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PRESENT

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Treasurer

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Comptroller

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PROCEEDINGS

GOVERNOR HOGAN: Good morning, everyone.

ALL: Good morning.

GOVERNOR HOGAN: Welcome to the Board of Public Works. I just walked in the door. I just got back from a wonderful event at Annapolis High School where I had the honor of being there with Michael Milken. We presented the Milken National Educator Award to a woman named Allison Felton, who is an outstanding math teacher at Annapolis High and she won the national award and \$25,000. And it was a big exciting thing to recognize teachers who do such a great job every day. And it's wonderful out of 3 million teachers in the country that we got this award right here in Annapolis. So we're very proud of her and Annapolis High and the great work that our school systems do.

Also, just let me say that last weekend the federal government shutdown negatively affected countless Marylanders and their families. And thankfully it only lasted a few days but it was reckless and irresponsible. And the current continuing resolution will again expire in less than three weeks potentially putting us right back in the same position where we are. Maryland is probably more impacted than any other state in the nation and, you know, I just want to be clear, this type of behavior is simply unacceptable. I think Marylanders are sick and tired of the dysfunction in Washington and everyone in Washington, Democrats and Republicans, need to stop the finger pointing, sit down, and work

together, and do their jobs, which is what we do here in Annapolis every single day.

With that, I'm going to turn it over to my colleagues for any opening remarks and I think we'll start with the Treasurer.

TREASURER KOPP: Thank you, Governor. I certainly do echo your remark about the disheartening events in Washington, and on the other hand hope everyone stands strong for all our citizens, including the dreamers who play a very important part in Maryland, in our economy and our society and in our educational system. And if I were they, I would keep the pressure on everybody to act decently.

One very good thing happened last week, Governor. And I want to just personally congratulate you as a member of the Maryland Commission on Climate Change. The Governor led Maryland back onto the U.S. Climate Alliance. We're still in again. And I think that that leadership, including the leadership of your cabinet, Secretary Belton, Secretary Grumbles, the Departments of Health, Transportation, Agriculture, everybody together, is great news. And the people of the State should be aware and very appreciative. It's one thing for the Treasurer's Office to have signed on last year and for probably the Comptroller, but for the State government, the man speaking for the State, I think it's great. Your commission just made a report for finishing up 2017. But the 2018 report is the one coming up in the next year that's going to be very

significant, where we are going to attest to the progress we've made in Maryland mitigating our climate change impact and laying out how we're going to help the State adapt to those changes which we will not be able to avoid.

And so in that context, I was particularly pleased to see on this Agenda we have some programs in school construction, all of which will be LEED Silver at least and some LEED 8. We have more projects in geothermal energy in the school. We have a very interesting project in the Transportation Department, capture and reuse of energy. DHCD, the Housing Department, is going forward with funds from both the public and private sector in energy conservation and insulation. And I think Maryland has always been a leader in this area, continues to be a leader in this area, and it's a great way to start a new year.

GOVERNOR HOGAN: Well, thank you very much. I'll just respond to that quickly before we turn it over to the Comptroller. Yeah, we've together really been focused on clean air and we're leading the nation and the world in this respect with the legislation that we've instituted and the policies that we've put in place for the last three years. We're stronger than 47 other states and our policies here in Maryland are twice as strong as the Paris Accord recommendations. So we joined this group not to cut our standards in half, or to go back to the level where they are, but to try to set an example for other states

and other countries about how you can protect the environment while also growing the economy and growing jobs. So we're looking forward to that.

TREASURER KOPP: And not drilling off of our --

GOVERNOR HOGAN: It works --

TREASURER KOPP: -- Atlantic Coast.

GOVERNOR HOGAN: Well, that's another one we're focused on.

With that, I will turn it over to Mr. Comptroller.

COMPTROLLER FRANCHOT: Thank you, Governor, and Madam Treasurer, and thank both of you for your leadership on the climate issue. I'm just busy myself with taxes right now. And with less than one week to the start of this year's tax processing season, I'm proud to report that thanks to the hard work of our 1,200 agency employees, we are ready to once again provide first class taxpayer service that will allow us to process millions of Maryland tax returns in a timely fashion, accurately, and efficiently.

In 2017, we processed 3.1 million returns with the vast majority of Marylanders taking advantage of our convenient, secure, and free e-filing system, allowing us to process returns expeditiously and process Maryland's hard-earned refunds. Almost \$2 billion in refunds will go out over the next month to Maryland families. On average, 2.1 business days from receipt of a Maryland taxpayer's tax return and putting their money back in their bank account. God bless technology and, well, the staff that implement it. Because it's a very

complicated sensitive task and I'm delighted that the early indications are that we are, knock on wood, going to have a glitch-free refund season.

But believe it or not, we still receive nearly 500,000 paper tax returns. We continue to work diligently to process those returns. But you can understand why that takes more time in getting refunds to people.

My office will continue to be laser focused on protecting Marylanders from tax fraud. In 2017 alone, we blocked more than 10,000 fraudulent returns, prevented \$16 million of fraudulent refunds being sent to financial thieves.

I want to once again thank the General Assembly, Madam Treasurer, for unanimously passing the Taxpayer Protection Act; and to you, Governor Hogan, for your support and for enacting this critical piece of legislation last year.

As always, Governor, I want to thank my hard-working staff for their continued commitment to provide respectful, responsive, and results oriented service. I look forward to another successful tax season this year.

Now, Governor and Treasurer and members of the audience, if I could just take a moment and introduce a special guest who is with us today? MacKenzie Greenwood is the 2017 recipient of the William Donald Schaefer Helping People Award for Carroll County. This compassionate, smart, and industrious young lady represents Maryland's finest. MacKenzie was awarded

this very prestigious award that we give out around the State. She was inspired to help people in her hometown of Hampstead. She came up with the idea, and it's a brilliant idea, she came up with the idea of something called the Little Food Pantry so that individuals who are struggling to afford daily meals and food could anonymously and privately access food donated by others. Several times a week she stops by the pantry. Those of you in your communities may have some of these Little Libraries set up where books are exchanged between citizens for free. It's all on the honor system and it's, yeah, that's what the Little Pantry is. But it's food, it's not books.

So several times a week MacKenzie stops by the Pantry to ensure it is well stocked and organized. We're incredibly blessed to have young people like MacKenzie Greenwood working so diligently and with no desire for praise or recognition to help those in need. And I am personally inspired by MacKenzie Greenwood. She's here with her family. And I wonder, MacKenzie, could you stand up and let everyone give you a round of applause?

(Applause.)

GOVERNOR HOGAN: MacKenzie, welcome to Annapolis. We couldn't be more proud of you and we're very excited. We truly appreciate the tremendous job that you have done to help folks in your community. And we'd like to present you not only with this award, but with a Governor's Citation to recognize your outstanding efforts. So we'd be delighted to have you and your

family come up for a photo. And I see that Senator Ready and Delegate Shoemaker are here from your area, if we could all come up? Let's give her another big round of applause.

(Applause.)

COMPTROLLER FRANCHOT: Senator, maybe you could come over here.

GOVERNOR HOGAN: Can you just jump over the table there?

(Laughter.)

GOVERNOR HOGAN: They can't really go in anymore.

(Applause.)

GOVERNOR HOGAN: So now we're going to move on to the Secretary's Agenda.

SECRETARY MCDONALD: Good morning, Governor, Madam Treasurer, Mr. Comptroller. We have 20 items on the Secretary's Agenda. There are five emergency reports. We have everybody here prepared to answer your questions.

GOVERNOR HOGAN: I think we ought to bring up Item 18, please.

SECRETARY MCDONALD: Item 18, sure, is the, Dr. Gorrell is here. This is the preliminary capital improvement program for the public school

construction program. Dr. Gorrell can explain the program and I do know that there is one county who asked to speak, be heard today.

GOVERNOR HOGAN: Good morning, Dr. Gorrell.

MR. GORRELL: Thank you. Not a doctor, Bob Gorrell, thank you.

GOVERNOR HOGAN: Thank you very much. We're going to call you a doctor. I'm promoting you.

(Laughter.)

GOVERNOR HOGAN: We'll give you an honorary doctorate today.

MR. GORRELL: Thank you, Governor.

GOVERNOR HOGAN: I have two of those and I expect people to call me Dr. Doctor.

(Laughter.)

GOVERNOR HOGAN: Today the Board of Public Works will be considering a request from the Interagency Committee on School Construction to approve the Preliminary FY 2019 Public School Construction Budget, which I believe totals \$222 million. Last week our administration submitted our FY 2019 budget which will provide \$365 million for school construction funding. It's the largest in more than decade. In total, our administration has invested \$1.4 billion in school construction. On the operating side, our FY '19 budget will invest \$6.5

billion in K through 12 education. This is an increase above and beyond the legislative funding formulas and our budget ensures that every single school jurisdiction will receive more money this year than they did in the previous year. Seventy percent of our capital budget goes to education.

