

**H00**  
**Department of General Services**

***Executive Summary***

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The Department of General Services (DGS) is the landlord to State agencies. Services provided include operating and maintaining facilities; facility security; facility planning, design, and construction management; real estate management for leased facilities; and procurement and logistics.

***Operating Budget Data***

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(\$ in Thousands)

	<b><u>FY 18</u></b> <b><u>Actual</u></b>	<b><u>FY 19</u></b> <b><u>Working</u></b>	<b><u>FY 20</u></b> <b><u>Allowance</u></b>	<b><u>FY 19-20</u></b> <b><u>Change</u></b>	<b><u>% Change</u></b> <b><u>Prior Year</u></b>
General Fund	\$66,137	\$66,449	\$76,477	\$10,029	15.1%
Adjustments	0	3,395	1,286	-2,110	
<b>Adjusted General Fund</b>	<b>\$66,137</b>	<b>\$69,844</b>	<b>\$77,763</b>	<b>\$7,919</b>	<b>11.3%</b>
Special Fund	7,985	4,930	4,504	-426	-8.6%
Adjustments	0	9	49	40	
<b>Adjusted Special Fund</b>	<b>\$7,985</b>	<b>\$4,939</b>	<b>\$4,553</b>	<b>-\$387</b>	<b>-7.8%</b>
Federal Fund	1,287	1,336	1,413	77	5.7%
Adjustments	0	5	14	9	
<b>Adjusted Federal Fund</b>	<b>\$1,287</b>	<b>\$1,341</b>	<b>\$1,427</b>	<b>\$85</b>	<b>6.4%</b>
Reimbursable Fund	28,524	29,355	30,530	1,175	4.0%
Adjustments	0	92	266	175	
<b>Adjusted Reimbursable Fund</b>	<b>\$28,524</b>	<b>\$29,447</b>	<b>\$30,796</b>	<b>\$1,350</b>	<b>4.6%</b>
<b>Adjusted Grand Total</b>	<b>\$103,933</b>	<b>\$105,571</b>	<b>\$114,539</b>	<b>\$8,968</b>	<b>8.5%</b>

Note: The fiscal 2019 appropriation includes deficiencies, a one-time \$500 bonus, and general salary increases. The fiscal 2020 allowance includes general salary increases.

Note: Numbers may not sum to total due to rounding.

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- The budget provides an additional \$2.5 million for statewide facilities maintenance in fiscal 2019 and another \$5 million in fiscal 2020, for a net fiscal 2020 increase of \$2.5 million.
- Procurement reform required by Chapter 590 of 2017 has led to consolidating procurement to DGS, resulting in the transfer of 22 regular positions to DGS. The annual cost of those positions is \$1.9 million. Procurement positions will also be reclassified. The Department of Budget and Management (DBM) personnel budget has \$822,162 that will be transferred to DGS by budget amendment for these reclassifications.
- The Department of Information Technology (DoIT) is moving to a fee-for-services funding model, which results in declining DoIT general fund appropriations and increasing reimbursable funds appropriations. DoIT has also been underfunded in recent years (there are deficiency appropriations in fiscal 2019 to compensate for this underfunding), so total fiscal 2020 DoIT appropriations increase. With respect to DGS, fees for DoIT increase by \$1.4 million.
- The Office of Facility Planning, Design, and Construction receives 4 new regular positions to reinstate the State Facility Conditions Assessment Unit at an estimated annual cost of approximately \$267,400.

### ***Personnel Data***

	<b><u>FY 18</u></b> <b><u>Actual</u></b>	<b><u>FY 19</u></b> <b><u>Working</u></b>	<b><u>FY 20</u></b> <b><u>Allowance</u></b>	<b><u>FY 19-20</u></b> <b><u>Change</u></b>
Regular Positions	581.00	582.00	608.00	26.00
Contractual FTEs	<u>23.26</u>	<u>23.43</u>	<u>23.43</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>604.26</b>	<b>605.43</b>	<b>631.43</b>	<b>26.00</b>

#### ***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	34.26	6.01%
Positions and Percentage Vacant as of 12/31/18	67.50	11.60%

- In fiscal 2020, 11 regular positions from DBM and 11 regular positions from DoIT are transferred into the Office of Procurement and Logistics.
- In fiscal 2020, 4 new regular positions are created for the State Facility Conditions Assessment Unit.
- In fiscal 2019, 1 regular position was transferred from the Department of Public Safety and Correctional Services (DPSCS). The position was reclassified as an assistant Attorney General and will serve the Office of Real Estate Management in fiscal 2020.

## ***Key Observations***

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- DGS has reviewed personnel and vendor costs. The department projects that a number of functions can be provided cost effectively by vendors. However, some key State personnel are required. With respect to maintaining facilities, the department is moving toward a maintenance mechanic model, which requires the maintenance mechanic to perform general facility maintenance operations with larger and more complex tasks performed by vendors. The concern is that these positions have high vacancy rates, low retention, and low pay. **The Department of Legislative Services recommends that funds be restricted to induce the Administration to provide these positions with a one-grade increase.**
- Additional resources and staff are provided to reduce the facilities maintenance backlog. The new Statewide Facility Condition Assessment Unit should make the program more efficient and effective.
- Chapter 590 reformed State procurement. A key feature of the reform is to consolidate procurement in DGS. DBM, DoIT, and DPSCS will no longer be control agencies, and staff from these agencies will be transferred into DGS. DGS is also procuring a new cloud-based procurement system.

## **Operating Budget Recommended Actions**

	<b><u>Funds</u></b>
1. Add language restricting general funds for a one-grade increase for maintenance mechanic positions.	
2. Increase turnover rate for new positions from 5% to 25%.	\$ 56,000
<b>Total Reductions</b>	<b>\$ 56,000</b>

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**Department of General Services**

***Operating Budget Analysis***

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**Program Description**

The Department of General Services (DGS) provides an array of services for State agencies. DGS' primary function is to serve as a landlord. The department also administers a grant program and is a procurement control agency. Specific agencies and offices include:

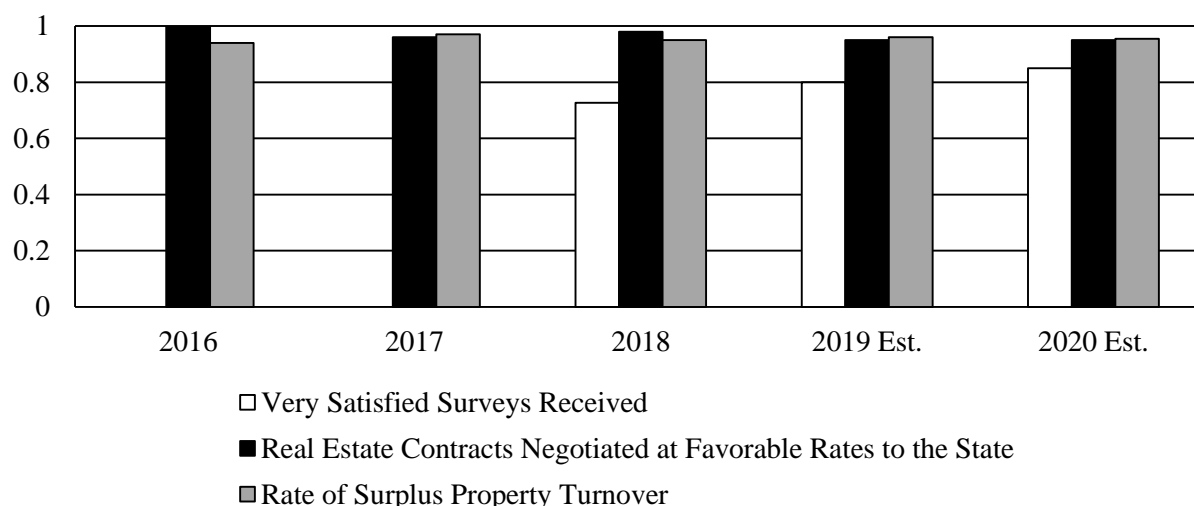
- **Executive Direction** is responsible for leadership and coordination of programs and activities.
- **Administration** provides personnel and fiscal support for the department.
- **Facilities Operations and Maintenance** supports the operation and maintenance of over 50 State-owned facilities, including the District Courts and multiservice centers. These services are provided through a combination of State positions and private contractors.
- **Facilities Security** provides facility security and law enforcement services. Security is provided through State employees. The Maryland Capital Police has sworn officers who provide law enforcement services and coordinate with other law enforcement agencies.
- **Energy Performance and Conservation** manages energy procurement and consumption.
- **Facilities Planning, Design, and Construction** serves as the State's construction manager. The office provides architectural, engineering, and construction inspection services for projects at State facilities. The office also reviews the design of Community College and Public School Construction programs.
- **Real Estate Management** acquires and disposes of real property interests through its three programs: Lease Management and Procurement, Land Acquisition and Disposal, and Valuation and Appraisal.
- **State Procurement** serves as the control agency for the procurement of commodities as well as architectural and engineering services. The office includes the Inventory Management and Support Services Division that determines and manages property disposition (excluding vehicles) for State agencies. Records management services are also provided. Legislation expanding DGS' procurement role is discussed in the Update section in this analysis.
- **Business Enterprise Administration** serves as a support unit that provides services to other DGS units. Services provided include business outreach and training, marketing, State fuel contract, technology services, mail room, and the capital grants and loan program.

## Performance Analysis: Managing for Results

### 1. Customer Service and Taxpayer Value

DGS' first Managing for Results (MFR) goal is to provide best value for customer agencies and taxpayers. To measure how well it is performing, the department has an online satisfaction survey from which data is gathered by the Governor's Office of Performance. The office forwards positive and negative responses. For negative responses, supervisors can contact the respondent if contact information was provided. DGS attempts to take corrective action, if feasible. The objective is that 85% of respondents are very satisfied. **Exhibit 1** shows that 73% of surveys were very satisfied.

**Exhibit 1**  
**Customer Service and Taxpayer Value**  
**Fiscal 2016-2020 Est.**



Source: Governor's Fiscal 2020 Budget Books

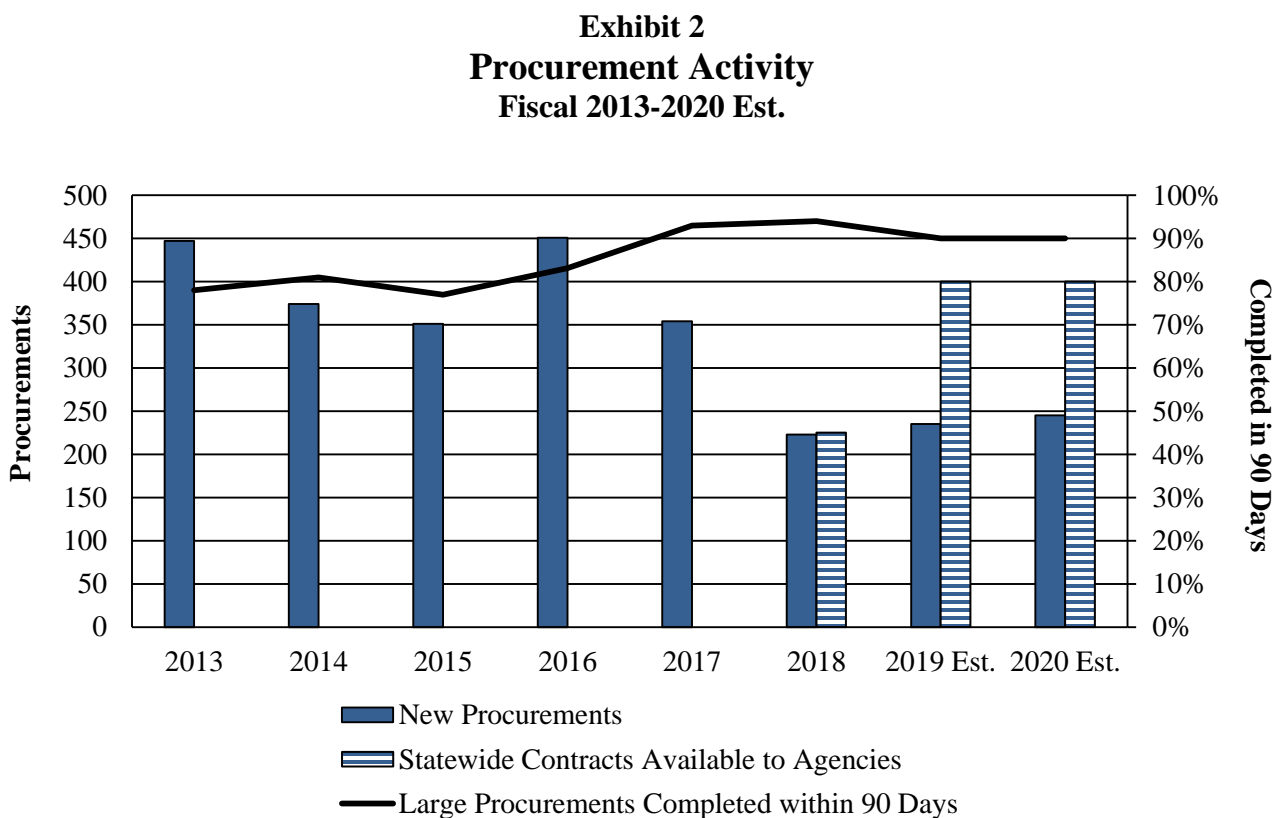
Prior to all real estate sales and acquisitions, the Office of Real Estate Management appraises the property. Not all transactions end with the State getting a property at favorable terms. Reasons include market conditions changing from the appraisal date to the sale date or differing appraisals for the parties. With respect to leases, the State attempts to secure them at or below estimated market values. The objective is that 90% of transactions negotiated by the office are at favorable terms for the State, compared to the appraisal. The MFR data are above 96% from fiscal 2016 to 2018.

