Chapter 640

(Senate Bill 979)

AN ACT concerning

Public-Private Partnerships - Oversight

FOR the purpose of requiring certain State agencies to submit a report concerning a proposed public-private partnership to the State Treasurer and certain committees of the General Assembly at a certain time prior to issuing a public notice of solicitation for the public-private partnership; requiring certain State agencies to submit an annual report concerning public-private partnerships that are under consideration to certain committees of the General Assembly; requiring certain State agencies to submit an annual report concerning existing public-private partnerships to certain committees of the General Assembly; requiring certain units of State government to submit an annual report concerning public-private partnerships for which the unit is providing conduit financing to certain committees of the General Assembly; requiring the State Treasurer to analyze the impact of a proposed public-private partnership operating lease agreement on the State's capital debt affordability limits; requiring the State Treasurer to submit each analysis of a public-private partnership operating lease agreement to certain committees of the General Assembly within a certain time; prohibiting the Board of Public Works from approving a public-private partnership operating lease agreement until certain committees of the General Assembly have commented had a certain period of time to review and comment on the State Treasurer's analysis of the lease agreement; requiring that the annual report of the Capital Debt Affordability Committee include certain information concerning the impact of public-private operating leases; agreements; requiring the Maryland Transportation Authority to submit a certain analysis of a proposed public-private partnership agreement to certain committees of the General Assembly within a certain period of time before entering into the agreement; prohibiting the Board of Public Works from approving a public-private partnership agreement that the Authority proposes to enter into until certain committees of the General Assembly have had a certain period of time to review and comment on the Authority's analysis of the agreement; establishing a Joint Legislative and Executive Commission on Oversight of Public-Private Partnerships; specifying the membership of the Commission; providing for the chair and staffing of the Commission; prohibiting a member of the Commission from receiving certain compensation but authorizing a member of the Commission to receive certain reimbursements; requiring the Commission to study and make recommendations regarding certain issues; requiring the Commission to report its findings and recommendations to the Governor and the General Assembly on or before a certain date; repealing certain provisions of

law requiring the Maryland Transportation Authority to provide certain information to certain committees of the General Assembly concerning public—private partnerships; providing that certain committees of the General Assembly have a certain period of time to review and comment on reports submitted under this Act; defining certain terms; providing for the termination of certain provisions of this Act; and generally relating to oversight of public—private partnerships.

BY adding to

Article – State Finance and Procurement

Section 10A–101 and 10A–102 to be under the new title "Title 10A. Public–Private Partnerships"

Annotated Code of Maryland (2009 Replacement Volume)

BY repealing and reenacting, with amendments,

Article-Transportation

Section 4-205(c)

Annotated Code of Maryland

(2008 Replacement Volume and 2009 Supplement)

BY adding to

Article – Transportation

Section 4-406

Annotated Code of Maryland

(2008 Replacement Volume and 2009 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

Article - State Finance and Procurement

TITLE 10A. PUBLIC-PRIVATE PARTNERSHIPS.

10A-101.

- (A) (1) IN THIS TITLE THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.
- (2) "BUDGET COMMITTEES" MEANS THE SENATE BUDGET AND TAXATION COMMITTEE, THE HOUSE COMMITTEE ON WAYS AND MEANS, AND THE HOUSE APPROPRIATIONS COMMITTEE.
- (3) "PRIVATE ENTITY" MEANS AN INDIVIDUAL, A CORPORATION, A GENERAL OR LIMITED PARTNERSHIP, A LIMITED LIABILITY COMPANY, A JOINT

VENTURE, A BUSINESS TRUST, A PUBLIC BENEFIT CORPORATION, A NONPROFIT ENTITY, OR ANOTHER BUSINESS ENTITY.

