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BOARD OF PUBLIC WORKS  
GOVERNOR'S CONFERENCE ROOM  
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P R E S E N T

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HONORABLE PETER FRANCHOT, Comptroller;

HONORABLE NANCY KOPP, Treasurer;

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

AL COLLINS, Secretary, Department of General Services;

T. ELOISE FOSTER, Secretary, Department of Budget and Management;

JOEL LEBERKNIGHT, Chief of Procurement, Department of Budget and Management;

JOHN PORCARI, Secretary, Department of Transportation

FRANK OSLISLO, Deputy Secretary, Department of Natural Resources;

RICHELLE THOMAS, BPW Administrator, Department of General Services; and,

MARION J. BOSCHERT, Administrator, Board of Public Works.

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P R O C E E D I N G S

GOVERNOR O'MALLEY: Good morning, everybody.

VOICES: Good morning.

GOVERNOR O'MALLEY: Thank you for being for the Board of -- Board of Public Works on July 11th. I had almost made the transfer. Believe it or not, more often than not, I've been calling it the Board of Public Works lately, which is a good sign.

Before we begin, Madam Treasurer, Mr. Comptroller, any opening remarks here?

TREASURER KOPP: Only to say, Governor, that obviously we have some very serious decisions to make today. I think this marks the first public phase of dealing with the problem of the structural deficit which has been coming for some time. It has been put off to a large extent by moving funds around and by a fortunate couple of years in the stock market.

Our economy is still strong. Maryland's economy is still strong. It's in good shape. But the effects, as you pointed out, of the combination of a tax cut and of necessary spending for schools and

health care have created a situation in which there is a structural deficit that has to be addressed.

The cuts that you place before us, I think, are basically efficiencies, tightening things up, and we do have to remember that they came after four years of insufficient funding and resources for some very important programs.

So it's not as though it was the first set of cuts, and obviously reducing vacant positions gives the people who are there a lot more work to do and they're doing very important work. But I'm very pleased, and I'm sure you're going to talk about it when we get into it, I'm pleased that this first stage does not involve seriously diminishing services to the general public and the taxpayers.

I -- as you know, I'm a great proponent of education and especially of higher education, and I think that the combination of a freeze on tuition and diminishing the significant increase in general fund appropriations for higher education is something that the University System can live with. But I think as far as I'm concerned, that's about the end of it, that

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to diminish higher education further would be to start eating our seed corn which, as a midwesterner some years back, I was taught you don't do.

We have a great investment, great need for higher education. It's the engine of our development, and we have done very well and I would hate to see it sacrificed down the road. It would be a big mistake, I believe, and that obviously we're going to continue funding elementary, secondary education, and providing needed services for people.

And I think that this tightening and this move towards efficiency, and I know you're going to continue to use the state version of your very successful city STATs program, will be helpful in that.

But I truly believe that the services and the programs that the people of the State of Maryland have come to expect, ought to expect, and should continue require enhanced funding, and that means taxes or fees or some other new form of funding.

The draconian cuts that would be necessary for a structural deficit, not a temporary one, that

would be necessary to put in place and continue into the future, I think, would be very injurious.

So I'm glad this is the first step that I -- I trust it really is just the first step. That's my personal point, Governor.

GOVERNOR O'MALLEY: Well stated.

Mr. Comptroller.

COMPTROLLER FRANCHOT: I don't have a comment.

GOVERNOR O'MALLEY: Okay. Let me respond a little bit and share some opening thoughts on this packed day here at the Board of Public Works.

Thank you all for being here, and we do have indeed an important step to make today. I would characterize it as one important step among many, though it's probably the one that has received the most public attention, but there are other steps that we have taken that I'll come back to in a second.

I think that most of us as Marylanders have a pretty common definition of what progress looks like and I think all of us regardless of party actually share certain goals and hopes that we have for what we



want, a truly working and functioning government, this tool of ours to be working towards, and they are to strengthen and grow our middle class and our family-owned businesses, to improve public safety and public education in every part of our state, and to expand opportunity, opportunity to learn, the opportunity to earn, the opportunity to enjoy the health of the people that we love, the opportunity to enjoy the health and the beauty of its natural environment that God has graced us and blessed us with here in this state that hugs the Chesapeake Bay.

So that's why I ran for office anyway. That's why I think all of us believe that public service and the work of our government is important. And while we're certainly here with our own individual perspectives on our piece of that important mission, I think that is the shared mission.

And standing in the way and really threatening the continuation of that mission and our ability to make steady progress for all is this disconnect, these two divergent lines of investments we make and investments that we have already made, and

very important things, most notably of late, public education.

And we're seeing the benefits of that in our kids' test scores rising, teachers doing very well, kids and parents working hard. And by that, I don't mean teachers are doing well in terms of how much we're able to pay them. I mean they're putting forward a tremendous effort and you see it in the test scores and in the classroom. And that's a return on that public investment.

As the Treasurer mentioned, unfortunately that was accompanied at the same time by a big tax cut that nobody was clamoring for, that no one really believed even happened, and that was dwarfed many times over by what they did on the federal level.

So we want to continue to make progress and that's why we have to wrestle with this structural deficit. It's really not so much about correcting mistakes of the past. It's really about being able to make progress for the future and progress for the families that -- whose future really and success

defines whether we remain a strong state or whether we become a weak state.

So today we're taking another step in that effort. The first one, just to recap some recent history, what happened when we submitted a budget that grew by 2.7 percent compared to 12 percent in the prior year's budget. So that was step number one.

The second step we've made is to implement the performance measurement steps as the Treasurer kindly mentioned, the state stat to look at what government delivers, how we deliver it, and we can deliver it better every single week. And we've already seen some successes coming from that. Many of them are smaller things that never grabbed headlines.

A few of them that we have read about is the closure of the Maryland House of Corrections which creates ongoing savings, reductions in fleet which create ongoing savings, also reductions in overtime that can really creep up on us and divert a lot of funds from other things, important missions of state government.

Third is the things that we're voting on today. We are finding savings across the 40 state agencies and departments. I have yet to read the transition report and there were many of them that -- in which it was said by a large group of people from different perspectives studying the mission of any of the important departments or agencies, you know, by golly, what this department needs is less money.

(Laughter.)

GOVERNOR O'MALLEY: There was not one, you know, review. There were maybe some suggestions of things that one department should be doing entirely rather than another department in order to create some economies and efficiencies, but there wasn't -- you know, and there was a pretty broad spectrum of people from different philosophies, you know, looking at these things and not one of them said that any of the departments has too many staff.

In fact, if you look at some of the exercise that came from the DLS recommendations was when they looked at how much Maryland spends on a per capita government -- I mean, per capita basis on state and

local government functions, you see we actually compare fairly -- very well in terms of holding those numbers down.

But that difficult process that we've been engaged in for the last several weeks has reaped \$280 million in cuts, \$213 of which is general fund cuts, including \$60 million in reversions and other adjustments.

We are also making 67 million of special and federal fund reductions, 147 government positions will be eliminated, 147 government positions will be eliminated, 17 of which are currently filled, and that's going to cause a lot of disruption pain on the -- those individuals who are going to have to find new jobs. We want to do everything we can to help them transition. And in addition, there will be 35 contractual positions that will be eliminated.

And, you know, we are also going to, moving from this day forward, going to go on to the other sorts of things that we can do to address this structural gap.

One is to improve our collections. One is to reduce the pace in some instances of enhancements to bring it in better balance. And the third one is to look at our revenue streams to make sure that they are modern, that they are inclusive, and that they are fair. In other words, that working people don't take it on the chin as they have under the sort of fee-for-tax method that we've been engaged in for the last few years.

So those are the things that we're going to do moving forward. And in -- throughout our process and the back and forth with department heads, the cabinet secretaries, we were guided in these initial cuts by the following parameters:

To increase administrative efficiency, to curtail growth in non-core programs, to increase federal cost recovery, to protect vulnerable populations, and to preserve local funding.

We have a lot of difficult decisions ahead and we can, I suppose, theoretically balance this budget entirely by cuts. But when we're done, we won't be headed towards that sort of Maryland that all of us

carry in our hearts where we're strengthening and growing our middle class, improving public safety and public education, and expanding opportunity. These are -- to govern is to choose. These are the choices that we need to make as a free people.

If we make them mindful of the values that unite us and we make them keeping in mind that North Point, if you will, which is those goals of strengthening and growing our middle class, improving public safety and public education, expanding opportunity, we're going to be very proud of the years ahead and the difficult choices that we make.

We need to choose, I believe, to make investments as one Maryland that benefits all of Maryland and also keeping in mind something else that -- and I don't mean to give a political philosophy lecture here, but lately in the whole public discourse, whether it's around, you know, the future of our nation, whether it's around the future of our state, future of our neighborhoods or communities, we've lost sight of a very important constituency, that we have the freedom to be responsible to serve.

And that constituency is not just the next generation, but the generation and generations after the next generation. One person does make a difference. What we all do individually makes a difference and the choices we make determine whether or not we can hold our heads high at the end of our days on this planet and say that we kept faith not only with the past but also with the future.

So I really appreciate all of you hearing me out on these and I know for those of you that are here and are going to have to adjust your work around these cuts, I know that for some of you these things are very painful. Hang with us here. Together we're going to come through this as one Maryland. We will.

All right. Who's -- first item.

MS. MCDONALD: Good morning, Governor.

Madam Treasurer, Mr. Comptroller, we have 20 items on the Secretary's agenda this morning. There's one report of an emergency procurement. I will be happy to provide answers to questions.

GOVERNOR O'MALLEY: Anything on the Secretary's agenda?



Mr. Comptroller.

COMPTROLLER FRANCHOT: Item number 2 is  
the --

MS. MCDONALD: Is the zoo. I think Billie Greib is here from the zoo. Would you like to hear from the zoo?

COMPTROLLER FRANCHOT: Yes.

MS. MCDONALD: This is a request for the FY '08 grant funds for the zoo that the Board of Public Works has in its budget.

MS. GREIB: Good morning.

GOVERNOR O'MALLEY: Good morning.

MS. GREIB: Thank you for giving me the opportunity to speak. We are very grateful for the work that was done during the last session to give us this increased funding. Unfortunately, it is about to go away. We are disappointed at that.

We understand the need to make cuts and we understand that the zoo was not targeted specifically, but we will be losing funding under the proposed cuts through the -- our participation in the Department of Education's state-aided institutions.

So I certainly encourage --

GOVERNOR O'MALLEY: How many steps up did we take and how many steps back?

MS. GREIB: In terms of dollars, we increased the funding to the zoo -- I shouldn't say we because --

GOVERNOR O'MALLEY: No. You can say we, one Maryland.

MS. GREIB: One Maryland -- by almost \$2 million. And we will be losing \$50,000 in this proposed cut.

GOVERNOR O'MALLEY: So a better way to look at it is that one Maryland increased funding by 1.95 --

(Laughter.)

GOVERNOR O'MALLEY: I'm sorry. I didn't mean that.

(Laughter.)

COMPTROLLER FRANCHOT: Here's my question, Governor. Can you demonstrate that the zoo is financially viable as far as -- and -- well, obviously we're all supporters of the zoo.

MS. GREIB: Yes.

COMPTROLLER FRANCHOT: The question whether we're -- there's extra money.

MS. GREIB: Yes. And that is a good question. And let me answer in two parts. First, we have produced a budget. We are on the same fiscal year as the state and so we have produced a budget that is balanced on an operating perspective, from an operating perspective which will now have a variance of \$50,000. But, of course, we'll work hard to overcome that.

That budget continues to defer maintenance because we had no choice. And that was one of the things that concerned all of us and one of the reasons that we sought increased funding, but we are simply not able to address deferred maintenance in a meaningful way under the operating budget.

Now, we do -- we are hopeful that we will receive an increase in capital support in the coming year that might help us to address the deferred maintenance. But at the moment, that continues to be an issue for the zoo.

The General Assembly asked us to produce a report which is due on September 1st and will address

the long-term needs of the zoo. Some of these needs are fiscal and some of these needs are situational in terms of the issues with public transportation, parking, the environmental impact of the zoo, and I think all of those things should be addressed. It's --

COMPTROLLER FRANCHOT: Great. I don't mean to cut you off because it is --

MS. GREIB: Well, no. But that is so --

COMPTROLLER FRANCHOT: -- (inaudible) in general, but thank you for that and --

MS. GREIB: -- we're -- it's an ongoing issue.

COMPTROLLER FRANCHOT: After you share -- after you give this to the General Assembly --

MS. MCDONALD: Mr. Comptroller, actually, the grant from the Board of Public Works to the zoo is for \$5 million, but we cannot give them the last \$250,000 of that grant until they return with that report and the Board has had a chance to look at it. So it will not only go to the General Assembly, it will go to you, and then they will come back for the rest of their

money. So once they have the report, then you ask them more questions.

COMPTROLLER FRANCHOT: Thank you.

GOVERNOR O'MALLEY: Okay. Any other questions on the Secretary's agenda?

COMPTROLLER FRANCHOT: Item 10.

MS. MCDONALD: Okay. Item 10 is from the Department of the Environment. It's the Havre de Grace enhanced nutrient removal wastewater system. Mr. Keller is on his way up. This is George Keller from the Environment Department.

MR. KELLER: Good morning.

COMPTROLLER FRANCHOT: Good morning. Could you -- I'm just taking advantage of this item to ask you to send the Board your assessment of this issue about whether these types of upgrades are going to accomplish the kind of cleaning up the bay that we all intend them to because there's some people out there saying that the upgrades are going to result in more growth and more pressure on the bay, I guess is the controversy. And if you could send us something, you

don't need to -- unless you can summarize something,  
you don't need to --

MR. KELLER: No, no. By all means, I  
understand the issue and the issue has been out there.  
At the end of the day, for a project like Havre de  
Grace, which typifies the types of projects that we've  
done, there will be a net nutrient load reduction to  
the bay.

TREASURER KOPP: After the -- after the  
growth which the enhancement --

MR. KELLER: After the growth reaches -- for  
the case of Havre de Grace, they are upgrading their  
plant and like so many other local governments, it's  
cost efficiencies also to do their expansions at the  
same time.

We do not pay for the expansions with our  
grant funds. We use the grant funds to take care of  
providing nutrient removal capability for what their  
approved design capacity already is.

So at the end of the day, even though the  
flows will increase, because we are providing higher  
levels of treatment, there will be reductions in

nutrients for both nitrogen and phosphorus, plus be able to provide the capacity to allow their planned growth within their priority funding areas to ensure, you know, ongoing economic development.

COMPTROLLER FRANCHOT: If you could just put that in writing and give us some estimates. I know these are estimates, but give us some data that we can look at.

MR. KELLER: Sure.

GOVERNOR O'MALLEY: What's their track record of staying within their priority funding area?

MR. KELLER: The track record thus far has been very good. That was a prerequisite in order to provide funding both in the county water and sewer plan which is a state reviewed and approved document by Department of Planning and MDE, also in consistency with the priority funding area law as it goes through the state clearinghouse process.

So we've enforced that with vigor throughout, you know, creation of that law. And thus far, there's been no deviation.

GOVERNOR O'MALLEY: So you at MDE -- you're at MDE, right?

MR. KELLER: Correct.

GOVERNOR O'MALLEY: So you at MDE in approving these enhanced nutrient removal expanded sewer capacity things make sure that before you do that that they -- that we are not in essence fueling poorly planned growth and sprawl?

MR. KELLER: Correct. There are three things that are like the foundation of what we are doing is first and foremost is the Chesapeake Bay tributary strategy. Each plan out there has to achieve certain net nutrient reductions in order to clean up the bay. So are these plans, are these projects consistent with that.

It's the county water and sewer plan that shows growth being targeted to areas that are consistent with the county's comprehensive land use plans. And that third aspect deals with priority funding area law. So those three underpinnings are prerequisites prior to issuing any permits from the



department or providing funding, you know, coming to the Board before requesting these funds.

GOVERNOR O'MALLEY: I think -- you know, I think I express the opinion of all of us on this Board that we want you to enforce that rigorously, vigorously, and whatever other adverb rhymes with those prior to --

(Laughter.)

MR. KELLER: That message has been received and understood, understood, and understood.

GOVERNOR O'MALLEY: Because there's a limited amount of dollars.

MR. KELLER: Exactly.

GOVERNOR O'MALLEY: And they should go first to the people that have gotten their stuff in one sock on their own zoning and their own -- and the things that they control as far as sustainable growth.

So, please, regardless of politics, make sure that you prioritize and that these dollars go first to those folks that are actually being responsible on their own -- in their own decisions.

MR. KELLER: Understood.

GOVERNOR O'MALLEY: Anything else on this one?

MR. KELLER: Thank you.

GOVERNOR O'MALLEY: Anything else on the Secretary's agenda?

MS. MCDONALD: No, Governor, but I'd just make an announcement. Next meeting August the 1st is our bond sale and it's in the other building. So the meeting on August 1st is in the Treasury Building, not in this room. Thank you.

GOVERNOR O'MALLEY: That's a nice room over there.

TREASURER KOPP: Big room.

GOVERNOR O'MALLEY: Is that your room or is that --

COMPTROLLER FRANCHOT: Well, we share it.

(Laughter.)

GOVERNOR O'MALLEY: Okay. Treasurer moves approval of the items on the Secretary's agenda, seconded by the --

TREASURER KOPP: Governor --

GOVERNOR O'MALLEY: I'm sorry.

TREASURER KOPP: -- I'd just like to point out one just to get -- number 14 is a great donation of very significant land on behalf of two upstanding Maryland citizens. And I hope you won't think I'm being churlish when I point out that there are tax benefits to the donors also.

GOVERNOR O'MALLEY: Which one is that?

MR. OSLISLO: Federal, state and federal.

TREASURER KOPP: Fourteen.

MS. MCDONALD: Fourteen.

TREASURER KOPP: So it's not as though it were for free, a free lunch; isn't that right?

MR. OSLISLO: That's correct. However, I would add that these are donation conservation easements in perpetuity.

TREASURER KOPP: I started out by saying it was wonderful and it's a very good thing and it's something we want. And it's encouraged by our tax system, in fact. It's an incentive to get people to donate. I just think sometimes we think that there is no cost at all to the taxpayers and that's not so.

And I'm not saying it should necessarily be noted here, but it -- sometimes you have to stop and think for a minute and realize that a donation of \$3 million or \$1.9 million is a great piece of property and we need it and it's good for the future, as the Governor said, all the future generations. But it's not as though we're totally cost free for the taxpayers.

GOVERNOR O'MALLEY: So it reduces the taxes paid on that land?

TREASURER KOPP: It reduces the taxes paid on that land and it's a tax benefit to the donor. It's a gift. And I just -- I say I don't want to be churlish and it's a wonderful thing to do, but you have to --

MR. OSLISLO: There are tax costs, yes, sir.

