

# THE STATE TRANSPARENCY AND ACCOUNTABILITY REFORM (STAR) COMMISSION

## State Transparency and Accountability Reform (STAR) Commission Meeting June 14, 2021

10:00 AM

Held via Zoom and Live Streamed on  
[www.governor.maryland.gov/star-commission](http://www.governor.maryland.gov/star-commission)

### Minutes

Chair Andrew Serafini Meeting calls the meeting to order at 10:00 AM.

Chair Serafini takes roll.

- Secretary David Brinkley (Dept. of Budget and Management) not currently present but arrives shortly
- Rhonda Ray (Managing Director, Dept. of Commerce) is absent
- Michael Harrison (Policy Director, Dept. of Labor) is present
- Secretary Jeannie Haddaway-Riccio (Dept. of Natural Resources) is present
- Bobbie James (Senior Advisor, Dept. of Environment) is present
- Commissioner Kathleen Birrane (Insurance Commissioner, Maryland Insurance Administration) is present
- Delegate Marc Korman (House of Delegates) is present
- Senator Brian Feldman (Maryland Senate) is present
- Delegate Kathy Szeliga (House of Delegates) is present
- Senator Addie Eckardt (Maryland Senate) is present
- John Williams (CEO, Jamison Door; Univ. of Maryland Medical System, Conflict of Interest Subcommittee Chair, Member of Audit and Compliance Committee; Ethics representative) is present
- Karen Syrylo (Maryland CPA Legislative Committee Member, Financial representative) is present
- Dr. Linda L. Singh (PMP, PCC, Major General (retired), Public representative) is present

Chair Serafini entertains a motion to approve the May 17, 2021 meeting minutes. Motion by Sen. Eckardt, seconded by Dr. Singh. Minutes approved unanimously by commission.

Chair Serafini turns the meeting over to Kathy Magruder, Executive Director of the Maryland Clean Energy Center (MCEC), to present

- MCEC charged with building the advanced energy economy for the state to benefit both economically and environmentally
- Created by statute in 2008 with a mission to advance clean energy and energy efficiency products, services, and technologies. Did not have any start-up capital or dedicated funding
- Statute modifications have occurred in 2014, 2017, and 2021
- Strategic focus of MCEC is to mobilize capital, provide technical and procurement support, support innovation advancement, and facilitate outreach and education
- MCEC is different from TEDCO in that they work with the technologies before a company is formed
- Small staff with three contractual employees, and assistant attorney general serves as counsel
- All staff and consultants report to the executive director, and the MCEC Board of Directors has oversight over the executive director
- Board and chair are appointed by the governor. Terms of office are 4 years, and there are currently no vacancies. No board members have been held over beyond their terms
- Board has subcommittees to support their work - Finance and Investment Advisory Committee, Executive Committee, Nominations Committee. Non-board members may serve on committees at the discretion of the chair
- Board meetings typically occur every other month, and members can participate remotely if needed
- Board members must file ethics disclosures annually
- Executive director does not have a vote on the board
- MCEC has a statutorily required Advisory Council that engages stakeholders in the energy and environmental sector. Board accepts nominations and appoints members to the council. 54 members currently on the council, which include many agency representatives
- MCEC has policies and procedures in place for procurement, personnel, operations, and recordkeeping
- For payroll and benefit purposes, MCEC personnel are employed through an agreement with the Maryland Environmental Service (MES). MES HR policies are followed unless otherwise specified by the board of MCEC
- Partially exempt from the Open Meetings Act
- Revenue sources come from public and private grants
- Unique value proposition of MCEC allows them to serve as a bridge for government, academia, and private sector; broker relationships with the state's energy ecosystem, crowd-in private capital with minimal public funds to finance projects, and pursue opportunities that the lending community may not typically pursue
- Target markets for financing capital include residential, commercial, small business, agricultural, not-for-profit, and municipal