- (4) "PUBLIC NOTICE OF SOLICITATION" INCLUDES A REQUEST FOR EXPRESSIONS OF INTEREST, A REQUEST FOR PROPOSALS, A MEMORANDUM OF UNDERSTANDING, AN INTERIM DEVELOPMENT AGREEMENT, A LETTER OF INTENT, OR A PRELIMINARY DEVELOPMENT PLAN.
- (5) (I) "PUBLIC-PRIVATE PARTNERSHIP" MEANS A SALE OR LONG-TERM LEASE AGREEMENT BETWEEN A CONTRACTING AGENCY UNIT OF STATE GOVERNMENT AND A PRIVATE ENTITY UNDER WHICH:
- 1. THE PRIVATE ENTITY ASSUMES CONTROL OF THE OPERATION AND MAINTENANCE OF AN EXISTING STATE FACILITY; OR
- 2. THE PRIVATE ENTITY CONSTRUCTS, RECONSTRUCTS, FINANCES, OR OPERATES A STATE FACILITY AND IS AUTHORIZED TO COLLECT OR A FACILITY FOR STATE USE AND WILL COLLECT FEES, CHARGES, RENTS, OR TOLLS FOR THE USE OF THE FACILITY.
 - (II) "PUBLIC-PRIVATE PARTNERSHIP" DOES NOT INCLUDE:
- 1. A SHORT-TERM OPERATING SPACE LEASE ENTERED INTO IN THE ORDINARY COURSE OF BUSINESS BY A UNIT OF STATE GOVERNMENT AND A PRIVATE ENTITY ## AND APPROVED UNDER § 10–305 OF THIS ARTICLE; OR
- 2. A PROCUREMENT GOVERNED BY DIVISION II OF THIS ARTICLE; OR
- 3. PUBLIC-PRIVATE PARTNERSHIP AGREEMENTS ENTERED INTO BY THE UNIVERSITY SYSTEM OF MARYLAND, WHERE NO STATE FUNDS ARE USED TO FUND OR FINANCE ANY PORTION OF A CAPITAL PROJECT.
 - (6) "REPORTING AGENCY" MEANS:
 - (I) THE DEPARTMENT OF GENERAL SERVICES;
 - (II) THE MARYLAND DEPARTMENT OF TRANSPORTATION;
 - (III) THE UNIVERSITY SYSTEM OF MARYLAND;
 - (IV) MORGAN STATE UNIVERSITY;

- (V) ST. MARY'S COLLEGE OF MARYLAND; AND
- (VI) THE BALTIMORE CITY COMMUNITY COLLEGE.
- (B) THE REQUIREMENTS OF THIS TITLE DO NOT APPLY TO THE MARYLAND TRANSPORTATION AUTHORITY OR TO A PUBLIC-PRIVATE PARTNERSHIP PROPOSED OR ENTERED INTO BY THE MARYLAND TRANSPORTATION AUTHORITY.
- (B) (C) (1) THE REPORTS PROVIDED BY THE DEPARTMENT OF GENERAL SERVICES UNDER THIS SECTION SHALL INCLUDE INFORMATION CONCERNING ALL PUBLIC-PRIVATE PARTNERSHIPS INVOLVING UNITS WITHIN THE EXECUTIVE BRANCH OF STATE GOVERNMENT, EXCEPT FOR THOSE UNITS THAT ARE ALSO REPORTING AGENCIES.
- (2) FOLLOWING THE SUBMISSION OF EACH OF THE REPORTS REQUIRED UNDER THIS SECTION, THE BUDGET COMMITTEES SHALL HAVE 45 DAYS TO REVIEW AND COMMENT ON THE REPORTS.
- (C) (D) (1) NOT LESS THAN 45 DAYS BEFORE ISSUING A PUBLIC NOTICE OF SOLICITATION FOR A PUBLIC-PRIVATE PARTNERSHIP, A REPORTING AGENCY SHALL SUBMIT TO THE STATE TREASURER AND THE BUDGET COMMITTEES, IN ACCORDANCE WITH § 2–1246 OF THE STATE GOVERNMENT ARTICLE, A REPORT CONCERNING THE PROPOSED PUBLIC-PRIVATE PARTNERSHIP.
- (2) BY JULY JANUARY 1 OF EACH YEAR, EACH REPORTING AGENCY SHALL SUBMIT TO THE BUDGET COMMITTEES, IN ACCORDANCE WITH § 2–1246 OF THE STATE GOVERNMENT ARTICLE, A REPORT CONCERNING EACH PUBLIC-PRIVATE PARTNERSHIP UNDER CONSIDERATION AT THAT TIME BY THE REPORTING AGENCY THAT HAS NOT BEEN REVIEWED OR APPROVED PREVIOUSLY BY THE GENERAL ASSEMBLY.
- (3) By January 1 of each year, each reporting agency shall submit to the budget committees, in accordance with § 2–1246 of the State Government Article, a status report concerning each existing public–private partnership in which the reporting agency is involved.
- (D) (E) BY JULY JANUARY 1 OF EACH YEAR, A UNIT OF STATE GOVERNMENT THAT PROVIDES CONDUIT FINANCING FOR A PUBLIC-PRIVATE PARTNERSHIP SHALL SUBMIT TO THE BUDGET COMMITTEES, IN ACCORDANCE WITH § 2–1246 OF THE STATE GOVERNMENT ARTICLE, A REPORT CONCERNING