GOVERNOR O'MALLEY: Okay. Treasurer moves approval of the items on the Secretary's agenda, seconded by the Comptroller. All in favor, signal by saying aye.

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed, nay.

(Whereupon, there was no response.)

GOVERNOR O'MALLEY: The ayes have it.

Moving on now to --

MS. MCDONALD: Open space.

MR. OSLISLO: Good morning, Governor, Madam Treasurer, Mr. Comptroller.

GOVERNOR O'MALLEY: Program Open Space. Good morning.

MR. OSLISLO: For the record, Frank Oslislo, Natural Resources.

This morning, we have three local Program Open Space development projects. I'd be glad to answer any questions you may have.

GOVERNOR O'MALLEY: Mr. Comptroller?

COMPTROLLER FRANCHOT: No questions.

GOVERNOR O'MALLEY: Madam Treasurer?

TREASURER KOPP: No.

GOVERNOR O'MALLEY: Okay. The Comptroller moves approval of the items on the Open Space agenda followed --

TREASURER KOPP: Second.

GOVERNOR O'MALLEY: -- seconded by the Treasurer. All in favor, signal by saying aye.

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed, nay.

(Whereupon, there was no response.)

GOVERNOR O'MALLEY: Ayes have it.

Moving on now to Department of Budget and Management agenda.

SECRETARY FOSTER: Governor, Madam Treasurer, Mr. Comptroller, good morning. There are 15 items on the Department of Budget and Management's agenda for today. I would like to withdraw Item 14.

GOVERNOR O'MALLEY: Any questions?

COMPTROLLER FRANCHOT: Could I ask about item 1? Why is that a sole source contract?

SECRETARY FOSTER: This is a sole source contract that was entered into in the early days of the administration. The administration had just started and the -- we were looking to get someone to help us with assistance in the Washington office. This was a known firm who worked on Capitol Hill. They were a known product and essentially entered into a short-term contract until we could get the Washington office back.

COMPTROLLER FRANCHOT: I have no problem with whatever you're supplementing your resources there, but shouldn't it be an emergency contract rather than a sole source? How can -- how can you argue this is a sole source with a straight face, I guess, as far as --

SECRETARY FOSTER: At the time it was procured, it wasn't declared as emergency. It was declared as a sole source. Maybe in hindsight that might have been the better way, but it's a sole source contract.

COMPTROLLER FRANCHOT: Okay. And I have another question on another item. Could I move to Item 2, which is the lottery here?

MR. ROOGOW: Good morning. Good to see all of you. Buddy Roogow, Director of the State Lottery.

This is an advertising contract to continue the advertising that the lottery has done for a four-year period with an additional two-year option. For the first time, the lottery actually broke this into four separate contracts.

We did that because over the years, we had heard from the advertising community that they would --

the smaller companies would appreciate an opportunity to possibly get involved on each -- on some those elements. So the elements include the actual advertising -- yes.

COMPTROLLER FRANCHOT: If I could just interrupt --

MR. ROOGOW: Yes.

COMPTROLLER FRANCHOT: -- unless the other members of the Board really want to hear that. I think it's terrific, but I think we've got to understand. I think it's good you split it into four parts.

My question is, are we with the amount, \$106 million, are we expanding in any way the advertising agenda or strategy for the lottery?

MR. ROOGOW: Not really. It's the amount that's been budgeted to us from the legislature that includes -- it's approximately 16 or \$17 million a year for advertising over that period.

COMPTROLLER FRANCHOT: So you're sticking to all those same limits with this new --

MR. ROOGOW: Oh, yes.

COMPTROLLER FRANCHOT: Okay.



MR. ROOGOW: Yes, sir.

COMPTROLLER FRANCHOT: That's fine.

TREASURER KOPP: Is that --

GOVERNOR O'MALLEY: Madam Treasurer.

TREASURER KOPP: I have a question about The  
SEED --

MS. MCDONALD: Number 7.

TREASURER KOPP: -- number 7. I notice the  
Superintendent sitting there. Could you just tell us a  
little -- it looks like a major new thing in the  
education realm.

DR. GRASMICK: Good morning, members of the  
Board of Public Works. I'm pleased to be here today to  
put before you the realization of legislation that was  
passed during the last legislative session to create a  
residential boarding school in the State of Maryland  
and to have the State Department of Education issue the  
RFP, certainly consider the responses to that RFP, and  
to work in terms of the issuance of a contract.

We have done that. The single bidder was The  
SEED School that has a long and distinguished history  
in Washington, D.C. in dealing with students who have

-- who are economically disadvantaged and considered high risk. Their success is really significant.

And so we were delighted when they responded to this RFP. We've worked diligently in terms of the creation of the contract between The SEED School and our department. And we look forward to the opening of this school in the beginning of the school year in 2008, 2009 school year.

We also worked with the location dimension of this by way of the Interagency School Construction Board agreeing to the transfer of Southwestern High School in Baltimore City, which is a school that is closing to city government, where it is our understanding that city government will be leasing this school for a dollar a year to The SEED Foundation.

And so it is also noteworthy that several citizens of the State of Maryland have already made contributions to the actual renovations that will need to take place at Southwestern High School, most notably Pat and Art Modell contributing \$5 million to that effort.

So we are delighted. And Carol Beck is here this morning from The SEED School and she will be the Maryland Director of The SEED School here in Maryland.

GOVERNOR O'MALLEY: Great. Where is she?

DR. GRASMICK: Carol Beck is right there.

GOVERNOR O'MALLEY: Come on up.

DR. GRASMICK: She's been a great partner to work with us.

Carol.

MS. BECK: Good morning.

GOVERNOR O'MALLEY: Good morning.

MS. BECK: I'd like -- I have been working on The SEED School project on behalf of The SEED Foundation, but I'd also like to introduce Dawn Lewis who is the head of school for The SEED School of Maryland. She's joining us now so that she can build her team over the next year with the State Department of Education, so we can put the program plan in alignment with Maryland's standards and do recruitment statewide.

GOVERNOR O'MALLEY: Now, the legislation allowed for the creation of two, didn't it?

MS. BECK: The legislation allowed for the creation of one.

GOVERNOR O'MALLEY: Oh, really?

MS. BECK: One school state -- serving students statewide.

GOVERNOR O'MALLEY: Serving students statewide.

MS. BECK: Yes.

GOVERNOR O'MALLEY: Yes.

MS. BECK: This was Delegate Marriottsville (phonetic).

DR. GRASMICK: Yes.

GOVERNOR O'MALLEY: I remember it well. Initially it was going to be two, wasn't it?

DR. GRASMICK: Right, and that changed. And the local system's contributing students will contribute 85 percent of the per pupil expenditure.

GOVERNOR O'MALLEY: And the difficulty in all of this, of course, is with a boarding school, the per capita is roughly twice of what it is with the --

MS. BECK: Yes, sir.

GOVERNOR O'MALLEY: -- you know, the current day school, go home to mom and dad's house or wherever. This is an exciting program. I've toured this campus in Washington, D.C. Is it Southeast?

MS. BECK: Southeast.

GOVERNOR O'MALLEY: In Southeast and spent the afternoon there. And I'm so excited that we are doing this in Maryland. There is definitely a need for another one of these for the Washington Metro area.

MS. BECK: We'll be ready.

GOVERNOR O'MALLEY: Good.

Mr. Comptroller?

COMPTROLLER FRANCHOT: Yeah. I -- for the Secretary, I share the Governor's support for SEED. It's a nationally known success story right in the shadow of Capitol Hill.

But how do we put out a \$55 million project and get one bid back? I mean, what is the thinking of either you or whoever put together the RFP because to the public, it -- it's a lot of money? Now, I'm sure you have an explanation, but it strikes me as odd that

at that dollar level we have only one person in the whole country that gets back to us.

DR. GRASMICK: Well, what I'd like to say about it, and Ms. Beck may want to make other comments, but I think we were very specific in the RFP that was issued, certainly not to advantage The SEED School, but setting high standards for the success of this school because we couldn't afford to not have any precedent models, et cetera, in terms of how this would be done and our feeling that this could succeed.

And in setting those standards that we set for all of our local school systems, I think clearly it may for those who've not had this experience been somewhat intimidating to have to accommodate those standards, but, as I say, given the reputation of The SEED School in Washington and their intimate knowledge of how to operate a boarding school.

Now, we do work, as you know, very compatibly with a number of the special education boarding schools in the State of Maryland, but this is a different population and I think it was challenging for people to respond to this. But as I say, we're delighted because

we know there's a track record here. I think that track record augers very well for the State of Maryland.

MS. BECK: I would just add that the annual contract at full capacity of 400 students will be somewhere in the range of 12 to \$14 million a year. The school will open with 80 students and it will be a \$2 million contract and then grow each year as the student body grows.

The other requirement of the legislation and of the RFP process is that the operator come forward with the capacity to raise over 50 million in private capital for the construction and outfitting of the campus. There's no state involvement in that private fund raising effort. It's strictly the operating.

COMPTROLLER FRANCHOT: No. I think it's great.

MS. BECK: So do I.

COMPTROLLER FRANCHOT: Don't get me wrong. I'm just saying --

MS. BECK: We're so excited to be here.

COMPTROLLER FRANCHOT: I know you are and this doesn't concern you at all. It's really the RFP process. And, you know, with the best of intentions, we can sometimes get ourselves in situations where we're in effect creating a contract that's -- that there's only one person that can possibly do it.

And I think we -- I think -- I'm not saying that happened here because I don't -- I just want to make sure that you're talking to some of the other schools around the country. And I mean, there can't just be one SEED program in the world and so the taxpayers here get the benefit of competition.

And I hope that you'll go back and interview some of the people that might have wanted to bid on this and just make sure we're -- you've got a competitive process down the road.

DR. GRASMICK: I'd just make two final comments. We did not have any expression from any other potential bidder that, you know, it was unfair in any way or that they were discouraged.

The second thing is, as the Governor said, we would hope to do a second one. And I think what would



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be encouraging is for people to actually see this emerging and to give confidence to them about their ability to do it.

COMPTROLLER FRANCHOT: On the second one, I'd like to see some competition --

DR. GRASMICK: Sure.

COMPTROLLER FRANCHOT: -- please.

DR. GRASMICK: And we would too. So thank you.

TREASURER KOPP: But we also want to see the best school we can get.

MS. BECK: And you'll get it.

DR. GRASMICK: And we feel very confident.

TREASURER KOPP: Are you going to have a series of -- how are you going to assess your success? What are the sort of indices that you're using?

MS. BECK: Our goal is to take children in, as is the case in Washington, D.C., at the middle -- sixth grade in Maryland, seventh grade in Washington, D.C. who are facing obstacles that overall have left them three or four grades behind in reading and math.

And our goal is for those students to catch up in middle school, to make up all of that lost ground, to proceed to our college prep high school program, and matriculate to a four-year college and university or university. That's our measure. In Washington, D.C., 97 percent of our students go on to four-year colleges and universities.

DR. GRASMICK: And I would be remiss if I didn't say, and there's total agreement with this, meeting our state standards in terms of --

MS. BECK: Absolutely.

DR. GRASMICK: -- the proficiency and advanced level for all of the students.

TREASURER KOPP: And how are students selected? I mean, I assume there will be a lot of students who would like to be in The SEED School.

MS. BECK: We expect as much. The legislation that directs the State Department of Education and us, the operator, to work out a set of eligibility criteria that helps to ensure we're reaching the students who would most benefit.

So there will be a list, not worked out yet, of seven or eight factors that we know might contribute to a child being at risk of not completing school. They may include a single-parent household, distressed neighborhood, failing to succeed in fifth grade, for instance, so a reverse creaming, if you will.

And the students applying for the school will meet some subgroup of two or three of this longer list of factors. And once that threshold is crossed, any student in the state can enter the lottery.

GOVERNOR O'MALLEY: Is that what The SEED School does?

TREASURER KOPP: It will be a lottery?

MS. BECK: It does not.

GOVERNOR O'MALLEY: Yeah, The SEED School doesn't do that.

MS. BECK: We achieve -- we achieve that -- we must achieve that in Washington through very aggressive marketing and networks with youth-serving organizations and teachers in distressed areas because the law under which The SEED School operates does not allow for that.

DR. GRASMICK: And we will be presenting The SEED personnel at our superintendents' meeting so they'll be fully informed of all of the parameters and the application process.

TREASURER KOPP: That's great. I hope you'll keep us informed.

MS. BECK: We will.

DR. GRASMICK: Thank you.

TREASURER KOPP: It's good.

DR. GRASMICK: Thank you.

MS. BECK: Thank you.

TREASURER KOPP: Thank you.

GOVERNOR O'MALLEY: Thank you.

Okay. Any other questions on the DBM agenda?

(Whereupon, there was no response.)

GOVERNOR O'MALLEY: Hearing none --

COMPTROLLER FRANCHOT: On the hand carried, do we have the --

GOVERNOR O'MALLEY: I'm sorry?

MS. MCDONALD: Fifteen.

COMPTROLLER FRANCHOT: Is this where the cuts are.

SECRETARY FOSTER: Mr. Comptroller, Governor, Madam Treasurer, this is the item really that the Governor and the Treasurer have discussed at the beginning of the meeting. They elaborated on the elements of the Administration's \$200 million cost containment plan.

What this item does that is before you today is it basically includes \$196 million in reductions for the fiscal year 2008 budget. It includes 128 million in general funds, 14.6 million in special funds, 53 million in federal funds. And as the Governor indicated earlier, in addition, we're also recommending the abolition of 147 positions.

COMPTROLLER FRANCHOT: Can I --

GOVERNOR O'MALLEY: Sure. Mr. Comptroller.

COMPTROLLER FRANCHOT: So the amount is what, 280 million?

SECRETARY FOSTER: The total amount is 280 million in the cost reduction plan, but the item before you today that you're voting on is 196 million.

COMPTROLLER FRANCHOT: Okay. And the 280 million overall cut, how does that compare to what the

legislature did after their 90-day review session?  
What did they cut from your budget?

SECRETARY FOSTER: I think the legislature's cuts were in the neighborhood of 70 million.

COMPTROLLER FRANCHOT: Seventy million?

SECRETARY FOSTER: Seventy.

COMPTROLLER FRANCHOT: And my information is it was about 222 million when you look at the

SECRETARY FOSTER: I may be off on that.

COMPTROLLER FRANCHOT: -- general fund, special funds, and federal funds.

SECRETARY FOSTER: I'm sorry. I was speaking to the -- to the general funds.

COMPTROLLER FRANCHOT: The general fund is 180 million. In any event, it's 222 million, so we're cutting 280 million today.

SECRETARY FOSTER: Yes.

COMPTROLLER FRANCHOT: What is the amount of ongoing cuts? How many of these are one time only or how many of these are going to be --

SECRETARY FOSTER: We're estimating that the ongoing savings are going to be in the \$100 million range.

COMPTROLLER FRANCHOT: And that's what is --

SECRETARY FOSTER: That's what we anticipate going forward.

COMPTROLLER FRANCHOT: -- structural deficit cut? Okay. Could I just ask where you are or where we are as far as a -- in addition to these reductions? I know the Governor mentioned that new sources of revenue. Where does that effort currently stand?

SECRETARY FOSTER: Well, certainly I would say following the end of the session, the Administration has been having discussions with the members of the General Assembly, with the leadership, and we have been talking about potential revenue enhancements and that those matters are still under discussion.

COMPTROLLER FRANCHOT: Okay. Could I ask a few -- Madam Treasurer, I don't know whether you have questions. I have some questions on the individual

cuts and I just wanted to go down and ask if you or whoever's here to talk about that.

In the Department of Health and Mental Hygiene --

SECRETARY FOSTER: The Secretary's here.

COMPTROLLER FRANCHOT: Great. Mr. Secretary, welcome, and I thank you for coming over and briefing me yesterday. As you know, I have a concern about the Medicaid-related cuts that your -- you are listing here.

And one question is, aren't we giving up federal money by enacting these kinds of cuts? For example, the hospital day limits is -- you're cutting 17,200,000, but doesn't that mean the state loses or you lose a matching 17.2 million?

MR. COLMERS: That is correct. And as I explained to you yesterday, if you are attempting to achieve the savings that we are required to achieve, it is necessary to make cuts in Medicaid. Any time you are making cuts in Medicaid, you are giving up the federal matching funds.



The particular case that you're identifying here, the day limits, this is a continuation of a cut that has been in place now for 18 months. And so the net effect to the hospitals and to the patients is minimized because of the hospital rate-setting system.

But the practical effect, as you say, is to also give up federal dollars in this particular instance because of the nature of the cut and the effect of the hospital rate-setting system. Hospitals and patients are kept total.

COMPTROLLER FRANCHOT: Okay. Let me ask the Budget Secretary then. Why -- I take it you asked a certain amount of money from Dr. Colmers as far as --

MR. COLMERS: Dr. Colmers would be my father, my brother, my grandfather.

(Laughter.)

COMPTROLLER FRANCHOT: My apologies to your -- but why are we -- I understand the need to make cuts and the need to make efficiencies. But why are we cutting state funding that is matched one to one with federal dollars? Why don't we go and cut somewhere else so that we don't lose -- I mean, what is the -- I

guess, Mr. Colmers, what is the in your -- in all these cuts, how much federal Medicaid dollars are we losing?

MR. COLMERS: I don't have the exact figure. I see on the material that's sent out, it's \$45 million are in federal cuts. I would assume that a large chunk of that is coming out of the Medicaid program.

COMPTROLLER FRANCHOT: So let's say it's 40 million. Why are we giving up \$40 million in federal funding as we go through this efficiency process? I mean, that -- I know they're taxpayer dollars, of course, but they're just going to be sent to some other state.

SECRETARY FOSTER: Well, certainly when we started this project, you are correct, we gave agencies specific targets that they were to come back in terms of an amount that they would be contributing. We left it up to the cabinet secretaries to go through their budgets to make decisions about how they thought that they could make these reductions and not affect vulnerable populations, operate their departments in the most effective and efficient manner.

Based on the recommendations that the Secretary came forward, many of the general funds obviously did have federal funds attached to them. But certainly in the case of this department and other departments, we did not try to second guess. We said the agencies certainly had come forward with a reasonable solution.

And if the federal dollars were cut, that was part of this process. Obviously it's a possibility that they can come back. The cuts aren't -- don't have to be permanent.

MR. COLMERS: If I might --

COMPTROLLER FRANCHOT: Sure.

MR. COLMERS: -- Mr. Comptroller, the entire budget of the Department of Health and Mental Hygiene is about seven and a half billion dollars.

COMPTROLLER FRANCHOT: Uh-huh.

MR. COLMERS: The vast majority of it, I believe it's about close to \$6 billion, is in Medicaid, either directly in Medicaid or where Medicaid is funding services in the Mental Hygiene Administration or the Developmental Disabilities Administration.