- Sen. Eckardt - MCEC is partially exempt from the Open Meetings Act?
  - Ms. Magruder - Board can close the meetings for reasons they determine are advantageous. Meeting is open at first and then becomes closed. Many actions in closed session are financial or personnel related. Meeting minutes shared online
  - Sen. Eckardt - How is that different from the standard Open Meetings Act? Typically the reason for a closed meeting needs to be included in the motion.
  - Ms. Magruder - Board does not need to use one of those specific reasons (personnel, financial). Board has the authority to close a meeting as it chooses.
- Sen. Feldman - Ms. Magruder mentioned legislation that the governor vetoed, which was my bill. MCEC is reliant on the governor to put money in the budget, but on the other hand you're a separate instrumentality. What kind of restrictions on your ability to deal with conflicts? Are you restricted on the ability to weigh in on bills?
  - Ms. Magruder - MCEC recently engaged in legislative advocacy. MEA has asked MCEC to back off of the policy advocacy efforts. Board agreed. MCEC can weigh in, with the board's approval, when legislation deals with MCEC's operations. Provide policy information, but do not weigh in on other policy matters.
- John Williams - Thanks for the thorough presentation. If MCEC went away, who would assume the functions? What options are available within the government to get the same work done?
  - Ms. Magruder - Not sure. Management for bond transactions, other entities that have that capacity would be MEDCO, MES, MHHEFA. In terms of innovation advancement, that is something that TEDCO may focus on. MCEC is different from TEDCO - TEDCO works with newly formed companies, MCEC takes technologies that otherwise don't have a company and turns them into jobs.
  - Mr. Williams - Shouldn't the universities nurture these ideas from the ideas stage to business?
  - Ms. Magruder - The universities have resources available to help start-up companies. MCEC works specifically in the clean tech space and going out and finding executive expertise in the marketplace that want to partner with that technology to move it forward. I haven't identified a program at the university that does anything like that, which is why MCEC was created.
  - Mr. Williams - Hopkins will take ideas in the medical field and any field and nurture them, so I'm curious if that is what the University of Maryland should be doing. Would that minimize the need that you perceive?
  - Ms. Magruder - All universities do try to pull their technologies into the marketplace because they can make money - they own the intellectual property. We nurture the technologies and work with the marketplace. None of the universities are working with clean tech. The universities will focus on biotech,

medical technologies which are more likely to make money for them faster.

MCEC creates a new economic development path for MD.

- Chair Serafini - For the sake of time, please respond to the following questions in writing.  
1) When first created, people weren't comfortable with the green industry, but now we have a green industry. Part of our charge is to determine how to develop a matrix - does the group need to remain quasi-government, has the private sector taken over, should they go full governmental? Is there still a need for MCEC? 2) How are you measuring what you're doing? Duplicatively is an issue.
- The Maryland Clean Energy Center's portion of the agenda concludes.

Chair Serafini introduces the Bainbridge Development Corporation (BDC) as the next agency to present. Steve Cassard, Executive Director, and Toni Sprenkle, Project Coordinator, present to the commission.

- Mr. Cassard thanks the commission for the flexibility in accepting their questionnaire late.
- Created by statute in 1999 for a unique purpose. Mr. Cassard testified before the General Assembly to create BDC.
- Bainbridge was a rapidly built base in response to World War II and has 1185 acres. Built upwards of 700 buildings in a period of 4-5 months. Quickly evolved into a naval training center which had a census of 30,000 people.
- BDC was created because the Navy offered the site to the state. The Navy demolished most of the buildings aside from about 60. The Navy realized there may be soil issues since buildings had asbestos siding. Navy did a remediation
- State was not comfortable accepting the base. MEDCO was involved in discussions but they suggested creating a specific purpose entity, similar to Fort Ritchie.
- Board is comprised of 15 members, 9 of which are residents of Cecil County. Ex officio members include the town of Port Deposit, Cecil County, Dept. of Commerce, MEDCO, Dept. of General Services, and Maryland Historical Trust (MHT). Board members approved by the delegation or council. Board meets once per month.
- Previously did not receive any state appropriations. Objective was to put the property into productive use. Board solicited developers. The Developer came on board for mixed-use development. Developers found that some remaining environmental issues were rediscovered. Had to re-engage the Navy to remedy the ongoing issues.
- Through an agreement, BDC receives a fee from the developer - pays for salaries. Fee currently represents about \$400,000 per year. Fee serves as a credit for the developer to purchase the property and cover additional costs.
- The Navy finally came to the table after grants and studies, with the Hogan administration and MDE, and came to an agreement. Determined that the site could be developed for commercial and industrial purposes. Removed residential aspect. Federal

delegation helped get action and cooperation from the Navy, which enabled BDC to address remaining asbestos in the topsoil.