EACH PUBLIC-PRIVATE PARTNERSHIP FOR WHICH THE UNIT IS PROVIDING CONDUIT FINANCING.

10A-102.

- (A) THE STATE TREASURER SHALL ANALYZE THE IMPACT OF EACH PUBLIC-PRIVATE PARTNERSHIP OPERATING LEASE ENTERED INTO AGREEMENT PROPOSED BY A UNIT OF STATE GOVERNMENT ON THE STATE'S CAPITAL DEBT AFFORDABILITY LIMITS.
- (B) (1) THE STATE TREASURER SHALL SUBMIT TO THE BUDGET COMMITTEES, IN ACCORDANCE WITH § 2–1246 OF THE STATE GOVERNMENT ARTICLE, EACH ANALYSIS REQUIRED UNDER SUBSECTION (A) OF THIS SECTION WITHIN 30 DAYS AFTER THE STATE TREASURER RECEIVES A PROPOSED PUBLIC-PRIVATE PARTNERSHIP AGREEMENT FROM A UNIT OF STATE GOVERNMENT.
- (2) FOLLOWING THE SUBMISSION OF EACH ANALYSIS, THE BUDGET COMMITTEES SHALL HAVE 45 DAYS TO REVIEW AND COMMENT ON THE ANALYSIS.
- (C) THE BOARD OF PUBLIC WORKS MAY NOT APPROVE A PUBLIC-PRIVATE PARTNERSHIP OPERATING LEASE UNDER AGREEMENT UNDER \$ 10-305 OR \$ 12-204 OF THIS ARTICLE UNTIL THE BUDGET COMMITTEES HAVE COMMENTED HAD 30 DAYS TO REVIEW AND COMMENT ON THE STATE TREASURER'S ANALYSIS OF THE LEASE AGREEMENT REQUIRED UNDER SUBSECTION (A) OF THIS SECTION.
- (D) THE ANNUAL REPORT OF THE CAPITAL DEBT AFFORDABILITY COMMITTEE REQUIRED UNDER § 8–112 OF THIS ARTICLE SHALL INCLUDE AN ANALYSIS OF THE AGGREGATE IMPACT OF PUBLIC-PRIVATE PARTNERSHIP OPERATING LEASES AGREEMENTS ON THE TOTAL AMOUNT OF NEW STATE DEBT THAT PRUDENTLY MAY BE AUTHORIZED FOR THE NEXT FISCAL YEAR.

Article – Transportation

4-205.

(c) (1) Subject to the limitations described in [paragraphs (2) and (3)] **PARAGRAPH (2)** of this subsection, the Authority may make any contracts and agreements necessary or incidental to the exercise of its powers and performance of its duties.

