

The conflict of interest question was much more narrow. It involved a statute, since repealed and replaced by a much broader code of conduct, that made certain types of actions criminal but specifically exempted the Board of Public Works from the purview of the statute. That exemption governed the result; it reflected, said the court, "a legislative apprehension that, in view of the multitude of matters in which the State has an interest, an over-technical, unrealistic application of the sound conflict of interests principle might make it difficult for the State to find citizens of the caliber and broad interests whom it wishes to act on its behalf." Notwithstanding the legal exemption the court suggested that it would be prudent for a board member having such an interest as the treasurer to abstain from voting, and, in fact, when the question of the full loan to the particular hospital came back before the board, Luetkemeyer did not vote on the matter.³⁶

The court's decision, filed in June 1966, should have cleared the way for loans to be made under the act, but another snag developed—this one with the commission. The commission had been appointed promptly, applications for assistance had been filed with it almost immediately, and it had had a year or more to review them. Yet the commission was unable to make a decision. It made one study of hospital needs and then ordered another. In August 1966 it told the board that it needed time to review the latest study and would have no recommendations until October.³⁷

Pressure was building. The applicant hospitals were becoming desperate. GBMC, for example, had already commenced construction with demand bank loans and found itself in an extremely precarious position when the banks, fearing unfavorable comment from their examiners, pressed for repayment. A state loan was its (and possibly the banks') only salvation. Other hospitals had delayed their projects waiting for the legal challenge to be resolved and were anxious to get started. The state loan had to be coordinated with other fund-raising efforts, which required some lead time.

The commission finally acted, after its chairman resigned, on 2 September 1966, when it recommended approval of nine applications and deferral of nine others. The board quickly adopted those recommendations and thus the program was finally under way. Eventually fourteen hospitals received forty-year loans under the program.³⁸

The board discharged a multiple role in the hospital funding program. In addition to considering and approving the individual loans, which were its primary responsibilities, the board had to establish the interest rate applicable to each loan and then review and approve the loan documents. The board also, of course, had to coordinate the sale of the bonds with the disbursements required under the loan agreements. Altogether the board devoted parts of at least fourteen meetings between April 1966 and June 1967 to these matters.

Once the initial hurdle was cleared, the hospital funding program went smoothly, except in the case of GBMC. That hospital, recently formed through the merger of two old, established Baltimore City hospitals, seemed to be having some serious management problems. It was also in the process of forsaking the city and building a new large facility in Baltimore County not more than a mile from the facility proposed by St. Joseph's. The commission had some reservations on both scores, but was especially concerned over the managerial problems and refused to recommend approval of the loan unless a number of significant changes were made in the hospital's governing structure. GBMC and its worried lenders attempted to pressure the board into approving the loan—\$7 million—without requiring the changes insisted upon by the commission, which the hospital was reluctant to make. But the board remained firm.³⁹

36. *Ibid.*, p. 397; BPW Minutes, 2 September 1966, MdHR 40281-144.

37. E. D. Rosenfeld Associates, *Survey and Report of Hospital Facility and Service Needs of the State of Maryland*, June 1966, MdHR 806193; BPW Minutes, 2 August 1966, p. 10, MdHR 40281-142.

38. BPW Minutes, 2 September 1966, pp. 3-5, MdHR 40281-144.

39. *Ibid.*, 9 January 1967, pp. 38-39, MdHR 40281-149-1.