The indicators also monitor the disposition of surplus property. Categories of surplus property include audio/visual equipment, printing equipment, boats and marine supplies, furniture, and printing

and binding equipment. DGS has a GovDeals.com website for disposing of surplus property. The objective is to dispose of all of it within a year. Over 94% has been disposed within a year since fiscal 2016.

## 2. Procurement

The Office of State Procurement serves as the control agency for commodities, facilities maintenance, and construction. Small procurements are procurements valued at less than \$50,000. DGS' objective is that 80% of large procurements are completed within 90 days. **Exhibit 2** shows that DGS has been meeting this goal since fiscal 2016 and anticipates that these goals will be met in fiscal 2019 and 2020.



Note: Indicators measure current workload prior to procurement consolidation.

Source: Governor's Fiscal 2020 Budget Books

DGS has found that it is more effective to combine procurements that have a common commodity or service into larger procurements. As such, the department has a goal to reduce procurements by bundling them. There has been a reduction in procurement since fiscal 2016.

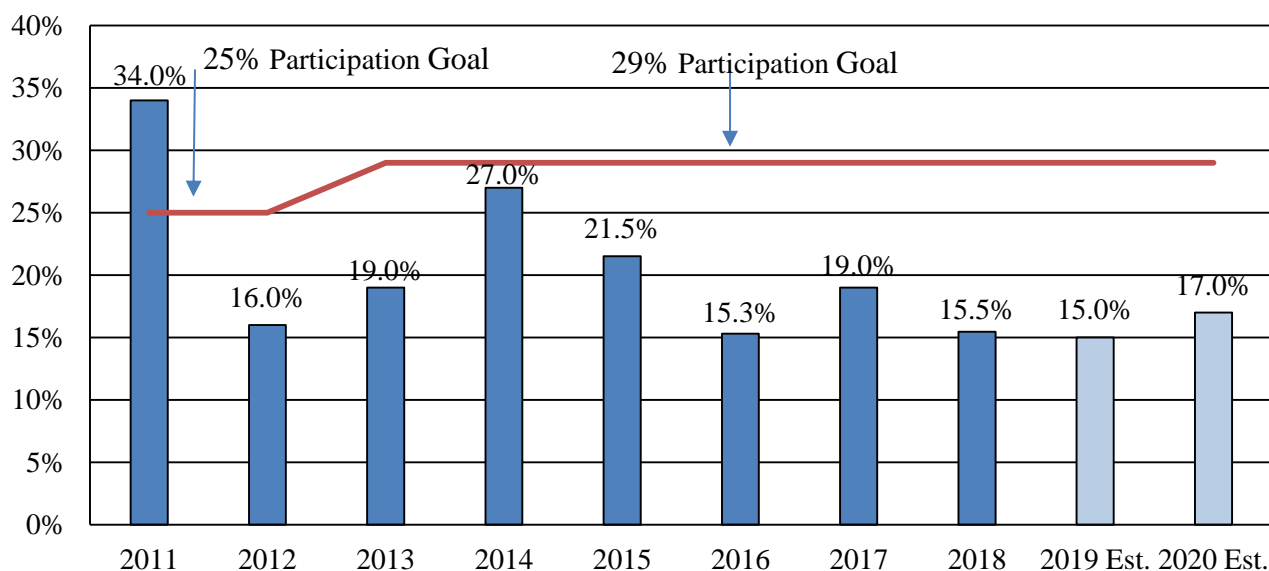
DGS believes that it can increase vendor selection through the execution of more statewide and regional contracts. These statewide and regional contracts are also anticipated to have a greater mix of small-, minority-, and veteran-owned businesses. DGS has an MFR indicator to measure this.

### 3. Minority Business Enterprise Participation

The State has a Minority Business Enterprise (MBE) program to increase procurement opportunities for minority- and women-owned businesses. The Governor's Office of Small, Minority, and Women Business Affairs has set the goal that 29% of prime and subcontract awards go to MBE-qualified businesses.

In fiscal 2018, DGS awarded \$19.4 million in contracts to prime contractors and \$9.7 million to subcontractors. **Exhibit 3** shows that MBE participation was 15.5% in fiscal 2018. This continues a trend in which every year since fiscal 2011 has been below the MBE target. A factor that led to the decline since fiscal 2016 was legislation that removed nonprofits and preferred providers from the MBE program. To improve MBE participation rates, DGS advises that the Office of Business Programs undertake vendor outreach activities through partnerships with procurement-related agencies and marketing events.

**Exhibit 3**  
**MBE Participation as a Percent of Total Spending**  
**Fiscal 2011-2020 Est.**



MBE: Minority Business Enterprise

Source: Governor's Fiscal 2020 Budget Books

#### 4. Energy Consumption

Appropriations for energy are substantial. Excluding nonbudgeted and higher education funds, the fiscal 2020 allowance includes \$79.9 million (\$30.9 million in general funds) for electricity, \$12.3 million (\$7.6 million in general funds) for natural gas and propane, and \$3.1 million (\$1.8 million in general funds) for fuel oil.

DGS' goal is to reduce consumption and be more efficient. The department has a number of tools that it can use to reduce energy consumption. Energy Performance Contracts (EPC) reduce consumption by improving assets to reduce energy consumption. DGS contracts with a private vendor to audit a facility and recommend improvements that reduce energy consumption. Improvements include replacing aging equipment with energy-saving equipment or improving insulation. If the cost of the improvements is greater than the savings, the State can enter into a contract with the vendor to implement the improvements. Generally, the State receives a surety bond that guarantees savings. **Exhibit 4** shows that the State has entered into 26 EPCs with annual savings of \$22 million through fiscal 2017.

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**Exhibit 4**  
**Energy Efficiency Performance Measures**  
**Fiscal 2016-2019 Est.**  
**(\$ in Millions)**

	<u>2016</u>	<u>2017</u>	<u>2018 Est.</u>	<u>2019 Est.</u>
Energy Performance Contracts	24	26	27	29
Annual Cost Savings Realized from Energy Performance Contracts	\$21.5	\$22.3	\$23.5	\$23.0
Annual Energy Savings Realized through Energy Performance Contracts (MMBTU)	n/a	1.146	1.000	1.000
Percent of Statewide Facilities with Complete Data in the State's Energy Database	n/a	10.4%	15.0%	25.0%

MMBTU: one million British thermal units

Source: Governor's Fiscal 2020 Budget Books; Department of Budget and Management

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The State also has a database to manage energy consumption. The database, which is rebid every five years, is maintained by a contractor. It allows the State to know how much energy is used. From this data, the State can better manage block and index purchases and determine where the worst performing facilities are to address inefficiencies. According to the MFR data, only 10% of facilities were in the database in fiscal 2017.

DGS can also make other improvements to make the State more energy efficient and reduce costs, such as improving metering and billing.

- **Submetering:** The majority of State buildings are currently on master-metered campuses and are consequently not metered at the building level. Metering at the building level will empower the State to identify and retrofit poor performing buildings.
- **Utility Bill Centralization:** A centralized billing system for agency utility payments, which will become a component of the eMaryland Marketplace eProcurement Solution, will bring substantial efficiencies to the payment of utility bills.

## **5. Facility Maintenance**

Another DGS objective is to reduce the incidence and cost of emergency maintenance through timely, scheduled maintenance. To achieve this goal, the department has procured a new Computerized Maintenance Management System (CMMS). The system is a commercial off-the-shelf, cloud-based system that tracks maintenance work. Potential benefits include faster response times to maintenance work, better maintenance and repair data, access to data about specific building maintenance histories, and predictive analytics. This system is a major step forward for DGS. As data is entered into the CMMS, the expectation is that predictive analytics will help staff focus on preventing problems before they occur. Electronic devices that allow staff from the field to transmit data to and from the system and monitor data from equipment centers will be used. *Industry Week Magazine* published a survey of 588 companies that use the CMMS and found a 20.1% reduction in equipment downtime, a 19.4% savings in lower material costs, a 28.3% increase in maintenance productivity, and a 14.5-month average payback.

To measure success, new MFR indicators have been developed. They are to increase the ratio of preventive maintenance to unscheduled work orders and to reduce the cost of annual emergency maintenance projects. **Exhibit 5** shows the new indicators for which data has been collected since fiscal 2017 and 2018.

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**Exhibit 5**  
**Facility Maintenance Indicators**  
**Fiscal 2017-2020 Est.**  
**(\$ in Millions)**

<b><u>Indicator</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019 Est.</u></b>	<b><u>2020 Est.</u></b>
Ratio of Preventive Maintenance to Unscheduled Work Orders	1.57:1	1.56:1	1.33:1	1.67:1
Annual Cost of Emergency Maintenance Projects	n/a	\$2.8	\$3.5	\$3.8

Source: Governor's Fiscal 2020 Budget Books

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## **Fiscal 2019 Actions**

### **Proposed Deficiency**

The budget bill includes \$3.1 million for four deficiency items in the DGS budget. The first item provides \$2,500,000 in general funds in the budget of the Office of Facility Planning, Design, and Construction to support additional facility critical maintenance projects. This increases the total fiscal 2019 appropriation to \$10 million. The budget committees have requested additional funding for maintenance, and this appropriation is consistent with that request.

The Office of Real Estate Management receives an additional \$346,000 in general funds for legal fees supporting State Center litigation. DGS estimates that legal fees spent through the end of fiscal 2019 total \$1.9 million. A judgement has not been rendered, and DGS advises that it has no estimate of when one might be rendered.

The budget includes \$200,000 in general funds for the Office of Facilities Operations and Maintenance to maintain landscaping around the State house and office buildings in Annapolis. The landscaping is essential for controlling foundation erosion, stopping soil runoff into sewer systems, reducing heating and cooling costs, controlling pests, and preventing building damage from untended roots and limbs. No maintenance funds have been appropriated in recent years.

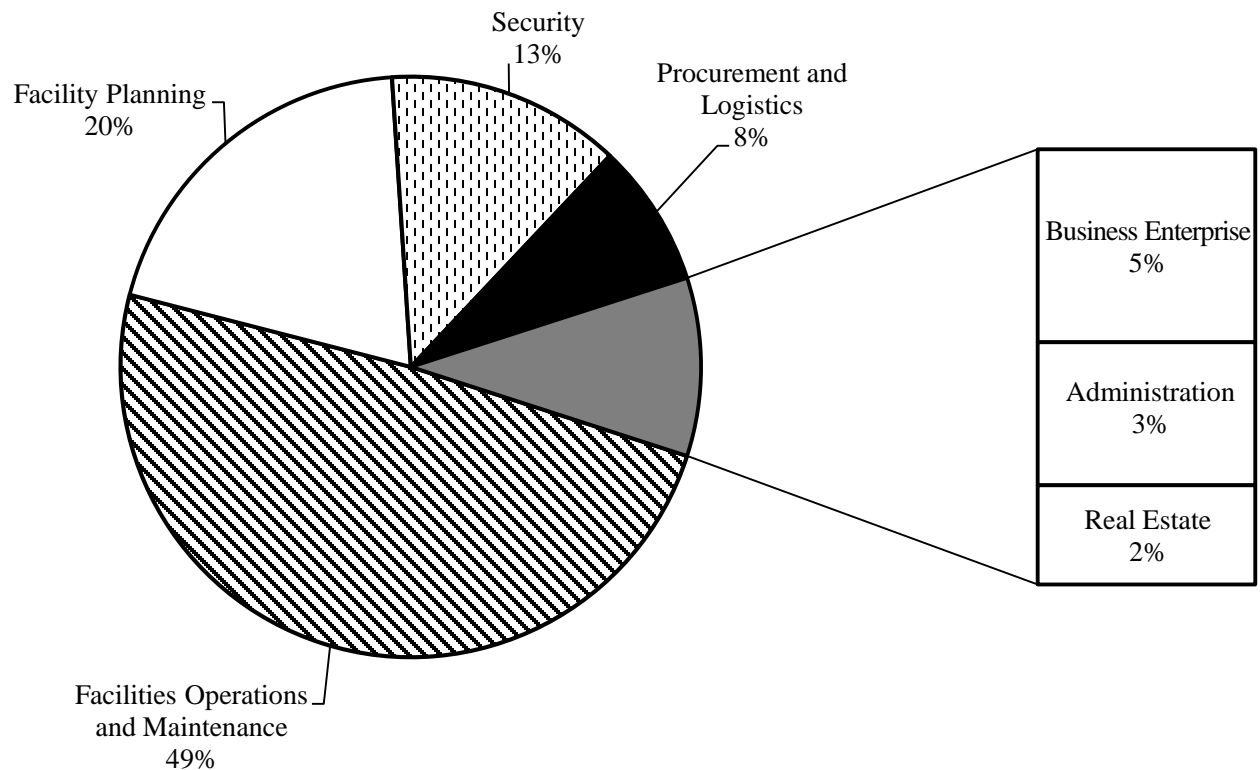
Finally, \$87,395 in general funds is provided for the Office of Facilities Operations and Maintenance to supporting training and tablets for the new CMMS. The system is discussed under MFR indicator 5. To operate the electronic devices that allow staff from the field to transmit data to and from the system and monitor data from equipment centers, training will be needed.