To achieve the cuts of this magnitude in areas that are not federally matched, you would be talking about elimination of entire programs or activities. That is in the possibilities, in fact was done in the case in the early 1990s when the state had a state-only program which covered people who were not eligible under the federal rules for Medicaid. It was a hundred percent funded by the Medicaid program. That program was eliminated and it has not seen the light of day since the early 1990s.

As the Governor pointed out earlier, our goal was to achieve these cuts in a way that minimizes the effect on individual -- individuals, many of whom are the most vulnerable in our state. And we believe that the cuts that we have made here are going to achieve that with a minimal effect on individuals who rely on the state for these services.

COMPTROLLER FRANCHOT: Thank you, Mr. Secretary. And -- but -- so do you anticipate next year going -- asking the hospital rate limit, the hospital stay limit be lifted?

MR. COLMERS: It is our hope. And, indeed, as you may recall that in the Governor's budget that was submitted this year, in fact, it had been proposed that it would be eliminated July 1st of this year. The legislature was the one that imposed this particular cut. It was one of the cuts out of the 200 million that you talked about earlier that they had imposed. We're continuing it another six months.

Obviously revenue is outside my job description and we will do at the Department of Health and Mental Hygiene what we need to do in order to achieve the goals of the Administration.

COMPTROLLER FRANCHOT: And the managed care reductions that you have throughout here, do you see any impact as far as the vulnerable population that these MCOs --

MR. COLMERS: We will continue to monitor the quality of care that is being provided by the managed care organizations that are serving the Medicaid population. I do not anticipate a diminution in the quality of care or the level of services that are provided.

That does not mean that I will not hear from the managed care organizations and others. I'm sure I will. But we will continue to monitor that as we do as a matter of course today on the care that they are rendering.

COMPTROLLER FRANCHOT: And employees that are being fired or cut or losing their positions, are -- is there some effort to find them employment elsewhere of comparable rank and position?

MR. COLMERS: Absolutely. We have received direction from the Department of Budget and Management, and I'll leave it to the Secretary to describe what those protocols will be.

A large proportion of these positions are vacant or will become vacant. There are some people who are eligible for retirement and, therefore, will be eligible to retire.

But for the other steps, I'll leave it to Secretary Foster to explain the extensive outreach effort we're going to be making for these employees to find other positions.

SECRETARY FOSTER: I would just add to the Secretary's comments that I'd like to remind the Board Medicaid is 15 percent of the state budget. And I think, you know, both the Treasurer and the Comptroller will remember from their days on Appropriations it was one of the fastest-growing components of the budget when you were both on that committee and it continues to be.

COMPTROLLER FRANCHOT: Right. But I'm under strict orders from my staff not to mention a certain movie that I saw recently and --

MR. COLMERS: And which was commended to --

COMPTROLLER FRANCHOT: Yes.

MR. COLMERS: -- me by you.

COMPTROLLER FRANCHOT: Yes.

GOVERNOR O'MALLEY: Are we talking about Harry Potter or --

(Laughter.)

COMPTROLLER FRANCHOT: No. But, Madam Secretary --

(Laughter.)

SECRETARY FOSTER: In regards to the severance, we do have -- is that your question?

COMPTROLLER FRANCHOT: No. In regards to the situation with health care, particularly health care for the middle class and for the poor in our country. And so, yes, it's a big budget and it's a big chunk of state spending.

But my concern with these various adjustments, particularly with matching federal dollar -- federal dollars, which is not a savings to our taxpayers, is that we are impacting that in some way. I respect the Secretary. He says that there is no impact. But there is a problem, big problem out in our country and our state.

The Governor's been very forceful on this as far as people that either have health care and are denied services by the MCOs or in this instance under Medicaid, they're not able to get on the rolls in order to qualify for health care. And it really begs the question of who are we as a state, society faced with what we see out there in the health care arena?



And so I can understand you from a budget perspective saying this is a drop in the bucket compared to what we pay. But when you're out there in his situation, it's a different perspective and it's not -- it's more global than just what we're -- you or the Secretary, but it's a serious issue and I, frankly, think, you know, it's important to focus on.

MR. COLMERS: I agree with you. And as the Governor pointed out yesterday at the press conference, there are enormous needs that are currently not met in health care. And I believe that's part of what you're alluding to and that's, I think, the vision that the Governor has for what Maryland, a one Maryland will look like and should look like, will remain at the forefront of my mind as we go forward.

COMPTROLLER FRANCHOT: Thank you.

I have some questions for DHR if --

TREASURER KOPP: I just want to make sure my understanding -- this was something the Comptroller just said about Medicaid, people who would otherwise be eligible for Medicaid. We're not changing the Medicaid eligibility criteria?

MR. COLMERS: Absolutely not.

TREASURER KOPP: Thank you.

So you would say in sum in response to the Comptroller's questions that these are basically -- these are the changes you can make without, in fact, impairing seriously the health of Maryland citizens?

MR. COLMERS: Yes, that's exactly what I would say.

TREASURER KOPP: And all of these add up to something slightly under -- well, yours, \$47 million? Facing a \$1.5 billion structural deficit?

MR. COLMERS: Yes.

TREASURER KOPP: I mean, I think somehow we have to make all of us understand, everyone out there, because I think the three people here do and the legislature does, this is serious. It's not just numbers. It's not just numbers. This is real.

And I -- as I said earlier, I think this for health -- I did chair the Health Appropriations Subcommittee some years ago and I do understand how needed health care is and how much it hurts and the fact that in order to achieve these savings, we do have

to forego federal -- I mean, it's too bad we couldn't just, you know, make it up in federal funds, but you can't do that. And this again is adding up to about 200 million out of 1.5 billion. So --

MR. COLMERS: And I think --

TREASURER KOPP: -- just think about that.

MR. COLMERS: Certainly your point is very well taken and if we were to multiply these cuts by the factor that would be necessary to make up the entire structural deficit, in that case, we would be cutting eligibility categories, we would be cutting entire programs in order to achieve it. That's what would be the consequence. So we're --

TREASURER KOPP: And I dare say including hurting individuals. There is a question of public health --

MR. COLMERS: Yes. Absolutely.

TREASURER KOPP: -- also and community and spreading disease, et cetera.

MR. COLMERS: Exactly.

COMPTROLLER FRANCHOT: I look forward as I did in the last session to discussions with you and the

Governor and the leadership as to how to expand Medicaid and expand health care because as chief fiscal officer of the state, this is a fiscal problem for the state, the lack of coverage in our health care system because we end up paying lots of taxpayers' dollars because of this broken system that we have.

And so I agree with the Treasurer's viewpoint as far as today's action, but I look forward to a discussion to expand health care coverage so that we -- so that in effect we benefit our citizens and we save money down the road.

GOVERNOR O'MALLEY: And the irony, you know, the irony of our situation is we're all very proud that the waiver allows us to spread very equitably the huge and constantly increasing cost of uncompensated care and, yet, that same pride and spirit of, you know, the egalitarian shared sacrifice has yet to come together and coalesce around the notion of sharing on the front end where we might actually control the cost.

MR. COLMERS: And that's precisely what we'll be spending the balance of our time this year working on, to do it in a way that is sustainable, that

addresses questions of quality and cost containment simultaneously.

And on the waiver, if I might, Governor, again, this is the 30th anniversary of this program. July 1st is the 30th anniversary and I think it's something we should be enormously proud of in this state. Thank you.

GOVERNOR O'MALLEY: Thank you.

COMPTROLLER FRANCHOT: Department of Human Resource -- Governor?

GOVERNOR O'MALLEY: Yes, sir.

COMPTROLLER FRANCHOT: Could I ask a question about the --

SECRETARY FOSTER: Certainly.

COMPTROLLER FRANCHOT: -- Department of Health --

GOVERNOR O'MALLEY: Anybody here from DHR?

MS. MCDONALD: Deputy Secretary Wilson, Deputy Secretary (inaudible).

GOVERNOR O'MALLEY: Come on up, Deputy Secretary.

MS. WILSON: Good morning.

COMPTROLLER FRANCHOT: Good morning.

GOVERNOR O'MALLEY: You all might check underneath your seats for numbers that will indicate that you're going to be called upon later.

(Laughter.)

GOVERNOR O'MALLEY: I'm kidding.

COMPTROLLER FRANCHOT: Could I ask about the foster care cut of \$2 million? How is that -- how do you defend that or is it your suggestion that we cut that program?

MS. WILSON: It was our suggestion after careful examination of our programs and services that that is, similar to Medicaid, a large portion of our dollars, but more importantly that we are in the process of changing the structure of programs from the back end and most expensive of services and long-term care to the front end in hopes of or the full intention of preventing children from coming into care and those that are coming into care are staying for a much shorter period of time.

We've done a major revision of programs towards that end and we selected a number, and I believe it's 75 that brought us to that number.

COMPTROLLER FRANCHOT: So that's the primary factor? Do you know that we're going to have declining foster care numbers or what is expected?

MS. WILSON: It's already declining and on some level, it's unpredictable, but the shifts that we are making will help to drive it towards that end.

GOVERNOR O'MALLEY: These are the things we talked about at the state STAT meeting and --

MS. WILSON: Yes.

GOVERNOR O'MALLEY: -- and the numbers you have crunched and looked at --

MS. WILSON: Yes.

GOVERNOR O'MALLEY: -- and your projections? I'm sorry, Mr. Comptroller.

MS. WILSON: Yes.

COMPTROLLER FRANCHOT: No. That's fine. Just if I could ask the Secretary what happens -- if we cut the three million, what happens if the caseload doesn't decline?

SECRETARY FOSTER: Well, obviously we will have to go back and assess it at that time. Certainly if the caseload does not decline and the department is required to do something, we'll have to come back and provide funds for the deficiency. And hopefully their projections are correct and that won't occur.

COMPTROLLER FRANCHOT: Okay. And these aren't matching, I take it, or are they? These are not matching dollars?

SECRETARY FOSTER: Uh-uh.

COMPTROLLER FRANCHOT: It's not like Medicaid?

SECRETARY FOSTER: No.

COMPTROLLER FRANCHOT: Okay. Let me just ask on the temporary --

TREASURER KOPP: Could I just follow this one up --

COMPTROLLER FRANCHOT: Yeah. Sure.

TREASURER KOPP: -- for just a second? So what you're doing within one fiscal year is emphasizing family integration or preventive care --



MS. WILSON: Maryland's Family Center of Crisis.

TREASURER KOPP: -- with the hope that by the end of the year, there will be enough fewer people going into foster -- to high-end, deep-end care to save that amount of money and those number of kids?

MS. WILSON: Yes. And we purposely kept it low. We have in each portion of child welfare major changes that are taking place now that are going to effect that change.

TREASURER KOPP: I would love, Madam Secretary --

MS. WILSON: Deputy Secretary.

TREASURER KOPP: -- Deputy Secretary, to hear more about that. I don't know if the Secretary will recall, but I think it was when Secretary Messinga, I believe, was Secretary, we did exactly the same thing and it worked and it was -- the legislature pushed it and it was a big risk because it was cutting a fiscal year's fund with the assumption that within that same fiscal year, there will -- and it worked. And, unfortunately, a couple of years later we hit a budget

crunch and they took away the intervention, prevention money and flipped back right to where it was when you found it.

So I mean, as long as you can initiate that and keep it up, I think you're absolutely right that it's better -- it's better budgeting and it's better for the children and it's better for the families. But we didn't keep our eye on the prize. We lost, as the Governor said, the (inaudible), we lost that.

MS. WILSON: I do recall those programs. This is very similar, very updated --

TREASURER KOPP: I'm talking about the concept.

MS. WILSON: Yes.

TREASURER KOPP: Wonderful.

COMPTROLLER FRANCHOT: Was this cut, just bringing up the legislature, was this cut recommended by DLS or by the legislature? I take it the legislature didn't adopt the cut, but was it before the legislature to spend less on foster care based on your declining enrollment?

MS. WILSON: Not to my knowledge.

COMPTROLLER FRANCHOT: Could I just ask about the emergency assistance to families with children that you're cutting three million, welfare avoidance grants you're cutting. And you say you're replacing our money with federal money. How do you do that?

MS. WILSON: Well, the TANF funds allow us some flexibility in that area, so the local departments are not going to experience a change in their funding. It was our way of making the cut, the contribution towards the cut without changing the impact on the people that need those services.

COMPTROLLER FRANCHOT: Okay. So you're cutting the general funds and replacing the federal funds?

MS. WILSON: With TANF dollars.

COMPTROLLER FRANCHOT: That's a great system. How much more can we do of that?

(Laughter.)

MS. WILSON: The flexibility is towards some specific ends.

COMPTROLLER FRANCHOT: What's the dollar amount? What's -- how big is the federal pot?

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MS. WILSON: Well, actually, I'm sorry, I don't have those figures in front of me this morning. What I do know is that the flexibility that TANF allows us towards emergency services, towards benefits to families in need allows us to do that and towards some child welfare programs as well.

COMPTROLLER FRANCHOT: Madam Secretary --

MS. WILSON: But it's limited in terms of moving outside of that benefit range.

COMPTROLLER FRANCHOT: -- do you know how much we have in reserve on this?

SECRETARY FOSTER: I think the TANF funds are around 20 million.

COMPTROLLER FRANCHOT: After these reductions or before?

SECRETARY FOSTER: That's what the pot of funds is.

COMPTROLLER FRANCHOT: But are we going to have 20 million after we cut 3.1 and 1.75?

SECRETARY FOSTER: Well, certainly what she's doing is she's going to be funding these two

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items, the emergency assistance to families with children and welfare avoidance grants from that pot of 20 million.

COMPTROLLER FRANCHOT: Okay.

SECRETARY FOSTER: So she'll be reducing.

COMPTROLLER FRANCHOT: Okay.

SECRETARY FOSTER: This will be the three million.

COMPTROLLER FRANCHOT: Okay. That's a good system.

SECRETARY FOSTER: We like it.

COMPTROLLER FRANCHOT: Now, is that replenished? Are the TANF funds replenished by the federal government? Are we going to be able to do this every year or is this a one time?

SECRETARY FOSTER: We just have a huge pot of funds right now. Going down the road, we'll have to see what happens with those monies. I can't commit today that that's going to be replenished.

GOVERNOR O'MALLEY: If I may, is it not a function of the degree to which people move off of welfare rolls in addition to the lack of reform in

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Washington? I mean, we've been fortunate that since Welfare to Work in 1996 --

SECRETARY FOSTER: Somewhere around there.

GOVERNOR O'MALLEY: -- '97 that the Congress -- '96 that Congress has failed to reform, you know, the savings that come from TANF. Initially it was thought that the TANF savings would be plowed back into workforce investments and, instead, most governors took those funds and as part of the their state general fund and Congress had been reluctant to touch it.

Now, oftentimes those TANF dollars go into other things that are related, I suppose, in an ancillary way to the mission of DHR, but -- you know, so it's a combination, I believe, right, of both the degree to which people continue to come off the welfare rolls and the degree to which Congress leaves alone the -- for another year their -- any attempt to recapture at the federal level TANF savings.

MS. WILSON: And much of it will have to do with our work participation rate and resources that are going to be needed for that. Even though people

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come off the welfare rolls, we have another set of activities that we're responsible for meeting that we will use those same dollars for.

GOVERNOR O'MALLEY: And so you've been using -- those actually were changed, right? I mean, they did make the work participation rules -- they put on additional rules and so you're using TANF savings in order to fund that --

MS. WILSON: Yes.

GOVERNOR O'MALLEY: -- federal mandate?

MS. WILSON: Yes.

GOVERNOR O'MALLEY: Got you. And that happened like two years ago, right?

MS. WILSON: Yes.

TREASURER KOPP: Do you use TANF for child care?

MS. WILSON: Not TANF. There are specific child care -- purchase of care dollars, but they're not TANF dollars.

TREASURER KOPP: They're not comfortable --

GOVERNOR O'MALLEY: Actually, they were greatly cut four years ago, if memory serves me, by about \$22 million. We'd like to, you know, as we move

forward get those ramped up because, you know, child care and transportation are the biggest impediments to our citizens who want to join the workforce.

TREASURER KOPP: Right. That's going to be critical to the Welfare --

MS. WILSON: Yes.

TREASURER KOPP: -- Welfare to Work.

COMPTROLLER FRANCHOT: Thank you. I have some questions about University System.

MS. MCDONALD: Mr. Vivona is here.

GOVERNOR O'MALLEY: Is there someone from the University System here?

SECRETARY FOSTER: Joe Vivona is here.

COMPTROLLER FRANCHOT: So your cut is 12 million. My question is, you have a tuition freeze?

MR. VIVONA: Correct.

COMPTROLLER FRANCHOT: How are you going to pay for the 12 million?

MR. VIVONA: Well, we're going to do things that adjust downward our pattern of expenditure. We're not -- we never did consider when we were informed of the cuts nor are we considering now any --



COMPTROLLER FRANCHOT: Can you speak up just a little, please.

MR. VIVONA: We will reduce our spending. We will not seek higher tuition rates at this time. We haven't considered that. We think the cuts are on the order of magnitude that would best be resolved by making adjustments.

I don't think they change our overall goals or our ability to achieve those goals. I think we have our goals in mind. The pace at which we achieve them may change, but we have not considered at this time any kind of request to our elected officials that would alter tuition.

COMPTROLLER FRANCHOT: Okay. But are you going to leave -- how do you -- what do you do? I mean, I know it's a big budget you have, but do you leave positions vacant? Do you not hire people? What -- what's the strategy?

MR. VIVONA: Where you have flexibility to reduce spending as in not hiring additional adjuncts, you will let class size increase slightly and not making adjunct appointments. We have that flexibility.

Where we have vacancies, we will let those vacancies exist for a bit longer.

But I do want to stress that we are going to be able to achieve the most important priorities. We will make our enrollment levels. We will continue to grow the research budget. We will continue to close the achievement gap. We will continue to do initiatives in climate change in our master plans and in our strategic plans.

Right now we're dealing with an event that's a cut. We are not dealing with a trend. If this were to continue over time, then we would have to call into question basic assumptions. At this order of magnitude, I think we can handle -- it's about adjusting and living with it.

COMPTROLLER FRANCHOT: I may agree with you on that, but -- because, you know, you faced huge cuts in the past and then you got huge increases. It was like a yo-yo. You went up and down.

MR. VIVONA: Well, it's repeated cuts. They could be larger or smaller. It's the trend if they're

repeated reductions and we are not seeing that as yet. Hopefully we won't see that.

COMPTROLLER FRANCHOT: And how do you compare to your national peers as far as financial aid to students? Where do you rank?

MR. VIVONA: I don't know exactly where we rank. Maryland overall is a high tuition state. We do in relative terms put disproportionate amounts of our institutional dollars into financial aid. Nationally, though, I think that one has to look at the overall tuition level to really measure what the issue would be with financial aid.