They say that budgets are a reflection of your priorities and in three years our administration has invested more than \$2.85 billion in K through 12 education just in Baltimore City. That's more than at any time in history. Last year our State investment into the Baltimore City school system was three and a half times more than the average jurisdiction. In Fiscal Year 2018 Baltimore City received more than \$12,000 per student in financial aid from the State. That is nearly double the average for other jurisdictions in the State. And Baltimore City Schools' funding is the fourth highest in America per pupil. The budget, this budget and our past budgets are a clear indication of our top priority, which is to provide the highest quality education to every single child in Maryland regardless of what neighborhood they happen to grow up in.

Now the Comptroller and I have been pushing for Baltimore City and Baltimore County to address these HVAC issues for years, long before the current crisis where the schools in Baltimore City were subjected, the students there were subjected to frigid temperatures and classrooms that weren't heated. Everyone, everywhere, agrees that this is unacceptable to have thousands of children sweltering in summer or freezing in winter. It's just unacceptable. And

despite the huge increases in State budgeting and funding, budget data from the City Schools system shows that they are slashing spending on maintenance by 27 percent. And a recent report by the *Baltimore Sun* detailed how the City Schools had to return \$66 million in State funding for building repairs and maintenance, much of which was given to them specifically to fix these failing HVAC systems. These projects have been repeatedly prioritized, approved, and funded by this Board of Public Works. And yet the repairs have not been done by the City.

Just recently after this crisis, I provided \$2.5 million in emergency funding from the State's catastrophic event account to give to the City Schools to assist in these emergency repairs, these failing HVAC systems. We provided this funding not to reward the adults who have failed, but to literally save kids from freezing in the classrooms. Our focus has always been, and always will be, on the students and providing the fiscal oversight and the accountability needed to protect them, and also to ensure that the taxpayers of the State of Maryland do not have their tax dollars misspent.

So Mr. Gorrell, in order to keep these problems from happening again, you know, we're looking forward to getting some answers today about how we got here and what can possibly be done to fix these seemingly management of structural problems. With that, I'll turn it over to the Comptroller.

COMPTROLLER FRANCHOT: Thank you very much, Governor.

And obviously the situation up in Baltimore during the cold weather was, well, it

was inhumane. And I just want to say at the outset, because I know there's some people who will be once again condemning, of all places, the Board of Public Works for doing its job and holding school systems accountable, that today's discussion that the Governor has cited, which is extremely important, is not about assigning blame or scoring political points. It's about figuring out how hundreds of kids in Baltimore City ended up freezing in frigid classrooms. It's about figuring out why \$72.7 million in funding that was supposed to fix a lot of these heating issues at a number of schools in the City was reverted back to the State by the City school system. And it's about figuring out what we need to do moving forward to ensure that we fix these underlying problems. This is about identifying the critical issues that contributed to the City Schools' failure to provide a safe and health learning environment to students.

I know some have suggested that this Board's insistence that kids who live in the richest state in the richest country in history should have to be forced to learn either in sweltering classrooms or if we've taking care of that problem that that's to blame for the heating crisis when it's freezing during the winter. Such suggestions are nothing short of preposterous and quite frankly blatant hypocrisy on behalf of those making them.

All children, regardless of their zip codes and socioeconomic status, are entitled to cool classrooms during the warmer months -- which it's not very far away, folks. I hate to be, you know, the bearer of climate news. But the

hot days are coming back. But anyway, those kids are entitled to cool classrooms during the warmer months and warm classrooms in the cooler months. Only in Annapolis do people think that students can't have both of those.

Let's be clear: all Maryland students, regardless of jurisdiction, deserve to learn in temperature controlled classrooms in schools that have clean, drinkable water, and are free of mold and in structurally sound facilities. And as I've said over the last several years, the failure of some school systems to provide adequate healthy and safe learning environments for students has never been a matter of resources. It has never been a matter of money. It has been a matter of misguided priorities and bureaucratic inertia that have justifiably angered and frustrated parents, teachers, and students, and that force students and teachers to learn and work in conditions that are simply unacceptable.

As you noted in your remarks, Governor, City Schools in Baltimore have received \$540 million for school construction over the last ten years and receives more school construction money per pupil than any other jurisdiction in the State. And yet despite the undeniably significant State investment in Baltimore City Schools capital projects, only 17 percent of their facilities, think of this, 17 percent of the facilities that we have given all this money and that everyone has contributed to the construction, only 17 percent of the facilities were rated as superior or good on the State measurement of are you taking care of the maintenance of these schools. Seventeen percent, superior or

good. In the next closest jurisdiction it was 47 percent. That was just one. Most of the jurisdictions around the State were in the seventies, eighties, Howard County was 98 percent. Seventeen percent of the schools were properly maintained.

And as everyone here knows, City Schools' failure to properly take care of the facilities attracted national attention a few weeks ago, when photos and videos of children wearing parkas in classrooms went viral. All of which amplified and brought to the surface just some of the effects of years of mismanagement that have occurred at North Avenue, which is the school headquarters up in Baltimore city. But these problems specifically pertaining to heating and cooling didn't just start this year all of a sudden. Kids in Baltimore City and the hardworking teachers and staff at these schools deserve better, which is why this Board has consistently and will continue to exercise its oversight duties and responsibilities when it comes to ensuring that State investments in capital projects are producing the intended and desired outcomes.

Now Mr. Gorrell, if I could, I just have a couple of questions I'd like to ask. Given the overwhelming amount of conflicting information being shared and published on social media, newspapers, and news channels, it's hard to keep track of what's factual and what's not. Mr. Gorrell, the CEO of City Schools has identified partial funding of projects in their CIPs as one of the primary causes of the delays involving critical maintenance in capital

improvements. In a December 7, 2017 letter you sent to Treasurer Kopp in her capacity as Chair of the Knott Commission's Funding Subcommittee, you noted that, and I quote from your letter, "City Schools had historically taken such a long time to design and bid their projects that partial funding seemed prudent in order to maximize the use of the available CIP funds." That was a little over a month ago. Can you explain what the rationale was behind the IAC's decision to partially fund City Schools' capital projects and why the IAC believed at the time that this, as you say, was a prudent action?

MR. GORRELL: Yes, Comptroller, I can. The purpose of the program is to maximize the available dollars, as the Governor has said, to all children. All children need to have sufficient educational space to learn. Without the space, education does not, learning does not happen. Those dollars, they had a number of stalled projects prior to that time. And I believe, I was not part of the IAC at the time, but I believe from all of the evidence that I've looked at that it was a prudent decision to apply money in several areas across and allow the LEA, to allow Baltimore City, to try to move a project up one or another. Whichever one moved fastest would be the one that the IAC could then participate in. I think from the IAC's standpoint, we can get better at how we allocate the money and support them to move certain projects forward. But none of those dollars that were awarded to those projects that later rescinded were lost. They were reapplied back to Baltimore City. As of the end of this year, Baltimore City had a

zero balance of contingency dollars. They've all been rolled back into full projects. And Baltimore City asked that all of their projects be fully funded from this point forward, which the request was made and it happened. And I've got to say that at the time they were partially funded, the request could have been made by the City to the IAC to fully fund and not partially fund. But apparently that didn't happen.

COMPTROLLER FRANCHOT: Yeah. I noticed in the exact letter I just quoted from that you said to Treasurer Kopp that the IAC was only recently, recently contacted by City Schools to express concerns about partial funding. I take it that's what you just cited there.

Can you tell us how many systemic projects in City Schools received partial funding since FY 2014 versus how many received full funding?

MR. GORRELL: If you'll give me a minute, I can.

COMPTROLLER FRANCHOT: Thank you. You don't. That's okay. You can get it to us later, if you want. And it's my understanding, as you just noted, that you have discontinued partial funding for Baltimore City Schools. Okay. If I could, I'd like to discuss your assessment or your predecessor's assessment, Dr. Lever, regarding mismanagement at City Schools, Baltimore City Schools. In a letter you sent to Dr. Santelises on December 12, 2017, this is just, you know, last month, both of these letters, you note that, "these reverted funds are not due to projects completed under budget but rather to project management

issues, such as late project starts, lack of pre-qualification of contractors, and many projects with insufficient budgets due to defective estimates.” Similarly in a December 2015 report by the IAC to the legislative budget committees, which tasked the IAC with identifying areas of improvement to City Schools’ Baltimore operation, the IAC noted, this is from your predecessor, “it has been a persistent concern of IAC staff that Baltimore City Schools has not managed its State funded capital projects at the same level as other Maryland school systems,” further stating that “the majority of capital projects that we have observed in the field demonstrate the absence of comprehensive facility management practices.” In the same December 2015 report to the General Assembly, Mr. Lever’s team outlined a series of recommendations that would significantly improve the management and execution of critical capital projects at City Schools. This was over two years ago. In your assessment, and that of your staff, has City Schools made the appropriate and necessary changes to address the concerns identified, that I just mentioned?

MR. GORRELL: They have made some progress. They have improved. One example is a computerized maintenance management system. Now it’s not, it doesn’t have all of their inventory loaded in so that they understand what parts need to be replaced when. But they are moving in the right direction. In a lot of the other areas, they still need help.