## **Fiscal 2020 Allowance**

### **Overview of Agency Spending**

DGS consists of seven agencies. **Exhibit 6** shows that almost half of the department's spending supports Facilities Operations and Maintenance. Administration consumes 3% of spending.

**Exhibit 6**  
**Expenditures by Agency**  
**Fiscal 2020**

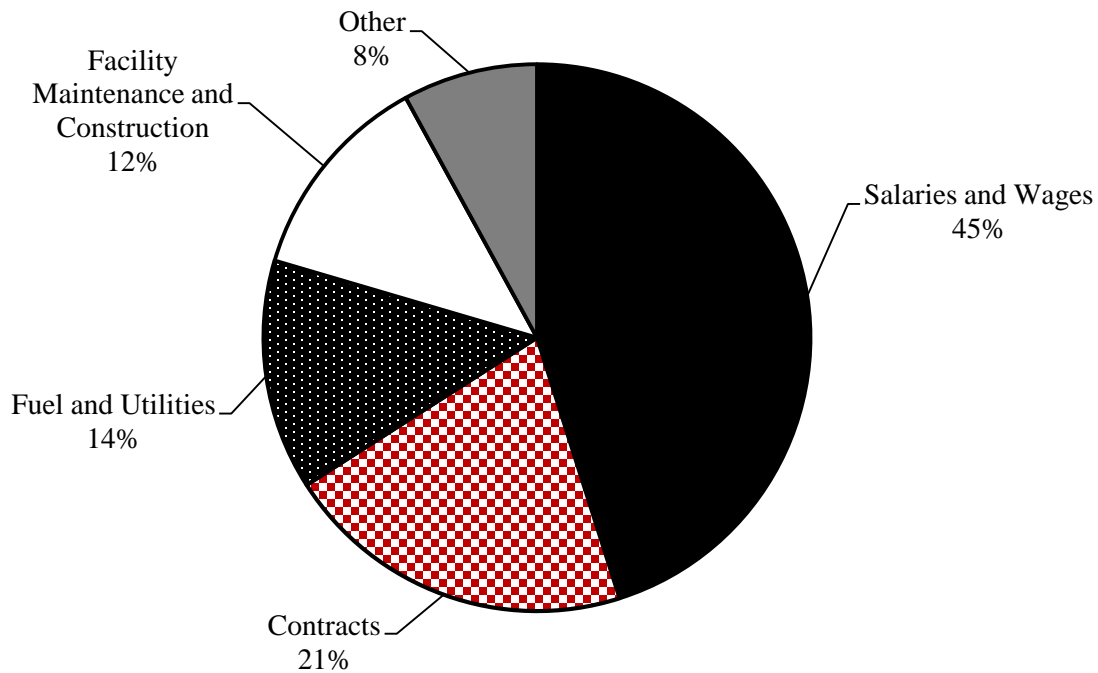


Source: Department of Budget and Management

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Personnel spending is the largest share of spending. **Exhibit 7** shows that 45% of spending supports salaries and wages. Other significant costs are contracts, fuel and utilities for State facilities, and maintenance of State facilities. These four areas comprise 92% of DGS spending.

**Exhibit 7**  
**Spending by Object**  
**Fiscal 2020**

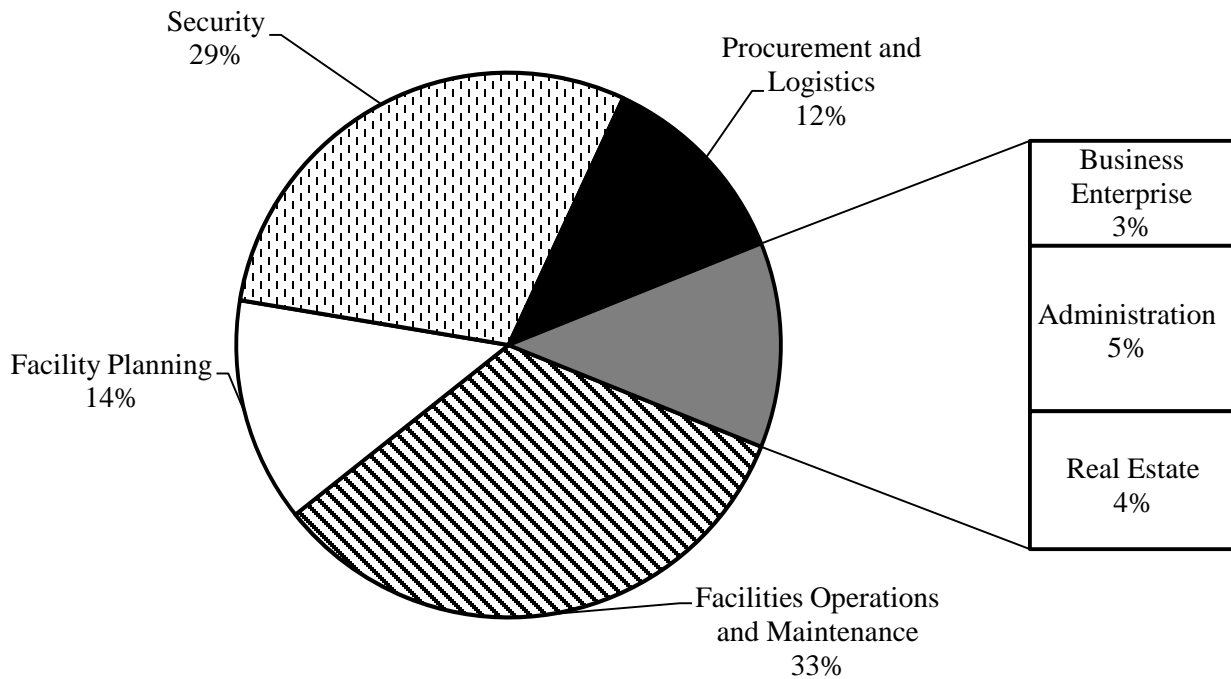


Source: Department of Budget and Management

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**Exhibit 8** shows that Facilities Operations and Maintenance and Facility Planning have 47% of DGS' positions. A previous exhibit showed that those agencies receive 69% of revenues. This discrepancy is attributable to higher spending on contracts in Facilities Operations and Maintenance and higher spending on facility maintenance in Facility Planning. Conversely, Facilities Security has 29% of positions and only 13% of spending, indicating that most spending supports personnel.

**Exhibit 8**  
**Regular Positions by Agency**  
**Fiscal 2020**

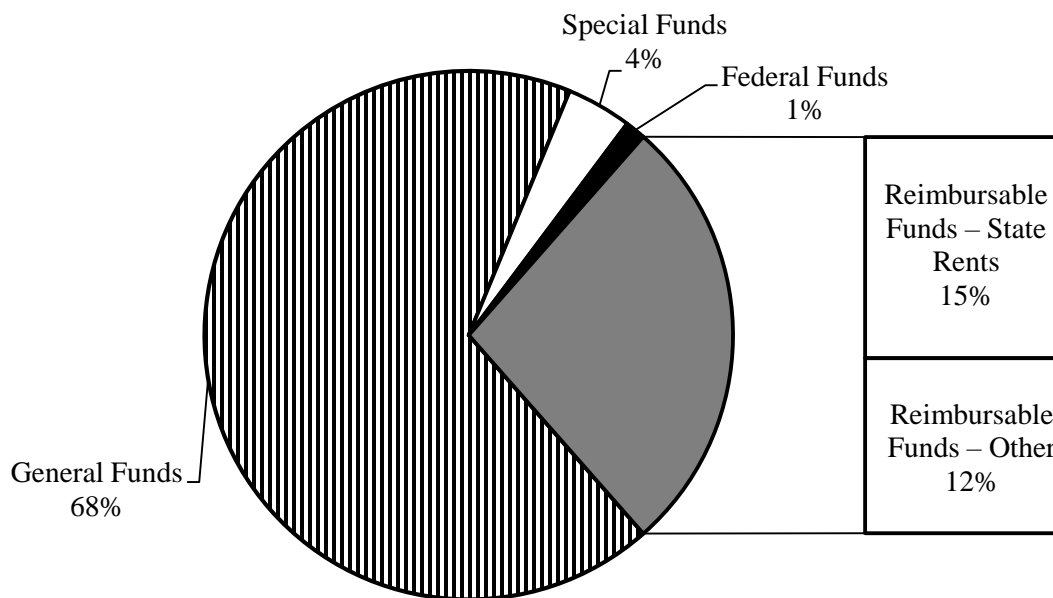


Source: Department of Budget and Management

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**Exhibit 9** shows that the State’s General Fund provides over two-thirds of DGS’ revenues. The department charges agencies rent, which accounts for 15% of its revenues.

**Exhibit 9**  
**Revenues Supporting the Department of General Services**  
**Fiscal 2020**



Source: Department of Budget and Management

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### Proposed Budget Change

**Exhibit 10** shows that the fiscal 2020 allowance increases to \$114.5 million, which is \$9 million (8.5%) more than the fiscal 2019 working appropriation. Much of the changes from fiscal 2019 to 2020 are attributable to common factors, such as the general salary increase, new pension contribution rates, vendor inflation, and changes in utility costs. But some of the changes are attributable to unique factors, such as:

- providing an additional \$2.5 million for statewide facilities maintenance in fiscal 2019 and another \$5 million in fiscal 2020, for a net fiscal 2020 increase of \$2.5 million;
- reforming procurement policies and practices as required by Chapter 590 of 2017. This has led to consolidating procurement into DGS, resulting in the transfer of 11 positions from the Department of Budget (DBM) and 11 positions from the Department of Information Technology (DoIT) to DGS. The annual cost of those positions is \$1.9 million. Procurement positions will also be reclassified. The DBM personnel budget has \$822,162 that will be transferred to DGS by budget amendment for these reclassifications;

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- moving DoIT funding to a fee-for-services model, which results in declining DoIT general fund appropriations and increasing reimbursable funds appropriations. DoIT has also been underfunded in recent years (there are deficiency appropriations in fiscal 2019 to compensate for this underfunding), so total fiscal 2020 DoIT appropriations increase. With respect to DGS, fees for DoIT increase by \$1.4 million;
  - adding 4 new regular positions to Project Management and Design to reinstate the State Facility Conditions Assessment Unit at an annual cost of approximately \$267,400; and
  - transferring management of the Towson District Court from the current vendor to DGS.
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**Exhibit 10**  
**Proposed Budget**  
**Department of General Services**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
Fiscal 2018 Actual	\$66,137	\$7,985	\$1,287	\$28,524	\$103,933
Fiscal 2019 Working Appropriation	69,844	4,939	1,341	29,447	105,571
Fiscal 2020 Allowance	<u>77,763</u>	<u>4,553</u>	<u>1,427</u>	<u>30,796</u>	<u>114,539</u>
Fiscal 2019-2020 Amount Change	\$7,919	-\$387	\$85	\$1,350	\$8,968
Fiscal 2019-20 Percent Change	11.3%	-7.8%	6.4%	4.6%	8.5%

**Where It Goes:**

**Personnel Expenses**

New positions and position transfers from other agencies.....	\$2,149
Fiscal 2020 general salary increase.....	1,274
Additional State Law Enforcement Officers Alliance general salary increase.....	290
Remove one-time \$500 bonus .....	-317
Salary adjustments .....	775
Towson District Court – reclassifications attributable to State maintenance.....	101
Other reclassifications.....	211
Increased pension contribution rate .....	352
Employee and retiree health insurance .....	-221
Turnover adjustments.....	-436
Overtime, workers’ compensation, and other fringe benefit adjustments.....	-36

**Facility Operations, Maintenance, and Security**

Fuel and utilities at State facilities .....	649
Towson District Court – additional State maintenance.....	516

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### **Where It Goes:**

Towson District Court – reduce contract payments .....	-479
Additional facility maintenance and support contracts .....	454
No payment in lieu of taxes for City of Annapolis .....	-367
Additional janitorial contracts.....	360
Additional security contracts .....	147
Net reduction in grounds maintenance after adjusting for deficiency .....	-124

### **Other Changes**

Statewide critical maintenance net of fiscal 2019 deficiency appropriation.....	2,500
Department of Information Technology services allocation.....	1,371
Fiscal 2019 deficiency supporting State Center litigation .....	-346
Other Items .....	145
<b>Total</b>	<b>\$8,968</b>

Note: Numbers may not sum to total due to rounding.

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## **Personnel Changes**

Since the fiscal 2019 budget was enacted by the General Assembly, DGS has received 26 new positions. **Exhibit 11** shows that 22 positions were transferred from other agencies, and 4 positions are newly created positions that add to the total number of positions in State government.