And, again, Maryland was higher. The cap on tuition over the last few years has improved that situation. We were once seventh in the nation in tuition. We are now twelfth in the nation in tuition. So that circumstance has stabilized somewhat.

COMPTROLLER FRANCHOT: Good.

GOVERNOR O'MALLEY: We're heading in the right direction.

MR. VIVONA: Yes, very much so.

COMPTROLLER FRANCHOT: Well, yeah, but don't -- aren't you predicted to have a 25 percent increase in enrollment over the next -- in the future and --

MR. VIVONA: We've had some success in the Governor's original submission to the General Assembly. We received funding for 1,740 additional students moving forward. That's beyond the 30,000 that we take in on an annual basis. That was trimmed slightly by \$2 million during the appropriations process itself with the General Assembly.

But we have language and we agree that we can make that enrollment target. Actually, we'll exceed that enrollment target.. Again, if we can continue successfully obtaining funds for enrollment growth, we'll be okay with our target of about 40,000 additional students over the next decade.

COMPTROLLER FRANCHOT: Do you have some kind of efficiency program where you already make a cut of one percent and the state --

MR. VIVONA: Yes.

COMPTROLLER FRANCHOT: What do you do with that?

MR. VIVONA: Over the last six years or so, we have created our current services budget which is taking the current year appropriation, growing it by asking the simple question, what will you be able to -- what do you need to do next year that which you are currently doing.

It's from that number that we take one percent of our overall appropriation of roughly \$2 billion of general funds and tuition and fees and cause -- what we try to do is cause productivity improvements at the institutions.

Last year, that number was \$18 million. We achieved that \$18 million savings. And in the current budget as submitted and approved by the General Assembly, we have that \$18 million reduction built in --

COMPTROLLER FRANCHOT: Okay.

MR. VIVONA: -- and are putting into place actions to achieve that.

COMPTROLLER FRANCHOT: And let me -- do you get -- you don't pocket the 18 million? You return -- you ask for 18 million less?

MR. VIVONA: Essentially we ask for \$18 million less than --

COMPTROLLER FRANCHOT: Okay. Let me ask the Budget Secretary. Is that factored in to this kind of discussion where, you know, with a tuition cap, you could imagine, tuition cap, enrollment growth, everybody yelling at the system to be tops in the country, bio-tech and bio-sciences being a big priority, they're saving one percent and then we come in on top of that and say cut another, what is this, how much is this, one percent more?

MR. VIVONA: One point two percent.

COMPTROLLER FRANCHOT: One point two percent. Do you credit them for the --

SECRETARY FOSTER: We did take that into consideration when we were putting the targets together.

GOVERNOR O'MALLEY: If I could interject, the initial target was 20 million and it was partly in deference, appreciation, support, and encouragement of their E and E efforts which are actually happening in advance of some other, you know, efforts by the state

that we reduce from that 20 million target down to the 12 after Mr. Comptroller sparing and specifically requesting that financial aid not be hurt --

COMPTROLLER FRANCHOT: Right.

GOVERNOR O'MALLEY: -- that public safety not be touched, and that their development efforts, namely their private fund raising efforts, not be, you know, the sort of first-born things they throw out of the gondola of the balloon.

COMPTROLLER FRANCHOT: Well, I share with you that -- I mean, I compliment you on that kind of scrutiny because I'm not sure it went on in the past when we had previous cuts. So I mean, that's -- you know, I appreciate that specificity, but -- and I also appreciate the fact we're helping the middle class keep tuition rates down, but there's a dilemma which is tuition caps, cuts, enrollment increases. That does not create a potion for next year for excellence down the road, although, as you say, this is --

MR. VIVONA: It's an event.

COMPTROLLER FRANCHOT: This is an event.

MR. VIVONA: It's an event.

COMPTROLLER FRANCHOT: Okay. Just --

TREASURER KOPP: I'd just like to as I said in the beginning, so I don't want to repeat myself too much, but I agree completely with the Comptroller and I hope with the Governor. I never supported tuition freezes anyhow. I think they're bad policy. That's my personal opinion. I think the cost of everything goes up.

The problem is the prior administration forced the tuition to go up much too high out of proportion to cost. But a small increase along with a cost of education increase seems to me appropriate even as a middle-class parent. I think it sounds like you can handle this, although I have always been a proponent of more funding for higher education and the University System.

But, again, just as with health and just as with human services, you're tightening -- you have the tightening and you are tightening, as the Comptroller said, administration and efficiencies in the face of increased enrollment. And the better our schools do, our elementary and high schools do, the more students



we're going to want in the colleges because you know that a college education is absolutely essential for success in the 21st century and the state is depending on that.

So I would sincerely hope that we don't have to go through another major round of cuts because that will be very hurtful. And, again, it will be eating our seed corn. It will be very, very foolish, I think.

MR. VIVONA: The task ahead is very, very difficult. We will have the largest proportion of first in family to attend college at our doorstep.

TREASURER KOPP: Which is wonderful.

MR. VIVONA: Which is wonderful. We have a policy of access to offer to --

GOVERNOR O'MALLEY: Say that again. I'm not sure everybody heard it in the back. This year, you will have --

MR. VIVONA: The largest proportion of first in family to attend college any time in our history.

GOVERNOR O'MALLEY: That's great.

MR. VIVONA: And that population as it changes its complexion, its level of income will

continue to emerge. These are the emerging minorities that are at our doorstep and that's our obligation. That's why job one is closing the achievement gap to ensure success because without that, the process fails. That is the simple answer.

GOVERNOR O'MALLEY: Right. And as they graduate offers greater opportunities --.

MR. VIVONA: As they graduate, we are -- we are very happy at any time to demonstrate the connection between what we produce and the economy. There is no question that Maryland is evolving very quickly to a knowledge economy.

Maryland has probably the highest degree level in the nation in terms of the degree of attainment at the doctoral level or at the baccalaureate level. It is why this economy is so potent and why I think technology firms, computer engineering firms, and accounting firms want to expand here.

TREASURER KOPP: Governor, could I just take 30 seconds to point out that this situation is another reason why the citizens of Maryland ought not -- ought

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to invest in higher education, but also that the parents and grandparents take advantage of the opportunities --

(Laughter.)

TREASURER KOPP: -- with a college savings program in Maryland, a great investment for your family, your students, and your university.

MR. VIVONA: Thank you.

GOVERNOR O'MALLEY: I hope to come to see you shortly.

(Laughter.)

GOVERNOR O'MALLEY: Thank you.

MR. VIVONA: Thank you.

GOVERNOR O'MALLEY: The next item?

COMPTROLLER FRANCHOT: Children's Subcabinet Fund. Who represents that? Is that you, Madam Secretary, or -- Children's Subcabinet Fund, the community-based services for children, is that --

GOVERNOR O'MALLEY: Ms. Motts is overseeing that as the acting director?

MS. MOTTS: That's right, Governor. I'm the -- my name is Catherine Motts and I am the interim

Executive Director of the Governor's Office for Children.

COMPTROLLER FRANCHOT: This is probably the most troubling cut in the whole group of them. As I understand, we're cutting \$4 million from new start-ups that would deal with mentally ill children and developmentally disabled children.

And just to preface this, this is the issue that, in the movie that was not Harry Potter, that was emphasized, that middle-class families and upper middle-class families with health insurance, with these incredibly disabled kids, literally they run out of insurance coverage and they have to drop their kids in state institutions. And it is -- I mean, other countries that look at this way we deal with this problem think we're barbaric --

MS. MOTTS: This is --

COMPTROLLER FRANCHOT: -- in the way we do this. And I know you're going to -- I'd just like to have you talk about it a little bit, but this one really jumps out and is --

MS. MOTTS: This is a program. It's a new program. There are 16 million -- \$16 million were allotted. The cut is for \$4 million. No direct services are being cut.

And I want to emphasize that I carefully looked at this and before I arrived, the Department of Budget and Management met with the Executive Director of the Governor's Office for Children to talk about this cut. And it was made in an effort to minimize the direct impact and minimize negative impacts. Let me be clear that no direct services are being cut.

The way that it was budgeted, it's a \$16.5 million program. Four million dollars are to be -- I'm sorry -- \$6 million are to be in start-up costs. The four million that's being cut is from the \$6 million in start-up costs. So there's still \$2 million in start-up costs that remain. The start-up costs --

COMPTROLLER FRANCHOT: You understand what I'm talking about and we have a --

MS. MOTTS: Absolutely. But I wanted to answer your question.

COMPTROLLER FRANCHOT: -- we have a situation out there where --

MS. MOTTS: But I wanted --

COMPTROLLER FRANCHOT: -- the existing service may be inadequate, I guess.

MS. MOTTS: Absolutely. And that's why we have this and that's why no direct services are being cut. And that's why that decision was made. Ten million dollars in direct services that were budgeted will persist.

The cut is for the four million out of the six million that was allotted to start-up costs. Start-up costs, you understand, are furniture, equipment. That's the kind of thing that -- it was a one-time cost. We still have \$2 million to do for this year which is still a sizeable amount of money.

Again, can I say that it has no negative impact? No. But it was done to minimize negative impact and given that it's not affecting direct services, I think that we have achieved that.

COMPTROLLER FRANCHOT: I appreciate that. What we need is an expansion of this program. And I'm not criticizing

your sensitivity as far as making this cut. What I'm saying is this talk -- this is not just poor kids as I understand.

MS. MOTTS: That's right.

COMPTROLLER FRANCHOT: This is kids of all our families.

MS. MOTTS: That's right.

COMPTROLLER FRANCHOT: Because the MCOs or the HMOs or whatever they're called, they cap.

MS. MOTTS: It does go to all kids and as I continue to point out, sir, the direct services will continue to go. It's just the furniture, the overhead, the start-up costs that are being cut.

TREASURER KOPP: But clearly future costs, future cuts would not only impair the extension of needed services to all of the families of the state, but would cut services that are provided to, as the Comptroller pointed out, the mentally ill and developmentally disabled children of all of our families.

MS. MOTTS: That's right. And we'll look at it again, you know, potentially next year. This was

just a one-time cut for the start-up costs. And, again, there's still \$2 million of start-up costs that remain.

COMPTROLLER FRANCHOT: Okay. Thank you.

MS. MOTTS: Thank you.

GOVERNOR O'MALLEY: May I ask a couple questions on this as well?

MS. MOTTS: Yes.

GOVERNOR O'MALLEY: The -- so the -- so this is an enhancement of a program, correct?

MS. MOTTS: Yes.

GOVERNOR O'MALLEY: And that enhancement and our annual budget process was increased by how much money?

MS. MOTTS: Now it's going to be \$12.5 million.

GOVERNOR O'MALLEY: Initially 16?

MS. MOTTS: Sixteen point five, yes, sir.

GOVERNOR O'MALLEY: And what we are saying is that rather than enhancing this important program that all of us believe is important by 16 million, that this year we believe that we can do it at 12 and that would



be a, you know, 12 million enhancement, not a 16 million enhancement, and the dollars that you're taking are primarily from what, the start-up costs and the hard costs and the furniture and all that sort of --

MS. MOTTS: Exclusively. That's exactly right. And it's \$12.5 million that -- that's an enhancement. That's an excellent way of putting it.

GOVERNOR O'MALLEY: So it's --

MS. MOTTS: It's actually an increase from last year.

GOVERNOR O'MALLEY: So this is an increase of 12 million but not 16 over what we had last year?

MS. MOTTS: Yes, sir.

GOVERNOR O'MALLEY: And all of us hope to get to a point where we're able to do -- you know, which also highlights another thing. You know, part of the -- part of this effort is not only the cuts and increased collections and looking at revenue streams, but part of it has to do with the pace of enhancements across the board on things -- you know, on goals that all of us share, but it's almost sort of a balance and sustainability question in and of itself.

Madam Secretary, would you please prepare for us maybe for next meeting with the help of some of the state stat people some sort of at-a-glance look at the rate of enhancements --

SECRETARY FOSTER: Be happy to.

GOVERNOR O'MALLEY: -- as part of the overall here because some things, you know, we're very proud of. We've been increasing at a very good clip, increasing investments that matter, other things not as quickly as we'd like, some things not at all, and some things maybe more quickly than is prudent.

SECRETARY FOSTER: I'll be happy to do it.

TREASURER KOPP: But, Governor, just to remind us, we're talking about, about \$200 million cut, facing a \$1.5 billion structural deficit to fund ongoing programs, not enhancements. So you can't get out of this by cutting is my thought.

GOVERNOR O'MALLEY: Not entirely. That's true. But some of these cuts are to (inaudible).

TREASURER KOPP: Some of these cuts that are part of 200 million out of 1.5 billion.

GOVERNOR O'MALLEY: Madam Secretary, how much of this is recurring?

SECRETARY FOSTER: A hundred million.

GOVERNOR O'MALLEY: About half of this is recurring.

COMPTROLLER FRANCHOT: But on this program, can you -- do you work for Secretary Donald or are you a Secretary yourself?

MS. MOTTS: I am not a Secretary myself, sir. I'm the Executive -- the acting Executive Director of the Governor's Office for Children which supports all of the child-serving cabinet secretaries, so Secretary Donald, Secretary Colmers.

COMPTROLLER FRANCHOT: So is this your budget item or is it Secretary Donald's or whose is it?

MS. MOTTS: It's part of the Governor's Office for Children. It's part of the Children's Cabinet Fund which again serves all of the child-serving agencies, DHR, DHMH, MSDE, DJS.

COMPTROLLER FRANCHOT: I think your testimony is great. If you could just maybe help me understand

the program a little bit more because my concept of it is that there's a big unmet need out there and --

MS. MOTTS: I think there absolutely is an unmet need.

COMPTROLLER FRANCHOT: And I know that a lot of the critics of government out there say, oh, gee, you know, we can be indifferent to that. Well, from a fiscal standpoint, think of a family that's got a child that tragically is in this situation and their insurance runs out and they have to stay at home or go to work or they have to put the kid in a state institution where we pay for them.

MS. MOTTS: Right. These are for children -- this money --

COMPTROLLER FRANCHOT: That's what I'm interested in. And if you're saying -- I guess -- well, why don't you get back to me because I have a feeling that there a lot of those kids out there that are not in a program now.

MS. MOTTS: I think that's right and I think that's why this is overall an enhancement of \$12.5 million to help those kids.

COMPTROLLER FRANCHOT: That's fine. Thank you.

MS. MOTTS: Thank you.

GOVERNOR O'MALLEY: Thanks very much, Ms. Acting Interim Director.

(Laughter.)

COMPTROLLER FRANCHOT: You did a great job.

GOVERNOR O'MALLEY: Next item.

COMPTROLLER FRANCHOT: Maryland Higher Ed Commission. Are they here?

GOVERNOR O'MALLEY: MHEC. MHEC in the hall. Anyone here from MHEC?

COMPTROLLER FRANCHOT: I move favorable on that cut. No.

(Laughter.)

COMPTROLLER FRANCHOT: Let me ask the Budget Secretary. What are we doing with the Sellinger formula because I think the complaint is that we're hitting them unfairly --

SECRETARY FOSTER: Certainly.

COMPTROLLER FRANCHOT: -- because -- I guess because their allocation is based on the University

budget or -- and so when that's cut, they get cut and now on top of that, you're cutting them again.

SECRETARY FOSTER: With the Sellinger formula, what we did, Mr. Comptroller, was we reduced aid to the non-public institutions of higher education by four percent. This is exactly the kind of thing the Governor was talking about. While we're cutting it by four percent, it leaves an increase of 12 percent, so we -- their budget continues to grow by another 56 million. So the formula has been reduced, but --

COMPTROLLER FRANCHOT: But what about this issue that they're --

TREASURER KOPP: That's not what the Comptroller was addressing.

COMPTROLLER FRANCHOT: Thank you. Go ahead, please.

TREASURER KOPP: The Comptroller was addressing the fact that the Sellinger formula is based on the prior year FTE funding for the four-year schools. And so this is not only a cut out of time, as it were, but they will be cut again next year based on

the cut to the higher education public institutions this year.

SECRETARY FOSTER: But, again, it is based on enrollment --

TREASURER KOPP: On a formula.

SECRETARY FOSTER: On a formula. And, yes, they will be hit again next year.

COMPTROLLER FRANCHOT: Let me just --

TREASURER KOPP: So there will be a double cut essentially.

SECRETARY FOSTER: It will -- they will be hit again.

COMPTROLLER FRANCHOT: Could I --

SECRETARY FOSTER: But again --

COMPTROLLER FRANCHOT: Pardon me.

SECRETARY FOSTER: I would just stress again this is certainly an instance where we are still leaving an increase of 12 percent. We are leaving a situation where they're getting \$56 million more.

COMPTROLLER FRANCHOT: Could I just ask in the future hopefully we don't have to repeat this cut situation, but if you could just do some research on

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what it would cost for the state to pay for one of these private colleges were they to go bankrupt.

For example, Hood College, not that they are, but they have difficult fiscal challenges. What would the state pay if that college were not operating?

And I think like the University of Baltimore that we -- is now a public school I think you understand there are tremendous fiscal impacts to the possibility one, two, or more private universities not being able to make it in Maryland. And so I think that's a point.

And, number two, I think the Treasurer is right. We need to be fair with these institutions. We -- some of us can object to the fact that privates get funds from the state, I guess. I don't. I think it's an important investment.

But I think from a fiscal standpoint, we have to be fair to these institutions. I would hope down the road, Madam Secretary, that you would not view it just as a, you know, they're getting more money and --

SECRETARY FOSTER: Well, the cut is 2.5 million. I would hope over the number of institutions



that 2.5 million wouldn't have an impact of really pushing an institution over the edge.

COMPTROLLER FRANCHOT: Okay. Well, I'm not saying that it does. I'm just saying that a lot of these institutions are on the edge.

SECRETARY FOSTER: I understand.

COMPTROLLER FRANCHOT: And there's a reason why this money has been given. Let me ask about scholarships. We're reducing scholarships by 5.9 million.

SECRETARY FOSTER: Yes.

COMPTROLLER FRANCHOT: What is the -- why are scholarships not being spent?

SECRETARY FOSTER: Obviously the Secretary of Higher Ed could do a better -- better job of answering that question, but certainly what we have here is a situation for this year, 2007. There was 5.9 million that was not spent. With some of the programs, they just don't get enough applicants or students apply, they end up getting other grants, so they don't use the money. So the 5.9 million was money that was unspent according to the --

COMPTROLLER FRANCHOT: So this is a reversion now?

SECRETARY FOSTER: Well, in essence it is, but the Treasurer put in legislation several years ago that any unspent funds would be carried forward, so what we're doing is we're -- we carried them forward into fiscal year 2008 and then we're reducing the amount that was carried forward and unspent.

TREASURER KOPP: One time only?