- (2) Not less than 45 days before entering into any contract or agreement to acquire or construct a revenue-producing transportation facilities project, subject to § 2–1246 of the State Government Article, the Authority shall provide, to the Senate Budget and Taxation Committee, the House Committee on Ways and Means, and the House Appropriations Committee, for review and comment, and to the Department of Legislative Services, a description of the proposed project, a summary of the contract or agreement, and a financing plan that details:
- (i) The estimated annual revenue from the issuance of bonds to finance the project; and
- (ii) The estimated impact of the issuance of bonds to finance the project on the bonding capacity of the Authority.
- [(3) (i) 1. In this paragraph the following words have the meanings indicated.
- 2. "Public notice of procurement" includes a request for proposals issued by the Authority.
- 3. "Public-private partnership arrangement" means a lease agreement between the Authority and a private entity under which the private entity assumes control of the operation and maintenance of an existing or future revenue-producing highway, bridge, tunnel, or transit facility.
- (ii) Not less than 45 days before issuing a public notice of procurement related to a public–private partnership arrangement, subject to § 2–1246 of the State Government Article, the Authority shall provide, to the Senate Budget and Taxation Committee, the House Committee on Ways and Means, and the House Appropriations Committee, for review and comment, and to the Department of Legislative Services, a summary of the proposed procurement document to be used for solicitation of the public–private partnership arrangement.
- (iii) Not less than 45 days before entering into any public-private partnership arrangement, subject to § 2–1246 of the State Government Article, the Authority shall provide, to the Senate Budget and Taxation Committee, the House Committee on Ways and Means, and the House Appropriations Committee, for review and comment, and to the Department of Legislative Services, a description of the proposed lease agreement and a financing plan, including:
 - 1. The length of the proposed lease;
- 2. The scope of any toll-setting authority to be granted to the private entity;

- 3. The scope of payments to the Authority from the proposed public-private partnership arrangement;
- 4. A cost-benefit analysis of the proposed public-private partnership arrangement; and
- 5. Requirements pertaining to the ongoing operation and maintenance of the facility and contract oversight.]

4-406.

- (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.
- (2) "BUDGET COMMITTEES" MEANS THE SENATE BUDGET AND TAXATION COMMITTEE, THE HOUSE COMMITTEE ON WAYS AND MEANS, AND THE HOUSE APPROPRIATIONS COMMITTEE.
- (3) "PRIVATE ENTITY" MEANS AN INDIVIDUAL, A CORPORATION, A GENERAL OR LIMITED PARTNERSHIP, A LIMITED LIABILITY COMPANY, A JOINT VENTURE, A BUSINESS TRUST, A PUBLIC BENEFIT CORPORATION, A NONPROFIT ENTITY, OR ANOTHER BUSINESS ENTITY.
- (4) "PUBLIC NOTICE OF SOLICITATION" INCLUDES A REQUEST FOR EXPRESSIONS OF INTEREST, A REQUEST FOR PROPOSALS, A MEMORANDUM OF UNDERSTANDING, AN INTERIM DEVELOPMENT AGREEMENT, A LETTER OF INTENT, OR A PRELIMINARY DEVELOPMENT PLAN.
- (5) (I) "PUBLIC-PRIVATE PARTNERSHIP" MEANS A SALE OR LONG-TERM LEASE AGREEMENT BETWEEN THE AUTHORITY AND A PRIVATE ENTITY UNDER WHICH:
- 1. THE PRIVATE ENTITY ASSUMES CONTROL OF THE OPERATION AND MAINTENANCE OF AN EXISTING STATE FACILITY; OR
- 2. THE PRIVATE ENTITY CONSTRUCTS, RECONSTRUCTS, FINANCES, OR OPERATES A STATE FACILITY AND IS AUTHORIZED TO COLLECT OR A FACILITY FOR STATE USE AND WILL COLLECT FEES, CHARGES, RENTS, OR TOLLS FOR THE USE OF THE FACILITY.
 - (II) "PUBLIC-PRIVATE PARTNERSHIP" DOES NOT INCLUDE:
- 1. A <u>SHORT-TERM OPERATING SPACE</u> LEASE ENTERED INTO IN THE ORDINARY COURSE OF BUSINESS BY THE AUTHORITY