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### **Exhibit 11 New Positions Fiscal 2020**

<u>Source</u>	<u>DGS Agency</u>	<u>Fiscal Year of Action</u>	<u>Number of Positions</u>	<u>Salary</u>	<u>Salary and Fringe Benefits</u>
From DBM	Procurement	2020	11	\$778,200	\$965,800
From DoIT	Procurement	2020	11	765,600	915,600
New Position	Facility Planning	2020	4	220,600	267,400
<b>Total</b>			<b>26</b>	<b>\$1,764,400</b>	<b>\$2,148,800</b>

DBM: Department of Budget and Management

DGS: Department of General Services

DoIT: Department of Information Technology

Source: Department of Budget and Management

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In addition to the new positions, positions have been transferred among DGS' agencies. **Exhibit 12** shows that the largest number of transfers involves creating the Business Enterprise Administration (BEA). Services provided by BEA include business outreach and training, marketing, the State fuel contract, technology services, mail room, and the capital grants and loan program. To do this, the agency functions from facilities operations, procurement, and facility planning were transferred to BEA. DGS did receive a position from the Department of Public Safety and Correctional Services (DPSCS) that was reclassified as an assistant Attorney General position. In fiscal 2020, this position is transferred to the Real Estate Office to help with its legal workload.

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**Exhibit 12**  
**Position Changes by Unit**  
**Fiscal 2018-2019**

<u>Agency</u>	<u>2018</u>	<u>2019</u>	<u>Difference</u>	<u>Comment</u>
Administration	28	29	1	1 position from DPSCS
Facility Security	178	178	0	No transfers or new positions
Facilities Operations and Maintenance	203	202	-1	1 position to Business Enterprise Administration
Procurement and Logistics	66	53	-13	14 positions to Business Enterprise Administration and 1 position from Real Estate
Real Estate	25	24	-1	1 position to Procurement
Facility Planning	81	77	-4	4 positions to Business Enterprise
Business Enterprise	0	19	19	14 positions from Procurement, 4 positions from Facility Planning, and 1 position from Facilities Operations and Maintenance
<b>Total</b>	<b>581</b>	<b>582</b>	<b>1</b>	

DPSCS: Department of Public Safety and Correctional Services

Source: Department of Budget and Management

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**Exhibit 13** shows that most personnel actions in fiscal 2020 are adding positions for procurement and facility planning.

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**Exhibit 13**  
**Position Changes by Unit**  
**Fiscal 2019-2020**

<u>Agency</u>	<u>2019</u>	<u>2020</u>	<u>Difference</u>	<u>Comment</u>
Administration	29	30	1	1 position from Procurement, 1 position from Capital, and 1 position to Real Estate
Facility Security	178	178	0	No transfers or new positions
Facilities Operations and Maintenance	202	202	0	1 position from Procurement and 1 position to Procurement
Procurement and Logistics	53	73	20	11 positions from DBM, 11 positions from DoIT, 1 position to Administration, and 1 position to Facility Planning
Real Estate	24	25	1	1 position from Administration
Facility Planning	77	81	4	4 new positions, 1 position from Procurement, and 1 position to Administration
Business Enterprise	19	19	0	No transfers or new positions
<b>Total</b>	<b>582</b>	<b>608</b>	<b>26</b>	

DBM: Department of Budget and Management

DoIT: Department of Information Technology

Source: Department of Budget and Management

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## ***Issues***

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### **1. Personnel Issues Related to Facility Operation, Maintenance, and Security**

Last year, the budget committees raised concerns about staffing in DGS. Among the concerns were a loss of positions since fiscal 2002, lower salaries than comparable federal and local positions, high vacancy rates, and inconsistent staffing policies across various facilities. The budget committees asked the department to review its policies and procedures. As requested, the department submitted its report in November 2018.

#### **DGS Personnel Report**

The department was asked to examine the Facilities Operations and Maintenance budget to determine how to most effectively and efficiently provide services and report its findings. The report was to evaluate the appropriateness of using vendors for routine tasks, determine when using vendors is more cost effective than hiring State employees, and identify strategies to reduce high turnover rates among State employees and non-State salaries.

#### **Effective Use of Vendors**

When to use vendors instead of State employees depends on factors such as the frequency that a task is required, the specialized skills required, and the equipment required. Another consideration is the marketplace for vendors. A number of services have a robust market. If that is the case, it is not difficult to procure a vendor that provides the service cost effectively. DGS advises that a number of tasks have been transferred to vendors. The list below identifies tasks that have been transferred to vendors along with the reason that the tasks are better suited for vendors.

- Snow removal requires specialized equipment and is done infrequently. Having vendors saves equipment costs and the need to keep staff on the payroll all year.
- Grounds keeping is not year-round, is difficult to recruit with the State's low salaries, and has a high turnover.
- Plumbing is characterized by irregular work, a shortage of plumbers, and low State salaries compared to other employers.
- Pest control is difficult for State employees since there is a lack of expertise in the safe use of potentially toxic materials.
- Heating, ventilation, and air conditioning (HVAC) maintenance is both routine and occasional and requires specialized equipment and training. Vendors can maintain this more efficiently and effectively.

## **Vendor Employee Cost Comparisons**

DGS also compared the cost of vendors providing a service to the cost of State employees providing the same service. Services reviewed are cleaning services, plumbing services, and the Baltimore power plant.

Upon reviewing vendor and employee costs, the department concluded that it is more cost effective to use vendors. **Exhibit 14** shows that vendor costs for janitorial services are \$0.74 per square foot, while employee costs are \$0.88 per square foot. Employee costs are 19% more than vendor costs.

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### **Exhibit 14 Janitorial Services Vendor and State Employee Cost Comparison Fiscal 2019**

<u>Service Provider</u>	<u>Square Footage</u>	<u>Salary and Fringe Benefit Cost <sup>1</sup></u>	<u>Cost Per Square Foot</u>
Vendors	1,019,600	\$751,446	\$0.737
State Employees	832,800	729,759	0.876

<sup>1</sup> For State employees, the Department of General Services used salary costs. The Department of Legislative Services added Social Security, the pension's normal cost, and unemployment insurance costs.

Source: Department of General Service; Department of Legislative Services

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Plumbing services are provided by both maintenance mechanics and plumbers. A maintenance mechanic performs intermediate-level work in the trades of electricity, plumbing, steam fitting, air conditioning, or refrigeration. Plumbers are used for more specialized needs. The Annapolis Public Buildings and Grounds' (APBG) plumber retired in fiscal 2016. The State was unable to fill the position. The starting salary of the position is approximately \$36,700 without fringe benefits. In fiscal 2018, plumbing service cost APBG approximately \$22,000. This suggests that using the maintenance mechanic and procuring specific services is more cost effective than hiring a plumber.

Baltimore Public Buildings and Grounds' (BPBG) facilities are heated and cooled by a central power plant. The boilers provide steam throughout the campus. Proper safety and operating procedures require that the boilers are staffed at all times. The current arrangement is that State employees operate the boilers and that the State uses vendors for preventive maintenance and repairs at a cost of \$1.5 million, specifically:

- \$530,400 for State employees;
- \$645,400 for vendor preventive maintenance contract;

## *H00 – Department of General Services*

- \$308,200 for vendor repairs; and
- \$25,700 for a standby generator contract.

DGS has made inquiries, which suggest that it might be possible to bundle these services into one \$1 million contract. DGS has solicited an invitation for bids to vendors to operate the facility. If successful, this could result in substantial savings.

### **Using the Maintenance Mechanic Model**

DGS is moving toward what it refers to as a maintenance mechanic model. This approach fills the general purpose of maintenance mechanics for most maintenance and supplements them with specific vendor contracts for work that is large, requires a high level of training, or requires specialized equipment. Trades, such as HVAC, plumbing, electrical, and carpentry would rely more heavily on vendors. As previously discussed with the plumbing services at APBG, this approach can provide cost-effective services. DGS advises that it is implementing this approach in its two largest campuses, APBG and BPBG.

### **Salary Comparison**

DLS reported in the review of the fiscal 2019 budget that State employee compensation is consistently less than federal and local employees. **Exhibit 15** shows the average salaries for common positions.

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#### **Exhibit 15** **Comparing State Employee Salaries to Federal and Local Employee Salaries** **Fiscal 2019**

<b><u>Job Type</u></b>	<b><u>DGS</u></b>	<b><u>Anne Arundel County</u></b>	<b><u>Baltimore County</u></b>	<b><u>Federal</u></b>	<b><u>Private</u></b>
Maintenance Mechanic	\$34,536	\$39,049	\$48,443	\$56,828	\$49,966
Carpenter	36,715	47,255	53,934	57,804	40,000
Electrician	36,715	47,255	48,318	62,479	60,879
Plumber	36,715	47,255	41,725	64,458	50,000
HVAC Mechanic	39,406	47,255	46,446	61,504	47,858
Stationary Engineer	60,530	69,208	65,905	78,150	71,597

DGS: Department of General Service

HVAC: heating, ventilation, and air conditioning

Source: Department of General Services

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### **Reducing High Turnover Rates among State Employees**

Another concern is that DGS has had high turnover and vacancy rates in recent years. The department has also struggled to replace departing employees. DGS has identified the following strategies to address these issues.

- ***Increase Salaries:*** Numerous surveys have found that DGS' salaries are among the lowest.
- ***Career Development:*** Historically, many of DGS' positions have been regarded as low level, and the positions did not have a clear path for advancement. As technology has advanced, building systems are becoming more sophisticated. There is an increasing need for higher skilled employees. Programs that enhance skills, such as on-the-job training, can present opportunities to allow personnel to move into higher skilled positions.
- ***Apprenticeship Programs:*** Some positions require experience to qualify. This precludes hiring students and recent graduates. Apprenticeship programs can provide experience to build the workforce.
- ***Mentoring Programs:*** As employees gain experience, mentorship programs can help them advance in their careers. This allows experienced staff to pass along their knowledge to newer staff.

**DGS should be prepared to brief the budget committees on what steps have been taken to reduce turnover.**

### **Issues**

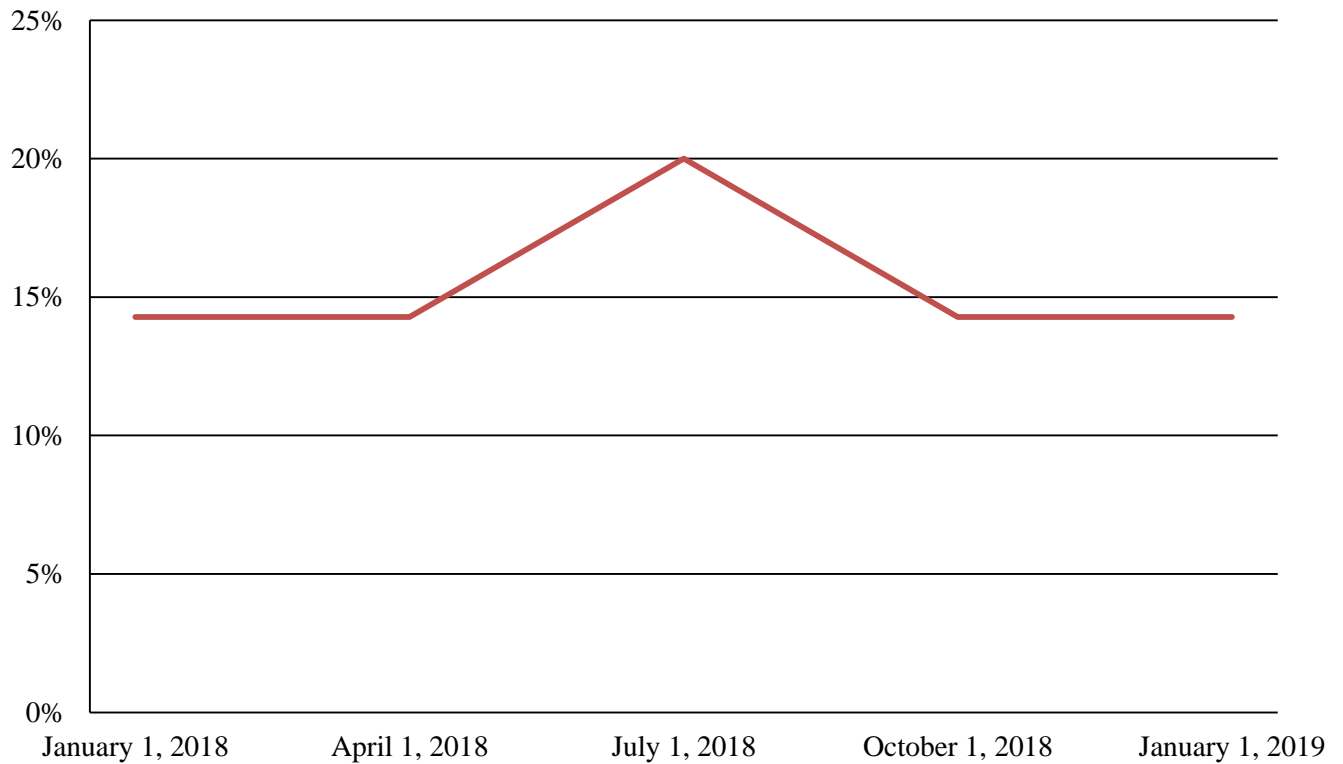
DGS has made progress with respect to its personnel policies, but there are issues to consider.

### **Maintenance Mechanic Positions Have High Turnover Rates and Low Retention Rates**

The maintenance mechanic model is a cost-effective approach for maintaining facilities. However, this approach relies on having competent maintenance mechanics. As noted in Exhibit 15, State salaries are quite low. **Exhibit 16** shows that vacancy rates for these positions have been above 14% for the last year.