I've got to say, as I've studied Baltimore City, their facilities are amongst the oldest average age in the State. Prince George's falls right behind them, so they have a heavy lift. Which means that they have to be better at project and facility management than anybody else with the problem that they have face them. So I believe that in my opinion there could be more local capital investment. I think that that is a limiting factor on their moving projects forward. And two, they do need to bolster their professional capabilities. They need to have leadership that's highly qualified and experienced in public school systems, large portfolio public school systems, like some of their peer systems around them. I think in the short term that they will be able then to accurately prioritize their dollars and they will get more effective spending. The dollar will go further for every project that they move forward and they can project manage that project to completion. In the long term, they also need that expertise so that they can control the size of their investment. They have more square footage than their peers by almost 50 percent. So they have more than they need and they can't take care of it. They want to make sure they don't make that problem worse in the future, even with the current investments that we are providing today. So yes, they do need stronger leadership.

COMPTROLLER FRANCHOT: Yeah, I know, and it's a big problem. They have about 2,000 classrooms right now that have no air conditioning --

MR. GORRELL: Yes. Yes.

COMPTROLLER FRANCHOT: -- and frankly the boilers have failed also. So we're not talking about a small issue. I appreciate that.

Let me just move forward. I've got a little bit more here. There are some, as I mentioned earlier, some people, particularly downstairs, have mentioned or suggested that this Board's prioritization of putting air conditioning in Baltimore City schools was partially to blame for the heating crisis that the school system experienced. A rather bizarre contention, but I guess we have to take it seriously. It's a claim that's not only patently false but is insulting to the members of this Board who gave voice to the thousands of students, teachers, and parents whose pleas for immediate relief from sweltering conditions in dozens, hundreds of schools, frankly, back in five years ago, all of those complaints from the citizens fell on deaf ears from their elected officials and the school systems in Baltimore City and Baltimore County, the only two jurisdictions in the State where this problem exists. So let's not forget that it wasn't until last year, it was after five years of pounding the table, that Baltimore City Schools to their credit added window units to their capital improvement funding request. So there's absolutely no justification nor is there any logical or factual basis to blame this Board's prioritization of air conditioning installation for the heating challenges that Baltimore City Schools have faced for these many years. It's lack of maintenance. It's lack of sound leadership, as you say. They're not even close to

the other jurisdictions as far as having proper management of monies that they have received. So let me just share a few figures from the IAC regarding funding for critical HVAC projects that have been reverted by Baltimore City.

Between 2014 and 2017 City Schools reverted funds for 11, 11 HVAC related projects totaling \$40.2 million because the contracts for these projects were not executed. This is while their kids are sweltering in classrooms during hot days that if we put our pets in those classrooms we would be arrested for animal abuse. Additionally, I hate to get hot under the collar so to speak, additionally two HVAC projects were reverted because these schools are projected to be closed by 2024. 2024. Two HVAC/AC projects were reverted due to insufficient project scope. Two HVAC projects were reverted when the contract was awarded. And one HVAC project was reverted because the contract approved by the City's Board of School Commissioners was not executed in time.

That's 18, 18 heating and air conditioning projects that were reverted back to the State by City Schools. Mr. Gorrell, do you share the argument made by some that air conditioning prioritization is to blame for schools with failed heating units?

MR. GORRELL: Mr. Comptroller, members, I do not. The projects are brought to the IAC with the priorities of the local jurisdiction. So that's where they begin. So as those recommendations are brought before you, every jurisdiction has the opportunity to appeal them if there is some

disagreement along the way to the IAC. And then if they don't like what the IAC has said, by regulation they can come and appeal to you. So no, it wasn't the IAC or the process that drove those projects to, that they are saying they wanted funding, or the reversions certainly, is because of the lack of overall understanding of what their need was, funding, and the management to move them forward.

COMPTROLLER FRANCHOT: Okay. Thank you very much for that.

I'd also like to note that several months ago in October 2017 at the Beg-A-Thon that we had, that the Governor, that we had back a couple of months ago, Dr. Santelises, this is the CEO of the Baltimore City School System, informed this Board that HVAC units that provide both cooling and supplemental heating were installed in seven schools. And in fact her exact words were, "I want you to know that seven schools received air conditioning over this past summer." And I thought that was great. We were making some progress because those schools, their classrooms would not be sweltering or freezing. Correct me if I'm wrong, Mr. Gorrell, but Baltimore City was supposed to install split systems which provide heat and cooling to these schools that Dr. Santelises referenced. So I was shocked to see Lakewood Early Learning Center, one of the seven schools that Dr. Santelises indicated had split systems installed last summer, are among the schools closed for lack of heat. Mr. Gorrell, has Baltimore City

Schools provided reasoning as to why these seven schools did not end up receiving split system installations as Dr. Santelises informed this Board just four months ago?

MR. GORRELL: I don't have that information today but I will get it for you.

COMPTROLLER FRANCHOT: Okay. Thank you. Thank you, Mr. Gorrell. And speaking of split systems -- ah, yes. I bought one. I brought one. I didn't buy one.

(Laughter.)

COMPTROLLER FRANCHOT: I don't mean to sound like a salesman for these units. But I know for a fact that --

GOVERNOR HOGAN: Today only we have a special --

(Laughter.)

COMPTROLLER FRANCHOT: Today I realize, I know for a fact that Caroline County School system and Anne Arundel County Public Schools have used split system units like this one in front of us to solve their heating, cooling, and ventilation programs and it's been done in a very cost effective, very timely fashion. These units have a life span of 15 years and cost around \$6,000 each and it's my understanding that the cost is reduced significantly when bought in bulk. Mr. Gorrell, as a long-time proponent, and I know you have been a champion of climate controlled classrooms, do you believe that investments in

these split system units would be a prudent use of taxpayer funds to immediately address the heating and air conditioning challenges of Baltimore City Schools?

MR. GORRELL: I think that you have to have a learning environment that you can learn in. I think you gave an explanation earlier that was right on point and so did the Governor. These particular units actually have a longer life span than the one you are quoting. They are a gang unit and they are very effective. Ventilation is added onto these. It's a separate unit. So these will work in a lot of cases. Maybe not all, but they are a viable option.

COMPTROLLER FRANCHOT: Well let me just say, Governor, in conclusion that I will be obviously supportive of Baltimore City's efforts to make necessary long overdue renovations. Mr. Gorrell, you are doing a great job. Thank you for trying to move this process along. But in order to ensure that we're seeing the outcomes that are mutually anticipated by both the City and the State, it's crystal clear that some changes have to occur when it comes to the management of these taxpayer funded investments in City Schools' capital projects. I mean, talk about a subject which is difficult. Basic information is not available. But we certainly saw the embarrassment of inhumane conditions being advertised around the country recently. So we've got to do something.

The failures of the City Schools in managing State investments prudently are in the past now, I hope, and that's really beyond our control. But I suggest we move forward, figure out a plan to do right by these kids, teachers, and

staff, and give them a safe and healthy learning environment using immediately equipment like this which is readily available and applicable to both Baltimore City and Baltimore County Schools that are suffering from these two problems.

I want to reiterate what I said at the outset. All children regardless of their zip codes and socioeconomic status are entitled to cool classrooms during the warmer months and warm classrooms in the cooler months. I will accept no excuse, none whatsoever, that our students cannot have both. Thank you, Governor.

GOVERNOR HOGAN: Thank you. I've got a few questions but I'm going to turn it over to Madam Treasurer for any questions or comments.

TREASURER KOPP: No. I think that the concern about the City Schools and the schools around the State is a shared one. Shared not only by the members of the Board, but by the IAC, the Legislature, and the people of the State. I am still a little concerned, and I want you to tell me my concerns are no longer appropriate, Mr. Gorrell, the City Schools, as you know, have a problem because their local government doesn't have the extra funds that other jurisdictions do to forward fund programs. So that if the IAC has partially funded a large number of projects, whether they are renovation projects or construction, and prices change, things alter on the ground and you can't complete that project that year, the funds have until now not been able to be applied to other ongoing projects that year although those projects might have been approved already. And

so they have reverted to a contingency fund and had to wait for a year or 18 months before they could be used.

I understand now that you're coming to us this morning with new news on that. Could you --

MR. GORRELL: Yes, Madam Treasurer, and you prompted us to take a look. And we have taken a look. And we do believe that even within the first year that it's awarded that clearly we, statutorily, have the authority to be able to reallocate, rescind and reallocate within that year and not have to wait until the following fiscal year to award those dollars. We are already working with Baltimore City on a few projects that this is going to help them right now.

TREASURER KOPP: That's excellent. And the IAC as a whole understands and agrees with that? Is that -- yes? Yes. So that part of this problem will be dealt with and we will be able to see more projects completed rather than a hiatus of a year or two, right?

MR. GORRELL: Instead of 15 projects being rescinded, maybe we'll only have one or two projects rescinded if there's clear prioritization of the City. That's important.

TREASURER KOPP: Yes. Absolutely. Everyone has to do his or her part. But that's a major problem overcome, a major problem that the law in fact, a clear reading of the law, would have prevented. But that was not the situation before.