SECRETARY FOSTER: One time only was my conversation with the Treasurer.

TREASURER KOPP: Because the point was to be able to keep this money in student financial assistance and help grow our student financial assistance without necessarily more -- an equivalent increase in general funds. And they've just undone that with this maneuver which is legal, but which certainly, I think, violates the spirit of that legislation.

SECRETARY FOSTER: That's why I discussed this with you and said --

TREASURER KOPP: Yes, you did.

SECRETARY FOSTER: -- that this was going to be a one time only.

TREASURER KOPP: Yes, you did. Thank you.

GOVERNOR O'MALLEY: It also underscores that we need to do a better job of reaching out and publicizing these funds.

TREASURER KOPP: Absolutely.

GOVERNOR O'MALLEY: Yeah, it's a problem. We often give funds to a department whose, you know, primary mission doesn't seem (inaudible).

TREASURER KOPP: Well, also, I think it called -- I mean, we did look at this several years ago and made some administrative changes, but to look at it again and see if there's something about the timing or about the administration of the program either at MHEC or at the schools or the relationship between the community colleges and the four years that is in some way providing a barrier to use of this.

I mean, at one point, they were saying they -- there were certain groups of students who only made up their mind or only thought they could get in to

college at the last minute. And at that point, the deadline had passed.

SECRETARY FOSTER: Right. It is a timing issue as well.

TREASURER KOPP: So to look at that.

GOVERNOR O'MALLEY: Is that in statute?

SECRETARY FOSTER: I think it's just in terms of the process of notifying the student and making the funds available so that they know that they can actually accept them. But we can go back and find out what the timing is or I don't know --

GOVERNOR O'MALLEY: Let's ask the MHEC Secretary to report back to us next meeting. You can even do it in writing, a one or two page letter, steps we're going to take to improve our outreach and ultimately the accessibility of these financial aid dollars to kids of Maryland. That's a reasonable request.

SECRETARY FOSTER: Certainly.

COMPTROLLER FRANCHOT: I just have two more questions and then I'm through. Department of Business and Economic Development, are they here?

GOVERNOR O'MALLEY: DBED.

COMPTROLLER FRANCHOT: Thank you.

GOVERNOR O'MALLEY: Entrants, sign in,  
please.

MR. HENRY: I'm Jim Henry, Managing Director  
of (inaudible).

COMPTROLLER FRANCHOT: You're getting cut or  
the agency's getting cut \$3 million. But 500,000 is  
being cut in something called the Small Business  
Development Financing Authority. Small Business  
Develop -- is that --

MR. HENRY: Yes, sir.

COMPTROLLER FRANCHOT: -- MSBDFA or  
something?

MR. HENRY: Yes, it is, sir. That is MSBDFA.

COMPTROLLER FRANCHOT: So that's going to cut  
3.38 million by 500,000?

MR. HENRY: That's correct, sir.

COMPTROLLER FRANCHOT: Isn't this the program  
that does bonding and financing for MBEs and small  
businesses?

MR. HENRY: Yes, sir. That's correct, sir.

It does the --

COMPTROLLER FRANCHOT: How do you justify --

MR. HENRY: -- direct financing. It does the bonding services, yes, sir.

COMPTROLLER FRANCHOT: How do you justify cutting that by 500,000?

MR. HENRY: There are very limited areas within the DBED budget that have general funds. Most of the funds are generated via the recycling of dollars within the program. This is one of the few areas. The entire budget for that program is about \$18 million, \$19 million. It's about three million general funds, about 16 million in special funds.

COMPTROLLER FRANCHOT: Okay. Well, that's a priority obviously of everybody at the table.

MR. HENRY: And it's a high priority.

COMPTROLLER FRANCHOT: And so I hope you'll pay whatever careful attention you can.

MR. HENRY: Absolutely.

COMPTROLLER FRANCHOT: And then, Madam Secretary, I just had a question about the General

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Assembly and the judiciary cuts which total almost five million. Are those real cuts or are they in writing?

Are they commitments? Are they wishful thinking?

Where are we in our --

SECRETARY FOSTER: Obviously the Executive Branch cannot cut the budget of the legislature or the judiciary. I spoke with Chief Judge Bell. I asked him if he could make a commitment to revert funds during fiscal year 2008. He has sent me a letter committing that he would revert \$3 million at the end of the fiscal year.

I talked with the President of the Senate and Speaker of the House and their staffs about their \$1.8 million reversion. I don't have it in writing, but I'm considering that they are going to go forward and do this. So in both instances --

COMPTROLLER FRANCHOT: We should have a memo in the file.

SECRETARY FOSTER: -- they aren't cuts, but they will be reverted during fiscal year 2008.

COMPTROLLER FRANCHOT: Thank you.

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TREASURER KOPP: Governor, the issue of the Prince George's Hospital.

GOVERNOR O'MALLEY: Prince George's Hospital.

TREASURER KOPP: The situation, if there was a report, I gathered that we were going to vote on a cut to Prince George's Hospital. My understanding is that that is not exactly the situation, that, in fact, this is a reversion of unused funds to a special purpose fund, trust.

SECRETARY FOSTER: This is a result of legislation that was -- that did not pass during the session. We had excess funds that were to be used for the Prince George's County Hospital to the tune of \$20 million. They were in the dedicated purpose account.

What we are planning on doing is transferring those monies from the dedicated purpose account, putting them in the rainy day fund. We'll do it via budget amendment through the Legislative Policy Committee and we will submit that to them for their review.



TREASURER KOPP: So the funds will stay there to be used potentially in the future if things turn out the way --

SECRETARY FOSTER: Or to be reverted if not needed.

TREASURER KOPP: Thank you.

GOVERNOR O'MALLEY: How are we doing? Anything else? All right. Any other questions on the Department of Budget and Management agenda items?

(Whereupon, there was no response.)

GOVERNOR O'MALLEY: All right. Hearing none, anybody want --

COMPTROLLER FRANCHOT: I just want to make a statement about as we vote on this section, Governor, we're going to be voting on frankly more cuts than the entire legislature made in the budget. And I really applaud you and commend you and your staff for the effort that's been put into this package. And, frankly, the fact that we spent an hour discussing it, I think was very helpful. I thought it was an open dialogue. And I know that it's been difficult and this is not easy.

I spoke to your budget secretaries. They're talented people. They don't want to make these cuts. You don't want to make them. The Treasurer doesn't. Obviously I think despite all of the statements where we try to do this as sensitively as possible, these are going to have real impacts on real people. And so I salute you on the one hand for starting the difficult work and I think we're starting to get our fiscal house in order.

I have a lot of, as evidenced by my questions, concerns about the individual cuts. But I also have a concern about the process, not the process, but the situation. In other words, I really think the actions we're taking today are a little bit out of context in the sense that we're asking the most vulnerable in the state to make sacrifices, but we haven't really asked the most affluent.

And so we're cutting foster care and we're cutting expansion of services to mentally ill, developmentally disabled children, but we're not talking about reforming the tax code that allows currently, as I've mentioned to you, almost 70 percent

of Maryland's corporations pay no corporate income tax.

And then everybody around town is talking about -- one tax everyone apparently has agreed on is what I call the working poor tax which is slots. And that's considered a done deal. But how to make our tax system more progressive and fair.

So I believe we should be tackling this issue in a comprehensive fashion. I think we should not be dealing with it in a piecemeal fashion. We are a great state, a state with tremendous potential, great assets. We're a wealthy state. We're the fourth wealthiest state in the country.

But according to the study you mentioned by DLS, we are the 51st state in the nation as far as total per capita spending on state and local programs when adjusted for the wealth that we have, 51st, behind all 50 states and the District of Columbia, dead last. And I think that's a statement that we need to make to our citizens that Mississippi is ahead of us as far as spending on state and local programs.

So I appreciate the fact that we have to look at efficiencies. This is what the Treasurer and I did

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for many years on the Appropriations Committee. But I want to say for the record that we're already won the race to the bottom as far as shortchanging critical government agencies. That's a race that I know a lot of people out there encourage us to do with these cuts. But, ladies and gentlemen, we've won the race. We're dead last.

And I would urge us not to allow our desire to get past the current prices to distract us from the opportunity that we have. I think we can chart a new progressive course for Maryland. I think we can invest in our people and our future. And I know our Governor wants to do that and our Treasurer wants to.

And I just hope that we could work immediately as of yesterday on the package, a progressive plan to put us on the right track financially. I've begun -- stepped up enforcement. We're aggressively pursuing companies that are avoiding taxes. We have one company that we're after for \$30 million.

We have launched the first in the nation Federal Vendor Offset Program where we stop -- we're

stopping payments to contractors that owe us money, that are getting payments at the federal level. And I think there are more opportunities ahead.

So I'm happy to be part of this process and appreciate the sensitivity with which the government is now facing the crisis we're in. But I hope and I echo, I think, the words of the Treasurer and you, yourself, that we need to make significant investments in our state's future. We need to do it comprehensively, inclusively, and fairly. So I'm happy to make the motion for the cuts in that context.

GOVERNOR O'MALLEY: Mr. Comptroller makes the motion in that context. And if I could just add that I appreciate the time and the -- that he -- that you, Mr. Comptroller, and the Treasurer have given to the secretaries and the directors and the heads of the various agencies to answer -- to let them explain why these cuts among the many that they did not want to make were the ones that they chose to put forward in this effort which will be ongoing. And I pledge to you a cooperative and inclusive process as we come through

this and face up to the great opportunity of investing in a better Maryland.

Madam Treasurer?

TREASURER KOPP: I will second it. I spoke earlier -- I do agree entire -- not entirely with the Comptroller, and salute you, Governor. I think having talked to the secretaries, having had this opportunity also today, I think it's quite clear you have squeezed efficiencies out of operations.

I do not believe the most vulnerable among us will be hurt. I do not believe the education of our children will be hurt by this -- by this -- these cuts. I do not believe the environment will be hurt by these cuts. But I do think that further cuts will go beyond the administration of programs into the actual delivery of services to our citizens, to our children, to our families. And I think that would be a terrible mistake.

The Comptroller was looking at the same numbers that I looked at it from the Department of Legislative Services which points out that we're fifth per capita in income, Maryland is, in the United

States, a lot of that because of the investments that we've made in education and in our economy, but we're 51st in spending and percentage of income. And I don't consider that something to be proud of because you can't sustain what we have being dead last.

And we are also, by the way, low in public employment. I know this is one of the concerns that we sometimes hear from those who don't believe in public service or in community service. Maryland is 40th in employment, state and local employment, per 10,000 population. In other words, if we continue along the track that we are on, Maryland will no longer be the great state that it is and we will not be able to provide the education, the environment, the health services that our community requires and that our future demands.

And so I'm -- I agree that this third stage in addressing the problem with which you were faced when you came into office is a good -- difficult but good step and I commend you for the work that you've done. It is good. But going forward, to simply cut and cut and cut and cut will leave us in a state which

I'm not sure that our children will want to live and that we will be leaving no great legacy for the future.

So I hope that we can get together and look at the priorities in terms of the programs and the needs of the state and then look honestly at the ways of funding and come together with a package so that we will have a state that remains socially responsible and fiscally prudent as our late friend, Pete Rawlings, would have --

GOVERNOR O'MALLEY: With opportunity for all.

TREASURER KOPP: With opportunity for all.  
Absolutely.

GOVERNOR O'MALLEY: All right. The motion has been made by the Comptroller, seconded by the Treasurer. All in favor, signal by saying aye.

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(Whereupon, there was no response.)

GOVERNOR O'MALLEY: The motion carries.

We move on to --



MS. MCDONALD: Actually, Governor, I think the Comptroller's motion was just on Item 15. If we could have a motion on Items 1 through 13.

TREASURER KOPP: Could I ask one question?

MS. MCDONALD: Yes, sure.

TREASURER KOPP: Twelve talks about a study on helicopter funding. I apologize. The State Police have sent money to the Institute for Emergency Medical Services to assist in the helicopter. My only -- can we get a copy of the helicopter study when it is done? I'm very concerned about funding mechanisms. Sorry.

SECRETARY FOSTER: You know, they've done the first three tests. They're getting ready to go forward with (inaudible).

GOVERNOR O'MALLEY: All right. The rest of the Department of Budget and Management agenda items, motion by yours truly, seconded by the Comptroller. All in favor, signal by saying aye.

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(Whereupon, there was no response.)

GOVERNOR O'MALLEY: The ayes have it.

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We move -- I am allowed to do a motion?

TREASURER KOPP: Yes, he is.

GOVERNOR O'MALLEY: We move on now to  
University System.

Let's take -- do you all need a break?

Let's take a two-minute break so people can kind of  
clear out and reassemble. Be back here two minutes  
literally. A bio break. Be back in two minutes.

(Whereupon, there was a brief recess.)

GOVERNOR O'MALLEY: University System of  
Maryland. Yes, sir.

MR. STIRLING: Jim Stirling representing the  
University System. We have three items on today's  
agenda. I'll be happy to answer any questions.

GOVERNOR O'MALLEY: Mr. Comptroller, any  
questions of University System?

Madam Treasurer.

TREASURER KOPP: I just had a question maybe  
now that I'm seeing somebody face to face. We've sent  
e-mails about this, the number 1, satellite utilities.  
I may not understand what a utilities building is, but

is this an opportunity to engineer delivery or monitoring of utilities in an energy saving way?

MR. STIRLING: Oh, it certainly is. That's part of what these utility buildings are all about.

TREASURER KOPP: Okay. I -- we don't have to go through it now, but I would like to know -- years ago, I visited the first building that you all built on the other side of Route -- the east side of Route 1.

MR. STIRLING: Uh-huh.

TREASURER KOPP: And when it -- and people were very proud because it allowed you to control things a lot more finely and control expenditure of energy and not spend it where it wasn't needed, et cetera.

And my question was, was this designed with that sort of thing in mind also?

MR. STIRLING: Absolutely. I'd be happy to run a tour for you --

TREASURER KOPP: Yeah.

MR. STIRLING: -- and get you whatever information you'd like.

TREASURER KOPP: I'm the daughter of an engineer, I find it fascinating. Thank you.

GOVERNOR O'MALLEY: All right. Treasurer moves approval of the University System of Maryland agenda item, seconded by the Comptroller. All in favor, signal by saying aye.

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed, nay.

(Whereupon, there was no response.)

GOVERNOR O'MALLEY: The ayes have it.

We'll move on now to the --

MS. MCDONALD: Public Safety.

GOVERNOR O'MALLEY: -- Public Safety.

MS. MCDONALD: One item on the Public Safety's agenda.

GOVERNOR O'MALLEY: May we hear from Public Safety?

MS. MCDONALD: Mr. Bezanson is here, yes.

MR. BEZANSON: Good morning. I'm David Bezanson, Assistant Secretary. I have one item before the Board this morning for transformer work in Baltimore City.

GOVERNOR O'MALLEY: Any questions?

COMPTROLLER FRANCHOT: No questions.

GOVERNOR O'MALLEY: Moved by the Treasurer, seconded by the Comptroller. All in favor, signal by saying aye.

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed, nay.

(Whereupon, there was no response.)

MR. BEZANSON: Thank you.

GOVERNOR O'MALLEY: The ayes have it. Thank you, sir.

Move on now to --

MS. MCDONALD: Maryland Environmental Services. Ms. Frketic is here. She has two items on the agenda.

MS. FRKETIC: Good afternoon. I'm just here to answer questions. We have two items today, small, small, real small.

(Laughter.)

GOVERNOR O'MALLEY: But are they good?

MS. FRKETIC: Yes, sir.

GOVERNOR O'MALLEY: Okay. No questions.  
Motion by the Comptroller, seconded by the Treasurer.  
All in favor, signal by saying aye.

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed, nay.

(Whereupon, there was no response.)

GOVERNOR O'MALLEY: The ayes have it.

We'll move on now to Maryland Department of  
Transportation. You never have small items.

(Laughter.)

MR. PORCARI: That's true, Governor.

Good afternoon, Governor, Madam Treasurer,  
Mr. Comptroller. For the record, John Porcari with the  
Maryland Department of Transportation. We have 24  
items for your consideration this morning. We have  
revised Items 12-M and 22-RP and 23-RP. I'll be happy  
to answer any questions.

GOVERNOR O'MALLEY: Any questions on  
transportation?

(Whereupon, there was no response.)

GOVERNOR O'MALLEY: All right. Treasurer,  
any questions?

TREASURER KOPP: No.

GOVERNOR O'MALLEY: Okay. Motion by the Treasurer, seconded by the Comptroller. All in favor, signal by saying aye.

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(Whereupon, there was no response.)

GOVERNOR O'MALLEY: The ayes have it.

Moving on now to -- what are we on to?

MS. MCDONALD: General Services.

Secretary Collins.

GOVERNOR O'MALLEY: I'm missing my tab. Oh, there it is.

SECRETARY COLLINS: Governor, Madam Treasurer, Mr. Comptroller, I'm Al Collins, Secretary of Department of General Services. We have 39 items on our agenda today. Items 9-GM, 17-RP, and 28-LL have been previously revised. And I'm happy to answer any questions you might have on these items.

GOVERNOR O'MALLEY: Comptroller, any questions?

COMPTROLLER FRANCHOT: Yes. Item 17, I believe.

SECRETARY COLLINS: Seventeen.

COMPTROLLER FRANCHOT: The question, I guess, is we're being asked to pay \$7.2 million for land in Stevensville in Queen Anne's County. I believe that breaks down to about \$97,200 an acre.

Recently we -- the state and the county together purchased the Kudner property which is located just a few miles away in Grasonville for \$18,000 an acre. What can you say that justifies the steep difference in the value of these two parcels that are relatively close to each other?

SECRETARY COLLINS: Mr. Comptroller, I certainly respect your question as one that we looked at in depth in the Department. Actually, the two parcels of land are really -- are totally different. The one in front of you today is waterfront land that has been -- it's improved property because there's an operational tenant on it now. It's industrially zoned which also means that its value has -- is very increased and certainly the location and all.



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So overall, the appraisal set forth that this property is certainly in a different category and much more valuable than the property that we approved -- that you approved previously.

COMPTROLLER FRANCHOT: Okay. So I understand that the arrangement is that we're going to purchase the property and then lease back to the Langenfelder Marine, I guess --

SECRETARY COLLINS: That's correct, sir.

COMPTROLLER FRANCHOT: -- which is affiliated with the seller?

SECRETARY COLLINS: That's correct, sir.

COMPTROLLER FRANCHOT: And so then they're going to allow -- we're going to allow their business operations to move forward?

SECRETARY COLLINS: That's --

COMPTROLLER FRANCHOT: How frequently do we have this kind of acquisition arrangement, I guess, in Program Open Space?

SECRETARY COLLINS: Sir, can I ask Secretary Griffin to come up as well since he's -- we --

COMPTROLLER FRANCHOT: Sure.