- Phase 1 is almost complete, which is about 40% of the property.
- Changing the plan to only commercial and industrial development required zoning changes to the property.
- Tome School is different from the industrial sections. Working with MHT to determine what can be kept, demolished.
- BDC will eventually no longer be needed. Board understands that.
- Chair Serafini - I'm familiar with Fort Ritchie in Washington County. If these base realignment projects fail, the property reverts back to the state. The state has an interest in getting these properties developed.
- Sen. Eckardt - I did a site visit years ago. Thanks for your commitment to these projects.
  - Mr. Cassard - BDC has not done this alone. The Hogan administration has provided grants, and Cecil County has been helpful as well.
- Bainbridge Development Corporation's portion of the agenda concludes.

Chair introduces the Canal Place Preservation and Development Authority (CPPDA) as the next agency to present. Deidra (Dee Dee) Ritchie, Executive Director, Nicole Gray, Executive Assistant, and Eric Harmon, Chief Financial Officer, present.

- CPPDA has a staff of 3 and was created by legislation in 1993. Speaker of the House of Delegates Cas Taylor was influential in creating the entity. Located in downtown Cumberland.
- CCPDA has 11 acres with shops, historic railroad and buildings, festival grounds, and parking areas.
- Operated by a 9 member board of directors. 6 are appointed by the governor. 3 positions not appointed by the governor - National Park Service C&O Canal superintendent, City of Cumberland, Maryland Historical Trust.
- Main purpose is to revitalize the area. City and county did not have enough money at the time to demolish and remove buildings in disrepair. Created to boost tourism, heritage tourism, and remodel/demolish certain properties. Purchased the historic Footer Dye Works building in 1997, and was vacant until 2014 when money was awarded to revitalize. State assisted with funding. Now they have luxury apartments, a brewery, and only one space remains vacant.
- Fairfield Inn and Suites, a popular hotel in downtown Cumberland, is on the property and is almost always full.
- Generate money from tenant leases, parking revenues, room sales income from the Fairfield Inn, base rent from the Footer Dye building.
- Budget for FY 21 \$568k including general fund appropriation, and is mostly used for mini-grants. Large chunk was spent on maintaining grounds, salaries, and advertising River Park. \$120k from the general fund that goes to maintaining 11 acres of grounds,

parking, and buildings. CPPDA does not require much state funding because they are able to generate most of their own money.

- Working on re-watering the C&O Canal which was supposed to happen back in the 1990s when CPPDA was created. Working with the federal delegation to complete the re-watering. City of Cumberland on board with re-watering project.
- CCPDA is also working on River Park at Canal Place. Currently have no access to the land, but are working with the locals to remove the Cumberland Dam to create whitewater fish, trails and trail connections, canoe and kayaks, river mitigation. No state funds required.
- Task Force study happening to determine if CPPDA should be reorganized, abolished and return properties to the city/county. Members include state agency representatives, local business owners, and the Canal Place chair. Delegate Jason Buckel is chair of the task force. Recommendations due June 30, 2021.
- Dept. of General Services on board to assist with capital maintenance.
- Festival grounds booked for the remainder of the year/season, great for tourism and local businesses.
- Chair Serafini - Former Senator Wayne Norman was a big fan of CPPDA. Interested in results of the task force. Can you speak to accountability, transparency, audits, and how you do it as a small entity? Respond in writing please.
- Sen. Eckardt - Canal Place was one of the first site visits during freshman orientation. When legislation was created, did it prescribe all of the board members and their appointment structure?
  - Ms. Ritchie - Yes.
  - Sen. Eckardt - Was there an agreement on funding?
  - Ms. Ritchie - We created with state and federal funds, along with bonds. State and federal funds used to get it set up.
  - Sen. Eckardt - How do you balance funding for Canal Place and heritage areas piece? Just trying to understand the relationship.
  - Ms. Ritchie - Canal Place was the first heritage area, and now there are twelve. Heritage Area money is kept separate in the budget. Some of the funds are restricted for projects. Heritage money typically used for salaries, contractual obligations.
  - Sen. Eckardt - So Canal Place and the heritage area are not separate entities? Operate as one?
  - Ms. Ritchie - Correct.
- Sec. Brinkley - Footer Dye sat vacant for a long time. State strongly advocated. State was going to put \$1 million into the project either way - could redevelop or demolish. Level and quality of the product is phenomenal.
- Chair Serafini - please respond in writing about the challenges of being a small agency. Also interested in the task force recommendations.

- Canal Place Preservation and Development Authority's portion of the agenda concludes.

Chair Serafini announces a 5 minute break.

Chair Serafini - Take a few moments for housekeeping items. Taking a break for the summer but will come back into the fall to formulate the report. Some recommendations like board training could be difficult to ask these small agencies. Start brainstorming. Want our final product to be consensus-built.