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**Exhibit 16**  
**Vacancy Rates for Maintenance Mechanic Positions**  
**January 2018 to January 2019**

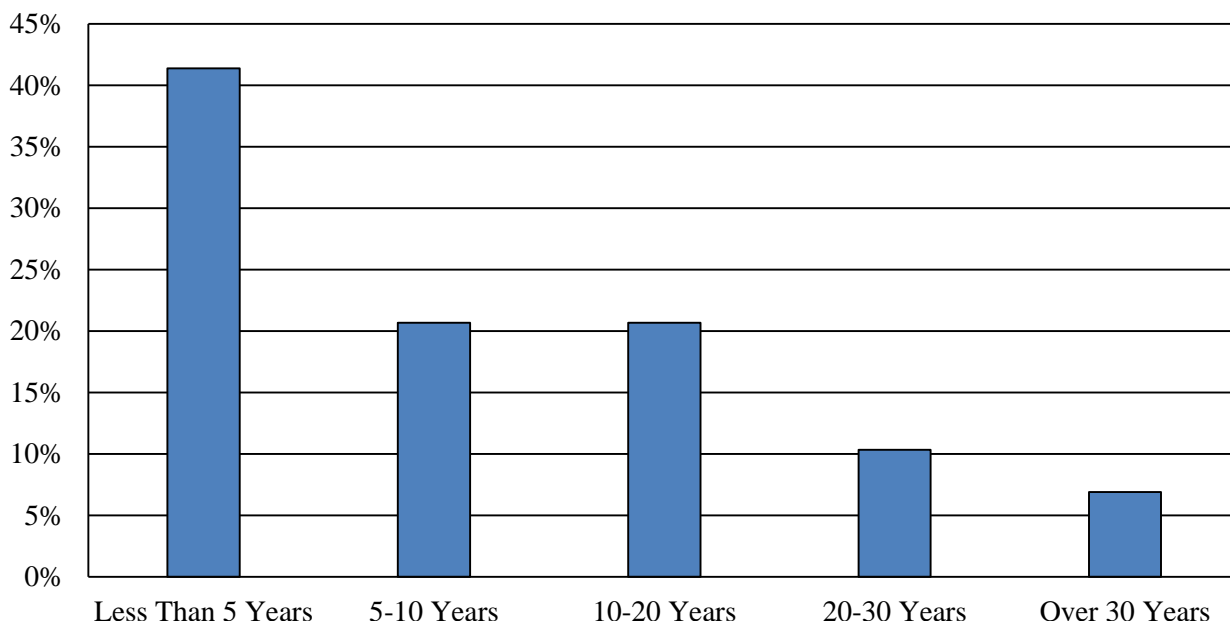


Source: Department of Budget and Management

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Another concern is that DGS has struggled to keep staff. There is anecdotal evidence that employees often work for the State to be trained and then move to higher paid positions for other employers. **Exhibit 17** shows that over 40% of DGS' maintenance mechanics have been on the job for less than 5 years, and over 60% have been on the job for less than 10 years. In addition to high vacancies, retention is clearly also a problem.

**Exhibit 17**  
**Maintenance Mechanics' Time on the Job**  
**As of January 2019**



Source: Department of Budget and Management

The maintenance mechanic positions are key to proper building maintenance. DGS advises that maintenance mechanics, combined with appropriately used vendors, can keep costs down. However, these positions have high turnover rates and low retention rates. As mentioned in the MFR section, DGS has invested in a new CMMS to manage facility maintenance. The system reduces the number of emergencies and requires higher skills to operate. Skilled maintenance mechanics are also more likely to keep vendor costs down. **To reduce vacancies, increase retention, and acknowledge higher levels of skills required to implement the maintenance mechanic model, DLS recommends salaries for maintenance mechanics be increased by one grade. It is recommended that \$85,100 of the Facilities Operations and Maintenance budget be restricted so that these funds can only be used to provide a one-grade increase for maintenance mechanic positions.**

**Comparison of Unarmed Security Vendor Costs to State Employee Costs**

During the interim, DLS gathered data on the costs of using vendors and State employees to provide security services. DLS reviewed security contracts approved by the Board of Public Works (BPW) from July 2016 to June 2018. DLS found 30 contracts for unarmed security services approved by BPW. For comparison purposes, the total vendor cost for each security position in a facility is

computed. The State employee classifications used in this analysis ranged from building security trainee to building security II. **Exhibit 18** shows that vendor costs tend to be lower than State employee costs.

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**Exhibit 18**  
**Security Services Vendor and State Employee Cost Comparison**  
**Fiscal 2019**

<u>Service Provider</u>	<u>Minimum Cost</u> <sup>1</sup>	<u>Average Cost</u> <sup>1</sup>	<u>Maximum Cost</u> <sup>1</sup>
Vendors <sup>2</sup>	\$22,365	\$25,716	\$32,178
State Employees	25,805	35,054	44,972
Difference	3,440	9,338	12,794
Percent Change	15.4%	36.3%	39.8%

<sup>1</sup> For State employees, the costs include salary, Social Security, the pension normal cost, and unemployment insurance costs.

<sup>2</sup> Vendor estimates include 30 unarmed security service vendors approved by the Board of Public Works between July 2016 and June 2018. These costs are the total vendor cost for one year of service for each security position in a State facility.

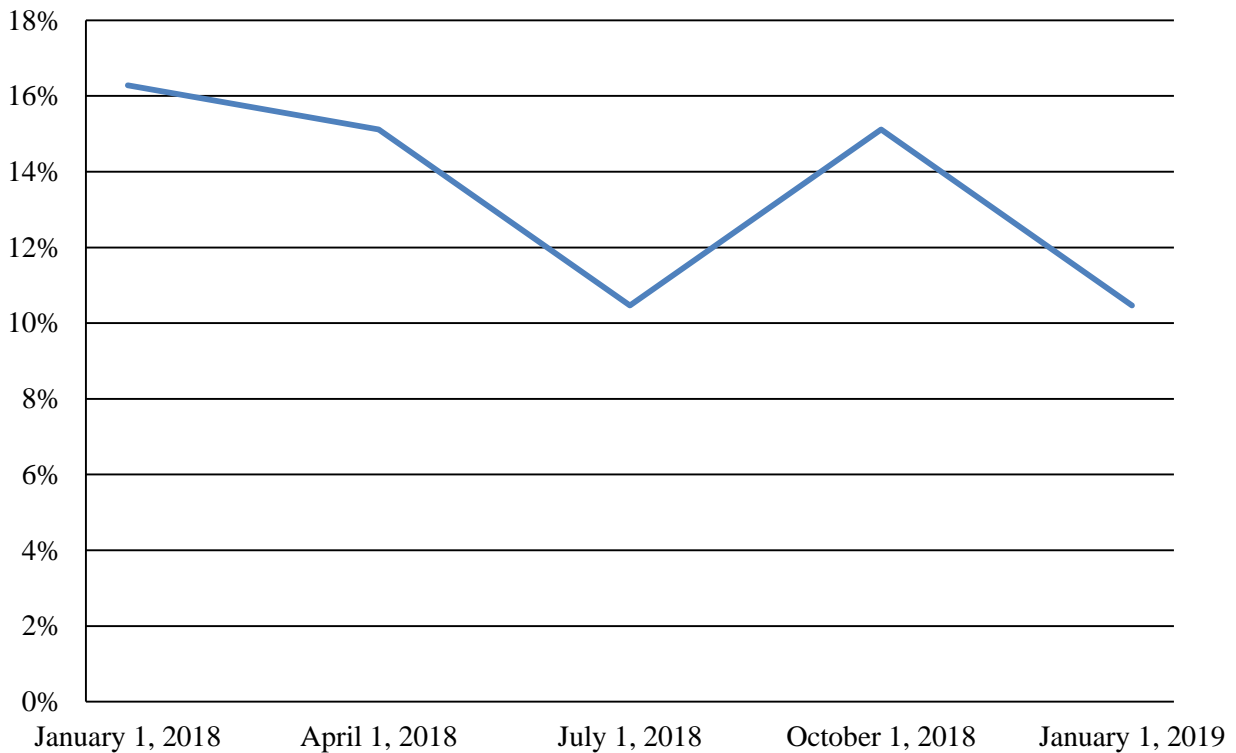
Source: Department of Budget and Management; Board of Public Works

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**Exhibit 19** shows that building security positions' high vacancy rates ranged from 10% to 16% between January 2018 and January 2019. **DLS recommends that DGS consider expanding the use of contractors in place of State employees for building security if service quality is equal to or better than security services provided by State employees. DGS should also consider replacing vacant positions. As of January 1, 2019, DBM advises that there were 14 vacant security positions. DGS should comment on measures that it has that compare the quality of vendor and State employee security services. The department should also examine if the State can achieve savings by bundling contracts.**

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**Exhibit 19**  
**Vacancy Rates for Building Security Positions**  
**January 2018 to January 2019**



Source: Department of Budget and Management

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## **2. State Facility Maintenance Status Report**

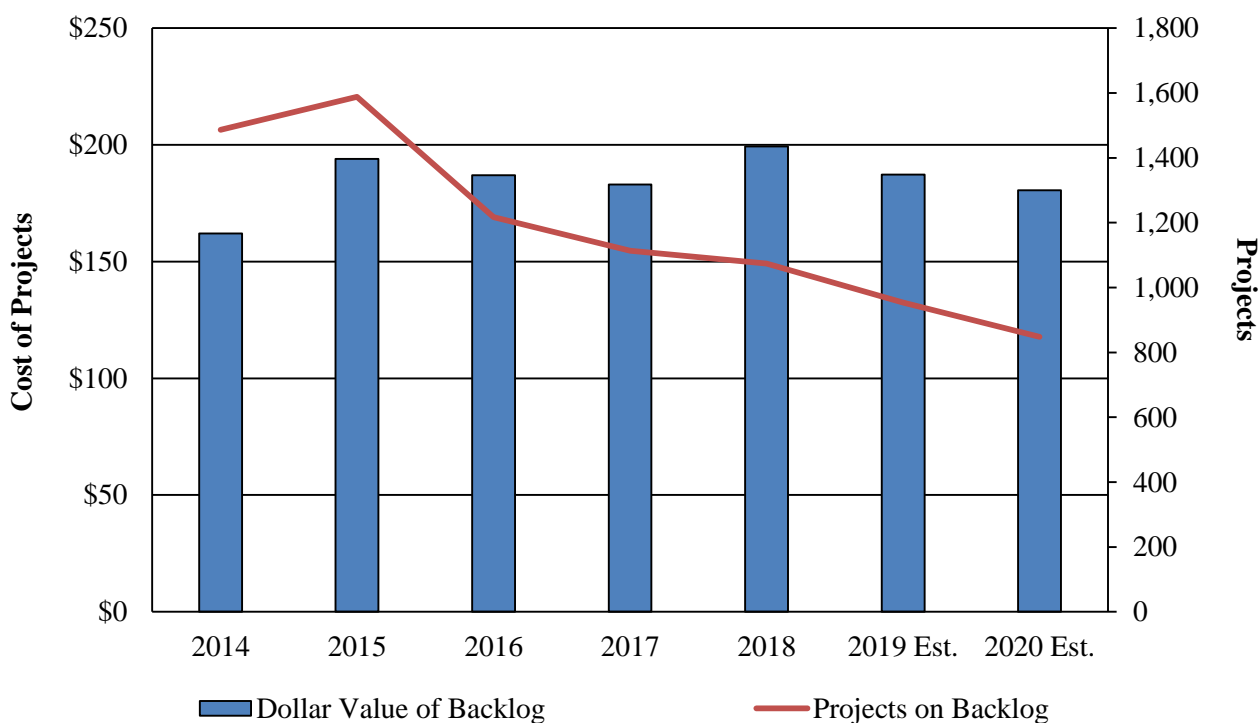
Pursuant to Sections 4-407 and 4-408 of the State Finance and Procurement Article, the department is required to establish and supervise a comprehensive and continuing program of maintenance and repair of all public improvements. DGS' maintenance of State facilities includes both critical maintenance funded through the operating budget and facilities renewal funded through the capital budget.

## The Size of the Problem

Under current practices, DGS has established programs to supervise and review the maintenance and repair of State facilities. These programs support agencies for which DGS has procurement authority and where the State owns the facility. Examining the condition of facilities is the responsibility of the State agencies in the facility. To assist agencies, DGS annually issues an updated *Preventive Maintenance Operations* packet that includes instructions and deadlines for submitting project justifications. These agencies are referred to as using agencies.

DGS compiles and tracks the information that it receives from agencies. DGS also assigns priorities to the projects. **Appendix 2** shows the priority classes, which are grouped into highest level, mid level, and low level. **Exhibit 20** shows that the backlog was \$199 million in fiscal 2018.