SECRETARY COLLINS: -- this is purchased on the Department of Natural Resources. Occasionally we see these purchase and leaseback arrangements, but they are not typical. But we often -- we have seen them before.

Secretary Griffin.

COMPTROLLER FRANCHOT: How often, Mr. Secretary, do we do Program Open Space arrangements where the seller remains on the state-purchased land as a renter?

MR. GRIFFIN: Well, one that comes to mind that we did in my prior tenure here, Mr. Comptroller, was Day's Cove in Baltimore County where we purchased the property subject to an ongoing sludge operation. And the arrangement there was quite creative because we were able to work with the seller who continued to lease part of the property and they basically converted it by the contours that we negotiated with them and turned it into lakes and a park course.

On a less major scale, we routinely purchase land, horse land, ag land, and we lease it back if we don't have any immediate other use for it.

COMPTROLLER FRANCHOT: Okay. And I see there's a \$215,000 a year lease rate --

MR. GRIFFIN: Right.

COMPTROLLER FRANCHOT: -- for Langenfelder Marine. You determined -- did you determine that or your appraisal price has determined that?

MR. GRIFFIN: I think Secretary Collins and his staff used their appraisers to determine the fair market rent.

COMPTROLLER FRANCHOT: How do they do that? I thought that they did appraisals on fair market land value. How do they --

SECRETARY COLLINS: Can we ask Mr. Bill Beach, sir, to come up, who's actually our chief appraiser. He can give you the in-depth steps, step by step on this process.

MR. BEACH: Hi. I'm Bill Beach, the chief of valuation and present position for the Office of Real Estate and General Services.

We hired the same appraisers who had done the appraisals for the land value to go back and estimate the market value. Market value is a value that can be

estimated or -- excuse me -- market rent is -- can be estimated the same as market value of the property.

COMPTROLLER FRANCHOT: So there are -- there are two different processes. One is to do the land value?

MR. BEACH: Correct.

COMPTROLLER FRANCHOT: And the -- whoever the appraiser was did that?

MR. BEACH: It was Ed Peters and Will Rapport (phonetic).

COMPTROLLER FRANCHOT: And you said to the Peters Company to go back and come up with a --

MR. BEACH: With a market rent on the same property. And instead of looking at sales of properties, they're looking at similar type properties that are rented. It's a similar type process, but you're looking at rental values rather than market values.

COMPTROLLER FRANCHOT: Okay. That's fine.  
Thank you, Mr. Beach.

While you're up there, let me ask you a question, if I could. Do you -- where do these appraisers -- what list do they come off of?

MR. BEACH: Our office maintains a list of approved appraisers. Appraisers periodically -- I get calls, telephone calls or e-mails, folks inquiring about being on part of the list. We ask them to send in samples of their work. We have -- we do have appraisers on staff. We view their work and if it's satisfactory, we include them on our list.

COMPTROLLER FRANCHOT: Okay. Let me ask Mr. Secretary Griffin again another question. Thank you, Mr. Beach.

MR. BEACH: You're welcome.

COMPTROLLER FRANCHOT: This property is going to be used for industrial purposes for the renter and they're going to continue to do barging and dredging and whatever it is they do over there, aggregate, aggregate hauling, I think.

MR. GRIFFIN: Uh-huh.

COMPTROLLER FRANCHOT: Do you have any concerns that that kind of industrial activity is not

going to be compatible with the open space use of the rest of the property?

MR. GRIFFIN: Well, I guess, first of all, it's somewhat segregated from the rest of the property. This purchase is 74 roughly acres. As you know, the leaseback for an initial term of five years which we can cancel at our convenience, I might add, is 12 acres.

Secondly, we have done a phase one environmental review of this property which showed that there doesn't appear to be any problems, environmental in particular.

TREASURER KOPP: Can you go into that a little? What is -- how many phases are there?

MR. GRIFFIN: Normally you have two phases in environmental review. In this case, to be extra cautious, we not only completed phase one, but we're also doing a phase two on the property.

TREASURER KOPP: What's the difference? I mean what is phase one and phase two?

MR. GRIFFIN: Phase one normally is a general survey. It doesn't go into depth on anything. You

look for possible issues and then if you see them, you can decide to go forward with an in-depth look at potential problems.

Now, we didn't uncover any, as I understand it, in the phase one review. But, nonetheless, we thought it prudent to do a phase two because of the uses that the Comptroller just alluded to.

And I might add that assuming this goes forward, before settlement, if there were any problems that came out of phase two, either they would have to be corrected by the seller or the acquisition would be abandoned and we wouldn't settle. That's number one.

Number two, I think you may have noticed in your material that at the end of the lease term, whether it just expires or we terminate it, during the term, we will do another phase one and phase two to make sure that during that period of the lease, there's no harm done to the property, if you will, so that we're protected on the back end as well.

I might add that Secretary Collins and his staff who negotiated all this, I think, did a very thorough job. I'm just offering my observation and --

COMPTROLLER FRANCHOT: Was this a Queen Anne's County project that they brought to you?

MR. GRIFFIN: No, I don't think it was, although they supported it. And as you may know, this has great potential. I mean, we're always looking for and it's hard to find bay access properties, number one.

Number two, this can be eventually a great hub both for land trails and water trails given its -- where it's situated on the mouth of the Chester and enters the bay.

You know, we look forward to working with Secretary Porcari on the trail connections not only in this area. There's an old rail line, as you may know, that runs right into the deep water port there and so there's a lot of opportunities not only with Queen Anne's County but all on the Eastern Shore up into Delaware to connect this trail system, the land side of it with trails in the county and throughout the Eastern Shore of Maryland up into Delaware.

So -- and there -- this is -- it may have some historic value. It's the third of three sites



that have historic ferries running from Baltimore City to this part of our state. The other two are under public ownership. One DNR owns at Matapex which is on the Queen Anne's County bay front.

COMPTROLLER FRANCHOT: Let me just ask you a final question.

MR. GRIFFIN: Sure.

COMPTROLLER FRANCHOT: I love Queen Anne's County.

MR. GRIFFIN: I know you do, Mr. Comptroller.

COMPTROLLER FRANCHOT: And the Kudner property, I guess, has got another section coming back to us and we've had -- you know, we've had a lot of land in Queen Anne's County that, maybe it's a timing issue, come before the Board. And as you know, every jurisdiction in the state has development pressures, fighting sprawl, land use, Program Open Space.

Are you looking at the regional application of --

MR. GRIFFIN: Yes, we are.

COMPTROLLER FRANCHOT: -- of POS dollars so that I don't get a sense that we're --

MR. GRIFFIN: Right.

COMPTROLLER FRANCHOT: -- we have a fixation on Queen Anne's County?

MR. GRIFFIN: Right. That's a very fair question and I know it's something that in my discussions recently with the Treasurer as well as the Governor's staff we talked about that. I guess I offer you the following comments:

First of all, we have staff all around the state who are negotiating with land owners for property we want to buy subject to obviously approval from the Board of Public Works. I think, as you alluded to, this is a function purely coincidental in timing where all these acquisitions in Queen Anne's just happened to fit at the same time.

And I can assure you that we are very mindful of the needs around the state and I don't think you're going to see, other than the possible further acquisition of easements on the Kudner tract that is negotiated with General Services and the seller, any more state acquisitions in Queen Anne's County. I think we've pretty well met a lot of the demand over

there for open space and recreation. And you're going to be seeing a lot more acquisitions coming from around the state.

GOVERNOR O'MALLEY: These weren't the only ones. Well, we haven't just been seeing Queen Anne's County. We usually see about 20 items every week and we've done how many of these meetings?

MR. OSLISLO: There are statewide acquisitions. I think the Comptroller is bringing the fact that over the last two or three years, we've had three or four large acquisitions in Queen Anne's County.

GOVERNOR O'MALLEY: Okay.

MR. GRIFFIN: I guess the other thing that --

GOVERNOR O'MALLEY: Do we have a printout or --

MR. GRIFFIN: Sure. We can provide that. We can also give you a list, Governor --

GOVERNOR O'MALLEY: I mean, I know these have been getting a lot more attention, which I don't think is coincidental, after what this Board did on Four Seasons. I don't think there's anything coincidental

about the that attention, but surely there have been others. I mean, see things from all the state.

MR. GRIFFIN: Right. We'd be happy to provide you with that list and we can also give you a list of other acquisitions and process around the state to give you a sense of what's in the pipeline. Perhaps we ought to do that more --

GOVERNOR O'MALLEY: Yeah, that would be good. We could have a map too. Maybe --

MR. GRIFFIN: Sure.

GOVERNOR O'MALLEY: -- it would be good to have a map on line that people could see.

MR. GRIFFIN: The other thing I wanted to mention briefly because, Mr. Comptroller, you raised this in a letter and my response indicated this. And I've had discussions with the Treasurer about this since I came back into DNR. But what I'm holding up is -- has the bay stat logo on it.

We've been working hard at the department under the Governor's direction with the staff for the last two or three months on a new revised land -- acquisition land conservation plan that I hope after we

spend a little more time on this with the Governor through bay stat process, as I mentioned to you in my response to your recent letter and as I mentioned to the Treasurer, we'd like to come over and brief both of you on this. I think you'll find it pretty exciting.

I think one of the byproducts of all that will be much more emphasis on targeted acquisitions because that's something we're working on under bay stat generally speaking and fewer, if you will, opportunity purchases which I think is the direction I was trying to go in when I was here before and we need to get back to that.

I guess, you know, I'm going to be -- if I'm going to be criticized about trying to preserve land, I'd rather be criticized for trying to preserve it than trying to sell it as has happened in recent years.

COMPTROLLER FRANCHOT: But here's my question.

MR. GRIFFIN: Sure.

COMPTROLLER FRANCHOT: Ninety-seven thousand dollars an acre?

MR. GRIFFIN: Well, it's on the high side, but I think as Mr. -- Secretary Collins said, you know, it's industrially zoned. It's in a very key spot in the mouth of the Chester on the Chesapeake Bay. And so I assume, although I don't do appraisals, those issues were taken into account by the two appraisers.

SECRETARY COLLINS: That's true.

MR. GRIFFIN: I mean, this property does have immense potential to really serve current and future generations in terms of connecting them to the bay.

GOVERNOR O'MALLEY: It sounds like your intent and it's our intent in this purchase is not the preservation of pristine forest but rather the preservation of land. Is it industrially zoned?

MR. GRIFFIN: I think the --

TREASURER KOPP: Industrially zoned?

MR. GRIFFIN: Bill. I don't know the answer. Bill.

MR. BEACH: It is not entirely industrially zoned. In addition to a portion of it being industrially zoned, there is a portion of it that already has residential plat approval for several

waterfront lots which in and of themselves are worth a substantial amount of money. There's over a million dollars worth of improvements on this property which, you know, would be blended into the \$97,000 per acre.

So -- and -- excuse me. Actually, in the appraisals, there's industrially zoned parcels that the appraisers looked at that were selling for over \$300,000 an acre. So both appraisals were relatively close. I think there was a six percent difference between the two of them and they both pretty well adequately supported our estimates of value.

So the value, I do believe, is there. It's just -- you know, it's not pristine forest. It's an industrially zoned, industrially used piece of property for offloading of barges.

GOVERNOR O'MALLEY: And your thought is that this is something that could be used for what, recreational or for access to the water?

MR. GRIFFIN: Yes, Governor. I think you have a smaller version of this in the back.

This is Chip Price from the federal Open Space Program.

This has all kinds of potential. There's an interior lake that we can use. This is the part of the property that's, I think, being leased. It's got great deep water, port access. We talked about this, you might remember, in general.

And in the event -- you were asking that a table top where do we have deep water port access if we need to bring big federal vessels in in the case of a hurricane or natural disaster and this, you know, this is one of the few areas that we think is, but --

TREASURER KOPP: Is that one of the purposes of Program Open Space?

MR. GRIFFIN: No, no. I just -- that's just an aside.

GOVERNOR O'MALLEY: That was incidental as to --

MR. GRIFFIN: Right.

GOVERNOR O'MALLEY: -- we had a -- we did a table top that was actually pretty good about that. And we were wondering if the bay and the tunnels cut off access to Delmarva, where could those LSTs docked



up at Baltimore disembark if they needed to, you know, do some steps.

MR. GRIFFIN: But Chip may want to elaborate. But you'll notice there are forest areas at the site. We're going to do some restoration work on those. We're going to work with the county. We have a good relationship with Queen Anne's County Park and Rec Department in terms of partnering together and developing a joint use plan for this property. Chip may want to elaborate a little bit. I mean, this is a great opportunity for water trails.

On Saturday, Governor, you're participating when the John Smith Shallop comes here to Annapolis as it's making its voyage recreating the original --

GOVERNOR O'MALLEY: The Shallop. When --

MR. GRIFFIN: Was a discovery --

GOVERNOR O'MALLEY: -- there is no wind you row.

MR. GRIFFIN: -- of John Smith 400 years ago this year. But this is a great opportunity to, as we expand those trails, water trails, to tie this into it.

Do you want to --

MR. PRICE: I can show there's (inaudible).

First off, you can see how -- this is the overall map of the area. Here's Kent Island, Route 50, and then zeroes it in a little bit. That's the Langenfelder property. This is Cross Island Trail on Kent Island which is actually part of the American Discovery Trail. It runs from California to Delaware as well as part of the East Coast Greenway which runs from Maine to Florida through here. So this is a spur off of that trail. And the property itself, Langenfelder, would serve as a trail head for this end of the island. That's from a land trail point of view.

We also have --

COMPTROLLER FRANCHOT: What's the timing on that?

MR. PRICE: On the trail?

COMPTROLLER FRANCHOT: Yeah.

MR. PRICE: It's all in planning. It's all in planning. That will be if we can work with the county to do this. Typically what we do on the trail systems because the county can do that, it will connect to where we have as far as a land base area.

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The trail, that's the land trail. This is Chesapeake Bay Environmental Center down here where environmental groups, school busloads of kids from all over the state go there constantly for environmental education. And this is the Chesapeake Exploration Center in Kent Narrows.

The hope is to tie these in by a water trail system, come around here to Terrapin Park also by water trail because this is the -- this is the missing link. It's too large of a gap to travel through a water trail without the stop-over. So this provides that.

So it ties the water trails also with Eastern A. Donald (phonetic), a federal reserve, ties the water trail system in with the land-based trail system. That plus public access to the water, plus the fact that once we get this aggregate site, we'll do the restoration work so it's no longer an aggregate site on the bay. We'll do the restoration, necessary restoration work. So we're doing restoration.

It's the site of the old Love Point Hotel where the Smokey Joe ferry boat used to come in years ago from, I think it was, Pier 8 in Baltimore City down to

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the Love Point. The hotel is no longer there, but one of the adjunct buildings to that is still there. So it's a historic site as well.

So we're going to combine the preservation of the historic site with shore-front restoration, bay access, water access, water trail, land trail all combined to one site. All these things are consistent with the state's land preservation park and recreation plan, the county, Queen Anne's County land preservation park and recreation plan, and the transition report presented by the Department of Natural Resources.

COMPTROLLER FRANCHOT: Thank you.

MR. PRICE: You're welcome.

OMPTROLLER FRANCHOT: Just if I could --

TREASURER KOPP: Could I -- I don't believe we had copies of the first --

R. GRIFFIN: You didn't? I apologize.

MR. PRICE: I can get that for you.

MR. GRIFFIN: I'm sorry, Madam Treasurer. I thought you had that.

TREASURER KOPP: (Inaudible.)

MS. MCDONALD: The last two, yeah.

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TREASURER KOPP: The first one, I'm fine.

MR. GRIFFIN: Oh.

GOVERNOR O'MALLEY: The aerial picture?

TREASURER KOPP: Right. That one, the  
aerial.

MR. GRIFFIN: I apologize for that. I  
thought you had that.

TREASURER KOPP: No. And I'm still trying  
to understand what the property is that we're getting  
with the open space.

COMPTROLLER FRANCHOT: Why don't you show  
her on the map.

MR. GRIFFIN: This is another map.

COMPTROLLER FRANCHOT: It's got a red line.

MR. PRICE: The property being acquired is  
everything inside the red that's hashed. This one  
part is an in-holding that is not going to be acquired

--

GOVERNOR O'MALLEY: It's a what?

MR. PRICE: It's an -- what we refer to as  
an in-holding. It's privately held land. It's held  
by somebody else.

GOVERNOR O'MALLEY: An in-holding?

MR. PRICE: An in-holding.

GOVERNOR O'MALLEY: Okay.

MR. PRICE: And the configuration of this, as we understand, is because when the train used to come up, the Baltimore Eastern Railroad would come up, it was a small train. They'd come up, pull the train up to here, uncouple the engine. The engine then backed down to the semicircle, pulled forward this way, and then backed in and rehooked to the cars backing down onto the dock to load into the ferry boat and then head on back to town.

COMPTROLLER FRANCHOT: That's the in-fill zoned? What's the zoning for the in-filled?

MR. PRICE: All this area?

COMPTROLLER FRANCHOT: No. The --

TREASURER KOPP: The in-filled.

MR. PRICE: Oh, this in here is the --

GOVERNOR O'MALLEY: The in-holding.

MR. PRICE: In-holding is residential.

GOVERNOR O'MALLEY: Looks like three lots from this map. Is that what it is?

MR. PRICE: Uh-huh. And this is the tidal pond.

GOVERNOR O'MALLEY: Lake Matapex.

MR. PRICE: There you go.

GOVERNOR O'MALLEY: Is that what it's called, Lake Matapex?

MR. PRICE: Yes, sir.

COMPTROLLER FRANCHOT: It's a tidal pond. People can't build on that, right?

MR. PRICE: They can build -- they can build on here --

COMPTROLLER FRANCHOT: Right.

MR. PRICE: -- if they buy the property. This is one of the higher points on the island. It might be actually the highest point on the island. This is the site of the old hotel.

COMPTROLLER FRANCHOT: But the tidal -- what's that, a tidal pond?

MR. PRICE: Meaning that it has tidal flow.

COMPTROLLER FRANCHOT: So nobody is going to build on that, right?

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MR. PRICE: They'll build all over it, all around it.

COMPTROLLER FRANCHOT: No, but inside --

MR. PRICE: No, they're not going to build in the pond.

TREASURER KOPP: So we are buying the pond and the industrial site --

VOICE: All of it.

TREASURER KOPP: -- and hotel site --

MR. PRICE: Right.

TREASURER KOPP: -- and then that forested thing with the in-holding?

GOVERNOR O'MALLEY: And it looks like part farm too.

TREASURER KOPP: Part farm, part --

MR. PRICE: Leased here.

TREASURER KOPP: Right.

MR. PRICE: It has 3,500 feet of shore-front.

GOVERNOR O'MALLEY: Is that counting Matapex Lake or not counting Matapex Lake?

MR. PRICE: This one?



