H00
Department of General Services

Operating Budget Data

($ in Thousands)

	FY 10 Actual	FY 11 Working	FY 12 Allowance	FY 11-12 Change	% Change Prior Year
General Fund	$51,209	$52,253	$54,498	$2,245	4.3%
Contingent & Back of Bill Reductions	0	0	-559	-559	
Adjusted General Fund	**$51,209**	**$52,253**	**$53,939**	**$1,686**	**3.2%**
Special Fund	2,534	3,722	1,719	-2,004	-53.8%
Contingent & Back of Bill Reductions	0	0	-8	-8	
Adjusted Special Fund	**$2,534**	**$3,722**	**$1,711**	**-$2,011**	**-54.0%**
Federal Fund	1,002	1,095	1,064	-32	-2.9%
Contingent & Back of Bill Reductions	0	0	-15	-15	
Adjusted Federal Fund	**$1,002**	**$1,095**	**$1,048**	**-$47**	**-4.3%**
Reimbursable Fund	29,600	30,286	30,719	433	1.4%
Contingent & Back of Bill Reductions	0	0	-97	-97	
Adjusted Reimbursable Fund	**$29,600**	**$30,286**	**$30,622**	**$336**	**1.1%**
Adjusted Grand Total	**$84,344**	**$87,356**	**$87,320**	**-$37**	**0.0%**

- The fiscal 2012 allowance declines by $36,561, or 0.0%, when funds are adjusted for contingent and across-the-board reductions.

- The allowance includes $2,937,179 in general funds for energy conservation loan repayments, which represents a $772,631 increase over the working appropriation. Special funds for energy conservation loan repayments decline by $2,104,473, or 100%, due to the expiration of Regional Greenhouse Gas Initiative (RGGI) funds. The allowance backfills the $2.1 million reduction in RGGI funding with general funds. It should be noted, however, that the allowance does include $422,367 in RGGI funds to support positions in the Office of Energy Performance and Conservation.

- Funding for critical maintenance projects declines by $1.0 million to $1.5 million.

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

For further information contact: Chantelle M. Green Phone: (410) 946-5530

Personnel Data

	FY 10 Actual	FY 11 Working	FY 12 Allowance	FY 11-12 Change
Regular Positions	593.00	588.00	593.00	5.00
Contractual FTEs	20.62	39.43	33.53	-5.90
Total Personnel	**613.62**	**627.43**	**626.53**	**-0.90**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions		34.93	5.89%
Positions and Percentage Vacant as of 12/31/10		58.00	9.86%

- The allowance reflects the transfer of 5.0 positions from the Department of Human Resources (2.0), Department of Juvenile Services (1.0), and the Department of Public Safety and Correctional Services (2.0). The positions are being transferred to the Department of General Services (DGS) as part of a statewide effort to consolidate the State's lease management function.

- The allowance reflects a net reduction of 5.9 contractual full-time equivalents (FTE). The allowance eliminates 7.0 construction inspectors in the Facilities Planning Engineering and Construction Division. The reduction is offset by an increase of 1.1 FTE in the Office of Procurement and Logistic (1.0) and the Office of Real Estate (0.1).

- As of December 31, 2010, the vacancy rate was 9.86%. Seven of these vacancies have subsequently been filled, thereby reducing the vacancy rate to 8.67%.

Analysis in Brief

Major Trends

New Procurements in DGS-supported Agencies: The percentage of procurements completed on time and under budget increased slightly to 63% in fiscal 2010.

Minority Business Enterprise Participation: The department met its Minority Business Enterprise participation goal in fiscal 2010.

Issues

Energy Conservation Efforts: Chapter 427 of 2006 required DGS and the Maryland Energy Administration (MEA) to develop energy use index and savings goals for every State agency. Consistent with Chapter 427 objectives, Chapter 131 of 2008 established a State goal of achieving a 15% reduction in per capita electricity consumption and peak demand by the end of 2015. **The Department of Legislative Services (DLS) recommends that DGS update the committees on the status of the State's energy conservation efforts. DGS should also brief the committees on the implementation of the statewide utility database. Lastly, DLS recommends committee narrative requiring a status update on the State's energy conservation efforts.**

Audit Findings: In May 2010 and January 2011, the Office of Legislative Audits (OLA) published its audits of the DGS Office of Procurement and Logistics and Office of the Secretary, respectively. The audits, which covered fiscal 2006 to 2010, disclosed several deficiencies related to the department's operations. **DGS should comment on what measures it has taken to address OLA's audit findings.**

Recommended Actions

		Funds
1.	Reduce funds for turnover expectancy.	$ 72,566
2.	Adopt committee narrative requiring the submission of an annual report on the department's energy conservation efforts.	
3.	Adopt committee narrative requiring the submission of an annual report on energy performance contract savings monitoring and verification compliance.	
4.	Adopt committee narrative requiring the submission of a report on the proposed police consolidation.	
	Total Reductions	**$ 72,566**

Updates

Facility Maintenance and Renewal Program: Funding for the State's facility maintenance and renewal projects has not kept pace with the demand for these services. In recent years, budget shortfalls have caused the State to scale back on facilities maintenance and renewal funding. The fiscal 2011 budget bill restricted a portion of the DGS general fund appropriation pending the submission of a facility maintenance funding proposal. The fiscal 2011 budget bill also restricted a portion of the DGS general fund appropriation for the purpose of hiring additional contractual construction project manager positions. In June 2010, DGS submitted the required report to the committees. According to the report, a one-time assessment of approximately $0.85 per square foot, or $22.3 million, would enable the department to generate the funding required to comply with the provisions of the budget bill language.

Operating Budget Analysis

Program Description

The Department of General Services (DGS) serves Maryland and its citizens by supporting other State agencies in achieving their missions. The department performs a variety of functions, including planning, design, and construction management; facilities maintenance; procurement of goods and services; receipt and distribution of excess property; and provision of real estate services. DGS uses the following goals to guide its Managing for Results (MFR) reporting:

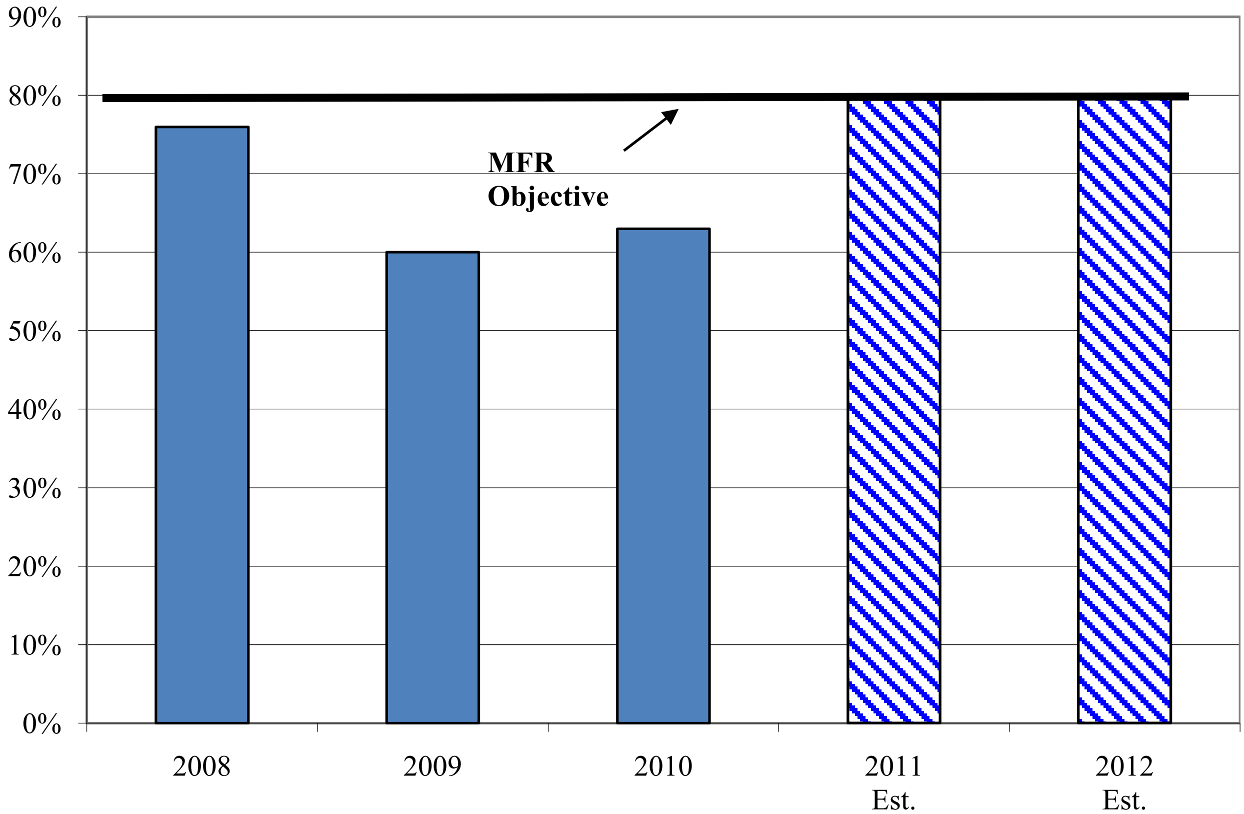
- operate efficiently and effectively;
- manage departmental projects efficiently;
- provide timely and accurate management information;
- achieve responsible asset management;
- provide best value for customer agencies and taxpayers; and
- carry out social, economic, and other responsibilities as a State agency.

Performance Analysis: Managing for Results

New Procurements in DGS-supported Agencies

As shown in **Exhibit 1,** DGS' performance with respect to new procurements increased slightly to 63% in fiscal 2010. The department strives to ensure that at least 80% of all new procurements are on time, under budget, and meet identified requirements (*i.e.,* at or below budgeted costs and within 60 days from receipt of a requisition until an award is made). Despite the slight improvement in this measure, it is important to note that the department is still well below the established target for this measure. In fiscal 2008, there were 63 positions authorized in the Office of Procurement and Logistics. By contrast, there were only 55 positions authorized in the office in fiscal 2010. DGS reports that the reduction in procurement personnel has impacted the department's ability to complete procurements in a timely fashion. **DGS should comment on whether the 80% target is attainable in light of its current staffing levels.**

Exhibit 1
New Procurements
Completed on Time, on Budget, and on Target
Fiscal 2008-2012



	2008	**2009**	**2010**	**Est. 2011**	**Est. 2012**
Procurements	420	541	442	550	575
Procurements Completed on Time	319	326	278	440	460
Percent on Time, Budget, and Target	76%	60%	63%	80%	80%

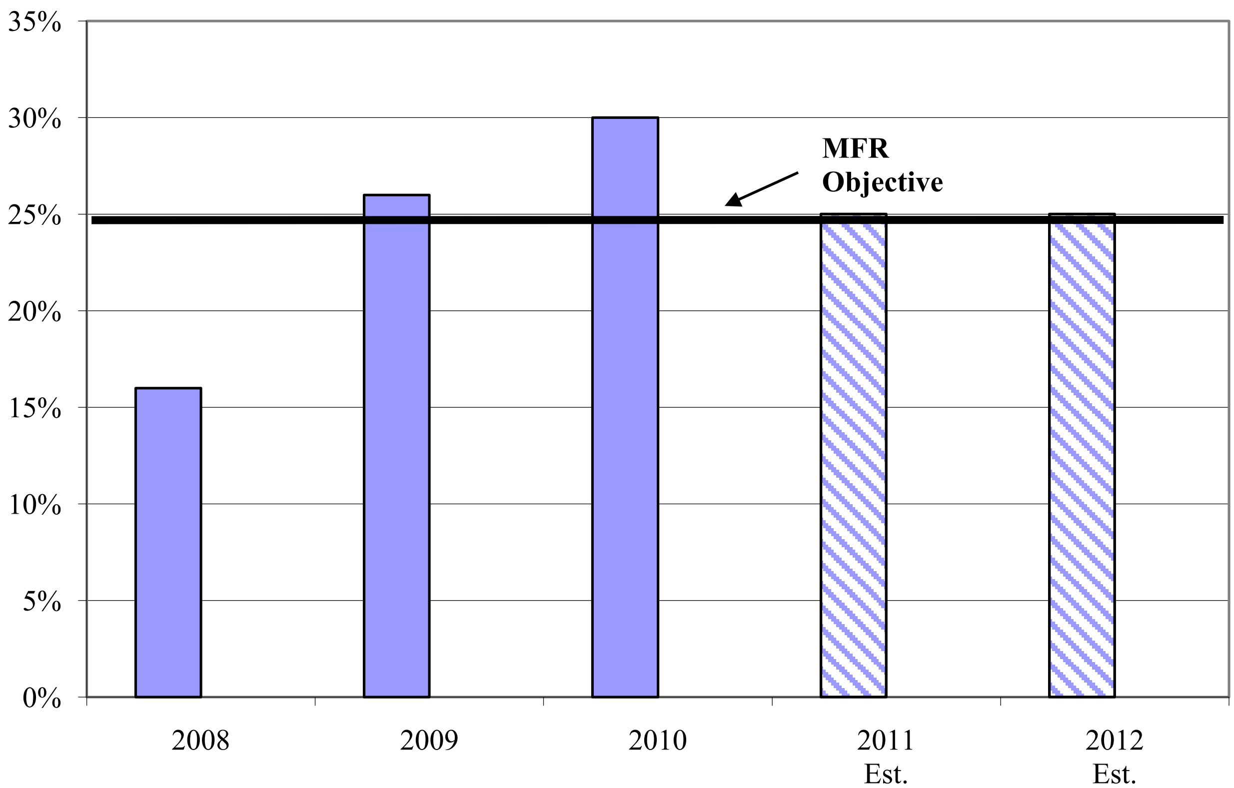
MFR: Managing for Results

Source: Department of General Services

Minority Business Enterprise Participation Goal Is Achieved Again

Exhibit 2 shows the department's MFR performance data regarding its objective to annually meet or exceed a 25% Minority Business Enterprise (MBE) participation for the department's total procurement dollars. For many years, DGS consistently missed its intended target as the department had difficulty obtaining minority business participation with commodity procurements. Fiscal 2010 marks the second year that the department has met the 25% MBE participation objective without excluding commodity procurements from the calculation. DGS attributes most of its success in this area to a heightened review of procurements by the Procurement Review Group.