**Exhibit 20**  
**Facility Maintenance Backlog**  
**Fiscal 2014-2020 Est.**  
**(\$ in Millions)**

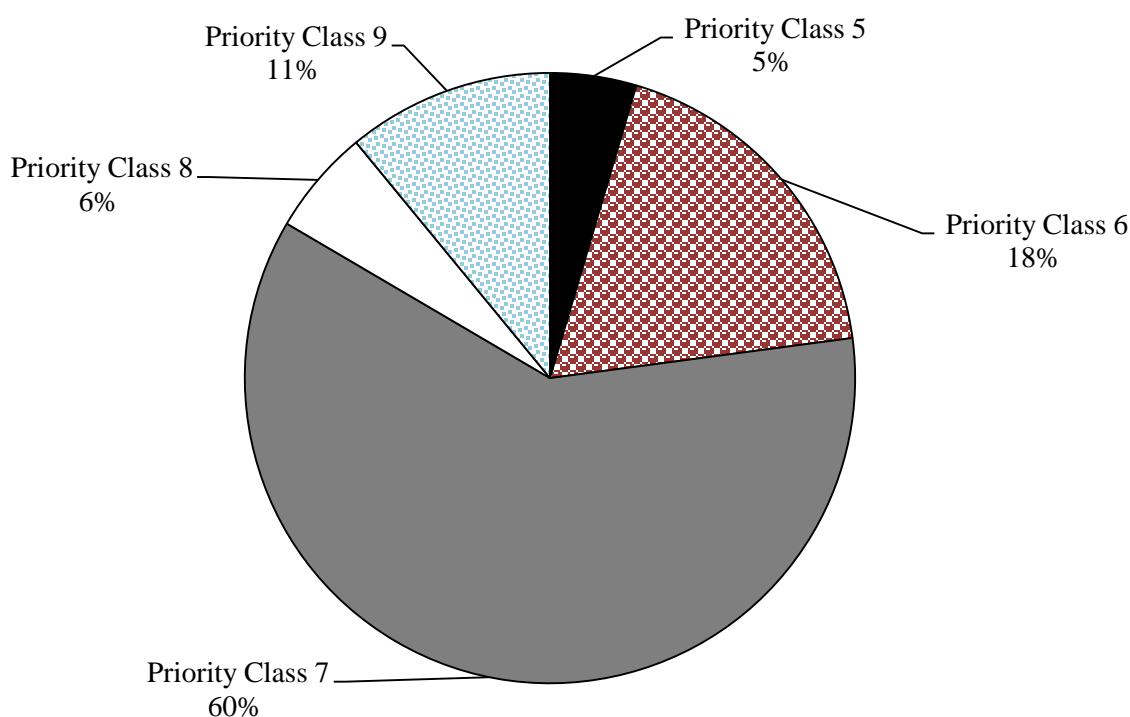


Source: Governor's Fiscal 2020 Budget Books

Projects in the first four categories pose a high risk of litigation, cessation or reduction of mandated services, fineable code violations, or serious life or safety issues. These projects are addressed as quickly as possible and are not on any backlog if there is adequate funding for them. **Exhibit 21** shows that 60% of operating critical maintenance projects are in Priority Class 7. This is for projects that are depreciating at an accelerating rate or are near the end of their useful life. Examples of Priority Class 7 projects include replacing sidewalks or removing peeling paint.

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**Exhibit 21**  
**Priority Classes for Operating Critical Maintenance Backlog**  
**Fiscal 2019**



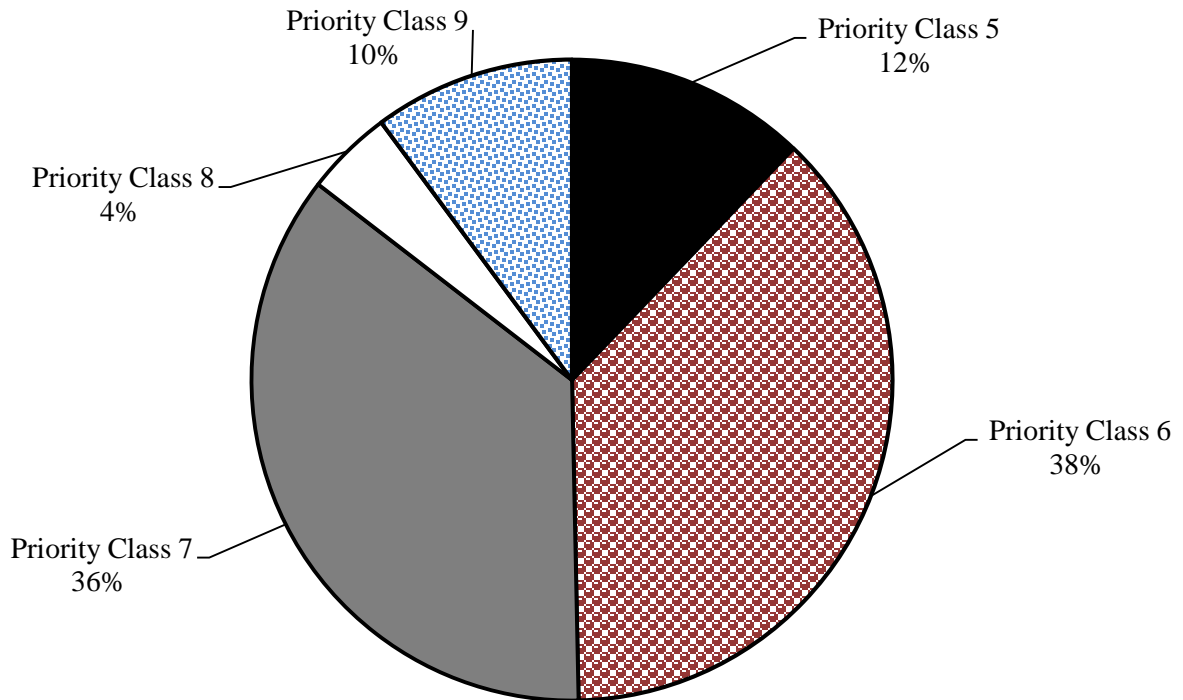
**Total = \$22.5 million**

Source: Department of General Services

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**Exhibit 22** shows that 74% of capital facilities renewal projects are in Priority Class 6 or Priority Class 7. This is for projects that are depreciating at an accelerating rate, are near the end of their useful life, or need to be restored to get back to design effectiveness. Examples of Priority Class 6 and Priority Class 7 capital projects include renovating exteriors or replacing walk-in coolers.

**Exhibit 22**  
**Priority Classes for Capital Facilities Maintenance Backlog**  
**Fiscal 2019**



**Total = \$181.9 million**

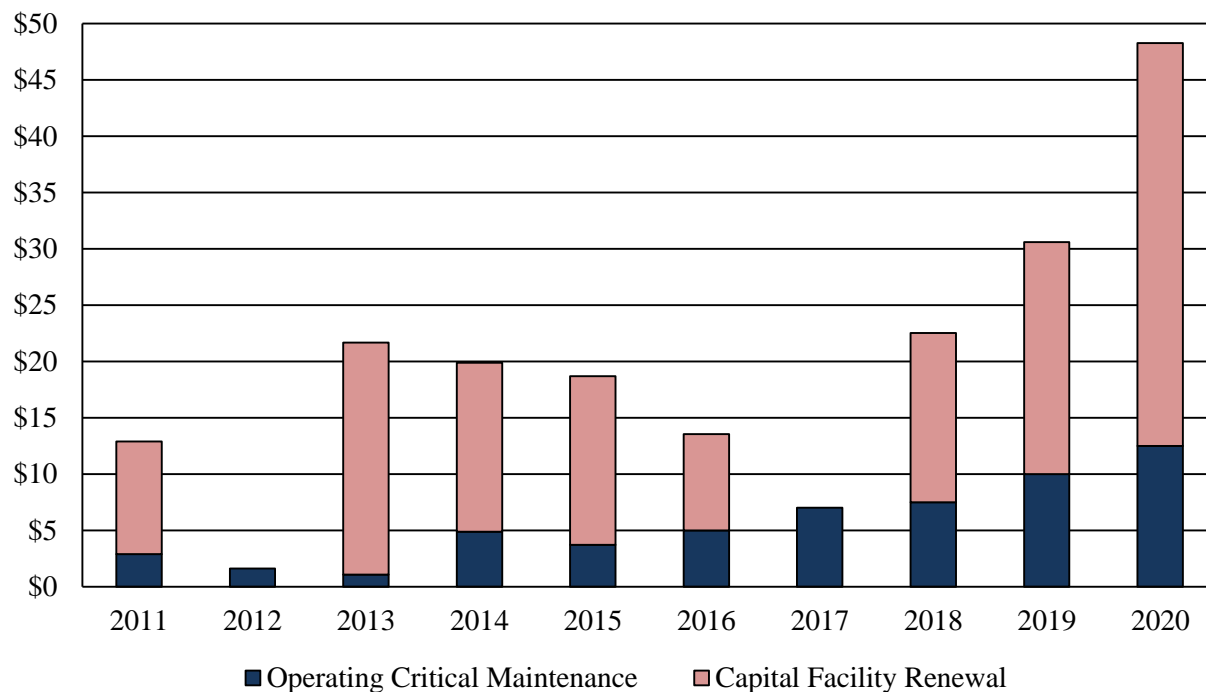
Source: Department of General Services

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**Funding Facility Maintenance**

DGS manages 53 buildings that have 6.5 million square feet. DGS advises that the average age of these buildings is 52 years. The vastness and age of State facilities suggest that the operating and capital facility maintenance budget should be substantial. **Exhibit 23** shows that funding has been below \$20 million in most years for the statewide program supporting 14 agencies, including the State DGS managed portfolio. This had led to a substantial backlog. Funding has been increased in fiscal 2019 and 2020 to reduce the backlog.

**Exhibit 23**  
**Funding for Facilities Maintenance**  
**Fiscal 2011-2020**  
**(\$ in Millions)**



Source: Department of General Services

**In Response to the *Joint Chairmen's Report*, DGS Discusses Efforts to Improve Facility Maintenance**

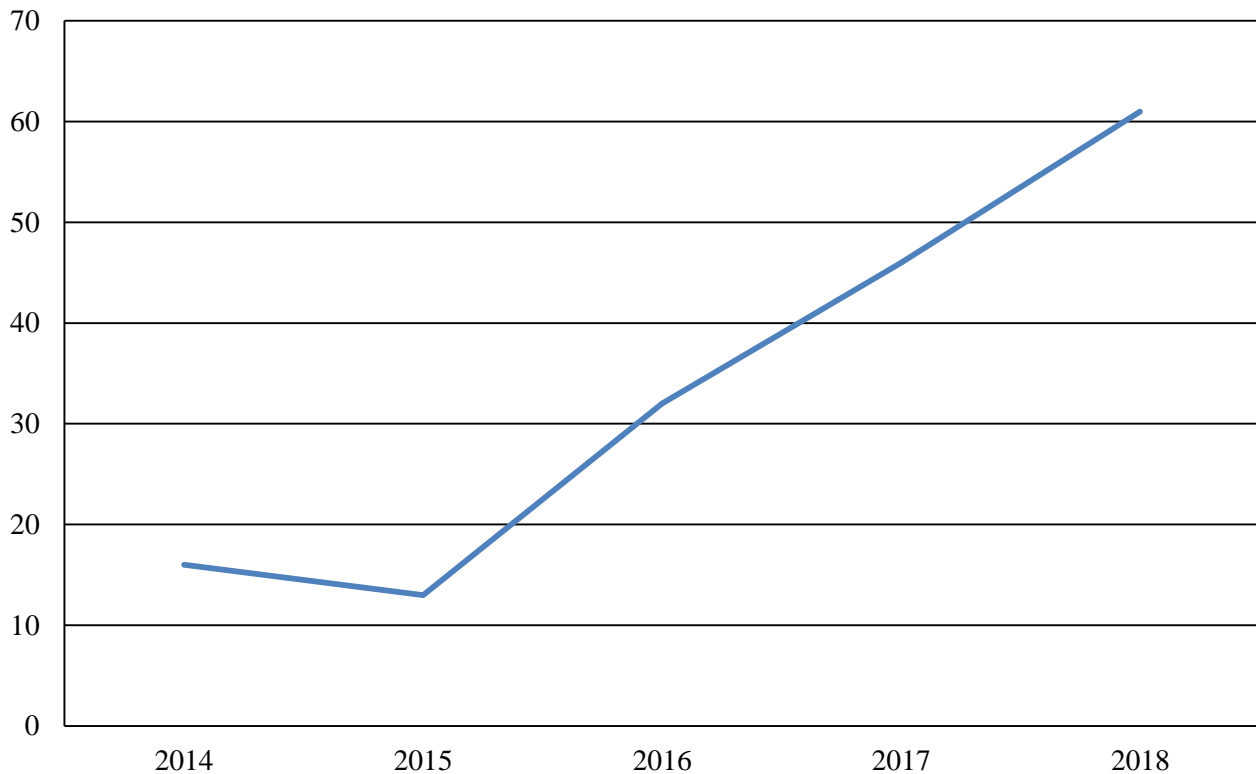
In the fiscal 2019 *Joint Chairmen's Report*, DGS was required to report on its maintenance programs. Their report was submitted on time, and data from the report is used in this issue.

**More Efficient Procurement and Project Management**

The State has an expedited process for small procurements. An MFR goal was to have small procurements completed in 10 days, while the goal for large procurements is 90 days. Legislation in fiscal 2017 increased the limit for small capital project procurements from \$50,000 to \$100,000. DGS also received 4 new regular project management positions in fiscal 2016. These factors have allowed DGS to increase its capacity to complete operating critical maintenance projects. **Exhibit 24** shows that small procurements in fiscal 2018 were substantially higher than in fiscal 2015.

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**Exhibit 24**  
**Small Procurements Advertised on eMaryland Marketplace**  
**Fiscal 2014-2018**



Source: Department of General Services

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The threshold for operating critical maintenance projects is \$100,000. In response to this low threshold, agencies tend to break up projects. This led to increasing numbers of projects as well as increased costs per project, reduced MBE opportunities, and increased administrative costs. To address this, DGS began combining projects in fiscal 2017. As projects are approved for funding, the department checks to see if there are other projects at the same location or requiring a similar service. When there are matches, projects are combined. This has allowed DGS to complete additional projects and enhance the quality of the technical time spent on projects. **Exhibit 25** shows the results from these efforts.