GOVERNOR O'MALLEY: No. When you say shore-front, you mean shore-front of Lake --

MR. PRICE: That's counting --

GOVERNOR O'MALLEY: -- the Chester River? That's counting Matapex which looks like a marsh. I mean, it doesn't look like anything one would go water skiing on.

MR. PRICE: No, you wouldn't water ski on it, but there are small boats there.

TREASURER KOPP: Why is it so great? I mean, what is --

MR. PRICE: Because of all the different attributes it provides between the water trail system at a point where we meet the water trail site, the land trail system, the fact that it's public water access to deep water which is a rarity on the Chesapeake Bay, naturally occurring deep water site, and its location at the tip of the island where you have access to East Neck Island and also Baltimore City or Rock Hall. So it's just the location of it.

COMPTROLLER FRANCHOT: Well my concerns are the fact that it's \$97,000 an acre and it may be what

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that land is worth. I'm just saying, juxtapose with all the cuts we just made, is this a -- is this something that we want to go forward with right at this point?

And, you know, I have a second concern, which the Secretary addressed, which is what is the comprehensive plan for open space? I always thought that it was based on some kind of strategy as far as dividing dollars up around the state for different projects and I guess through no fault of your own this is more something that you inherited from the previous administration.

But my question is, you know, goodness, we're paying \$97,000 an acre for land that does not bowl me over. I mean, that industrial site is not a place that I would like to hike to and take a look at if I were hiking the -- whatever the trail is you just described.

And the question, I guess, is whether that's what we want to move forward with right now.

And I'm probably going to vote against it, but I'm communicating with you each of you on that. I just think it's too much money and it's not in a

context that makes me feel comfortable yet. The Secretary may show me that all these allocations are appropriate all around the state, but that doesn't look very special to me.

We don't have a lot of money. We just made cuts. And I hope we -- I don't know whether you defer it or vote against it or that's -- I'm happy to do either, but I'm not going to vote for it.

GOVERNOR O'MALLEY: Okay. Let's ask -- I've got some more --

TREASURER KOPP: I also --

GOVERNOR O'MALLEY: -- questions.

TREASURER KOPP: Yeah. I wonder if I could. You said there were restrictions involving the environmental impact, that we wouldn't buy it unless -- but none of that -- where would we know that?

MR. GRIFFIN: I'm sorry. I didn't know it was in your backup. I mean, we -- as I mentioned, we did the phase one already. We're doing phase two and --

TREASURER KOPP: You said that you wouldn't buy it --

MR. GRIFFIN: I think what I mentioned is if the phase two uncovers problems that the phase one suggested there are none of, we'd have to negotiate with the seller and the seller would have the option of either correcting those problems before we take title of the property and lease back the 12 acres or we'd have to abandon the acquisition.

TREASURER KOPP: Where is that written?

MR. GRIFFIN: I don't know.

TREASURER KOPP: In the public record, it's not -- this is --

MR. GRIFFIN: I think it's probably --

SECRETARY COLLINS: Madam Treasurer, phase two is not part of this acquisition. There's some history for this property. We did a phase one review. Again, our people here, they suggested this property was low to medium risk. The Department looked at this and said, well, make sure we've got a 120 day window here, I believe, is that correct, 45 days that we've got to close this deal; otherwise, it's off the table. And can we do a quick phase two on this to make sure

that there are no long-term issues. And we've agreed to take a quick phase two review on it.

But at this point in time, I have absolutely no barriers to put in front of you to say this deal should not move forward. I mean, the appraisals our appraisals, the numbers speaks for themselves. I hear the Comptroller, but the appraisals are what they are.

MR. GRIFFIN: I guess I can offer two other quick comments. I mean, I'd be happy to reinforce what I just said about these phase one and phase twos in writing.

Mr. Comptroller, I certainly understand the difficulties you all are going through in terms of cutting budgets. I would only add, as you know, this is a dedicated fund. When people pay their real estate transfer tax, they hope and expect that we'll be doing what this program has always done, not unlike -- I'm looking at my colleague, Secretary Porcari, with the Transportation Trust Fund and I know these are difficult decisions for all of you.

But Program Open Space over the last four years contributed to the cause a half a billion dollars

in deferrals out of the fund. We were buying very little land, as you know. You were a member of the General Assembly the last four years. So I guess, you know, as you pointed out earlier, there's a pretty compelling need to, I think within reason, keep this program intact and --

COMPTROLLER FRANCHOT: I am a huge advocate of Program Open Space.

MR. GRIFFIN: You always have been.

COMPTROLLER FRANCHOT: And I'm not advocating cutting the \$7 million and putting it in --

MR. GRIFFIN: Right.

COMPTROLLER FRANCHOT: -- the pot we just made cuts out of. I'm just saying that doesn't strike me as a winning project.

MR. GRIFFIN: Well, the last time --

COMPTROLLER FRANCHOT: From what I understand of Program Open Space and I would just -- that's my concern. And, plus, I'm concerned about the lack of contacts that we have as we don't have how the program is being configured right now using bay stats and other things which I support because the other thing that

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troubles me about this is it's not the county that came to you. Somebody came to you. You guys I can't believe went out and found this thing because it just --

MR. GRIFFIN: No. And that's -- that happens frequently.

COMPTROLLER FRANCHOT: So -- well, that's fine, but we hope that we're doing it more -- a little more in a proactive way with you and your experts telling us where to spend money appropriately. If that were all farmland, I don't know, maybe I wouldn't be -- I think I'd still be upset because of the cost, the \$97,000 an acre. But it's not. It's a dredging site.

GOVERNOR O'MALLEY: Over half of it looks like this, right?

COMPTROLLER FRANCHOT: Well, the lake.

MR. GRIFFIN: Three quarters of it is.

GOVERNOR O'MALLEY: No, no, no. Can you bring that map back here so I'm not misunderstanding.

TREASURER KOPP: The lower lake.

GOVERNOR O'MALLEY: The part with the in-holding that looks like --

COMPTROLLER FRANCHOT: What is that?

GOVERNOR O'MALLEY: -- to be about ten percent of it. What --

MR. PRICE: This is farmland.

GOVERNOR O'MALLEY: That's farmland? How about that stuff that looks wooded?

MR. PRICE: This is all wooded through here. There's another pond up in this area.

GOVERNOR O'MALLEY: That little --

TREASURER KOPP: And then north of there?

MR. PRICE: North of here is open grass area. This is an open grass area, trees around the buffer.

GOVERNOR O'MALLEY: And that's the high ground?

MR. PRICE: That's the high ground.

GOVERNOR O'MALLEY: That's the part that doesn't turn red, orange, or yellow in the --

MR. PRICE: Exactly.

GOVERNOR O'MALLEY: -- four-year hurricane?

MR. PRICE: Exactly. This drops off down to this level down here where they have the operation.



And then there's commercial watermen operate out of here. They have 18 slips.

I think the idea is not being farmland, it does provide us an opportunity to take what is -- may not be the best use for a waterfront piece of property and restore it to where it is. So when there is funding, rather than flooding and carrying away aggregates, at a point in time, we ought to restore this for a use that will be a positive use for the bay.

COMPTROLLER FRANCHOT: I just can't imagine there aren't better places to spend this money and, you know, I -- with all due respect, we're signing an agreement for the gentleman to continue his industrial whatever that is, all those things on the water there. I'm not sure.

MR. PRICE: This is all -- this is aggregate, barges that carry aggregate.

TREASURER KOPP: So what's that aggregate, all that white stuff?

MR. PRICE: This?

TREASURER KOPP: Is that like a farm? I mean

--

MR. PRICE: No, no, no. That's an area where they offloaded stone onto the ground for dump trucks to come pick them up.

TREASURER KOPP: You're going to remove the aggregate?

MR. PRICE: All that will be cleaned up at the end of the lease.

TREASURER KOPP: At the end of the lease which goes for --

MR. PRICE: Five years.

TREASURER KOPP: Five years.

COMPTROLLER FRANCHOT: It's a difference of a year.

MS. MCDONALD: It's a five-year term with a five-year renewal term.

GOVERNOR O'MALLEY: So possibly a ten-year renewal at the option of us or them?

MS. MCDONALD: I think the term -- you would have to come back (inaudible).

MR. GRIFFIN: Board of Public Works would have to approve for the lease expansion beyond five years.

GOVERNOR O'MALLEY: Okay. So it's at our option then as to the --

MS. MCDONALD: Actually, there is a separate item on this agenda. We ought to mark that. Item 29 is the lease itself. We're talking about 17 and Item 29.

SECRETARY COLLINS: Twenty-nine, yes.

MS. MCDONALD: And it's in the lease, may be reviewed by mutual agreement by the parties for an additional term of five years. So after five years, the Department of Natural Resources would have to come back if they wanted a second five-year term.

GOVERNOR O'MALLEY: And what will they pay us?

MR. PRICE: Two hundred and fifteen thousand a year.

GOVERNOR O'MALLEY: Two hundred and fifteen thousand a year.

MR. PRICE: Currently.

GOVERNOR O'MALLEY: So in five years, that's a million dollars?

MR. PRICE: A million dollars.

SECRETARY COLLINS: Correct.

GOVERNOR O'MALLEY: And in ten years, that's \$2 million.

MR. PRICE: And that's the 12-acre section, not the total section.

GOVERNOR O'MALLEY: And they're obligated under that five?

MR. PRICE: Under the five.

GOVERNOR O'MALLEY: Certainly under -- obligated under the five, not for the second five?

SECRETARY COLLINS: That's correct, sir.

MR. GRIFFIN: Although, Governor, as I mentioned earlier, we can, I think with 90-day notice, terminate the lease during its -- during its five-year term.

TREASURER KOPP: For convenience? I mean, for no reason?

MR. GRIFFIN: For convenience.

TREASURER KOPP: And what is Langenfelder using? What is the part that he's going -- the company is going to continue using?

MR. PRICE: It's the tip out here, the area where the aggregate is actually stored. Again, they barge it in, offload it, and then dump trucks come and pick it up and take it to different construction sites.

TREASURER KOPP: So essentially all the white stuff is -- I mean, what's leased?

MR. PRICE: Right.

TREASURER KOPP: Where are the lines of the property?

MR. PRICE: Essentially all this down here, all this down to the point.

TREASURER KOPP: Is it denoted somehow on that --

MR. PRICE: This is just a demonstration.

MR. GRIFFIN: No. The one I gave you.

MS. MCDONALD: Yeah. It's in the --

MR. GRIFFIN: That shows it without all the --

SECRETARY COLLINS: It's on there.

MS. MCDONALD: This is what he's talking about. This is what's leased.

TREASURER KOPP: So that basically is all that stuff.

COMPTROLLER FRANCHOT: I hadn't even thought of that. But for anyone who has lived near an aggregate facility, the sound and the disruption of the trucks that come and pick this material up is beyond description. The trucks that drive in brake by not brakes because they don't like to use their brakes. They downshift and so it sounds like a kind of a mini little NASCAR situation. And I hadn't even thought of that.

You just mentioned that this aggregate is delivered by the water, but it's got to get somewhere. So that further concerns me about the compatibility of the lease we're approving with the pastoral nature of Program Open Space.

GOVERNOR O'MALLEY: So that would be a use that you would -- that you would see eventually is phased out?

MR. GRIFFIN: Sure. That was the idea.

MR. PRICE: Rather than being -- the property being turned into development, which is outside our growth area for the county --

GOVERNOR O'MALLEY: Well, we know that.

MR. PRICE: -- it could be parks.

TREASURER KOPP: What is the zoning?

MR. PRICE: The zoning is industrial right now.

TREASURER KOPP: So the entire --

MR. PRICE: Not for the entire portion. A portion is residential.

MR. BEACH: Yeah, about 50 acres of it is industrial. About 12 and a half acres is in the lake.

GOVERNOR O'MALLEY: Come on up. I'm sorry. Mr. Beach, come on up.

TREASURER KOPP: Twelve and a half is in the lake did you say?

GOVERNOR O'MALLEY: Break down what's what for us again.

MR. BEACH: It's about 50 acres of the total property has industrial. About 12 and a half acres are in that Lake Matapex. And the rest of it, I believe

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it's countryside which is a residential zoning  
classification.

GOVERNOR O'MALLEY: How many acres is that?

So we've got 50 --

TREASURER KOPP: Where is the countryside on  
that picture?

MR. BEACH: I believe much of this down here  
is. It's down in this area, the countryside.

TREASURER KOPP: So the forested part is not  
countryside?

MR. BEACH: Well, it probably extends into  
there, yes. I'm not sure exactly because this doesn't  
have the zoning lines. I know it was basically the  
southern portion of the property.

TREASURER KOPP: The whole thing is 70 --  
everything there is 73 except for the in-holding?

MR. PRICE: Correct. Yes.

MR. BEACH: Yeah. I believe that's right.

TREASURER KOPP: And 50 of it is industrial?

MR. BEACH: Roughly 50. I think it's 49  
point something.

TREASURER KOPP: Zoned?



MR. BEACH: Zoned industrial, yes.

TREASURER KOPP: So it's -- all that stuff can't be, that you were pointing to, can't be --

MR. BEACH: Well, I don't think all of it is, but I under -- you know, it's -- I don't know exactly where the zoning line is offhand, but it's -- the residentially or countryside zoned area is towards the south and the northern portion of the property is the industrially zoned portion.

TREASURER KOPP: And what is industrially zoned, what -- the company that owns it, Langenfelders kin -- I don't mean kin -- what is the term you used -- affiliate. What can they do with it?

MR. BEACH: What could they do with it? The type of industrial zoning it has and what a lot of the comparable sales that were used were things for warehousing, some light fabrication type uses. It's not heavy industrial in terms of smoke stacks type industries.

TREASURER KOPP: But it's stuff that would be of use to people who had access to the pier and water? Is that --

MR. BEACH: Yeah. Typically, you know, warehousing type things that -- you know, if you had a facility for offloading of barges and it was -- or offloading of ships, something other than aggregate that you need to warehouse, that kind of use.

TREASURER KOPP: So 50 out of the 73 of which 12 is in the water --

MR. BEACH: Right.

TREASURER KOPP: -- could be used for industrial?

MR. BEACH: Correct. And I might add -- excuse me -- even though the 12 and a half acres that are within Lake Matapex, they were valued at a dollar. So it's the -- the \$97,000 per acre figure that's been mentioned is a blended rate for the whole property overall. But it's really not that we were paying \$97,000 an acre for the lake. The appraisers --

TREASURER KOPP: So it's really the industrial site and the stuff to the southwest?

MR. BEACH: Correct. It's actually --

GOVERNOR O'MALLEY: Could I make sure that I understand that. Ninety-seven thousand an acre represents the value here minus the lake?

MR. BEACH: The appraisers did not actually value this at \$97,000 an acre, but that's the figure that's been mentioned.

GOVERNOR O'MALLEY: Right.

MR. BEACH: The -- there's two residential -- platted, approved residential lots at the southern end of the property that --

GOVERNOR O'MALLEY: That were worth more?

MR. BEACH: -- that were given a value of, I believe one was 1.1 million and the other was 800,000 as waterfront residential lots.

GOVERNOR O'MALLEY: Uh-huh.

MR. BEACH: So that's -- out of the 7.2 million total, that's the better part of two million of that. There's another slightly over a million dollars in improvements between -- there is a office building that Langenfelder uses on-site. There's also a single -- an existing single-family residence on the site, plus the bulk heading and parking lots and those sorts

of things that covered slightly over a million dollars of the total value. The rest of it went towards the industrially zoned land which I believe was actually valued at about \$150,000 per acre. As I had mentioned before, there were sales that were up to 300 -- actually in excess of \$300,000 per acre.

GOVERNOR O'MALLEY: And then the swamp part is a dollar an acre?

MR. BEACH: And the -- correct.

GOVERNOR O'MALLEY: And --

MR. BEACH: Well, it's not even a dollar an acre. It was a dollar. So it wasn't 12 and a half dollars. It was one dollar total.

COMPTROLLER FRANCHOT: I'd buy that.

(Laughter.)

GOVERNOR O'MALLEY: The -- so when did -- so when you put all of those together, just so I'm understanding because I heard two different things, the 97 average is you take the total acreage including the swamp and divide it by the total purchase price?

MR. BEACH: So --

GOVERNOR O'MALLEY: It's on a blended thing?

MR. BEACH: Correct. It's --

GOVERNOR O'MALLEY: So it's not sans swamp?

MR. BEACH: It's --

GOVERNOR O'MALLEY: The swamp in it --

MR. BEACH: Correct.

GOVERNOR O'MALLEY: -- divided by the 1.8 million for the previously zoned residential lots, plus the 150,000 for that portion of the which is industrial zoned near the deep water harbor, which I guess has a value -- I know from Mr. Porcari deep water always has a value -- and that's when you come up with the 97?

MR. BEACH: Correct. You take all those different components, add them together, divide by the total number of acres. It works out to -- if you add them all up, you get the 7.2 million purchase price. Divide by the number of acres, you get the \$97,000 per acre.

GOVERNOR O'MALLEY: Got you. And how did this -- do you -- when did the negotiations for this first come about and how was Langenfelder known to the state?

MR. BEACH: That I don't -- that's --

GOVERNOR O'MALLEY: Okay. Who initiated this? Did it come through DNR? Did it come through DGS? Did it come through --

SECRETARY COLLINS: Through DNR. We worked - they're our customer, so they tell us this is what we want to look at.

MR. GRIFFIN: I think this was six or seven months ago.

GOVERNOR O'MALLEY: Okay. Mr. Griffin, any idea when this came up?

MR. GRIFFIN: Governor, to answer your question, representatives of Langenfelder Marine, which is the company that owns this property, approached our staff about the possibility of negotiating to sell it, to have, I believe -- I don't know if their attorney and Mr. Mathers are here. They were here earlier. They have a -- I think they had some other options on the property. They prefer to see it preserved for open space. And so we talked about it and decided that it potentially had a lot of merit and that's when we asked General Services to start their appraisals.

GOVERNOR O'MALLEY: Okay.

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MR. GRIFFIN: And I might add -- this gets back to your question the Comptroller asked earlier -- since we only buy from willing sellers with a few historic exceptions, in-holdings as we talked about in the park, they're trying to develop and then we can't negotiate the sale voluntarily.

A lot of properties, even in areas when I was here before that we designated as areas of interest in acquiring land, sellers come forward and we have to -- you know, sometimes we decide if we want to try to go forward and negotiate something. Other times, we decide -- and we probably pass up more of these than we even entertain, in my experience anyway.

GOVERNOR O'MALLEY: And what's their point of -- where do they come into the place? They call you? They call --

MR. PRICE: They didn't call me directly. They call into the department and got referred down to our program.

GOVERNOR O'MALLEY: To Program Open Space?