Exhibit 2
MBE Participation in Total Procurement Dollars
Fiscal 2008-2012



MBE: Minority Business Enterprise
MFR: Managing for Results

Source: Department of General Services

Fiscal 2011 Actions

Impact of Cost Containment

Section 44 of the fiscal 2011 budget bill required the Governor to abolish 500 positions in the Executive Branch as of June 30, 2011. The positions and the funds associated with them have been removed from the fiscal 2011 working appropriation. The department's share of the reduction was 5 full-time equivalent positions and $136,697 in fiscal 2011, which represents an ongoing annualized savings of $376,251 for employee salary and fringe benefit expenditures. The 5 vacant positions comprised 1 police officer and 4 administrative positions in the Office of Facilities Security (3) and the Office of Procurement and Logistics (1).

Proposed Budget

As shown in **Exhibit 3**, the fiscal 2012 allowance declines by $36,561 or 0%, when funds are adjusted for contingent and across-the-board reductions. Notable changes in the budget include the following:

- ***Energy Conservation Loan Repayments:*** The allowance includes $2,937,179 in general funds for energy conservation loan repayments, which represents a $772,631 increase over the working appropriation. Special funds for energy conservation loan repayments decline by $2,104,473, or 100%, due to the expiration of RGGI funds. The allowance backfills the $2.1 million reduction in Regional Greenhouse Gas Initiative funding with general funds. The department reports that there are currently 15 energy performance projects under construction with an additional 9 projects under development.

- ***State Employee Parking:*** The allowance includes an additional $360,974 for employee parking at the Whitmore Garage ($83,760) and the Naval Academy ($342,014). The State leases 347 parking spaces at the Whitmore Garage and 1,000 spaces at the Naval Academy at an annual lease amount of $166,560 and $609,514, respectively. In addition to these two parking areas, the State pays $6,000 annually for parking at the Salisbury Multiservice Center. It should be noted that the fiscal 2012 increase in funding for the Whitmore Garage and the Naval Academy is offset by a $64,800 reduction in funding for the Gotts and Hillman garages. As a fiscal 2011 cost containment measure, DGS terminated the State's parking agreements with the City of Annapolis for the Gotts and Hillman garages.

- ***Critical Maintenance Projects:*** The fiscal 2012 allowance reduces critical maintenance funding by $1 million, or 40%. DGS oversees a comprehensive program of critical maintenance projects across the State. In this role, the department provides maintenance support to 16 State agencies. Critical maintenance funding is used for maintenance projects that cost between $2,500 and $100,000.

Exhibit 3
Proposed Budget
Department of General Services
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
2011 Working Appropriation	$52,253	$3,722	$1,095	$30,286	$87,356
2012 Allowance	54,498	1,719	1,064	30,719	87,999
Amount Change	$2,245	-$2,004	-$32	$433	$643
Percent Change	4.3%	-53.8%	-2.9%	1.4%	0.7%
Contingent Reduction	-$559	-$8	-$15	-$97	-$680
Adjusted Change	$1,686	-$2,011	-$47	$336	-$37
Adjusted Percent Change	3.2%	-54.0%	-4.3%	1.1%	-0.0%

Where It Goes:

Personnel Expenses	
Five position transfer for lease management function	$374
Restoration of furloughs	559
Employees' retirement (after reducing fiscal 2012 for contingent reductions)	106
Shift differential	82
Reclassification of an internal audit position	60
Employee and retiree health insurance (after reducing fiscal 2012 for contingent and across-the-board reductions)	38
Social security contributions	25
Workers' compensation	-341
Turnover adjustments	-267
Employee overtime	-184
Other adjustments	23
Other Changes	
Energy performance contracts	773
State employee parking at Whitmore Garage and Naval Academy	361
Electricity	251
Rent for St. Mary's County and Prince George's County office buildings	189
Building maintenance and repairs	121

Where It Goes:

Other Changes (Cont.)	
City of Annapolis shuttle	88
Communications expenses	41
Three new vehicles	30
Travel	6
Critical maintenance funding	-1,000
Janitorial services	-431
Expenditures for the Calvert County Multiservice Center	-252
Contractual employee salaries	-310
Supplies and materials	-154
Replacement equipment	-45
Other adjustments	-180
Total	**-$37**

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

Lease Space Management

In an effort to consolidate the State's lease management function, the allowance abolishes 2 filled lease management positions within the Department of Human Resources and transfers 5 positions totaling $373,975 in reimbursable funds to the DGS Office of Real Estate. All 5 positions have lease management responsibilities that comprise at least 50% of the employee's job duties. The positions are being transferred from the Department of Human Resources (2), Department of Juvenile Services (1), and the Department of Public Safety and Correctional Services (2). It is anticipated that by June 2011, DGS will coordinate with participating agencies to develop service agreements and program deliverables.

In a related matter, in September 2009, the State entered into a real estate services agreement to privatize lease management across the State. Under the plan, the broker is responsible for obtaining rental and occupancy cost savings for leases managed by the State. In addition to these savings, the State of Maryland also receives a rebate on the commissions earned by the broker for each lease transaction. DGS reports that to date, the broker has restructured 20 leases resulting in an annual operating cost savings of approximately $1.9 million. To the extent that the broker has assumed responsibilities previously performed by the DGS Office of Real Estate, a reduction in personnel may be warranted. **DGS should comment on how the lease space privatization initiative has impacted the duties and responsibilities of the employees within the lease management function. DGS should also update the committees on the status of the lease space privatization initiative, including the broker's rebate and rent reduction goal for fiscal 2011 and 2012.**

Fiscal 2012 Cost Containment

The fiscal 2012 budget reflects several across-the-board actions. In fiscal 2012, the department's share of the reduction is $119,493 in general funds, $2,836 in special funds, $5,792 in federal funds, and $36,700 in reimbursable funds for changes in employee health insurance. Reductions contingent upon statutory changes include $197,785 in general funds, $4,699 in special funds, $9,587 in federal funds, and $60,750 in reimbursable funds for retiree prescription drug benefits and $242,002 in general funds for retirement benefits. According to the Department of Budget and Management, 7 positions are slated to be abolished as part of the Voluntary Separation Program. The estimated savings associated with the position reductions is $260,525.