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**Exhibit 25**  
**Combined Projects**  
**Fiscal 2017-2019 to Date**

<u>Fiscal</u>	<u>Projects Identified</u>	<u>Resulting Projects</u>
2017	19	8
2018	7	3
2019 to Date	11	5

Source: Department of General Services

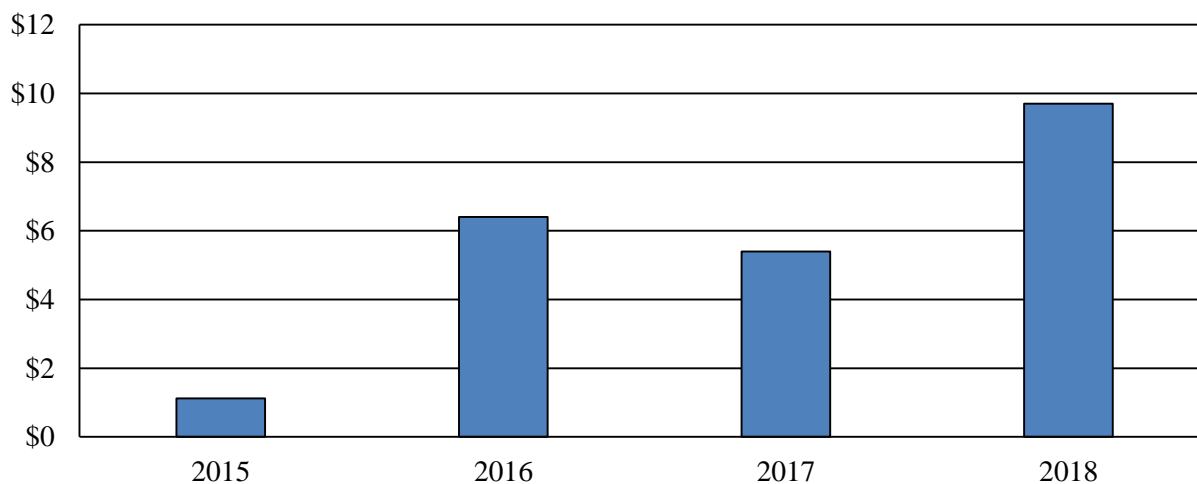
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**Reducing Emergencies**

As discussed in the MFR section, DGS is making attempts to improve maintenance with the new maintenance management system for DGS-operated facilities. Improved maintenance should result in reduced emergencies. **Exhibit 26** shows that spending on emergencies for the statewide program supporting 14 agencies, including the State DGS managed portfolio, fluctuates quite a bit and can be quite costly.

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**Exhibit 26**  
**Cost of Emergencies**  
**Fiscal 2015-2018**  
**(\$ in Millions)**



Source: Department of General Services

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### **Administration Response to the Spending Affordability Committee Recommendation**

State facilities are quite old. Over three-quarters of DGS-operated State facilities are over 30 years old, and DGS advises that the average age of DGS-operated State facilities is 52 years. An aging infrastructure requires more effort and funding to maintain. The budget committees have expressed concerns about the condition of State facilities. In its December 2018 report, the Spending Affordability Committee (SAC) recommended that the State conduct a comprehensive assessment of the condition of State facilities.

The Administration has made efforts to support this recommendation. In this budget, DGS receives additional resources, such as:

- providing approximately \$267,400 to create 4 new regular positions and reconstituting the Statewide Facility Condition Assessment Unit;
- adding a \$2.5 million deficiency appropriation to fiscal 2019 statewide operating critical maintenance, for a total of \$10 million;
- increasing fiscal 2020 statewide operating critical maintenance funding to \$12.5 million; and
- increasing general obligation (GO) bond authorizations for capital facilities maintenance to \$37.8 million, an increase of \$15.2 million over fiscal 2019 GO bond authorizations.

Adding positions for the Statewide Facility Condition Assessment Unit is a positive step that allows DGS to assume a more direct role in facility management. Since the positions will be capital maintenance project engineers and architects, they should have the requisite skills to provide accurate data for DGS' databases. Having trained engineers is also likely to provide better data than facilities managers whose experience and skill sets may be uneven. The Administration has taken positive steps with respect to maintaining State facilities.

Included in the SAC recommendation was a comprehensive facility assessment. To prepare a comprehensive inventory of buildings and maintenance needs may take some time. Experience suggests that new positions are not hired until at least the fourth month of a new fiscal year. Once hired, the positions will need to be trained, which takes more time. To move the work forward, the department should consider using a vendor to begin this process sooner and begin building the assessment. This gives DGS a head start on building a facilities inventory. **The department should be prepared to brief the committees on how it will implement the new Statewide Facility Condition Assessment Unit. This should include a discussion of how long it will take to hire and train new employees.**

### **3. Procurement Legislation and Implementation**

Since 2012, the State's procurement system has been analyzed by BPW, DLS, and the Governor's Commission to Modernize State Procurement. Each of these analyses has independently concluded that the structure and operation of the State's procurement system does not reflect best practices and has made recommendations to enhance both the efficiency and transparency of State

purchasing decisions. During the 2017 session, the General Assembly passed legislation to address many of the procurement system's identified deficiencies.

Chapter 590 reduces the number of control agencies (through which specified procurements by other agencies are reported to BPW) and primary procurement units (which can carry out their own procurement without approval by another agency). The legislation also established the position of chief procurement officer (CPO) within DGS.

The legislation repeals the status of DBM, DoIT, and DPSCS (for the procurement of construction, construction-related services, supplies, materials, and equipment for State correctional facilities) as primary procurement units, leaving only seven such units.<sup>1</sup> However, DGS, through the CPO, is given authority to delegate procurement authority to agencies with specific expertise. DGS is also authorized to carry out additional functions to improve the efficiency and transparency of State procurement, including developing performance metrics, implementing strategic sourcing, compiling statistics on State purchasing, and overseeing procurement officer training, among other responsibilities. The former Procurement Advisory Council is reconstituted as the Procurement Improvement Council.<sup>2</sup> The council is chaired by the CPO and has expanded responsibilities that include advising the General Assembly on proposed legislation.

Several reporting requirements designed to further improve the procurement process are also included in the legislation. By October 1, 2018, DGS, in consultation with other specified agencies, was required to develop a work plan to implement the CPO position and other related provisions of the bill. By the same date, BPW and DBM were also required to establish new job titles and classifications for current and future procurement staff in the State Personnel Management System to establish clear lines of authority, a single path of advancement, and consistent job titles and compensation across agencies.

## **Implementing Procurement Reforms**

Procurement reform is being guided by the senior procurement officer. DGS created this position specifically to implement procurement reform. Once the new organization is in place, the senior procurement officer position will be abolished and the CPO will be responsible for procurement. The senior procurement officer may apply for the CPO position, but it is not necessarily a foregone conclusion that the same individual will fill both roles.

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<sup>1</sup> The primary procurement units are the State Treasurer, DGS, the Maryland Department of Transportation, the Maryland Port Administration, the University System of Maryland, Morgan State University, and St. Mary's College of Maryland.

<sup>2</sup> The council includes the State Treasurer; the Chancellor of the University System of Maryland; the Secretary of Budget and Management; CPO; the Secretary of Information Technology; the Secretary of Transportation; procurement advisor; the Special Secretary for the Governor's Office of Small, Minority, and Women Business Affairs; the Director of the Governor's Office of Performance Improvement; a representative of local government who has local procurement expertise appointed by the Governor with advice and consent of the Senate; and two members of the general public, at least one of whom has State procurement expertise who are also appointed by the Governor with advice and consent of the Senate.

As required, DGS, in consultation with DBM, DoIT, DPSCS, the Maryland Department of Transportation, and the Port Commission, submitted its implementation plan on October 1, 2018. The plan provided an outline of the new organization and is the basis for most of the discussion in this issue.

### **Goals and Strategies**

The new CPO will be setting goals and implementing strategies that enhance the procurement process. DGS advises that it intends to improve effectiveness by aligning procurement responsibility with commensurate authority and simplifying the process, to expand small and minority business opportunities, and to develop and retain quality procurement personnel. In its October report, DGS identified the following goals.

- ***Improved Effectiveness:*** This involves a number of strategies, such as aligning the organization, category and relationship management, and improved technology. The new centralized organization should encourage more collaboration and a better allocation of resources. Category management includes identifying and tracking demand-side spending and use; staying in touch with market changes; reviewing new and alternative technologies; proactive supplier management to encourage improvements in value, performance, technology, and cost management; and ensuring that contracts are responsive or can be modified to meet changing requirements. The State's current electronic procurement system does not provide management information or data. A new system, which is being procured, will need improvements, such as line-item details and aggregated strategic enterprise reports that can be grouped by specific agencies and products or services.
- ***Improved Efficiency:*** The centralized agency should provide opportunities to simplify and standardize regulations, policies, processes, and templates. As with effectiveness, improved efficiency will require an improved electronic procurement system. Training is also a key component. Currently, training opportunities are limited. The new procurement office is planning on providing substantially more training and having a specific unit dedicated to training. Until the training program is established and implemented, DGS' procurement office will provide oversight for all procurements above the small procurement level, which is \$50,000 for commodities and services. As agencies' expertise increases, authority may be delegated. Full delegation would only be allowed after the procuring unit has completed an appropriate level of training and certification for the requested category or threshold.
- ***Attract and Retain Highly Qualified Personnel:*** One concern that was raised when procurement reform was enacted was that the State salary scale was inadequate and inconstant across agencies. The decentralized nature of State procurement has resulted in 33 different classifications. To address this, the number of classes have been reduced to 9, and the fiscal 2020 budget provides approximately \$822,000 for salary enhancements. The plan also provides for a clear path for advancement. Additional training is also proposed to improve the quality of the staff. Continuous learning is proposed in such areas as information technology (IT), construction, contract management, and contract negotiation.

## **Office of State Procurement**

The Office of Procurement and Logistics will become the State Procurement Office (SPO). An organizational chart is provided in **Appendix 3**. The office will be divided into these divisions.

- ***Statewide Procurement and Contract Management Division:*** This division will be administering procurements. It will include capital, goods and services, and an IT procurement office. It will also interact with State agencies. One goal of the reform is to improve contract management, and this division will have a contract management and supplier relationship office.
- ***eProcurement/eMaryland Marketplace Advantage (eMMA) and Business Services Division:*** This division will manage the new electronic IT system, eMMA. This division will have the fiscal, compliance, reporting, and BPW offices.
- ***Policy and Training Division:*** This division will review and update policies. One of the reform's goals is to have a more nimble process and to implement advances in procurement practices more rapidly. This division will assume that responsibility and provide training. Another goal is improved training to enhance the quality of the staff.

State agencies will still have some procurement staff. Agencies that are too small to support a full-time procurement position will be supported by account executives at SPO.

## **Personnel Changes**

As previously mentioned, this consolidation results in the transfer of 11 positions from DBM and another 11 from DoIT to DGS. DPSCS positions will also be transferred into DGS. At this point, no final decisions have been made. Should a final decision about transfers from DPSCS be made before the end of the legislative session, DLS recommends that the Administration submit a supplemental budget appropriation to effectuate the transfer of the positions.

DBM's fiscal 2020 personnel budget includes approximately \$822,000 in salary enhancements. The number of procurement classifications have been reduced from 33 to 9. **Exhibit 27** shows the new classifications.

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**Exhibit 27**  
**New Procurement Classifications and Estimated Salaries**  
**Effective July 1, 2019**

<u>Classification</u>	<u>Grade</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>
Procurement Trainee (12-18 Months)	14	\$41,000	\$65,100
Procurement Officer I	16	46,400	74,100
Procurement Officer II	18	52,600	84,500
Procurement Officer III	20	59,900	96,100
Procurement Officer IV	22	68,200	109,400
Procurement Manager I	22	68,200	109,400
Procurement Manager II	23	72,800	116,800
Procurement Manager III	24	77,700	124,700
Procurement Manager IV	25	82,900	133,100

Note: Assumes 3% general salary increase on July 1, 2019.

Source: Department of General Services

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### **New eMaryland Marketplace Procurement**

Key to improving procurement is improving the State's electronic procurement system, eMaryland Marketplace (eMM). The contract with the vendor, Periscope Holdings, Inc. (Periscope), expires on July 26, 2019. The current system has a number deficiencies. The system is not linked to other financial systems. Since its inception, agencies and vendors have expressed concerns that the user interface is difficult to navigate. The system is also not capable of providing a meaningful management information system.

The original five-year contract included a requirement that Periscope develop a tool to integrate eMM with other State financial systems. A 2013 audit by the Office of Legislative Audits (OLA) found that Periscope had not carried out that task despite being paid in full by the State. In its response to the audit, DGS indicated that it would seek compensation from Periscope.

When the initial contract expired, responsibility for day-to-day management of eMM was transferred to DoIT. Instead of initiating a competitive procurement to replace eMM, DoIT issued a work order request to NICUSA, Inc. (NIC), a vendor under contract with DoIT to develop Internet-based software for State agencies, under an existing task order contract that included the continued operation of eMM, development of an integrated procure-to-pay system (including integration with State financial systems), and implementation of a standardized strategic sourcing program, including collection and analysis of State spending data. NIC submitted a work order

proposal, which DoIT accepted, that went into effect in October 2016. NIC subcontracted with Periscope to carry out the work order.

