: No objection.

MR. GOLDSTEIN: I move we approve the agenda, the Secretary's Agenda, with the exception of the items prior approved.

GOVERNOR SCHAEFER: Second?

MS. MAURER: Second.

GOVERNOR SCHAEFER: No objection. So ordered.

Next?

MR. MCGINTY: Open Space.

MR. GOLDSTEIN: Maybe the man from Natural Resources can answer this question, Governor. Item 3A, page 3A, some of this property is in a flood plain, and we're paying \$5,488 an acre for it.

MR. NELSON: 3A?

MR. GOLDSTEIN: Yes, sir.

MR. NELSON: Friendsville?

MR. GOLDSTEIN: Up at Friendsville, on the Youghiogheny River, I reckon.

MR. NELSON: This is right in town. It does have sewer, water and electric, and that's why the value is so high.

MR. GOLDSTEIN: I understand that. I mean, I know all about that, but they can't even pay their bill right now even. We've given them a lot of time to pay the bill. I've been in Friendsville. I know exactly where it is; but why would we be paying this if it's down in a flood plain? And we've got other programs

here where we're now buying houses that have been built in the flood plains, paying anywhere from 80 to 150 thousand to move them or burn them up or knock them down.

MR. NELSON: Well, this particular area doesn't require any special permits to build. You're right, it's in the 100-year flood plain; but the zoning does not require any special permits for the building and development of that area. So you're right, it's down by the "Yough," but the restrictions are not that severe in terms of its use for development. That's why the value is what it is. I mean, I'll be happy to --

MR. GOLDSTEIN: You know, here, down in the Chesapeake Bay country, you have to have 20 acres go back 1,000 feet.

MR. NELSON: Yes, sir.

MR. GOLDSTEIN: And, here, you've got other programs in here week after week where we're paying Baltimore County and Prince George's County. We're paying homeowners anywhere from 80 to 150 thousand dollars, so they can move out, and they tear the houses

down because they're in a flood plain. I'm just trying to get the right direction here.

MR. NELSON: I understand. There are also some improvements on the property as well.

MR. GOLDSTEIN: Is that right?

MR. NELSON: There's a two-story farmhouse and a cottage and a barn and three storage sheds and a corn crib. It's improved property as well.

MR. GOLDSTEIN: Well, it doesn't say so in this item on the agenda here.

MR. NELSON: No, sir, it does not.

MR. GOLDSTEIN: Except it says that it's in a flood plain: "Zoning: R-1 residential, property located in a Zone B flood plain."

MR. NELSON: Yes, sir.

MR. GOLDSTEIN: "Minimal flooding."

MR. NELSON: But there are improvements on that.

MR. GOLDSTEIN: And, you know, when the "Yough" -- and you get March and April when the snow comes off those mountains, they get those rains like we

had this year --

MR. NELSON: Yes, sir.

MR. GOLDSTEIN: -- everything goes, doesn't it? It comes up in town even.

MR. NELSON: That's why they like it. They run their white water races down the Youghiogheny River as well.

MR. GOLDSTEIN: Oh, it's beautiful. Governor, it was asked on a quiz show. That's the only river in Maryland that runs to the north. It doesn't run to the south. The Youghiogheny River runs north. Remember that.

MR. NELSON: We could amend the Board item, if you'd like, to include the improvements on there.

MR. GOLDSTEIN: Well, I think so. I think you ought to have it on there, if you're paying this kind of money for land up there in the flood plain.

MR. NELSON: Yes, sir. I'd be happy to do that, if you'd like to withdraw it and amend the --

MR. GOLDSTEIN: You don't pay this kind of money for good prime land on the Chesapeake Bay down in

Southern Maryland. I mean, the land is beautiful land, big trees on it, high land and dry land; and, here, where you're buying land in a flood plain --

MR. NELSON: I'd be happy to revise the item for you.

MS. MAURER: I think there's another question there, and it was raised by the Comptroller. If you're buying land that is in a flood plain and not getting any commitment not to build again or for greater or more intense development, there could be an easement if not -- we don't control zoning, but --

MR. NELSON: This would be an active or a community park in the Town of Friendsville, and they would not be building housing there. There would be basically tennis courts and baseball diamonds, the kind of use in the flood plain that we prefer to see.

MS. MAURER: Okay. That isn't explained.

MR. GOLDSTEIN: Yes, but the Patapasco River, you know what happened to it, don't you? You built down in the flood plain. What happened a few years ago?

MR. NELSON: It flooded.

MR. GOLDSTEIN: Everything washed out overnight. Do you remember that?

MR. NELSON: Yes, sir.

MR. GOLDSTEIN: I remember. I was up there looking at it. So that's the reason why I'm so -- and I've been up in Garrett County. I've been there many, many times, Bear Creek and "Yough," been all around there with several friends in the Senate. I used to visit quite frequently. You go up there in March and April and get that snow coming or those rains like we had this year, and, you know, that water comes down there at some kind of accelerated speed. It's not like we've got the ebb tide that flows here twice a day. Am I right, sir?