The \$66 million as I understand it, some people have said that the City School System is behind \$66 million because of this problem. But in fact as I understand it, there were two problems. One is all the funds could not be used for the reason which you are now, the situation you are now correcting. And the other is that's a projection based on what the school system would have received if there were not funds in the contingency fund that had been used, that were there to be used. Regardless, that's a problem that ought to now disappear also, is that right?

MR. GORRELL: Yes. And on the last point that you made, Madam Treasurer, the new funding whenever we go and look at the entire State and look at Baltimore City in the context of the entire State funding, the funding to Baltimore City has tracked. There have been years that the State funding is higher, and Baltimore City's funding is higher. The State when it's --

TREASURER KOPP: Absolutely.

MR. GORRELL: -- years when it's lower. When I look at the really what I call the stable years of FY '15 through '18, where they are basically \$280 million that go towards this type of project per year, and you look at the average across City Schools, there is a zero average fluctuation between them. On the high of those four years, the high was 13 percent above the average of their average of those four years, and on the low it was seven percent. But they average out to a zero deviation.

TREASURER KOPP: So if that was a problem it's been --

MR. GORRELL: Yes.

TREASURER KOPP: -- solved and we've gone beyond it. And I will point out, I'm told the NOD Commission, the present Commission on School Construction in fact in discussions with the IAC, subsequent to those discussions, the IAC has now agreed that there will not be partial funding that essentially amounts to not completing projects.

MR. GORRELL: Madam Chair, not exactly. Certainly Baltimore City has made the request and there is no partial funding. But we have other LEAs that want partial funding.

TREASURER KOPP: Baltimore City, yes --

MR. GORRELL: And a multiphase --

TREASURER KOPP: That's not the question, is it?

MR. GORRELL: Yes. Yes, Madam Chair.

TREASURER KOPP: If it is at the request of the LEA --

MR. GORRELL: Yes, Madam Treasurer.

TREASURER KOPP: -- certainly that would be appropriate. The bulk of the schools that have been found in poor condition in the City, are those being addressed, I am told but I would like to hear from you whether you see it that way or not, through renovation or through the joint City/State/LEA 21st Century Schools? Is that right or is that not right?

MR. GORRELL: Madam Treasurer, I can't answer that question. There are, I, a full assessment of their needs is something that's missing. I know that they are working on that. I think they've even started one themselves and they've got another four years to go on the way that they are phasing their funding to do that. I can look at their capital improvement program and look at what they believe their priorities are. But for me to be able to professionally look at those schools and look at their deviation from what I would call sufficient, I can't comment.

TREASURER KOPP: Well that's the situation in all the school districts, right?

MR. GORRELL: Yes.

TREASURER KOPP: And that's why we're proposing a project to do an assessment of sufficiency across the State. But the question is, in terms of the schools that are being, that are already assessed as not only not superior, not good, not adequate, but actually in very poor shape, you can let us know which of those already have plans in place for either renovation or for closure?

MR. GORRELL: Yes.

TREASURER KOPP: In this joint, of both, both in the State's program and in the joint City/State/LEA program that the Stadium Authority is working on.

MR. GORRELL: Yes, Madam Treasurer. We will take a look and at those maintenance scores that are not what we'd like for them to be, look at those facilities, see how they rank against their own prioritization.

TREASURER KOPP: And finally on the maintenance scores, the Comptroller very correctly pointed out the proportion that were either superior or good. There also is a proportion that is adequate, which is it meets basic criteria. I don't know what that is. Could you let us know what the bottom line is for everything that is adequate and above?

MR. GORRELL: Yes.

TREASURER KOPP: And that way we can know what the proportion is that is less than adequate.

MR. GORRELL: Yes. We will do that.

TREASURER KOPP: Thanks very much.

COMPTROLLER FRANCHOT: I have one other.

GOVERNOR HOGAN: Go ahead.

COMPTROLLER FRANCHOT: Yeah. I just wanted to complete the public record because I've put a lot in about the resistance of the school bureaucracy up there to do what I believe they should have been doing for the last six years. And just for the edification of your, of the folks that are out there in the real world, I have been bringing this subject up almost as long as I've been

Comptroller. So it's the foot dragging of the bureaucrats but it's also the foot dragging of the politicians.

In 2016, I just want to put in for the record, the General Assembly, the House of Delegates and the State Senate, inserted language in the capital budget, one of our most important legislative actions, in a highly irregular way, I contended at that point, and troubling. But they chose to insert in 2016 in the capital budget specific language that barred school systems in the State of Maryland from using State funding for units such as this one in front of me. I mean, it was unprecedented *deus ex machina* language that arrived out of nowhere and banned this kind of equipment.

In addition, they weren't happy just with that, the General Assembly inserted language in the capital budget last year to eliminate the role of the Board of Public Works in reviewing the statewide capital improvement program recommended by the IAC. They didn't like the advocacy for cool classrooms during sweltering days and warm classrooms during freezing days. So for the record, it's not just bureaucratic resistance. It is political resistance.

And if I could just, and I'll -- I'm through with the subject. I just wanted to thank the employees of the Thomas Somerville Company for not forcing me to buy this equipment but just letting me borrow it. Chris Squires is a technical specialist; Rosalyn Mikell is the sales rep specializing in these units; Ray Mikell is the Vice President of the company; Jesse Taylor is the sales

manager. The cost of this product in front of me is approximately \$3,000 for a unit that will heat, cool, and ventilate a 28-foot by 28-foot classroom. They are in operation in other jurisdictions in the State. They work beautifully. They last a long time. You can plug them into existing electricity. Unbelievable, efficient, technological projects. There are not just this company and these products. There are ten or 12 other companies that make these products. And so I think the solution hopefully is there and I hope the City and Baltimore County also, which has a very acute problem that we'll get to in just a minute, I think, in this area. Once again, these two jurisdictions are all by themselves in the State suffering from this problem. And it is a result of bureaucratic and political resistance.

So I want to thank the Governor for indulging me to correct the record on this. And feel free to come up afterwards and examine this equipment.

GOVERNOR HOGAN: Mr. Gorrell, we've seen from correspondence from you and your predecessor documentation of Baltimore City Schools' deficiencies in managing these State capital investments. And this seems to have been a conversation that the IAC has been having with the City for years, if not decades even. Certainly long before your arrival. In your opinion, what needs to happen in order for the City Schools to fix these planning and management issues?

MR. GORRELL: Well as I said earlier, Governor, I think that having a very high level, extremely experienced individual that is a point of

contact that is responsible for maintenance, responsible for planning, responsible for construction, responsible for the financing that's required and the capability to and level of funding that is available, and to be able to map out not only what we're doing today but how we're going to sustain facilities 20 years into the future. Somebody that is looking at the whole cost of ownership so that every move we make is making it better and more affordable and sustainable into the future. It's a, I think a few of the counties have people like that. And I think, as I said earlier, Baltimore City, having the enormous problem that they have and I certainly want to recognize that they have a very heavy lift, that that's the level of expertise and knowledge that they need in leadership to be able to help manage and create a plan, a strategic plan, and move it forward.

GOVERNOR HOGAN: You know, in spite of receiving more State funding, two or three times more than anyone else, and being the fourth highest funded school system in America, they don't seem to be prioritizing maintenance. Because they slashed their maintenance budget by 27 percent and there was one report of them cutting up to 34 positions. I mean, it doesn't, most people have this as a priority. It's something that seems like it should be. And for them it doesn't appear to be.

MR. GORRELL: Governor, I think that they are struggling with the funding that they think is important to apply to their schools. It looks like that they are increasing some of their maintenance FTE but the overall budget is not

increasing as we would like. I certainly can look back ten years and their maintenance budget appears to be bigger than it is today, and yet we have even new facilities coming online. So there has to be a reckoning, as I was describing, of how that we not only build today, how are we going to keep it and have it there 20 years from now?

GOVERNOR HOGAN: You know I understand that the City has a little over \$2.7 million in its contingency account and would it be possible for them to tap into those funds to address the crisis of the HVAC systems that just recently failed with the cold weather? Or can that money be applied to other projects that are, you know, not being funded by them?

MR. GORRELL: As of the end of the year, their contingency fund is now at zero.

GOVERNOR HOGAN: Okay.

MR. GORRELL: So if there are some reverted funds to projects that have already been brought forward and are on the list, yes, they can move forward.

GOVERNOR HOGAN: Before you go, I just want to note Item 19, the final approval of the local cost share percentages for State school construction aid. I want to thank my colleagues, Comptroller Franchot and Treasurer Kopp, for agreeing with my proposal back in October to hold the City, Baltimore City and other local school systems harmless from the legislative formula driven cuts

that would have happened to State school construction aid. So thank you both for that.

Any other questions on the schools? I know we have a couple of speakers. Is there anything else you want to add before we call up --

MR. GORRELL: Mr. Governor, members, no, I don't.

GOVERNOR HOGAN: Thank you --

TREASURER KOPP: Governor, could I ask Mr. Gorrell, not this moment, but at some appropriate time in the future, I think it would be interesting for the Board to hear a progress report on the joint City/State/LEA project, the 21st Century Schools. Exactly how some of these issues are being addressed. I know I should not ask for something that I don't know the answer to but I do that very frequently and this is one of those. But just how we're doing on that and how that's going to address some of the concerns that have been raised here? Including we keep using the cost per student number here, which is an appropriate number to use. But then we say this school system is funded more highly than another, or than many others. In a situation in which --

GOVERNOR HOGAN: All but three --

TREASURER KOPP: Yes. Yes.