Police Consolidation

Section 24 of the fiscal 2012 budget bill contains language authorizing the reduction of $318,000 in general funds contingent upon the enactment of legislation authorizing the consolidation of the law enforcement operations of the Department of Health and Mental Hygiene (DHMH) and the Department of Labor, Licensing, and Regulation (DLLR) into the DGS Office of Facilities Security. According to discussions with DGS and the Department of Budget and Management (DBM), details regarding the proposed consolidation are still being developed. **Accordingly, the Department of Legislative Services (DLS) recommends committee narrative requiring DGS, DBM, DHMH, and DLLR to submit a joint report outlining the number of positions impacted by the law enforcement consolidation and the associated cost savings.**

Issues

1. Energy Conservation Efforts

Background

The State Buildings Energy Efficiency and Conservation Act of 2006 (Chapter 427 of 2006) required DGS and the Maryland Energy Administration (MEA) to develop energy use index and savings goals for every State agency. Chapter 427 of 2006 required that:

- DGS, in cooperation with MEA, set energy performance standards to reduce the average energy consumption in State buildings from the baseline fiscal 2005 level by 5% in fiscal 2009 and 10% in fiscal 2010;

- each agency conduct an analysis of the gas and electric consumption in each of the buildings under its jurisdiction and the cost of that consumption by December 31, 2007. The analysis was to be conducted under the direction of DGS and MEA and was to include an examination of methods to achieve energy cost savings; and

- each State agency upgrade its energy conservation plan, developed in consultation with DGS and MEA, to achieve the performance standards set by DGS no later than July 1, 2008.

Consistent with Chapter 427 objectives, Chapter 131 of 2008 established a State goal of achieving a 15% reduction in per capita electricity consumption and peak demand by the end of 2015. In an effort to comply with the objectives of Chapters 427 and 131, DGS reorganized its eight-person energy staff to create an Office of Energy Performance and Conservation. The office plans to reduce energy consumption in State facilities by focusing its efforts in four core areas: (1) facility upgrades; (2) a comprehensive electricity purchasing strategy; (3) renewable energy; and (4) the implementation of a new statewide utility database.

Facility Upgrades

Most of the State's energy-related facility upgrades are performed via an energy performance contract (EPC). An EPC is an agreement between the State and an energy service company (ESCO) to make energy-efficient capital improvements. The type of energy saving upgrades typically made via an EPC include replacing or retrofitting boilers, furnaces, air conditioning units, windows, and lighting fixtures. EPCs, which are coordinated by DGS and financed through the State Treasurer's Office, typically consist of the following components: (1) ESCO selection; (2) energy audit; (3) project financing; (4) design and construction; (5) maintenance; and (6) savings monitoring and verification.

Components one and two of an EPC include the selection of an ESCO by DGS from a list of pre-qualified ESCOs to perform an energy audit, technical study, and preliminary design to determine if retrofitting new capital equipment can provide energy savings. If a cost savings is projected, the project may be presented to the Board of Public Works (BPW) for approval. If approved, the project will proceed to the construction phase where the ESCO selected will be required to implement the project and guarantee the level of energy cost avoidance savings to be achieved through the financing period by the energy improvements. If the savings do not materialize, ESCOs are required to reimburse the State for any saving not achieved. According to DGS, there are currently 15 projects under construction and 9 projects under development.

Electricity Purchasing Strategy

DGS has developed a statewide electricity purchasing strategy that encompasses all of State government, including the University System of Maryland. According to the department, approximately 70% of the State's electricity load is purchased through a hedging strategy and managed via a portfolio manager. The manager is responsible for purchasing blocks of electricity throughout the year to supply the State with nearly one billion kilowatt hours of electricity annually through the end of fiscal 2012. The remaining 30% of the State's electricity load is purchased via an online reverse energy auction. In a reverse auction, electricity suppliers place bids to satisfy the State's energy needs. The aforementioned electricity purchasing strategy enables DGS to take advantage of combined purchasing power, resulting in considerable cost savings to the State. **DGS should comment on the anticipated savings resulting from the statewide electricity purchasing strategy.**

Renewable Energy

One of the office's newest initiatives pertains to renewable energy.[1] In September 2008, BPW approved an indefinite quantity contract to develop and implement renewable energy project service, including solar, wind, and biomass. In March 2010, BPW approved a long-term power purchasing agreement for renewable energy sources that would assist the State in reducing its consumption of fossil fuel energy. To date, four solar projects have been completed at DGS-managed facilities and a number of additional projects are underway at the Maryland Department of Transportation (MDOT). **DGS should comment on the current status of its renewable energy efforts. DGS should also comment on the projected impact of this initiative on reducing energy consumption across the State.**

Utility Database

A key component of an effective energy consumption policy is the collection and analysis of energy usage data. In 2007, DGS assumed this responsibility and determined that the most cost-effective means to achieve timely, accurate, and complete data collection was to outsource the data collection to a vendor that specializes in providing a web-based utility data monitoring system. The database is operational, and all State agencies that pay utilities have the ability to access the database and review and request adjustments for information in the database. To date, the database

[1] Renewable energy is energy that is generated from natural resources such as sunlight, wind, and rain.

houses nearly 600,000 utility bills, covering approximately 16,000 utility accounts throughout the State. It should be noted that while inputting electric utility data is currently the office's first priority, the office also includes other utility types (*e.g.,* water, propane, and heating fuel).

Due to data constraints, the database uses a baseline of fiscal 2008. As of January 2011, DGS estimates that the database contains approximately 89% of utility account information for fiscal 2008, 85% for fiscal 2009, and 91% for fiscal 2010. DGS also reports that the database contains 100% of the State's electricity account information for fiscal 2010. According to DGS, the missing data from fiscal 2008 comprises $32.2 million, or 11%, of the base year's total electric utility expenditures.

DLS recommends that DGS be prepared to provide the committees with an update on the implementation of the utility database, including what efforts have been made to obtain missing agency data. DGS should also comment on how it intends to comply with the provisions of Chapter 427 of 2006 given that the fiscal 2005 baseline data is unavailable. Finally, DLS recommends committee narrative requiring a status update on the State's energy conservation efforts.

2. Audit Findings

In May 2010 and January 2011, OLA published its audits of the DGS Office of Procurement and Logistics and Office of the Secretary, respectively. The audits, which covered fiscal 2006 to 2010, disclosed several deficiencies related to the department's operations. Significant findings from the audit reports are highlighted below.