AND A PRIVATE ENTITY $\frac{11}{10}$ APPROVED UNDER § 10–305 OF THE STATE FINANCE AND PROCUREMENT ARTICLE; OR

- 2. A PROCUREMENT GOVERNED BY DIVISION II OF THE STATE FINANCE AND PROCUREMENT ARTICLE.
- (B) FOLLOWING THE SUBMISSION OF EACH OF THE REPORTS REQUIRED UNDER THIS SECTION, THE BUDGET COMMITTEES SHALL HAVE 45 DAYS TO REVIEW AND COMMENT ON THE REPORTS.
- (C) (1) NOT LESS THAN 45 DAYS BEFORE ISSUING A PUBLIC NOTICE OF SOLICITATION FOR A PUBLIC-PRIVATE PARTNERSHIP, THE AUTHORITY SHALL SUBMIT TO THE BUDGET COMMITTEES, IN ACCORDANCE WITH § 2–1246 OF THE STATE GOVERNMENT ARTICLE, A REPORT CONCERNING THE PROPOSED PUBLIC-PRIVATE PARTNERSHIP.
- (2) By July January 1 of each year, the Authority shall submit to the budget committees, in accordance with § 2–1246 of the State Government Article, a report concerning each public-private partnership under consideration at that time by the Authority that has not been reviewed or approved previously by the General Assembly.
- (3) By January 1 of each year, the Authority shall submit to the budget committees, in accordance with § 2–1246 of the State Government Article, a status report concerning each existing public-private partnership in which the Authority is involved.
- (D) BY JULY JANUARY 1 OF EACH YEAR, THE AUTHORITY SHALL SUBMIT TO THE BUDGET COMMITTEES, IN ACCORDANCE WITH § 2–1246 OF THE STATE GOVERNMENT ARTICLE, A REPORT CONCERNING EACH PUBLIC-PRIVATE PARTNERSHIP FOR WHICH THE AUTHORITY IS PROVIDING CONDUIT FINANCING.
- (E) NOT LESS THAN 30 DAYS BEFORE ENTERING INTO A PUBLIC-PRIVATE PARTNERSHIP AGREEMENT, THE AUTHORITY SHALL SUBMIT TO THE BUDGET COMMITTEES, IN ACCORDANCE WITH § 2–1246 OF THE STATE GOVERNMENT ARTICLE, AN ANALYSIS OF THE IMPACT OF THE PROPOSED PUBLIC-PRIVATE PARTNERSHIP AGREEMENT ON THE AUTHORITY'S FINANCING PLAN, INCLUDING THE AUTHORITY'S OPERATING AND CAPITAL BUDGETS AND DEBT CAPACITY.

(F) THE BOARD OF PUBLIC WORKS MAY NOT APPROVE A PUBLIC-PRIVATE PARTNERSHIP AGREEMENT UNDER § 10–305 OR § 12–204 OF THE STATE FINANCE AND PROCUREMENT ARTICLE THAT THE AUTHORITY PROPOSES TO ENTER INTO UNTIL THE BUDGET COMMITTEES HAVE HAD 30 DAYS TO REVIEW AND COMMENT ON THE AUTHORITY'S ANALYSIS OF THE AGREEMENT REQUIRED UNDER SUBSECTION (E) OF THIS SECTION.

SECTION 2. AND BE IT FURTHER ENACTED, That:

- (a) There is a Joint Legislative and Executive Commission on Oversight of Public-Private Partnerships.
 - (b) The Commission consists of the following members:
- (1) two members of the Senate of Maryland, appointed by the President of the Senate;
- (2) two members of the House of Delegates, appointed by the Speaker of the House;
- (3) the Secretary of Budget and Management, or the Secretary's designee;
 - (4) the Secretary of General Services, or the Secretary's designee;
 - (5) the Secretary of Transportation, or the Secretary's designee;
- (6) the Chancellor of the University System of Maryland, or the Chancellor's designee;
 - (7) the State Treasurer, or the State Treasurer's designee;
- (8) the Executive Director of the Maryland Stadium Authority, or the Executive Director's designee;
- (9) the Executive Director of the Maryland Economic Development Corporation, or the Executive Director's designee;
- (10) the President of the Baltimore City Community College, or the President's designee;
- (11) the President of Morgan State University, or the President's designee;
- (12) the President of St. Mary's College of Maryland, or the President's designee; and

- (13) a representative of the private sector who has experience and expertise in developing public–private partnerships, appointed by the Governor in consultation with the President of the Senate and the Speaker of the House.
 - (c) The Governor shall designate the chair of the Commission.
- (d) The Department of Budget and Management Transportation, Department of General Services, and the Department of Legislative Services shall provide staff for the Commission.