GOVERNOR HOGAN: -- in America.

TREASURER KOPP: In a situation in which one of the basic problems is declining enrollment, and the number of schools that we have. And

there is no doubt that the schools play a role in a community that is more than simply educational, but the basic purpose is educational. It is a school building. And if students can be better educated by combining schools and creating a new facility or a significantly enhanced facility, it's something that every jurisdiction has got to look at. But the decline is obviously much more serious in Baltimore City. And that leads to some of these numbers. And it ought to be I believe addressed fully.

I know the school system is addressing it and I know it's very difficult for a community. But I believe it's a basic cause for some of these numbers to look out of synch with the rest of the State.

MR. GORRELL: Treasurer, we're wrapping up an annual report on the 21st Century School program. So whenever that is complete, I'll certainly work with the Secretary and see if there's a time that we could use that as an opportunity and maybe prepare some metrics that we could review to discuss some of those.

TREASURER KOPP: And let me just say, our schools, many years ago, in Montgomery County, went through boundary changes, went through school closures. And it was very, very difficult and had, and many of the counties have. And the question is because of all of the problems of the City, and its neighborhoods, and its needs, are there things that we can do to help facilitate that

that perhaps had not been needed in some other jurisdictions or at other points in time? To help --

MR. GORRELL: Yes.

TREASURER KOPP: -- this move along?

MR. GORRELL: Yes. I think we can provide information. For instance, a square footage of school in order to properly sustain it in the future really costs about eight dollars a square foot, whether there's a child using it or not. So to be able to get that kind of calculus in front of the parents so they understand that those dollars could be used more appropriately if we do this and there are options of right sizing schools to make everything --

TREASURER KOPP: And there's difficulty moving --

MR. GORRELL: Yes. Yes.

TREASURER KOPP: -- across communities to go from one school instead of --

MR. GORRELL: Yes.

TREASURER KOPP: -- to address that openly.

MR. GORRELL: Yes.

GOVERNOR HOGAN: Thank you. We have a couple of speakers. Thank you, Dr. Gorrell. We've been talking mostly about Baltimore City but we have, from Caroline County, we have Larry Porter, the President of

the County Commissioners, and Dr. Patricia Saelens, the Superintendent of Schools.

DR. SAELENS: Good morning.

GOVERNOR HOGAN: Good morning.

DR. SAELENS: Thank you so much. I want to thank you for this opportunity to stand before you today, Mr. Porter and myself. I know that we have had an opportunity prior to this to speak with you as it relates to building a new facility in Greensboro Elementary School in our district in Caroline County. We are moving forward to try to get approval for planning and have not been able to do that successfully. So I think that I've had a good opportunity to articulate to you the relationship that we do have with our Commissioners and the support that we have of our Board and our community. But I felt that it was appropriate for our President of our Commissioners to come and share his viewpoint because I think that he has some very valid points to share with you.

GOVERNOR HOGAN: Great. Thank you.

MR. PORTER: Thank you for the opportunity to come across the Bridge. It was little slow this morning getting here but we always enjoy coming.

In October of this year we made the political decision to increase our income tax to the maximum to raise money for, you know, to support this school. I've never been accused of being the greatest politician in the world and probably from a timing standpoint, you know, it was not good. I got called things

on social media I didn't even, hadn't even heard of before and had to go back and look them up. But you know, I do things that I think are the right thing to do and not, you know, from a political standpoint.

So our Board of Education stood shoulder to shoulder with us. They took the heat the same way we did. But it's important because I've lived in the county, was born in the county, lived there my whole life and this is a big deal for us. This is not an auxiliary project. This is probably the biggest thing we're going to do. And I certainly wouldn't stand up here and pretend to know what it's like to have to make the decisions that you all make and I appreciate the tremendous work that you do and that you've done. But I know what it's like to sit in one of those three Commissioner seats in Caroline County and try to make decisions that I think are in the best interests of our students and our citizens.

We've made a tremendous effort and I think the statistics that the Comptroller had cited, you know, a few minutes ago show that we've made an effort, more than a good effort, I think, to maintain our schools. You've been there to give us our Silver Hammer Awards and our names are on the beam in Preston, which I still think about. But just here to show you the support that we have with our Board of Education. And thank you again for the opportunity. Comptroller, we'll see you Monday, I think, in Caroline County.

COMPTROLLER FRANCHOT: Well, I didn't know that. But you've got one of the best run counties in the State.

MR. PORTER: Thank you.

COMPTROLLER FRANCHOT: I enjoy coming over there. These units obviously are not something that you're seeing for the first time.

MR. PORTER: We've seen them before.

COMPTROLLER FRANCHOT: And as far as I'm concerned, there are no outstanding issues with your project and I'm happy to be supportive should it, it may ultimately be on the whole list. I don't know what my colleagues --

DR. SAELENS: I'd like to extend an invitation. If you are in, you are coming to our district so on Monday if we can arrange for you to go to Greensboro Elementary School so you can see it, we would love to have you. So please let us know and we'll do everything we can to open that for you to come and see.

COMPTROLLER FRANCHOT: Thank you.

MR. PORTER: We know you're going to Towers Concrete and you can help mix some concrete while you're there.

(Laughter.)

MR. PORTER: But we would love to have you come. Governor --

DR. SAELENS: Governor, thank you.

MR. PORTER: -- Madam Treasurer, thank you very much. It's always a pleasure to come over.

GOVERNOR HOGAN: Thank you. We'll be back to see you in the summer too but --

TREASURER KOPP: Could I ask Mr. Gorrell a question about this? Since he's still standing back there behind the Commissioner --

GOVERNOR HOGAN: Don't go anywhere, Larry.

TREASURER KOPP: My understanding is that you have been, my recollection of our discussion, is that you have been reluctant to authorize new planning at this stage because of the number of projects that are backlogged on construction?

MR. GORRELL: As I look from the October 18 meeting, the LEAs gave us estimates of what they thought their deferred maintenance backlog was. And it totals about \$26 billion for the State. So it's a very large number. So I am reluctant to just jump off with recommending planning projects until we understand how they fit into the statewide educational priority, which as I read the COMAR the top thing on the list --

TREASURER KOPP: Yes. Yes. I recall your saying that. But also that by May you will --

MR. GORRELL: Yes.

TREASURER KOPP: -- look more fully at the funding available, including planning projects?

MR. GORRELL: That's correct. And traditionally at this point, at the 75 percent point, planning is not something that is awarded. We want to look at the funding commitment, how much is left, project the anticipated flow into the future so that any commitments the State makes in planning we'll be able to support in the construction dollars later on. So it normally does occur in May. There are a few that you see that we have, a couple of them that are kindergarten spaces, they are on existing facilities. There is one in Hagerstown that has been discussed for years that is finally on the list as a planning approval today. But it was very limited.

TREASURER KOPP: But a project like this that is a top priority of the counties you would expect to see in May rather than right now?

MR. GORRELL: That's whenever we will bring those recommendations, yes, to the IAC.

TREASURER KOPP: I look forward to seeing it.

GOVERNOR HOGAN: I think there's unanimous support on the Board of Public Works. Far be it from us to try to interfere with the great work of the IAC. But we would love to see Greensboro Elementary move forward and we hope you'll consider it in the decision making in May when you look at the remaining 25 percent. So we want to thank the, you know, the President and the Superintendent for joining us. And for making a commitment to the project.

MR. PORTER: Thank you very much. Thank you.

DR. SAELENS: Thank you so much.

GOVERNOR HOGAN: Thank you. Are there any other questions on school construction?

COMPTROLLER FRANCHOT: Yes. Where did Mr. Gorrell go?

GOVERNOR HOGAN: He thought he was off the hook.

(Laughter.)

GOVERNOR HOGAN: He's standing in the back. Mr. Gorrell, you're not off the hook yet, apparently. I thought the Comptroller had worn out his --

COMPTROLLER FRANCHOT: Right. Right. Okay. Just to finish up this issue of climate control, there are currently as I speak 13,781 students in Baltimore County, we're not talking Baltimore City, we're talking one of the most affluent counties in the State, 13,781 students as I speak, 910 teachers, their faculty, in 533 classrooms in Baltimore County in 15 schools that have no air conditioning. So two of those were the subject of the October hearing, where a number of parents, teachers, and students from Baltimore County came down to complain that they were not being, their problems at Lansdowne High School and Dulaney High School were not being listened to.

I have and will continue to be a strong supporter for replacement of these two high schools because they quite frankly are, have deplorable conditions for their students and faculty. And I bring this up once again to isolate this issue

of climate control. It is not a systemwide, statewide problem. Obviously there are maintenance concerns all over the State. But this specific issue of overheated, lack of air circulation, unsafe classrooms, is specific to Baltimore City and Baltimore County. I share the frustration and anger by the parents, students and teachers. And once again, it is the reason we have this problem is simply because of bureaucratic resistance and political resistance. It has nothing to do with money. Zero. Goose egg. Nothing to do with resources. It has to do with political and bureaucratic inertia.