About three months after the work order went into effect, the Comptroller's Office notified DoIT that it violated a Memorandum of Understanding (MOU) among the Comptroller, DoIT, and DBM. The MOU required that any changes affecting a specified component of the State's financial accounting system be reported to and approved by the Comptroller's Office. As a result, Periscope's work on the task order was suspended on or about March 1, 2017.

Unfortunately, none of the work performed was usable. OLA has raised concerns that the State was being overcharged by \$1,516,092.<sup>3</sup> On July 26, 2017, BPW approved the full payment requested by Periscope of \$3.7 million as compensation for work performed on the work order from October 2016 through February 2017. BPW also approved \$3.6 million to Periscope under a sole-source contract for the continued operation and maintenance of eMM for two years.

### **eMMA Procurement**

DGS is procuring a new procurement system. The new system will be a cloud-based, Software-as-a-Service suite. It will be scalable and deployable so that it is configurable to incorporate any business, regulatory, and statutory rule at the local, State, and federal level. The system should also be tailored to Maryland's business processes. Initially, the system will provide basic procurement functionality. Enhancements that allow for management reports will be added.

DGS issued a Request for Proposals, and multiple bids have been received. The bids are being evaluated, and DGS will be awarding the bid soon and is targeting February 20, 2019, as the date to have a bid approved by BPW. DGS advises that it is on schedule to have the new system operational by July 26.

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<sup>3</sup> The auditors reviewed invoices and determined that there were questionable charges such as \$250,493 in charges occurring before the work order was executed, \$522,071 in charges occurring after the work order was executed, \$243,016 for indirect charges already billed, and \$500,512 in labor charges that could not be substantiated.

## ***Operating Budget Recommended Actions***

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1. Add the following language to the general fund appropriation:

, provided that \$85,100 of this appropriation made for the purpose of Facilities Operations and Maintenance may not be expended for that purpose but instead may be used only to provide a one-grade increase to maintenance mechanic (class code 1107) and maintenance mechanic senior (class code 0606) positions. Funds not expended for this restricted purpose may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund.

**Explanation:** The maintenance mechanic positions are key to proper building maintenance. The Department of General Services advises that maintenance mechanics, combined with appropriately used vendors, can keep costs down. However, these positions have high turnover rates, over 14% since January 2018, and low retention rates, with over 40% of employees having worked with the department for less than five years. DGS has also invested in a new Computerized Maintenance Management System to manage facility maintenance. The system reduces the number of emergencies and requires higher skills to operate. Skilled maintenance mechanics are also more likely to keep vendor costs down. To reduce vacancies, increase retention, and acknowledge higher levels of skills required to implement the maintenance mechanic model, salaries for maintenance mechanics should be increased by one grade. This action restricts \$85,100 in the Facilities Operations and Maintenance budget so that these funds can only be used to provide a one-grade increase for maintenance mechanic positions. Any funds not used for this purpose shall revert to the General Fund.

	<b><u>Amount Reduction</u></b>	
2. Increase turnover rate for new positions from 5% to 25%. Project management and design is receiving 4 new regular positions. State policy is to budget a 25% turnover for all new positions. This is to recognize the time that it takes to hire new positions. The budget turnover rate is 5%.	\$ 56,000	GF
<b>Total General Fund Reductions</b>	<b>\$ 56,000</b>	

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**Appendix 1**  
**Current and Prior Year Budgets**  
**Department of General Services**  
**(\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2018</b>					
Legislative Appropriation	\$67,373	\$3,952	\$1,334	\$28,436	\$101,094
Deficiency/Withdrawn Appropriation	-1,100	-35	-46	0	-1,181
Cost Containment	-60	0	0	0	-60
Budget Amendments	189	5,733	0	278	6,200
Reversions and Cancellations	-264	-1,665	-1	-191	-2,121
<b>Actual Expenditures</b>	<b>\$66,137</b>	<b>\$7,985</b>	<b>\$1,287</b>	<b>\$28,524</b>	<b>\$103,933</b>
<b>Fiscal 2019</b>					
Legislative Appropriation	\$65,908	\$4,461	\$1,332	\$29,355	\$101,055
Budget Amendments	541	469	5	0	1,014
<b>Working Appropriation</b>	<b>\$66,449</b>	<b>\$4,930</b>	<b>\$1,336</b>	<b>\$29,355</b>	<b>\$102,070</b>

Note: The fiscal 2019 appropriation does not include deficiencies, a one-time \$500 bonus, or general salary increases. Numbers may not sum to total due to rounding.

## **Fiscal 2018**

The Department of General Services' (DGS) actual spending in fiscal 2018 totaled \$103.9 million, which is \$2.8 million more than the legislative appropriation. Reductions to the legislative appropriation include:

- a \$656,246 deficiency appropriation to reflect reduced electricity costs that reduced general funds by \$601,343, special funds by \$17,214, and federal funds by \$37,689;
- \$524,563 in withheld allotments for employee and retiree health insurance costs that reduced general funds by \$498,745, special funds by \$17,977, and federal funds by 7,841; and
- \$60,000 in general fund cost containment taking \$40,000 to reflect savings attributable to implementing a new timekeeping system for Facilities Security and \$20,000 by limiting emergency maintenance overtime in facilities operation and maintenance.

Budget amendments added \$6.2 million to the DGS budget. Amendments in excess of \$50,000 include:

- \$2.5 million in special funds from the Catastrophic Event Account to support heating, ventilation, and air conditioning renovations to Baltimore City public schools;
- \$1.3 million in special funds to support eMaryland Marketplace software fees;
- \$1.3 million special funds to offset a reduction to general funds for funds that were retained by DGS that the Office of Legislative Audits determined should not have been retained;
- \$300,000 in additional special funds from real estate brokers' rebates to support real estate operations;
- \$264,000 in special funds from renewal energy credits to restore utility records management services;
- \$185,066 in reimbursable funds to support energy efficiency operations;
- \$111,792 in general funds to realign general fund appropriations among State agencies to be consistent with telecommunications costs;
- \$92,961 in reimbursable funds to support vehicle fueling operations; and
- \$77,195 in general funds to support additional pay raises for police officers in the State Law Enforcement Officers Labor Alliance (SLEOLA).

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DGS also canceled or reverted \$2.1 million, including:

- \$993,806 in special funds at the Office of Procurement and Logistics that did not require the special fund amendment to offset general funds improperly retained;
- \$391,157 in special funds at the Office of Real Estate Management that did not require the special fund amendment to offset general funds improperly retained;
- \$264,060 in general funds at the Office of Procurement and Logistics by keeping positions vacant;
- \$262,825 in special funds at the Office of Facilities Planning, Design, and Construction due to energy projects and services not spending funds received through a budget amendment;
- \$104,479 in reimbursable funds at the Office of Procurement and Logistics attributable to underspending contractual employment; and
- \$67,489 in reimbursable funds at the Office of Facilities Planning, Design, and Construction due to spending less than anticipated on contractual employment.

### **Fiscal 2019**

The fiscal 2019 legislative appropriation totals \$101.1 million. Budget amendments have added \$1 million to the working appropriation, specifically:

- \$456,790 in special funds to support developing and maintaining an energy database in facility planning;
- \$376,730 (\$359,940 in general funds, \$12,167 in special funds, and \$4,623 in federal funds) to support a 2% general salary increase effective January 1, 2019;
- \$144,726 in general funds for an additional SLEOLA salary increase; and
- \$36,066 in general funds for salary enhancements through the annual salary review process.

**Appendix 2**  
**Priority Classes Defined by the Department of General Services’**  
**Office of Facility Planning, Design, and Construction**

The prioritization process attempts to identify the consequences of not funding a project and bases the priority class on the following:

- ***Highest Level:*** Serious prolonged impact on facility mission.
  1. High risk of litigation from failure to provide a mandated service.
  2. High risk of cessation of a mandated service.
  3. High risk of reduction of a mandated service.
- ***Mid Level:*** Short-term impact on mission capability but a high level of economic risk.
  4. Fineable code violations, serious life, or safety issues.
  5. Destruction of related assets.
  6. Accelerated deterioration of the asset, end of normal life expectancy.
- ***Low Level:*** No impact on mission capability and low economic risk.
  7. Restoring an asset to its design effectiveness.
  8. Restoring an asset to design efficiency.
  9. Improving an asset above its original design effectiveness or efficiency.

Source: Department of General Services

**Appendix 3**  
**New Organizational Chart for the Office of State Procurement**



Source: Department of General Services

**Appendix 4**  
**Object/Fund Difference Report**  
**Department of General Services**

<u>Object/Fund</u>	<u>FY 18 Actual</u>	<u>FY 19 Working Appropriation</u>	<u>FY 20 Allowance</u>	<u>FY 19 - FY 20 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	581.00	582.00	608.00	26.00	4.5%
02 Contractual	23.26	23.43	23.43	0.00	0%
<b>Total Positions</b>	<b>604.26</b>	<b>605.43</b>	<b>631.43</b>	<b>26.00</b>	<b>4.3%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 44,734,287	\$ 48,048,902	\$ 50,944,592	\$ 2,895,690	6.0%
02 Technical and Special Fees	1,303,850	1,062,544	1,062,544	0	0%
03 Communication	1,281,365	1,056,036	691,264	-364,772	-34.5%
04 Travel	111,027	36,800	50,199	13,399	36.4%
06 Fuel and Utilities	15,978,739	14,707,411	15,361,582	654,171	4.4%
07 Motor Vehicles	1,754,148	1,455,286	1,494,514	39,228	2.7%
08 Contractual Services	20,918,559	20,734,661	23,524,666	2,790,005	13.5%
09 Supplies and Materials	1,271,955	1,309,879	1,372,521	62,642	4.8%
10 Equipment – Replacement	148,646	0	4,000	4,000	N/A
11 Equipment – Additional	105,270	0	117,600	117,600	N/A
12 Grants, Subsidies, and Contributions	2,867,000	367,000	0	-367,000	-100.0%
13 Fixed Charges	4,111,766	4,188,762	4,201,867	13,105	0.3%
14 Land and Structures	9,346,187	9,102,350	14,098,552	4,996,202	54.9%
<b>Total Objects</b>	<b>\$ 103,932,799</b>	<b>\$ 102,069,631</b>	<b>\$ 112,923,901</b>	<b>\$ 10,854,270</b>	<b>10.6%</b>
<b>Funds</b>					
01 General Fund	\$ 66,137,333	\$ 66,448,592	\$ 76,477,459	\$ 10,028,867	15.1%
03 Special Fund	7,984,932	4,929,975	4,503,627	-426,348	-8.6%
05 Federal Fund	1,286,836	1,336,318	1,412,894	76,576	5.7%
09 Reimbursable Fund	28,523,698	29,354,746	30,529,921	1,175,175	4.0%
<b>Total Funds</b>	<b>\$ 103,932,799</b>	<b>\$ 102,069,631</b>	<b>\$ 112,923,901</b>	<b>\$ 10,854,270</b>	<b>10.6%</b>

Note: The fiscal 2019 appropriation does not include deficiencies, a one-time \$500 bonus, or general salary increases. The fiscal 2020 allowance does not include general salary increases

**Appendix 5**  
**Fiscal Summary**  
**Department of General Services**

<u>Unit</u>	<u>FY 18 Actual</u>	<u>FY 19 Wrk Approp</u>	<u>FY 20 Allowance</u>	<u>Change</u>	<u>FY 19 - FY 20 % Change</u>
Administration	\$ 6,625,698	\$ 3,918,654	\$ 3,680,972	-\$ 237,682	-6.1%
Office of Facilities Security	13,556,150	14,259,584	14,756,571	496,987	3.5%
Office of Facilities Operations and Maintenance	53,770,918	53,884,493	55,376,700	1,492,207	2.8%
Office of State Procurement Construction	9,234,927	7,029,505	9,039,885	2,010,380	28.6%
Office of Real Estate	2,820,509	2,494,101	2,558,808	64,707	2.6%
Office of Facilities Planning, Design, and Construction	17,924,597	17,484,531	22,538,930	5,054,399	28.9%
Business Enterprise Administration	0	2,998,763	4,972,035	1,973,272	65.8%
<b>Total Expenditures</b>	<b>\$ 103,932,799</b>	<b>\$ 102,069,631</b>	<b>\$ 112,923,901</b>	<b>\$ 10,854,270</b>	<b>10.6%</b>
General Fund	\$ 66,137,333	\$ 66,448,592	\$ 76,477,459	\$ 10,028,867	15.1%
Special Fund	7,984,932	4,929,975	4,503,627	-426,348	-8.6%
Federal Fund	1,286,836	1,336,318	1,412,894	76,576	5.7%
<b>Total Appropriations</b>	<b>\$ 75,409,101</b>	<b>\$ 72,714,885</b>	<b>\$ 82,393,980</b>	<b>\$ 9,679,095</b>	<b>13.3%</b>
Reimbursable Fund	\$ 28,523,698	\$ 29,354,746	\$ 30,529,921	\$ 1,175,175	4.0%
<b>Total Funds</b>	<b>\$ 103,932,799</b>	<b>\$ 102,069,631</b>	<b>\$ 112,923,901</b>	<b>\$ 10,854,270</b>	<b>10.6%</b>

Note: The fiscal 2019 appropriation does not include deficiencies, a one-time \$500 bonus, or general salary increases. The fiscal 2020 allowance does not include general salary increases