- Ms. Syrylo - How is it determined who is audited by DLS. All have CPA audits but not familiar with legislative audits. Would be helpful to have that information.
- Sec. Brinkley - Audits done about every 3 years but there are exceptions. The General Assembly can call for special audits. Need to keep in mind what brought us here - independence of these agencies. What change needs to be made to make you more accountable?
- Mr. Williams - Two basic issues to deal with - is their existence appropriate, could they be independent? Develop matrix on certain key issues, ex. audits - list agency and type of audits.
- Sen. Eckardt - More information on how these organizations were selected for review? Other organizations out there that could benefit from this review.

Chair Serafini introduces the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) as the next agency to present. Stephen McHenry, Executive Director, presents.

- Designed to assist agriculture, forestry, and seafood industries. Specialize in assisting small- and family-owned enterprises.
- Focus on commodity crops, table crops, seafood and aquaculture, horticulture and equine, and forestry sector.
- Traditional rural industries underpin economies in Western Maryland and the Eastern Shore, but they are important statewide.
- Research conducted by Salisbury University shows that the state's agricultural, forestry, and seafood industries generate over \$19 billion in economic impact.
- Part of the reason the legislature created MARBIDCO, around 15 years ago, was to assist in the preservation of rural working land.
- Provide access to affordable business capital. We have a special focus on young and beginning farmers, and farmers who are diversifying their operations through value-added processing - 75% of funding goes to these projects.
- MARBIDCO was created by the legislature over a three year period, 2004-2007. Began operations in 2007 with a mission to act as economic development financial intermediary for all things agriculture.
- Modeled after MEDCO and TEDCO, and agricultural finance authorities in other states.

- Receive annual appropriation since 2007 - Fiscal Year 2021 appropriation is \$2.3 million for Core Programs and \$435k for Food Aggregation. MARBIDCO will become self-sustaining after Fiscal Year 2025.
- Leverage financial resources from other federal, state, and local agencies.
- Work with 24 lenders, including commercial lenders and local and regional revolving funds; state agencies; USM Extension; among others
- Work quickly and efficiently - loan commitment letters typically go out within 21 days.
- Currently offer 15 financial programs, small grant incentives, and facilitate “silo connecting” to share information.
- 17 member MARBIDCO board, including 6 ex officio members. The Governor appoints 11 members, who are subject to Senate advice and consent. Terms are for 4 years and are staggered.
- Board selects the chair and officers, and appoints the executive director.
- Executive director is not a voting member
- The Office of the Attorney General serves as counsel, and has one Assistant Attorney General to assist with legal matters.
- Subject to Ethics Law; Public Information Act; annual external financial audit; Office of Legislative Audits;, and produce an annual report that goes to the legislature, MEDCO and the Maryland Agricultural Commission.
- Del. Korman - are ex officio members eligible to serve as officers of the board?
  - Mr. McHenry - They are, but traditionally not elected and put into those roles.
  - Del. Korman - MARBICO is not subject to the Open Meetings Act?
  - Mr. McHenry - Correct, legislature did not require. A lot of what we do is financial transactions, which are not disclosable to the public, which is likely the rationale for the exemption.
  - Del. Korman - Are you a member of the board, even as an ex officio member?
  - Mr. McHenry - By-laws give me a responsibility, but the statute doesn't give any legal standing on the board.
  - Del. Korman - But when the board is meeting, you're at the meeting and able to provide reports and updates?
  - Mr. McHenry - Attend all meetings, and the board does my annual performance review. When they do the performance review, I leave the meeting. Otherwise, I'm at the meeting.
- Ms. Srylo - copies of today's presentation?
  - Ms. Chase - Yes, will be sent after the meeting.
- Maryland Agricultural and Resource-Based Industry Development Authority's portion of the agenda concludes.

Chair Serafini introduces Maryland Auto Insurance (MAIF) as the final agency to present. Al Redmer, Executive Director, presents.