- ***Procurements Practices:*** OLA's audit of the Office of Procurement and Logistics disclosed that the office failed to ensure that the State's contract for commercial fuel services, which has been with the same vendor since 1989, represented the best value to the State. OLA's audit also disclosed that the office did not conduct a market analysis prior to continuing the State's participation in a multi-state pharmaceutical purchasing alliance. Finally, the office failed to obtain authorization from BPW for a significant contract modification totaling $750,000 for energy and utility usage and bill tracking services for State agencies.

- ***Security Controls:*** According to OLA's audit, DGS lacked adequate controls over State identification cards. For example, DGS did not periodically verify that its listing of authorized agency coordinators was accurate and up-to-date. Additionally, DGS did not always pursue recovery of identification cards previously issued to individuals that were no longer in State service. Control over State identification cards is significant since cardholders can use the cards to access certain State facilities. It is important to note that OLA's concern regarding the adequacy of security controls over the State's identification cards spans three consecutive audit reports. Issues concerning the DGS' management of the State's identification cards first appeared in OLA's October 2004 audit of the Office of the Secretary.

- ***Budgetary Closeout:*** OLA reported that DGS inappropriately accrued certain revenues and expenditures during the budgetary closeout process. For example, during the budgetary closeout for fiscal 2008, DGS inappropriately accrued revenues totaling approximately $549,000, and lacked documentation to support certain accrued expenditures totaling $1 million. The yearly closeout instructions issued by the Comptroller require that an agency maintain appropriate documentation to support year-end accrual transactions recorded during the budgetary closeout process.

- ***Equipment Inventory:*** According to the report, DGS did not maintain its equipment and related records in accordance with State regulations. For example, numerous equipment items on DGS' related detail records could not be located. Additionally, although OLA was advised that DGS conducted annual physical inventories of equipment items, results from such inventories were not compared to equipment records. The DGS *Inventory Control Manual* outlines the physical inventory and related equipment recordkeeping requirements to be followed by State agencies.

- ***Design Errors and Omissions:*** According to the report, DGS did not formally document its decision on whether to seek the recovery of costs incurred due to contractor design errors or omissions. OLA was advised by DGS management that its practice was to recommend to its legal counsel that such costs be pursued for recovery when the costs exceed 3% of the total related project costs. However, OLA's test of certain change orders revealed that DGS did not always pursue the recovery of costs when change orders exceeded 3% of total project costs.

  DGS should comment on what measures it has taken to address OLA's audit findings.

Recommended Actions

		Amount Reduction	
1.	Reduce funds for turnover expectancy. This action increases the Department of General Services' fiscal 2012 turnover rate from 5.9 to 6.1%.	$ 72,566	GF

2. Adopt the following narrative:

Annual Report on Energy Conservation Efforts: The State Building Energy Efficiency and Conservation Act of 2006 required the Department of General Services (DGS) and the Maryland Energy Administration to develop energy use index and savings goals for every State agency. Consistent with the State Building Energy Efficiency and Conservation Act, the EmPOWER Maryland Energy Efficiency Act of 2008 established a State goal of achieving a 15% reduction in per capita electricity consumption and peak demand by the end of 2015. Beginning November 1, 2011, and annually thereafter, DGS shall submit a status report to the committees outlining the State's energy conversation efforts. The report shall include:

- strategies employed by the department to reduce statewide energy consumption;
- an update on the implementation of the State's utility database, including the status of agency compliance in providing missing utility data;
- statewide utility costs and consumption data (by agency);
- energy use index and savings goals for every State agency; and
- the State's level of compliance with the State Building Energy Efficiency and Conservation Act and the EmPOWER Maryland Energy Efficiency Act.

Information Request	**Author**	**Due Date**
Report on Energy Conservation	DGS	November 1, 2011, and annually thereafter

3. Adopt the following narrative:

Annual Report on Energy Performance Contract Savings Monitoring and Verification Compliance: The ability to verify energy savings is the cornerstone of the energy performance contract (EPC) process. A January 2011 audit of the Department of General

Services (DGS) revealed that additional oversight in this area is warranted. To the extent that funding is available, DGS should solicit the services of an independent third-party to audit and verify EPC cost savings. Beginning December 1, 2011, and annually thereafter, DGS shall submit a report to the budget committees that outlines the status of the energy cost savings guaranteed by each energy service company, including whether the anticipated cost savings have materialized. Finally, the report shall indicate whether each project is supported by a surety instrument, including the dollar amount and expiration date of each instrument.

Information Request	**Author**	**Due Date**
Annual report on EPC savings monitoring and verification	DGS	December 1, 2011, and annually thereafter

4. Adopt the following narrative:

Report on Police Consolidation: The fiscal 2012 budget bill contains language authorizing the reduction of $318,000 in general funds contingent upon the enactment of legislation authorizing the consolidation of the law enforcement operations of the Department of Health and Mental Hygiene (DHMH) and the Department of Labor, Licensing, and Regulation (DLLR) into the Department of General Services Office of Facilities Security. By December 1, 2011, DGS, in conjunction with the Department of Budget and Management (DBM), DHMH, and DLLR shall submit a joint report to the budget committees outlining the number of positions impacted by the law enforcement consolidation and the associated cost savings.

Information Request	**Authors**	**Due Date**
Report on police consolidation	DGS DBM DHMH DLLR	December 1, 2011