MR. NELSON: Yes, sir.

MR. GOLDSTEIN: There's nothing stopping that water.

MR. NELSON: The only thing you should realize, though, is stream valley parks are a very, very popular thing. It's the way the nation is moving. In the State of Maryland, not only with local park

acquisition, but state park acquisition, we're acquiring stream valleys: Seneca Creek, Patapsco, Gunpowder, because you had twin benefits.

MR. GOLDSTEIN: Well, we're not talking about that. You've got 99,000 acres in Garrett County.

MR. NELSON: Yes, sir.

MR. GOLDSTEIN: You've got all the most beautiful Swallow Falls and every kind of damn park in the world up there, you know that, you know that.

MR. NELSON: Yes, sir. We have 131,000 acres of ground in Garrett and Allegany Counties.

MR. GOLDSTEIN: How much?

MR. NELSON: A hundred and thirty-one thousand acres.

MR. GOLDSTEIN: Yes, but you've got almost 100,000 in Garrett County alone.

MR. NELSON: Seventy-six thousand.

MR. GOLDSTEIN: You see. So here -- we know that. I've been all around Garrett County, Swallow Falls, all down there many, many times. Used to come up there and spend two weeks every year with my beautiful

bride and our three children, and we used to have a wonderful damn time up there at the lodge that Dr. and Mrs. Bennett owned. We picked strawberries and blueberries and fished in the lake, had a good time. So it's nothing new.

MR. NELSON: Okay.

MR. GOLDSTEIN: There's no shortage of stream valleys in Garrett County.

MR. NELSON: No. I'm just saying we do a lot of acquisitions and recreation development in stream valleys. So it's not uncommon that we're buying in a flood plain.

MS. MAURER: Yes. Well, you have 18 acres; and, also, it's minimal flooding, from what you've written up here. So, presumably, there would be areas which could be used for recreation. I just was concerned that it be clear that it would be committed to that kind of use and not a more intense use.

MR. NELSON: And it will be.

GOVERNOR SCHAEFER: When was the last time this flooded?

MR. NELSON: It's not been flooded in the last ten years. That high up, where these barns and the cottage is and the hay storage sheds are, it's not flooded in the last five years.

GOVERNOR SCHAEFER: So all this land is in flood plain, but it's up; so it isn't flooded very often.

MR. NELSON: Yes, sir. It's unusual in that Garrett County normally is saying to the Department of Natural Resources, "Don't buy any more land" in that county. This gives some indication of how important this is to the Town of Friendsville. They really want to have this recreation area, and they think this is the spot to do it.

I'll be happy to revise the agenda, Mr. Comptroller, to reflect the improvements on the site and give you a better explanation of what's going on there.

MR. GOLDSTEIN: Yes. I mean, you ought to have that information, so we can look at it.

MR. NELSON: Yes, sir. I agree with you.

MR. GOLDSTEIN: If you say it's in a flood

plain, you'll know what you're buying.

MR. NELSON: Yes, sir.

MR. GOLDSTEIN: Thank you, sir. And you'll bring it in next week?

MR. NELSON: Yes, sir.

MR. GOLDSTEIN: You want to defer it to next week then?

MR. NELSON: That will be fine.

MR. GOLDSTEIN: Thank you. We don't want to stop the people from having tennis courts up there. My Lord, they had tennis courts up there before anybody else ever had them. That's where all the presidents used to go, to Mountain Lake Park; had a good time up there.

MR. NELSON: Beautiful spot.

MR. GOLDSTEIN: Yes, sir.

GOVERNOR SCHAEFER: Paul, have you got anything you want to talk about to the Board?

MR. WEISENGOFF: Not in front of all these people.

MR. GOLDSTEIN: Governor, Item 4A, the name of

Goldstein -- I want to make the record clear that these people are not related to me, as far as I know of, by the names of Harold and Louise Goldstein. I just wanted the record to show I don't know anything about these wonderful people. We've got the same last name. So I want the record to show that it was called to your attention. Just like the names of Smith, Brown and Jones, there's a hell of a lot of them.

GOVERNOR SCHAEFER: Mr. Goldstein disowns any of the Goldsteins in this transaction.

MR. GOLDSTEIN: Okay. I move we approve the Open Space Agenda with the exception of items withdrawn.

MS. MAURER: Second.

GOVERNOR SCHAEFER: No objection. So ordered.
Next?

MR. MCGINTY: Budget and Fiscal Planning.

MR. STETTLER: Budget and Fiscal Planning has -- there are six items. I'd be happy to answer any questions.

MR. GOLDSTEIN: Yes, sir. Item 1-S, page 1B --

MR. STETTLER: Yes, sir.

MR. GOLDSTEIN: -- this contract for
\$21,649,693 --

MR. STETTLER: Yes, sir.