MR. GRIFFIN: We have regional Program Open Space officers who work all over the state and so

they're aware of properties we're trying to buy. And sellers, potential sellers become aware of it and they, you know, approach those folks most of the time.

GOVERNOR O'MALLEY: And this one's on Kent Island?

MR. GRIFFIN: Correct.

GOVERNOR O'MALLEY: It's on the front side of the Chester River?

MR. GRIFFIN: The mouth of the Chester where it enters the bay.

GOVERNOR O'MALLEY: Uh-huh. And it's an industrial use which is probably fairly noxious for anybody that has to live near that industrial use.

COMPTROLLER FRANCHOT: Which is going to continue.

GOVERNOR O'MALLEY: Which will continue at least for five years, huh? But you have the ability to terminate if --

MR. GRIFFIN: Right.

COMPTROLLER FRANCHOT: Here's the question I have. Aren't there open space which is opportunities around the state that are -- make a much better fit for



Program Open Space than this marine industrial aggregate facility?

MR. GRIFFIN: Well, you know, I guess I'd answer you this way. I understand --

COMPTROLLER FRANCHOT: It's hard to believe that this is a -- this is something that is high on your priority list.

MR. GRIFFIN: Well, you know, I realize we have this interim use of 12 acres which is industrial and marine related. But I think our view of this is, as has been described, this has lots and lots of potential. So don't think of it as it exists right now. Think of it as this operation phases down and closes. That area is restored. All the trail connections we talked about come to pass. And I mean, this is really in a very desirable location to have a large bay access property. Public property. It really is. I mean, as was discussed.

GOVERNOR O'MALLEY: I can see that.

COMPTROLLER FRANCHOT: I'm going to move negative.

GOVERNOR O'MALLEY: Let me keep going here a second. The -- and what is the relationship that we have with Langenfelder now? Is -- do we do a contract with them to do oysters or some sort of --

MR. GRIFFIN: I think a separate company, Langenfelder Dredge. This is Langenfelder Marine which runs this particular business, aggregate business. But I think Langenfelder Dredge, and I'm forgetting the rest of the formal name, has been a contractor for DNR for years moving oyster shell. We're not doing much of that recently, if any, but -- Frank.

MR. OSLISLO: That contractual arrangement expired in December of '06, so we don't have a contractual arrangement with Langenfelder anymore for moving shell.

GOVERNOR O'MALLEY: But we used to use them exclusively?

MR. OSLISLO: We did for 40 some years, since the '60s.

GOVERNOR O'MALLEY: Uh-huh.

MR. OSLISLO: In our Oyster Replenishment Program and we would come with wetlands license -- the

Treasurer is probably familiar with that -- periodically to renew wetlands license. And it was part of our Oyster Replenishment Program where we would move old shell that was north -- in the North Bay, north of the Bay Bridge, and relocate it throughout the state to reestablish our natural oyster barge throughout the state.

We discontinued that program. We have two alternative programs that we're now going through the process with the Maryland Department of the Environment to get permits for that. But we don't have -- we're not employing Langenfelder with moving oysters anymore.

GOVERNOR O'MALLEY: Okay. The -- how about the -- how about the criticism that -- the criticism that this property the last time it was sold was sold for 1.5 to a subsidiary of Langenfelder and -- was it 1.5 or was it another number? You look at the last sale or does that -- Mr. Beach.

MR. BEACH: I believe it may have been 1.2, but it was significantly lower than the current --

GOVERNOR O'MALLEY: You want to address that because the people that dislike Program Open Space

generally oftentimes will say -- I mean, one of the skills that they use is you paid the higher of two appraisals which, of course, is something we always do in a condemnation, something that one would think that when you're entering into a contract at will would not be unusual and, in fact, this practice is not at all unusual.

But the third thing they often do is they say, well, you bought it for this, but now you're selling it for this as if open space purchases should not appreciate over time like everybody's house does. Would you address that criticism?

MR. BEACH: The prior transfer of it -- well, let me take what we're -- what we're purchasing now is the land and the improvements on the land. It is our understanding that that prior transfer from 2002 was not simply a transfer of the real estate but was a transfer of business interests.

And while neither -- from my knowledge, nobody in my office nor the appraisers were made privy to the details of that transaction because it was several years past. But apparently the agreement was

that the purchase price for the real estate would go down as the assessed value, whereas it was not actually simply a land only purchase. It was a purchase with the current owner, Ed Atchafalaya, Incorporated, taking on, you know, whatever other liabilities that went along with the business they purchased.

GOVERNOR O'MALLEY: Like what, the potential -- the brown fields?

MR. BEACH: Well, in terms of the business there, I don't know what obligations the business may or may not have had, business debt or anything like that. But, frankly, from our perspective as appraisers, once we know that a prior transaction is not a straightforward land only, we didn't investigate any further because it's not -- at that point, we recognized it's what we call not an arm's length transaction. It's not -- it doesn't really have any relevance to the valuation of the real estate today.

GOVERNOR O'MALLEY: Got you.

MR. GRIFFIN: Governor, the owner of Langenfelder Marine is here if you want to ask him a little bit more --

GOVERNOR O'MALLEY: Sure. Come on up.

MR. GRIFFIN: -- about the issue you just raised. I think his name is Jim Mathers and his attorney is Bob Douglas. Gentleman.

GOVERNOR O'MALLEY: Hi, gentlemen.

MR. MATHERS: Governor, Mr. Comptroller, Madam Treasurer.

GOVERNOR O'MALLEY: Sir, what do you want to tell us about this site?

MR. MATHERS: I'm not sure what I can tell you about the site other than it's -- the ownership is a partnership that owns the property. I'm the managing partner of that ownership. We also own Langenfelder Marine. It's two separate entities.

The property was purchased at the assessed value at the time that the purchase was made in 2002. But in that process, we also purchased dredges, barges, tugboats, other operational interests, and the liabilities.

We're at a time now that we need to reinvest in our capital for our business. This is one of our assets that's also involved in that. We're in a

situation where we decided we're going to sell the property and we offered it to the state first and we have other options.

GOVERNOR O'MALLEY: Other options that would -- for development or --

MR. MATHERS: Yes, sir.

GOVERNOR O'MALLEY: Uh-huh.

MR. DOUGLAS: Governor, Mr. Mathers won't say this, but I'll take the liberty of saying it. Mr. Mathers has been with Langenfelder, which, as you probably know, has been a very vibrant and active company and now has 60 employees and has served both the state and the Chesapeake Bay in Virginia and Maryland.

And when Mr. Mathers made the decision that he wanted to capitalize the property in order to improve and expand his operation with new equipment, he did have offers and solicitations to turn it into subdivision.

COMPTROLLER FRANCHOT: Into what?

MR. DOUGLAS: Mr. -- a subdivision. But Mr. Mathers grew up in south county, went to St. Mary's,

and did not want that land to turn into that. And so what -- he came to me and he said do you think the state would be interested in this property. And I said I'll find out.

So we called DNR and it turns out that they were for all the reasons that Mr. Griffin outlined today and Mr. Collins has outlined. What's not been said is that one of the reasons that he wants to lease it back is to assure the continuation of this vibrant Eastern Shore company. That's the purpose for the leaseback.

MR. MATHERS: And it also takes time to relocate a business that size. We're not going to be able to move something -- our operation, the size, the equipment that we have within a couple of months. It's going to take some time to locate another site that's suitable for our needs and relocate that equipment.

We -- our aggregate sales have, you know, decreased over the years. We don't operate that part of the yard near the size that it used to be. Kent Island is well developed, as I'm sure you are aware, in that general area.



But primarily we operate our offices there and we store our barges and our dredges and do repairs on them there. We are in the commercial dredging business. We dredge channels and we've done projects here. We did the emergency dredging for the Volvo races in Annapolis, things like that. We do a lot of work in Baltimore and the Virginia area. That's primarily our areas of operation.

COMPTROLLER FRANCHOT: I guess my question is you don't -- do you see moving from here in a couple of months?

MR. MATHERS: Not in a couple of months because it would take quite a while. That's why we asked for a five-year lease when we asked for the leaseback.

COMPTROLLER FRANCHOT: And did the other people that wanted to buy it from you, were they willing to give you a five-year lease?

MR. MATHERS: Yes. It takes time to be able to develop the property or even make plans nowadays. You know, your property, you're not going to be able to make decisions and redevelop property or change it

overnight. It takes time to get through a process too. It usually takes numerous years to get through that process. So it's attractive for a leaseback for a lot of operations while they go through that process.

COMPTROLLER FRANCHOT: Governor, I can see from your perspective why this is a preferred way to view --

MR. MATHERS: I think if you knew the property better, Mr. Comptroller, the actual property, the people locally there have been using the property even though we were there. They have been using the property as a beach area. We've let them use it for years and years. And it's kind of an integrated part of the community there. It's the last piece that's really left on the north part of the --

GOVERNOR O'MALLEY: That's the southern part?

MR. MATHERS: Well, the whole property. They use the -- they use the beach area along the aggregate yard where the brook stone groins are.

COMPTROLLER FRANCHOT: Could you point that out to me. I'd like to see where that is.

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MR. MATHERS: Well, right in here, this area here is just basically open. The land is open. You can't tell.

COMPTROLLER FRANCHOT: Show it to me on the other map if you would.

MR. MATHERS: These are just stockpiles of rock. This is an older picture. This is all -- we've improved this with stone groins and encapsulated it. All this is in rock now. Here's groin, these three that aren't finished. Most of these -- all of these are gone. They've been --

GOVERNOR O'MALLEY: What were they, sunken holes?

MR. MATHERS: Years ago, they were sunken holes. When we purchased the property, they were there. They've been removed. They're no longer there. There's a few in here that are not sunk. We just leave them there. We use them from time to time.

This area here is no longer -- this -- all this here is the old bridge deck off the Bay Bridge. It's gone. This is a very old picture. And this was the aggregate --

COMPTROLLER FRANCHOT: What about this picture, because this came off Google? Maybe they got an old picture too.

MR. MATHERS: This shows the stone groins that have been placed.

COMPTROLLER FRANCHOT: Right.

MR. MATHERS: This is concrete.

COMPTROLLER FRANCHOT: Where do the people swim?

MR. MATHERS: They come in and out of here. They put boats in -- and they recreate here. You can also come -- other areas off of here have people farther up. They have access and there's a gut that runs through -- right through here and they boat in and out of here. You can get in and out on that side.

GOVERNOR O'MALLEY: How deep is that water?

MR. MATHERS: In the lake?

GOVERNOR O'MALLEY: No, no, no.

MR. MATHERS: Out in here? This is twelve feet, eleven feet and there's a 25-foot contour.

GOVERNOR O'MALLEY: At the end of it, it's -

MR. MATHERS: This is the old ferry dock.  
This is where they --

GOVERNOR O'MALLEY: That's where it's  
deepest, huh, at the --

MR. MATHERS: Actually, inside here, we can  
-- nine and a half feet.

GOVERNOR O'MALLEY: What's -- how deep is it  
out there at the point?

MR. MATHERS: Out here?

GOVERNOR O'MALLEY: Uh-huh.

MR. MATHERS: Well, when you get off probably  
in this area, it's about 20 feet and it drops off.  
It's deep in the center of the river towards East Neck  
Island, but there is a -- Love Point itself actually  
has a 25-foot contour where you can't --

MS. MCDONALD: Governor --

MR. MATHERS: Because we've brought ships in  
before. It's 25 controlling depth.

GOVERNOR O'MALLEY: Uh-huh.

MS. MCDONALD: Could I just ask for all side  
conversations to stop because our court reporter is  
having a hard time trying to --

VOICE: Okay, fine.

MS. MCDONALD: Thank you. You can speak.

GOVERNOR O'MALLEY: What side conversations?

MS. MCDONALD: The side conversations. No, no, no. Not you. I just --

GOVERNOR O'MALLEY: Okay.

MS. MCDONALD: They need to concentrate on what you're saying.

VOICE: So do I.

GOVERNOR O'MALLEY: What about the southern part? Does the community use the southern part?

MR. MATHERS: This area here?

GOVERNOR O'MALLEY: Yeah, the end of --

MR. MATHERS: Right now this is leased to a local farmer that tills all these pieces. This was a very large tract. That was subdivided years ago into three pieces. He tills this now. There's a pond here. There's a building site here and here. This is another lake in here, a pond.

GOVERNOR O'MALLEY: Uh-huh.

MR. MATHERS: And then this area here is just -- it's woodland. We let a lot of the locals hunt.

Most of them hunt there at all the time. There are a lot of deer and fox and stuff. There's a lot of -- well, this area here, the deer still swim from East Neck Island. You'll see them come on the beach right here. East Neck Island's right across from here. They'll swim across the river.

GOVERNOR O'MALLEY: Huge preserve.

MR. MATHERS: Yeah. Well, it's -- it needs some work.

GOVERNOR O'MALLEY: Uh-huh.

MR. MATHERS: But this area here is just basically -- you know, we don't utilize any of that area. This here is just storage of pipe, steel beams, things that we use in our business. That's overhead conveyor systems that are used to unload the rock.

GOVERNOR O'MALLEY: Uh-huh.

MR. MATHERS: And different pieces here are probably just sections of equipment. All this, like I said, is gone.

TREASURER KOPP: That's gone already.

GOVERNOR O'MALLEY: What's gone already?

MR. MATHERS: This -- these barges here, these were old wooden scows that were sunken there probably in the '40s. They were removed and they're encapsulated in rock. And there were -- pieces of them would float away.

COMPTROLLER FRANCHOT: You have -- those are cranes there? Is that a crane?

MR. MATHERS: This here is probably -- I believe that's a dredge. That's the shell dredge in the channel. These are crane barges. These are hopper scows and barges. This is an unloader that we use to service customers. It's got a large conveyor system on it that goes to remote islands and delivers materials to them. And then I guess these have been removed and these and these have been removed.

COMPTROLLER FRANCHOT: I think it's a great business. The question is, is it compatible with open space? I guess the argument is that five years or ten years from now all this is removed, obviously at some expense, and this whole area is changed.

MR. MATHERS: No expense to you. We're obligated to make that removal. We're obligated to



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make the removal of all our (inaudible) except for the office building.

COMPTROLLER FRANCHOT: Yeah. Look at the property. It's an industrial marine facility, so if it's going to be changed, we have to spend money on it after you get your cranes and barges out.

I'm just -- there are lots of undeveloped pieces of open space out there for us to focus on. And I don't mean to be contrary to your request here. It's just -- I mean, I think we could spend this money better on other --

GOVERNOR O'MALLEY: Well, I certainly understand the -- I mean, this is -- I certainly understand the, you know, the sort of recreational vision and the desire to remove an aggregate -- an aggregate plant from the mouth of the Chester River of an island that's already been overdeveloped and for which you may or may not have other offers.

But, you know, why don't we -- and I know the Treasurer has some questions as well.

You can take the picture away. Thank you.

The -- I'm going to move that we defer this to the next meeting knowing full well that, you know, it's a free market system and I mean, you may have -- well have business pressures or other desires or avenues as well.

Don't you think that would be in order, Madam Treasurer? The Comptroller has --

SECRETARY COLLINS: Governor.

GOVERNOR O'MALLEY: -- already expressed his decision.

SECRETARY COLLINS: Governor, if I could just make one point.

GOVERNOR O'MALLEY: Yes.

SECRETARY COLLINS: I certainly appreciate all of the comments and questions. We have an obligation to the seller to move this forward. If we defer it till the August meeting, it's going to be beyond the period. So we would need --

GOVERNOR O'MALLEY: With his permission to do it. I understand. And if we defer it, he may well want to back out of this. I think we understand that.

SECRETARY COLLINS: Okay.

GOVERNOR O'MALLEY: And that's -- we understand that.

SECRETARY COLLINS: Okay.

TREASURER KOPP: I also regret, Mr. Collins or Mr. Griffin -- I don't know -- Mr. Secretary -- which one -- there are certain things you said in your testimony and, in fact, in response to questions that I think because of the expense and nature and concern about this procurement ought to be on the public record, ought to be -- ought to have been, and this is not at all the seller's fault or responsibility, in this item. Most particularly the question about the environmental impact and the ability of the state to not pursue the procurement if it turns out that there is, in fact, a significant environmental program. You told us that, but it's not -- it's not here. And this is what we're voting on and what is the public record.

MR. GRIFFIN: I may be in error on this, Madam Treasurer, but I think -- I think those issues were addressed in the lease that's the other agenda item. But I apologize for that. It certainly wasn't intentional.

MS. MCDONALD: It's not in the item.

TREASURER KOPP: No. I don't understand.

GOVERNOR O'MALLEY: All right. Let's also be clear that the reason for the deferral is not because we are not committed to the Open Space Program. We're very proud of the Open Space Program. And all of us are committed to Open Space and, as Marylanders, proud of it. And, indeed, what we heard from people throughout the state was they wanted us to protect, you know, the dollars that are supposed to go to open space go to open space.

I've heard certainly the Treasurer ask General Services from time to time are we going to start purchasing more open space instead of using open space dollars for recreational purposes, not that we're against using them for recreational purposes, but -- I mean, in all of this, I know that we've been working on criteria so that we're going after purchases and there's some objective way to evaluate, you know, here's the seven criteria for a recreational purchase, here's the five criteria for an environmental purchase,

and they're kind of two different things. They've become blended.

So, anyway, we appreciate that each of these is different and each of these is -- has its own, you know, set of challenges and history of appraisals.

If I could ask Mr. Beach, Mr. Beach, how long have you been doing what you're doing?

MR. BEACH: I've been an appraiser for about 28 years. I've been chief of this division since 1992.

GOVERNOR O'MALLEY: You've been the chief of this division since 1992?

MR. BEACH: Correct.

GOVERNOR O'MALLEY: Okay. And without interruption?

MR. BEACH: Without interruption.

GOVERNOR O'MALLEY: So you were the chief of this division since -- for the last four years as well?

MR. BEACH: Yes.

GOVERNOR O'MALLEY: All right. I'm going to move that we defer this site till the next Board of Public Works meeting.

MS. MCDONALD: Seventeen and 29.

GOVERNOR O'MALLEY: Seventeen and 29.

Seconded by the Treasurer. All in favor, signal by saying aye.

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed, nay.

(Whereupon, there was no response.)

GOVERNOR O'MALLEY: Now I would like --

MR. GRIFFIN: Thank you.

GOVERNOR O'MALLEY: I'm sorry, guys, we just had more questions, ladies and gentlemen.

I think I'm going to move, if there are no other questions about the remainder of the DGS, I -- the Treasurer moves approval of the remaining DGS items, seconded by the Comptroller. All in favor, signal by saying aye.

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(Whereupon, there was no response.)

GOVERNOR O'MALLEY: The ayes have it. The motion carries.

This meeting is adjourned. Thank you.

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(Whereupon, at 1:35 p.m., the above-entitled meeting was concluded.)

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