Total General Fund Reductions **$ 72,566**

Updates

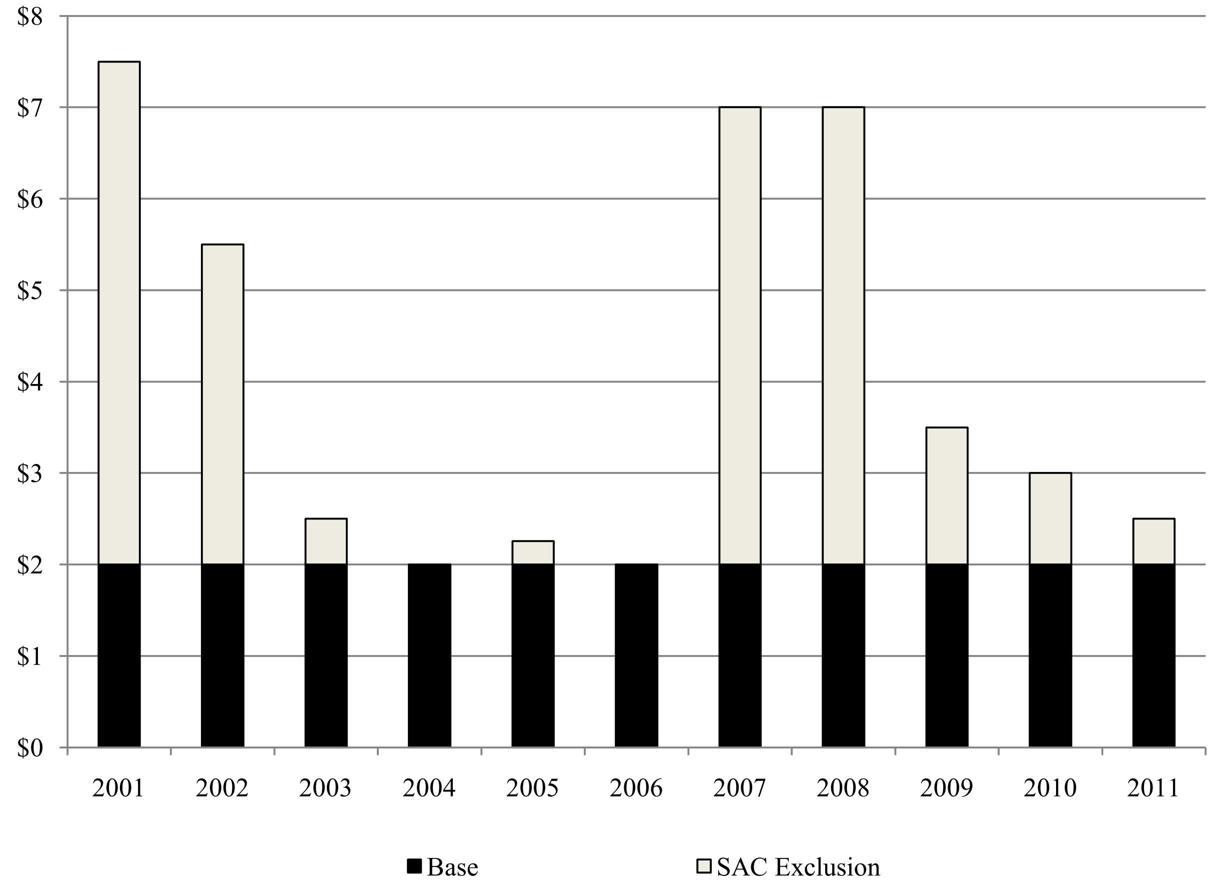
1. Facilities Maintenance and Renewal Program

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 efforts include both critical maintenance, funded through the operating budget, and facilities renewal, funded through the capital budget. In recent years, budget shortfalls have caused the State to scale back on facilities maintenance and renewal funding. The lack of adequate funding has been a concern of the budget committees for many years as deferring critical maintenance eventually leads to increasing project costs and further deterioration of the State's assets.

Facility Maintenance Funding

Since 2000, operating spending by DGS on facilities maintenance projects above $2.0 million has been excluded from the spending affordability calculation. Despite this exclusion, the Administration has only added $22.8 million above the $2.0 million exclusion from fiscal 2001 to 2011 (see **Exhibit 4**). As shown in **Exhibit 5**, DGS reports a growing critical maintenance backlog that is expected to exceed $39.0 million by the conclusion of fiscal 2011. It should also be noted that the critical maintenance backlog has been exacerbated by cost containment reductions in recent years. The fiscal 2012 allowance reduces critical maintenance funding by $1.0 million to $1.5 million.

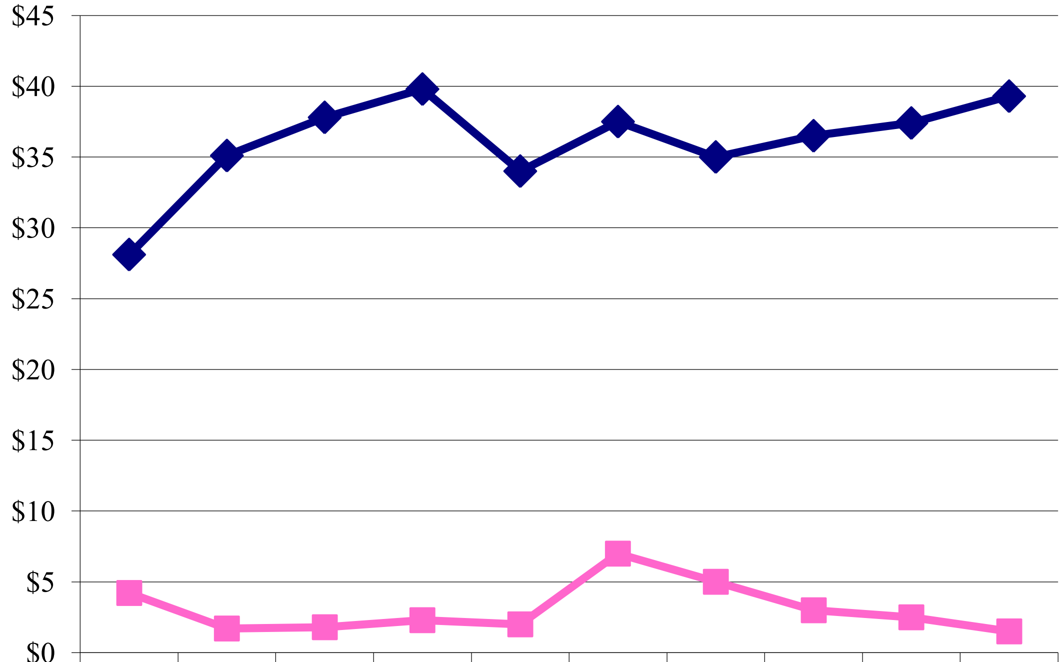
Exhibit 4
Spending Affordability Exclusion
Fiscal 2001-2011
($ in Millions)



SAC: Spending Affordability Committee

Source: Department of Legislative Services

Exhibit 5
Critical Maintenance Funding and Backlog
Fiscal 2002-2011
($ in Millions)