(e) A member of the Commission:

- (1) may not receive compensation as a member of the Commission; but
- (2) is entitled to reimbursement for expenses under the Standard State Travel Regulations, as provided in the State budget.

(f) The Commission shall:

- (1) assess the oversight, best practices, and approval processes for public-private partnerships in other states, including the Army Enhanced Use Lease Program;
- (2) evaluate the statutory definition of definitions of "public notice of solicitation" and "public-private partnership", as enacted by Section 1 of this Act, and recommend any amendments to the definition definitions to enhance its their utility and refine its their scope;
- (3) make recommendations concerning the appropriate manner of conducting ongoing legislative monitoring and oversight of public-private partnerships, including the following issues:
- (i) the appropriate time for submission for legislative review of a proposed conceptual plan, a letter of intent, an interim development agreement, a master development agreement, and an operating lease for a public-private partnership;
- (ii) the need for a State agency to state its justifications for seeking a public-private partnership before issuing a request for proposals or any other solicitation:
- (iii) the appropriate way to assess the effects of a public-private partnership on the State budget, including the aggregate effect on spending by fund source and revenues;

- (iv) the need for disclosure of all public-private partnership revenue and expenditure data and assumptions;
- (v) the need for disclosure of all public-private partnership financing assumptions, including projected return on investment and a cost-benefit analysis; and
- (vi) the appropriate periods for legislative review and comment; and
- (4) make recommendations concerning broad policy parameters within which public-private partnerships should be negotiated, which may include the following issues:
- (i) the processes for reviewing and approving a letter of intent, an interim development agreement, a master development agreement, an operating lease, and a request for qualifications;
- (ii) the length of a public-private partnership agreement, including ground rent, operating leases, and renewal terms;
 - (iii) noncompete clauses and adverse action clauses;
 - (iv) revenue–sharing;
- (v) limits on the timing and size of rent, toll, or other revenue source increases;
 - (vi) the use of proceeds from concession agreements;
- (vii) guidelines on minority business enterprise involvement and goals;
 - (viii) performance measures that are linked to State payments;
 - (ix) the number and timing of appraisals of land and structures;
 - (x) green building requirements;
- (xi) structuring public-private partnerships in a manner that preserves and promotes important State policy objectives;
 - (xii) contract oversight and remedies for default;
 - (xiii) police jurisdiction;

- (xiv) eminent domain;
- (xv) maintenance requirements;
- (xvi) solicitation of public comment regarding proposed public-private partnerships and proposed toll rates or user rates;
- (xvii) methods for developing competitive solicitations for public-private partnerships, including the advisability of establishing a special fund to reimburse a private entity for predevelopment expenses;
- (xviii) the role of the Maryland Economic Development Corporation or other State entities in the issuance of tax increment financing bonds, tax—exempt financing, or other conduit financing;
- (xix) the effect on the State workforce of requiring a private entity to give a hiring preference to State employees;
- (xx) a policy on foreign ownership of State assets and requirements to meet conditions of the Committee on Foreign Investment in the United States;
- (xxi) the transition and process for the return of assets to State control at the conclusion of a public-private partnership agreement;
- (xxii) the time period for assignment of a lease or sale of facilities without requiring State consent or providing the State the right of first refusal; and
- (xxiii) the advisability of considering unsolicited public-private partnership proposals.
- (g) On or before December 1, 2011, the Commission shall report its findings and legislative recommendations concerning the issues outlined in subsection (f) of this section for consideration during the 2012 regular session of the General Assembly to the Governor and, in accordance with § 2–1246 of the State Government Article, the General Assembly.
- SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect June 1, 2010. Section 2 of this Act shall remain effective for a period of 2 years and 1 month and, at the end of May 31, 2012 June 30, 2012, with no further action required by the General Assembly, Section 2 of this Act shall be abrogated and of no further force and effect.

Approved by the Governor, May 20, 2010.