So anyway, I hope that along with Baltimore City we will see, perhaps Mr. Gorrell you could communicate to Baltimore County also, that all kids, regardless of whether they, where they live or the socioeconomic status of their communities, deserve safe and comfortable learning environments. And frankly, they are not getting them. Or at least these 13,781 are not getting them.

Replacement schools are being built or have been built in other parts of the county up in Baltimore County, but the leaders in Towson for reasons that will continue to remain a mystery to all of us have elected to deny this community the replacement school that they are long, that's long owed to them. So I'm very, I was very disappointed to see that Dulaney High School, which is listed by the county as number 26 on their priority list. For those of you that are not familiar with school funding, when you are number 26, well, don't go out and buy any champagne, let's put it that way. And was listed in the C category or

deferred, thereby resulting in even greater delays for the long overdue replacement project of Dulaney High School.

So it is the failure of Baltimore County government to replace Dulaney High School which is quite, if you go up there, quite literally falling apart. And so anyway, it's in close conjunction to the \$43 million tax break for developers of the Towson Row project. It kind of strikes me as perhaps a timing issue. So I'm sorry to see that Dulaney is number 26 on the capital project priority list, near the bottom of the list. I believe that's a slap in the face, a deliberate slap in the face to the parents, teachers, and students who have pleaded for years with elected officials to get this done. And if that wasn't enough, the fact that Baltimore County Public Schools failed to submit the necessary documentation for this project to move forward with limited planning funds is also an incredible insult to the Dulaney High community. Can you explain why Dulaney High School, Mr. Gorrell, is listed as a C minus by the IAC?

MR. GORRELL: It's about planning feasibility. Feasibility and planning are not complete. They are two requirements to ensure that the project if it's considered is close to being ready to move so that the dollars if they are awarded don't sit on a shelf and not work for us.

COMPTROLLER FRANCHOT: Okay. Well it's incredibly disappointing to me that Baltimore County Schools' sloppy work in not putting the feasibility report in will result in yet another delay for Dulaney High School.

And let me conclude, Colgate Elementary and Berkshire Elementary were also given C minus on the Baltimore County, apparently also due to the county's failure to properly submit required documentation. Does that also meet with somebody's -- okay? Well I'm bringing up these --

MR. GORRELL: I'm going to bring up the technical experts on that, please. Kim Spivey.

MS. SPIVEY: Good morning. Berkshire was due to design progress also. And what was the other name?

COMPTROLLER FRANCHOT: It's Colgate Elementary and Berkshire Elementary, who have both got C minus listed and I believe the reason is the county's failure to properly submit required documentations on time. What's the problem?

MS. SPIVEY: That is correct. It is the design progress. That submission goes to Maryland State Department of Education and is a requirement for planning approval --

COMPTROLLER FRANCHOT: Okay. Well these two schools --

MS. SPIVEY: -- under our program.

COMPTROLLER FRANCHOT: -- are currently non-air-conditioned. The leadership of the county is not doing I guess what it should do to make these eligible for moving up the ladder. And because of that sloppiness these two projects are delayed. I can't see how the county will be able to meet

their promise that these will be air-conditioned by 2021. And I would hate to certainly have my kids be in the school in 2018, 2019, 2020, and 2021 with no air conditioning.

The point is instead of rolling the dice and hoping that all of Baltimore County's replacement projects are recommended for funding, obviously that won't happen, the county should do the humane thing, which is immediately install these air conditioning units in the hundreds of classrooms that currently are un-air-conditioned. So we've got 533 classrooms in Baltimore County, one of the richest counties in the State. We've got a unit that costs \$3,000 and declining. If you bought 500 of them I bet you'd get a real deal. And they could be put in within a matter of, well, let's be generous, two months? A month? Two months. Let's pick two months, just to be reasonable. And someone can figure out the dollar amounts but it's not very much and but it is a tremendous relief to those 13,000 kids. If you could -- are you with the county? Or are you with the IAC?

MS. SPIVEY: I'm with the IAC.

COMPTROLLER FRANCHOT: Oh okay. Well if you, if anyone's -- I doubt anybody from the county is here, are they? They walked out last time they were here. But if anybody sees them, you might suggest to them, or take a cell phone photo of this, if you would, just a snapshot and maybe text it up to them.

GOVERNOR HOGAN: Maybe last two comments from me and then we'll I think let you go, Mr. Gorrell. In FY '18 Baltimore City allocated only five percent of its capital budget for schools. Their budget, their operating budget only ten percent for schools. And the average in the other jurisdictions is like 50 percent of their budget. I think Prince George's spends maybe 60 percent. So we've had to overfund them from the State level. But the City needs to, you know, take funding schools pretty seriously as well. They spend \$1,600 per student in administrative costs, which is the highest in America. And yet they slashed their maintenance budget by \$5 million and by 27 percent. So those are issues we probably should address at a later date. But thank you very much. I don't think there's any other questions on --

COMPTROLLER FRANCHOT: No, but I see Senator Kagan just walked in.

GOVERNOR HOGAN: Wow.

COMPTROLLER FRANCHOT: One of my favorite State Senators from Montgomery County and --

GOVERNOR HOGAN: I don't know what she came in for but maybe she --

COMPTROLLER FRANCHOT: I don't know. Maybe she came in to say nice things about Amazon.

GOVERNOR HOGAN: Maybe.

COMPTROLLER FRANCHOT: Who knows?

GOVERNOR HOGAN: Senator, great to see you.

SENATOR KAGAN: Thank you.

GOVERNOR HOGAN: Thank you. Are there any other questions on the Secretary's Agenda?

TREASURER KOPP: Yeah, I had a question on the appendix.

SECRETARY MCDONALD: Yes, those emergency reports of contracts from the Department of Public Safety.

TREASURER KOPP: Just actually to Secretary Churchill again. This, here are more emergency boiler, leaking, water projects, in this case in Corrections.

MR. CHURCHILL: Mm-hmm.

TREASURER KOPP: But it goes back to the question that you and I discussed and I've asked before about how we have a handle, how we can get a handle on the adequacy of the maintenance of these sorts of essential parts of our State buildings, the boilers, the chillers, the water lines, so that we can prevent the emergencies. And it's just, I mean, I told you I would point out a couple. They come up at every meeting. And I understand that it's difficult because you have let the user agency know it and then you have to have the control agency, DGS, know it. And then address it. But there's got to be a way. Because this is not only poor management but it's costly. Costly both in terms of human suffering

but just in terms of dollars. So I look forward to, I know it's something, a concern you share. I look forward to seeing how we can address it.

MR. CHURCHILL: Yes. How we manage our facilities is something that we look at on a daily basis and in the case of General Services we do a fair amount of inspection and are trying to put in plans for how we will deal with our facilities in the future. But what we've also learned, especially through this last cold spell, is that we need to talk with our, we're talking with our other agencies. Facilities departments within agencies --

TREASURER KOPP: Exactly.

MR. CHURCHILL: -- are talking together so that we can share information and put forth best practices. So we have a lot to do.

TREASURER KOPP: Yeah. Absolutely. And as I know we've discussed, and Governor, you know, the Treasurer's Office houses the insurance for the State. This is not a cost free item. The more, the more problems we have due to either maintenance or old, systems that are just old and we've patched them up over the years or decades, the more reluctant the insurance companies are to cover it and the more expensive it is. So if there were a way of getting a handle on, A, what the situation is regarding the adequacy of these systems, and B, how we can address it and cost out in the future what it would cost, we can also see in the future what the financial gain would be addressing them as opposed to going back and patching it up. And I dare say if you go back and look at the agendas of

the Board of Public Works in forever in the past, you will see these same emergency items for basic essential systems in our buildings. Not to mention the roof and the mold and all of the other sorts of problems.

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

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second? Three-nothing.

SECRETARY MCDONALD: Thank you.

GOVERNOR HOGAN: Now we're going to move on to the DNR Real Property Agenda.

MR. BELTON: Good morning, Governor.

GOVERNOR HOGAN: Secretary Belton, that's quite a new look you've got going there.

MR. BELTON: Working on it, sir, thank you. Governor --

GOVERNOR HOGAN: Looks like a natural resources guy.

COMPTROLLER FRANCHOT: Yeah.

(Laughter.)

MR. BELTON: Yes, sir. My climate change adaptation measure.

(Laughter.)

GOVERNOR HOGAN: I think you've been out in the parks, maybe, in the woods.

MR. BELTON: Yes, sir. Governor, Mr. Comptroller, Madam Treasurer, for the record I am Secretary Belton, the Secretary of the Maryland Department of Natural Resources, and we have ten items on our Real Property Agenda for your approval this morning.

GOVERNOR HOGAN: Any questions on DNR?

COMPTROLLER FRANCHOT: Move approval.

TREASURER KOPP: Could -- I would second that. But I just want to say our new delegate, Delegate Corderman --

GOVERNOR HOGAN: Yes?

COMPTROLLER FRANCHOT: Oh.

TREASURER KOPP: -- who is hard at work is very strongly in support of Item 6A, the open space in Washington County, and asked me to point that out.