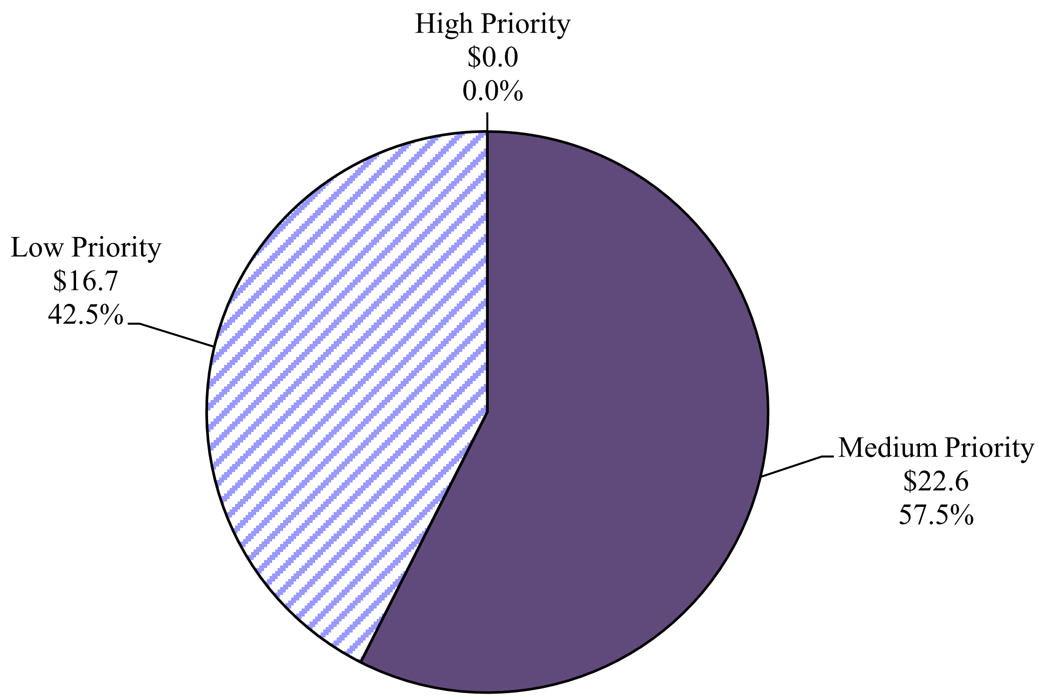


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 (Est.)
Backlog	$28.1	$35.1	$37.8	$39.8	$34.0	$37.5	$35.0	$36.5	$37.4	$39.3
Appropriation	$4.2	$1.7	$1.8	$2.3	$2.0	$7.0	$5.0	$3.0	$2.5	$1.5

Source: Department of General Services

Exhibit 6 provides further detail regarding the critical maintenance backlog for each classification of the department's priority levels. As shown, approximately 56.6% of the critical maintenance backlog is classified as a medium level priority. Although these projects are considered to have a short-term impact on agencies' mission capabilities, they are considered to have a high level of economic risk. **Appendix 5** provides a summary of the priority classification.

Exhibit 6
Critical Maintenance Priority Classification
($ in Millions)



	High		Medium			Low		
Priority Level	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**Total**
Estimate	$0.0	$0.0	$2.0	$20.6	$11.5	$1.8	$3.4	$39.3
% of Total Projects	0.0%	0.0%	4.5%	52.1%	30.8%	4.5%	8.1%	100.0%
# of Projects	0	0	45	527	311	46	82	1,011

Source: Department of General Services

Funding Proposal for Critical Maintenance

The fiscal 2011 budget bill restricted $100,000 of the general fund appropriation for the department until DGS submitted a facility maintenance funding proposal to the budget committees. The language required DGS to submit a proposal that entailed adding a square foot assessment charge for critical maintenance to the current annual square footage rent calculation for each State-owned facility beginning in fiscal 2012. The language also required that the proposal include a rental rate that would generate at least $11.5 million annually to fund ongoing critical maintenance and backlog needs; restore the DGS assessment team; and initiate the purchase of a computerized maintenance management system.

In June 2010, DGS submitted the required report to the committees. According to the report, a one-time assessment of approximately $22.3 million, or roughly $0.85 per square foot, would be required to satisfy the provisions of the budget bill language. The budget bill language required that a minimum level of funding be allocated to (1) restore the DGS assessment program, which would require eight new maintenance engineer positions responsible for inspecting DGS-managed State-owned facilities ($541,000); (2) procure and maintain a new computerized maintenance system ($11.5 million); and (3) generate at least $10.0 million annually for ongoing critical maintenance and backlog needs. Following the procurement of the new system in year one, it is estimated that a total of $11.8 million ($0.45 per square foot) would be required annually to comply with the provisions set forth in the budget bill language (see **Exhibit 7**).

Exhibit 7

Proposed Critical Maintenance Square Foot Assessment

Agency	GSF Occupied	Year 1 Assessment @ $0.85/GSF	Year 2 Assessment @ $0.45/GSF
Maryland Department of Agriculture	279,770	$237,805	$125,897
Department of General Services*	6,808,875	5,787,544	3,063,994
Department of Health and Mental Hygiene	6,112,401	5,195,541	2,750,580
Historic St. Mary's City	119,385	101,477	53,723
Department of Juvenile Services	966,000	821,100	434,700
Military Department	2,500,000	2,125,000	1,125,000
Department of State Police	660,597	561,507	297,269
Department of Public Safety and Correctional Services	8,362,817	7,108,394	3,763,268
Maryland Department of Veteran Affairs	370,305	314,759	166,637
Total	**26,180,150**	**$22,253,128**	**$11,781,068**

GSF: gross square feet

* In accordance with Department of General Services maintenance repair reporting documents, the following agencies have been grouped together under the Department of General Services: Maryland State Archives, Maryland Automobile Insurance Fund, Department of Budget and Management, Comptroller, Maryland State Department of Education, Department of Housing and Community Development, Department of Human Resources, Maryland Judiciary, Maryland Public Television, Office of the Public Defender, Maryland Emergency Management Agency, Maryland School for the Deaf, and the Maryland General Assembly.

Source: Department of General Services

Facility Maintenance Staffing

The fiscal 2011 budget bill restricted $300,000 of the DGS general fund appropriation for the purpose of hiring four additional contractual construction project manager positions. DGS reports that it was able to obtain a hiring freeze exemption from DBM to hire 2 of the 4 positions. In September 2010, DGS hired 2 contractual project managers to assist with overseeing facilities renewal projects. According to DGS, more projects are being completed due to the assistance of the contractual project managers. On average, DGS' project managers oversee a range of 14 to 30 projects annually.

Appendix 1

Current and Prior Year Budgets

Current and Prior Year Budgets
Department of General Services
($ in Thousands)

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2010					
Legislative Appropriation	$59,174	$2,605	$1,002	$29,937	$92,718
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	0	0	2,601	2,601
Cost Containment	-7,890	-62	0	0	-7,952
Reversions and Cancellations	-75	-10	0	-2,938	-3,023
Actual Expenditures	**$51,209**	**$2,533**	**$1,002**	**$29,600**	**$84,344**
Fiscal 2011					
Legislative Appropriation	$52,253	$3,722	$1,033	$30,286	$87,294
Budget Amendments	0	0	63	0	63
Working Appropriation	**$52,253**	**$3,722**	**$1,095**	**$30,286**	**$87,356**

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

Fiscal 2010

In fiscal 2010, the total budget for the department decreased by $8,373,156. The general fund appropriation decreased by $7,889,897 due to the following cost containment actions:

- a $2,052,116 reduction in personnel expenditures achieved by abolishing positions, holding positions vacant, and implementing employee furloughs;
- across-the-board reductions in areas such as telecommunications, travel, motor vehicle, and electricity expenditures ($1,704,373);
- a reduction in utility expenses due to anticipated savings from energy conservation efforts and performance contracts ($1,315,245);
- a reduction in janitorial, landscaping, and building maintenance expenditures at State facilities ($985,766);
- a reduction in critical maintenance funding for statewide facilities ($500,000);
- a delay in the replacement of motor vehicles, security identification software, police uniforms, and the preparation of the Annapolis Region Master Plan ($494,193);
- a reduction in various operating and equipment expenses ($375,560);
- a fund swap, which allowed the department to use both reimbursable and special funds in lieu of general funds to finance operational expenditures associated with GovDeals as well as a management level position within the department's print shop ($197,744);
- a reduction in funding for Navy Stadium Lot parking and the Annapolis shuttle service ($164,900); and
- a reduction in contractual services budgeted for public school construction reviews in anticipation of a grant from the Interagency Committee on Public School Construction ($100,000).