- MAIF was primarily designed to provide automobile insurance to Marylanders that have difficulty finding it in the standard market. MAIF is restricted on who they can offer insurance to - must have had their insurance cancelled or had their application turned down by two other insurers.
- Insurance operations receive no state funding at all. 100% of operational and claim payments are paid through policy holder premiums and investments, just like traditional insurance carriers.
- Secondary function is to administer the Uninsured Division for the State, which pays claims for Marylanders who are struck by uninsured drivers. Do receive some funding from the uninsured motorist fines.
- Operate like a traditional insurance carrier when it comes to personnel. 200 employees who are largely insurance professionals. Not part of the State Personnel Management System, but do participate in the state's health and retirement systems.
- MAIF is not represented by the Attorney General's office, but has general counsel that represents MAIF and the board of trustees.
- 2012 task force to study insurers of last resort, which led to recommendations including transformation of MAIF board of trustees. Governance post-2013 is significantly different than when first created.
- MAIF has a talented, diverse, and engaged board of trustees. No employees serve on the board. Four active board committees, including an audit committee. The Audit committee reviews and approves every single expense of the executive director.
- The 2012 legislative task force was ahead of its time - includes many provisions that were included in the Maryland Environmental Service bill.
- MAIF is also regulated by Maryland Insurance Administration, similar to other insurers. Internal auditor completes compliance and fiscal audits, and reports directly to the board of trustees.
- External auditors conduct independent audits and report their findings directly to the board of trustees.
- Budget information filed with Dept. of Budget and Management and Dept. of Legislative Services.
- Subject to Public Information Act and the state's ethics laws.
- Del. Korman - If a whistleblower complaint comes in from the Office of Legislative Audits, where does it go?
  - Mr. Redmer - Comes directly to me. Conversation with the Office of Legislative Audits and determine how to move forward and address it.
  - Del. Korman - If the whistleblower complaint was about you, would it go to you?
  - Mr. Redmer - Not sure, but perhaps the complaint would go to the internal auditor, board chair, or counsel
- Del. Szeliga - Prior to you, there was a scandal where the Maryland Insurance Administration had money given to former Mayor Catherine Pugh for Healthy Holly

books. How did that happen, and what have you done to prevent that from happening again?

- Mr. Redmer - It was not Maryland Information Administration, it was MAIF. Maryland Insurance Administration did a thorough review at the appropriate time. Not sure how it happened since I wasn't here. It all occurred before the transformative 2013 legislation. Prior to that time, the executive director had much more latitude over those decisions, appropriate or not. Since that legislation, those types of activities could not take place at MAIF. Every expense that I incur is approved by the Audit Committee of the Board of Trustees, even a \$2 parking fee.
- Commissioner Birrane - MAIF doesn't use public funds but they have an ability to use an assessment mechanism. MAIF has not been required to use it in decades.
- Chair Serafini - what did MAIF specifically take from the 2013 bill.
  - Mr. Redmer - Use that legislation to compare. We have a board that has to have expertise in the industry and members that have to have financial management expertise. Gubernatorial appointments must consider diversity. Subject to ethics law. Executive director not on the board and serves at the pleasure of the board. No MAIF employees serve on the board. The board is a truly independent board. By-laws show that governance is part of the culture. Finance committee ensures that we don't need to trigger the assessment. Audit committee relies on internal and external audits. Board has term limits. Like some other organizations, you won't find members who have been here for 15 to 20 years. Board has mandated meetings, and also calls special meetings as necessary to ensure they're providing the oversight required.
  - Chair Serafini - We might come back for your expertise to learn about how reforms work in practice.

Chair Serafini asks for any questions and comments from the commission. Encourages members to review findings over the past few months.

Chair Serafini adjourns the meeting at 12:12 PM.

### **Commission Members**

Andrew Serafini, Commission Chair, Retired Senator; President, Serafini Financial Services, Public

David Brinkley, Secretary, DBM

Rhonda Ray, Managing Director, Commerce

Michael Harrison, Policy Director, Labor

Jeannie Haddaway-Riccio, Secretary, DNR

Bobbie James, Senior Advisor, MDE

Kathleen Birrane, Insurance Commissioner, MIA  
Marc Korman, Delegate, Speaker of the House  
Brian Feldman, Senator, President of the Senate  
Kathy Szeliga, Delegate, Minority Whip, House Republican Caucus  
Addie Eckardt, Senator, Senate Republican Caucus  
John Williams, CEO, Jamison Door; UMMS, Conflict of Interest Subcommittee Chair, Member  
of Audit and Compliance Committee, Ethics  
Karen Syrylo, MD CPA Legislative Committee Member, Financial  
Dr. Linda L. Singh, PMP, PCC, Major General (retired), Public

**Staff**

Erin Chase, Deputy Legislative Officer  
Andrew Cassilly, Senior Advisor  
Anna Weiler, Legislative Coordinator  
Don Hogan, Policy Director