GOVERNOR HOGAN: Great. Yeah, thank you. I appreciate the Delegate's support.

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second? Three-nothing on DNR. Next up is the DBM Agenda.

MR. NICOLE: Governor, Mr. Comptroller, Madam Treasurer, for the record, Marc Nicole, Deputy Secretary of the Department of Budget and

Management. The department has submitted five items for today's Agenda. We have speakers here ready to answer any of your questions.

GOVERNOR HOGAN: Thank you, Marc. Any questions on DBM? Motion?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second? Three-nothing. Now there are no submissions from the University System. They are off the hook today.

SECRETARY MCDONALD: They are coming back next week.

GOVERNOR HOGAN: Next week. Next time. We'll see them next time. So we're going to move on to Information Technology.

MR. LEAHY: Good morning, Governor --

GOVERNOR HOGAN: Mr. Secretary.

MR. LEAHY: -- Madam Treasurer, Mr. Comptroller, for the record, I'm Mike Leahy, the Acting Secretary of the Department of Information Technology. Today we have two items on the Agenda, one of which is a revised hand-carried item. And there are people here from the various agencies to answer any questions you may have.

GOVERNOR HOGAN: Questions on DoIT? Motion?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Three-nothing.

MR. LEAHY: Thank you.

GOVERNOR HOGAN: We're going to move on to the Department of Transportation. Mr. Ports?

MR. PORTS: Yes. Good morning, Madam Treasurer, Mr. Comptroller, Dr. Doctor Governor. For the --

(Laughter.)

GOVERNOR HOGAN: Well I also got an honorary ninth degree black belt, so it's --

(Laughter.)

GOVERNOR HOGAN: -- it's Grand Master Dr. Doctor. Governor.

MR. PORTS: Dr. Dr. Grand Master Governor --

(Laughter.)

MR. PORTS: -- for the record, my name is Jim Ports. I'm Deputy Secretary for the Maryland Department of Transportation. The Maryland Department of Transportation is presenting 25 items today. At this time 25-RP is being withdrawn. I'll be more than happy to answer any questions you may have.

GOVERNOR HOGAN: Well, thank you, Mr. Ports. Before I get to my question on Item 1 I just want to give you and Secretary Rahn and our SHA Administrator Greg Slater a shout out for another great job keeping our State roads clear and safe during the last snowstorm. Thank you very much. We should give them a round of applause.

(Applause.)

GOVERNOR HOGAN: Item 1 is a request from the Maryland Transportation Authority for \$30 million in increased contract authority for architecture and engineering services for the Harry Nice Bridge replacement project. And I just wanted to say that after decades of delay by the State, we pushed hard to get this project moving. And we are supporting it with \$765 million in funding and finally we're going to make this much needed bridge replacement a reality. We want to thank you for your efforts there. Are there any questions on the Transportation Agenda? Is there a motion?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: There we go. Nice work. Now we're going to move on to the Department of General Services.

MR. CHURCHILL: Good morning, Governor, Madam Treasurer, Mr. Comptroller. For the record, I'm Ellington Churchill, Secretary for the Department of General Services. The department has 34 items on our Agenda today including two supplementals, and we have personnel available to answer any questions you may have.

GOVERNOR HOGAN: Thank you, Secretary Churchill. I'd like to address Item 34. This is a request to grant \$73.8 million to the University of Maryland Medical System for construction of the new Prince George's Regional Medical Center in Prince George's County. This funding represents capital

budget appropriations dating from FY 2014 to FY 2018. We've been supporting and pushing for the funding of this project from day one. We've already committed \$200 million to the project, including another \$19 million in this year's capital budget. But my understanding is that none of this money has been spent yet. And I'm happy to support this request. And when they reach the point where they do need it, we'll certainly look forward to discussing further rounds of funding allocations.

MR. DEMBROW: Good morning. May it please the Board, my name is Dana Dembrow, Director of Procurement for the Department of Health. We have four individuals more knowledgeable about this particular project, led by Mark Wasserman who is the --

GOVERNOR HOGAN: I saw Mr. Wasserman come in.

MR. DEMBROW: -- he is the Senior Vice President for External Affairs for the University of Maryland Medical System. I'll defer to him if there are any particular questions.

GOVERNOR HOGAN: I don't have a question. I was just pointing out that -- well, does anybody have questions since the distinguished gentleman came all the way down here?

COMPTROLLER FRANCHOT: Yeah.

GOVERNOR HOGAN: We should think of some tough questions for him.

(Laughter.)

GOVERNOR HOGAN: Thank you, Mr. Wasserman, for joining us. Thank you.

MR. WASSERMAN: Governor, Mr. --

GOVERNOR HOGAN: The Comptroller said it must be a big deal if you came down so --

MR. WASSERMAN: You are our partner, sir. The State is our partner. Shall I just make some comments or --

GOVERNOR HOGAN: Yeah, sure.

(Laughter.)

MR. WASSERMAN: Yeah. So I'm happy to extrapolate here. First of all, let's, I would ask all of you to sort of keep in perspective what it is we're doing here, which is we are making a leap forward -- I'm here with my colleague Darryl Mealy, who is actually building this facility. We're doing something that people have been struggling to resolve for -- my brother was born there in 1962 and people have been struggling for 35 or 40 years to figure out the answer here. We have zigged and zagged on this opportunity in my experience for at least 25 years. We've found the magic formula here, which is a three-way partnership with the University of Maryland Medical System, bringing our brand, bringing academic medicine, creating the opportunity to transform healthcare in Prince George's County. The county government, the State government, UMMS.

And what is our goal? To transform healthcare. That's your goal. But your goal is also to remove yourself from the ongoing commitments to have to fund a hospital.

We have made enormous progress. We broke ground -- thank you for coming. And we're right on the ten-yard line here. If I could just, I'm going to just keep going here and I'll get to your point.

GOVERNOR HOGAN: You're on a roll, so.

MR. WASSERMAN: Yeah. Yeah. Thank you, sir.

COMPTROLLER FRANCHOT: It was going to pass, though.

MR. WASSERMAN: Should I leave?

(Laughter.)

GOVERNOR HOGAN: You know, when you've made the sale they tell you to stop talking.

MR. WASSERMAN: All right. So I'd be happy to provide you with an update on where we are. We're making progress. I think the issue here which you have raised, Governor, is the State has been an excellent partner. UMMS has gone out and borrowed its share. It's in hand. Half of the county's share is in hand and the other half will be in hand before the end of this calendar year. What we're looking for is certainty about completion of the State commitment. It's not in doubt. It's a matter of how it's paid out. And we would hope that wise heads here in Annapolis would figure out how to complete that so

that we can, we're going to get on, this thing is under construction. We've awarded the largest construction management contract we've ever awarded to Clark Construction. So you know, we just ask for your support to finish this out.

GOVERNOR HOGAN: Well, thank you. I'm a lifelong Prince Georgian who grew up there. And I can tell you, I've seen the mess in the hospital system there forever. And my dad was County Executive in the late seventies and early eighties, and we were dealing with problems with Prince George's Hospital then and this is just going to be transformational for the area. It's going to be a beautiful facility and it's going to make so much of a difference. So we appreciate the effort.

MR. WASSERMAN: There's no doubt. And we hope to bring a little bit of magic to Laurel and to Bowie and to really create a system that --

GOVERNOR HOGAN: We need magic there, too. Thank you.

MR. WASSERMAN: Pardon me?

GOVERNOR HOGAN: We need magic there as well.

MR. WASSERMAN: Thank you, sir.

GOVERNOR HOGAN: Okay. Thank you. Any other questions on the DGS Agenda?

TREASURER KOPP: Yeah. Governor, Item 33, which is the SHA lease that was brought at the last minute so it's not --

MR. CHURCHILL: Item 33, we have Wendy Napier, Assistant Secretary for Real Estate here, and of course we also have Deputy Ports can speak to issues.

TREASURER KOPP: Just to say we've received a letter from the Chairmen of the Budget and Tax Committee and the Appropriations Committee asking for a deferral because it deals with planning for a very large project which the Legislature has not been able to see yet, although it's on their agenda the first week in February which is the week after next. I understand that there are some who think there is no role for the Legislature in this sort of issue but there is \$22 million in the budget that will, that has been submitted and will have to be approved.

So my question is, A, what is the harm of a deferral until after that first week in February? Or B, if we go ahead because you can cancel it for, the State can cancel the contract obviously if there's a problem, what the cost of doing that would be?

MS. NAPIER: So the need to go ahead today involves the six-week construction timeline to get the space ready. So if we are not able to approve it today, that would delay the start of the construction. The program wanted to be in the space around March 1st. So the landlord will not begin construction until we have an approved lease. So that was the desire to move

forward today, was to allow that six-week window to be ready for the space to be available on March 1st.

We do have termination for convenience in the language, in the lease. If we, if for some reason we would need to pull this back, the State would be on the hook for the construction work that occurs between now and if a decision would be made to pull this back.

TREASURER KOPP: So if this were deferred until following the first week in February, which I assume is the meeting after next?

SECRETARY MCDONALD: February 7th is the next meeting.