MR. GOLDSTEIN: -- what kind of interest rate
are you going to be paying for this?

MR. STETTLER: That will depend upon what our
contract is. We will use the state contract for
lease/purchase.

MR. GOLDSTEIN: So, in other words, it's going
to be under that blanket contract?

MR. STETTLER: Yes, sir.

MR. GOLDSTEIN: It's not going to be one of
these individual deals where they sit down and negotiate
a higher rate of interest for a long term?

MR. STETTLER: No, sir.

MR. GOLDSTEIN: Be under a state contract.

MR. STETTLER: That is the intent of that last
sentence, that this will be used under the state
contract.

MR. GOLDSTEIN: Governor, maybe we can give
you the background real quick. The individual

departments were negotiating leases for all types of computer equipment, paying anywhere from nine to 15 to 18 percent. Is that correct, sir?

MR. STETTLER: Yes, sir.

MR. GOLDSTEIN: Long term, without consulting anybody; and we, since then, have had all these consolidated. How much have we saved since we consolidated them?

MR. STETTLER: It's about a million dollars in the one contract; and, this year, with the new contract, it should be substantial amounts, but we haven't been getting the bids on what the alternatives would be.

MR. GOLDSTEIN: Governor, I thought you ought to have the background. That's the reason I asked the question, to be sure it's under a state contract that people know how to negotiate. Thank you, sir.

How about the gypsy moth? I notice it's Item 2-S and 3-S, Governor, on pages 2B and 3B. Some of the counties where they may have the gypsy moth are not included in either one of these contracts.

MR. STETTLER: I will find out if there is to

be another contract for Southern Maryland and, if not, why not.

MR. GOLDSTEIN: Those gypsy moths don't know a boundary line.

MR. STETTLER: There is a question as to the prevalence of it in certain areas. They do not spray every place; and, even in these counties, it's only effective and efficient to spray where there's -- in certain areas of infestation. Of course, they always want to avoid areas that are heavily populated. They have people shooting at their helicopters occasionally.

MR. GOLDSTEIN: Oh, yes. But, I mean, I'm talking about wide open spaces, not in the residential areas. I mean, I can understand. I remember Montgomery County objected to it originally, but I'm talking about in the rural areas where you have a lot of big oak trees. They're the ones they attack first.

Item 5-S is testing of these home improvement people.

MR. STETTLER: Yes, sir.

MR. GOLDSTEIN: Is this program self-sustaining?

Do they pay enough fees to take care of the testing?

MR. STETTLER: Yes. There is a general policy that all of these licensing boards set rates annually, so that they can cover at least the cost of the administration. There are a few of the smaller boards that do not, such as nursing home administrators, but they already have a very high license fee. This is one that, you know, it doesn't necessarily cover it every year; but, over a period of a few years, it covers itself. I think this one covers it. This has been covering itself every year now for a number of years.

MR. GOLDSTEIN: Now, I see they give an examination. You know, every now and then, you have a lot of those fly-by-night people, even though they passed the examination, setting themselves up as prominent home improvement people; and we get people who sign these confessed judgment notes, never do the work. Do they check into the background, like the Bar Examiners do?

MR. STETTLER: There is a -- about two --

MR. GOLDSTEIN: Before you take a bar examination, you have to have a check on your character,

your record, and then they certify that they have made the check, and then they let you take the examination.

MR. STETTLER: There is a check of the backgrounds of these people. It is an area that's had a substantial amount of legislative and departmental review and change about two years ago. We've put a lot more inspectors on, because now it's not only that the people go out and inspect, they have workmanship inspections: the work, not only is it done, for complaints, but is it done in a workman-like manner.

MR. GOLDSTEIN: But my point is -- that's very nice; but, if a person has a record of fraud or deception, and they may come in here from New York or Chicago or Florida or from out west and set up a new business, they take an examination; but do they have a test to check their character or if they pay their taxes and all that business?

MR. STETTLER: I do not know how extensive their background checks are. They do have a provision, and they do check backgrounds and clearly are not looking for people who, you know, have been involved

certainly in fraud within this country and within -- I mean, within this state and within other states.

MR. GOLDSTEIN: There's a lot of flim-flamming going on in this business. Okay.

MR. STETTLER: This is an area that has had a lot, yes.

MR. GOLDSTEIN: Thank you. That's all the questions I have, Governor.

GOVERNOR SCHAEFER: Motion? Second?

MS. MAURER: Move approval.

MR. GOLDSTEIN: Second.

GOVERNOR SCHAEFER: No objection. Next?

MR. MCGINTY: One item for the University of Maryland.

MR. GOLDSTEIN: I move we approve it.

MS. MAURER: Second.

GOVERNOR SCHAEFER: No objection. So ordered.

MR. MCGINTY: That is it.

GOVERNOR SCHAEFER: That's it. Thank you.

(Whereupon, at 11:35 a.m., the proceedings in the above-entitled matter were adjourned.)