TREASURER KOPP: Mm-hmm. So it would probably be the meeting after next.

SECRETARY MCDONALD: February 21st.

TREASURER KOPP: You anticipate work will have been done by then?

MS. NAPIER: Well if you were to defer the item today, work would not begin until an approval --

TREASURER KOPP: No. If it were not deferred today, would work have been done by then?

MS. NAPIER: Yes. They will --

TREASURER KOPP: So if you at that point were to terminate, it would be at a cost?

MS. NAPIER: Yes. We would be liable for the construction work completed between now and that time period.

TREASURER KOPP: And --

MS. NAPIER: Work won't begin until after the meeting today, only if the lease is approved.

TREASURER KOPP: And is there a ballpark estimate of what that cost would be?

MS. NAPIER: The total construction cost is \$250,000 for the space. This is about a 31,000 square foot space and that's the cost to get the space ready for the new program. How much of that they would, they anticipate having it completed by March 1st, roughly.

TREASURER KOPP: So it would be close to the total cost? All right. Well, I must say, Governor, I do disagree with your attorney that there is no role for the Legislature in this since they do approve of the budget.

GOVERNOR HOGAN: Well you know, I think, I think we'll have maybe Secretary Ports address this one directly. But I don't believe the Legislature has any role whatsoever in leases. And certainly they can talk about budgeted items later. But I'm going to let Mr. Ports talk --

TREASURER KOPP: -- the \$22 million.

MR. PORTS: Sure. So first of all, I'll try to answer the question, what is the harm? So as you know, this is when Governor Hogan announced the

\$9 billion project for I-495 and I-270, as well as the potential I-295, we attracted 27 developers from all over the globe. And so one is the harm that it would cause for all those developers to say, yeah, we asked you to get ready, we asked you to do the 101s, but we're just not sure what the Legislature is going to do. So it sends a chilling effect throughout the rest of the world for the probably the largest highway project actually in the known universe, I heard the other day from the Governor. The --

GOVERNOR HOGAN: Well you know, I kept saying it was the largest in North America. And then the Transportation Secretary corrected me and he said, actually it's the largest in the world. So I stepped it up and said in the known universe. But somebody, some way or another, in another galaxy --

MR. PORTS: So I'm sticking with you, Governor.

GOVERNOR HOGAN: -- may have a bigger --

MR. PORTS: I'm sticking with you because I'm not correcting you. I'm not going to do that.

The other harm is Amazon is in play right now for Montgomery County and they need a lot of infrastructure enhancements in this geographical metropolitan area. And I think it would send a chilling effect to Amazon. I think it sends a chilling effect to the citizens of Montgomery and Prince George's County, who have to sit in congestion everyday and would probably like some of those high paying Amazon jobs. And I think it also sends a message that, you

know, Maryland is not ready to have congestion relief and help the environment by not having idling cars sitting around the beltways all day long.

TREASURER KOPP: And all this because of four weeks of allowing --

MR. PORTS: Well --

TREASURER KOPP: -- the legislative branch of government to look at it?

MR. PORTS: -- then that gets us to the other side of the question.

GOVERNOR HOGAN: It may cost us 50,000 jobs because I can tell you that one --

MR. PORTS: Yeah.

GOVERNOR HOGAN: -- of the reasons why Amazon is considering it is because of the improvements to 495, 270, and 295 that we're talking about.

MR. PORTS: Correct.

TREASURER KOPP: And Governor, no one --

GOVERNOR HOGAN: And I can't imagine --

TREASURER KOPP: -- no one is saying --

GOVERNOR HOGAN: -- anyone in the Legislature that would want to vote against this project. They probably wouldn't be in the Legislature very long after that.

TREASURER KOPP: Yes. That's probably right.

MR. PORTS: So to address the other side about the Legislature, because I know that's a concern also. But you know, the Legislature created the P3 process I believe back in 2011 and it began in 2012. We are literally following the same process as the Purple Line. The Purple Line had planning started up in 2012. It was not even in the CTP until 2014. And it wasn't even approved until Governor Hogan approved it in 2015. So the planning was well ahead and we need these resources because we have to have people in place that can do the financing and the procurements and the tolling and the taxing and all these things. As a matter of fact we had a long discussion about lack of planning earlier today with regard to air conditioning and how devastating that is. We need to get this stuff in place so that SHA can do the RFQ and perform our due diligence, prepare the project, and come to the BPW to get P3 designation approval. So we need all this, all these folks in line. Also to address the --

GOVERNOR HOGAN: Also, keep in mind that this is not a budget request. This is attracting \$7.6 billion in private funding to do 270 and 495. We're not talking about expending State money.

MR. PORTS: And you're also making another great point, Governor. Because actually the way that we have done this, the Legislature technically already approved these funds because we had combined the project from the tier one NEPA project for the I-495 and the I-270 projects with this

transportation relief project, what you call a TRP. And so this has already been and \$800,000 has already been in the CTP and approved by the Legislature. So we're not going to use nearly hardly any of this money to move this project forward. You know, this is probably one of the most important projects that the Transportation Department has taken on. When Pete Rahn through the Governor's direction started the I-270 project for the \$100 million for the best and brightest people to come in and change the way we move people, we were criticized as I went around the CTPs throughout the State. Well, that's a short term fix. That's a short term fix. Well, here's a long term fix. And a year and a half later that Governor Hogan announced. And we need to get this thing moving. I think any delay would send a chilling effect, as I mentioned. The Legislature has technically already approved the funds. There is no reason to delay this.

GOVERNOR HOGAN: Yeah, I agree.

TREASURER KOPP: What you say makes a lot of sense, I think.

On the other hand, if this is the largest project in the universe --

MR. PORTS: Known universe.

GOVERNOR HOGAN: Known universe.

TREASURER KOPP: Known universe.

(Laughter.)

TREASURER KOPP: And of such importance to the growth of the State and the health of the State, I do find it ironic that anyone would suggest that

the legislative branch of government has no role in it going into the future. I'm sure in fact that that's not so and there will be a strong role for the legislative --

GOVERNOR HOGAN: I think the answer was that they don't have any role in leasing space.

TREASURER KOPP: In --

GOVERNOR HOGAN: It's not about whether they have a role --

TREASURER KOPP: Yes. But now that we realize that this is essential to the transportation of the known universe, I do understand, however, that they will be looking at it. They will be looking at it in two weeks. And we do have the legal capacity if there are problems, if there are questions, to have those problems and questions answered, which I assume that they will be.

MR. PORTS: Sure.

TREASURER KOPP: And then come to a conclusion whether to withhold funding for this lease. So the --

GOVERNOR HOGAN: I don't think they have any ability to withhold funding from the lease. The money is already there. We're not asking for funding.

MR. PORTS: No.

GOVERNOR HOGAN: So that's ridiculous and your --

TREASURER KOPP: -- is at stake --

GOVERNOR HOGAN: -- cause some major problems in economic development efforts.

TREASURER KOPP: And that the cost would be the foregone, the cost is going to be put into the project already. So we have an estimate of what it would be. I understand that this is going to go forward, and I understand that this may in fact be essential to the next steps. But I do think that the involvement of all of the branches of government is a normal and wise process. The Comptroller --

GOVERNOR HOGAN: Hopefully the judicial branch doesn't get as involved --

TREASURER KOPP: No.

(Laughter.)

TREASURER KOPP: That's absolutely, that's absolutely right. And anything we can do to prevent that sort of problem, to offer up opportunities for public participation and understanding of this project as it goes forward, this really could be the most significant project that we've had for decades in the past or decades into the future --

GOVERNOR HOGAN: And --

TREASURER KOPP: -- much stronger with participation of all of the relevant parties.

GOVERNOR HOGAN: Just so you know the County Executive and the unanimous Montgomery County delegation supports this whole effort. So

--

MR. PORTS: Well and as I mentioned, and I agree with you, Madam Treasurer, everybody has a role. But as I mentioned, we're following the same process as we did for the Purple Line which was the largest transit project in the United States.

GOVERNOR HOGAN: And the Legislature did not have a vote on the lease.

MR. PORTS: And we did not, yeah, we didn't, the Legislature did not voice any opinion on that. I --

GOVERNOR HOGAN: It never --

MR. PORTS: -- haven't seen the letter from that. And two, the Legislature does have a role and I would suspect that it would be highly unusual for them to do a line item veto on our CTP for one project.

TREASURER KOPP: It would be highly unusual.

MR. PORTS: I mean, it would be highly unusual.

GOVERNOR HOGAN: And extremely damaging.

MR. PORTS: And precedent setting.

TREASURER KOPP: But it could be possible.

GOVERNOR HOGAN: Yep. Thank you. Any other questions on the DGS Agenda? Is there a motion?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Is there a second?

TREASURER KOPP: I would like to abstain on that one.

GOVERNOR HOGAN: Okay.

SECRETARY MCDONALD: On 33-LT?

TREASURER KOPP: Not because I don't --

GOVERNOR HOGAN: Can you separate that out? Great. I believe that that concludes our Board of Public Works for today. Thank you very much for joining us.

(Whereupon, at 11:51 a.m., the meeting was concluded.)