Additionally, there was a general fund reversion of $74,556 due to unrealized operating expenses.

The special fund appropriation decreased by $62,049 due to employee furloughs and the abolition of a program manager. There was also a special fund cancellation of $9,654 due to unrealized operating expenses.

Lastly, the reimbursable fund appropriation increased by $2,601,244 due to the following:

- additional funding received by the department as a result of cost containment actions that consolidated several of the State's print shop operations under DGS ($828,355);

- additional contractual services and contractual employee funding for expenditures related to the implementation of the statewide utility database and energy financing and project management ($282,063);

- increased facilities operations and maintenance costs at the St. Mary's County Office Building ($467,481);

- an increase in funding for reimbursable lease management ($762,915);

- the receipt of grant funds from the Governor's Office of Crime Control and Prevention for body armor and license plate readers ($99,200);

- the receipt of grant funds from the Maryland Emergency Management Agency for the purchase of protective equipment to be utilized by law enforcement officers in responding to acts of terrorism ($33,642); and

- the receipt of grant funds from the Interagency Committee for School Construction for costs associated with the technical design and review of public school construction projects ($127,588).

Additionally, there was a reimbursable fund cancellation of $2,938,245. The cancellation was mostly due to unexpended funds for reimbursable lease management and construction inspection services.

Fiscal 2011

The fiscal 2011 budget for the department increased by $62,500. The department received a federal grant from the U.S. Department of Agriculture to perform technical appraisals of real property for the Maryland Agricultural Land Preservation Program.

Appendix 2

Audit Findings

Audit Period for Last Audit:	February 1, 2007 – March 8, 2010
Issue Date:	January 2011
Number of Findings:	7
Number of Repeat Findings:	2
% of Repeat Findings:	28.6%
Rating: (if applicable)	n/a

Finding 1: DGS failed to determine the propriety of data used and assumptions made in calculating facility energy usage and related guaranteed cost savings.

Finding 2: DGS agreed to pay a contractor for certain services that were not performed.

Finding 3: DGS allowed the use of certain measurement and verification methods that were not supported by federal guidelines or industry protocols.

Finding 4: **DGS lacked adequate controls over State identification cards.**

Finding 5: DGS did not formally document its decision regarding whether to seek the recovery of costs incurred due to contractor design errors.

Finding 6: DGS inappropriately accrued certain revenues and expenditures during the budget closeout process.

Finding 7: **DGS did not maintain its equipment and related records in accordance with State regulations.**

*Bold denotes item repeated in full or part from preceding audit report.

Object/Fund Difference Report
Department of General Services

Object/Fund	FY 10 Actual	FY 11 Working Appropriation	FY 12 Allowance	FY 11 - FY 12 Amount Change	Percent Change
Positions					
01 Regular	593.00	588.00	593.00	5.00	0.9%
02 Contractual	20.62	39.43	33.53	-5.90	-15.0%
Total Positions	**613.62**	**627.43**	**626.53**	**-0.90**	**-0.1%**
Objects					
01 Salaries and Wages	$ 38,874,419	$ 40,166,285	$ 41,321,712	$ 1,155,427	2.9%
02 Technical and Spec. Fees	1,007,046	1,650,066	1,346,825	-303,241	-18.4%
03 Communication	853,334	1,088,198	1,128,948	40,750	3.7%
04 Travel	33,194	9,103	14,871	5,768	63.4%
06 Fuel and Utilities	14,823,743	15,515,792	16,311,641	795,849	5.1%
07 Motor Vehicles	1,022,256	722,030	1,074,488	352,458	48.8%
08 Contractual Services	16,158,610	16,889,133	17,231,711	342,578	2.0%
09 Supplies and Materials	1,101,545	1,277,430	1,123,149	-154,281	-12.1%
10 Equipment – Replacement	285,374	45,390	0	-45,390	-100.0%
11 Equipment – Additional	197,708	0	27,152	27,152	N/A
12 Grants, Subsidies, and Contributions	367,000	367,000	300,000	-67,000	-18.3%
13 Fixed Charges	3,734,165	3,811,909	3,980,982	169,073	4.4%
14 Land and Structures	5,885,978	5,813,995	4,137,935	-1,676,060	-28.8%
Total Objects	**$ 84,344,372**	**$ 87,356,331**	**$ 87,999,414**	**$ 643,083**	**0.7%**
Funds					
01 General Fund	$ 51,209,118	$ 52,252,777	$ 54,498,247	$ 2,245,470	4.3%
03 Special Fund	2,533,790	3,722,358	1,718,556	-2,003,802	-53.8%
05 Federal Fund	1,001,837	1,095,296	1,063,561	-31,735	-2.9%
09 Reimbursable Fund	29,599,627	30,285,900	30,719,050	433,150	1.4%
Total Funds	**$ 84,344,372**	**$ 87,356,331**	**$ 87,999,414**	**$ 643,083**	**0.7%**

Note: The fiscal 2011 appropriation does not include deficiencies. The fiscal 2012 allowance does not include contingent reductions.

Fiscal Summary
Department of General Services

Program/Unit	FY 10 Actual	FY 11 Wrk Approp	FY 12 Allowance	Change	FY 11 - FY 12 % Change
01 Executive Direction	$ 1,432,735	$ 1,466,114	$ 1,394,601	-$ 71,513	-4.9%
02 Administration	2,999,001	3,336,315	3,040,444	-295,871	-8.9%
01 Facilities Security	11,449,016	11,502,365	11,652,235	149,870	1.3%
01 Facilities Operation and Maintenance	40,867,315	42,500,584	44,219,853	1,719,269	4.0%
04 Saratoga State Center – Capital Appropriation	100,000	100,000	100,000	0	0%
05 Reimbursable Lease Management	5,553,481	5,616,122	5,136,405	-479,717	-8.5%
07 Parking Facilities	1,835,147	1,747,968	1,750,173	2,205	0.1%
01 Procurement and Logistics	7,222,626	7,535,857	7,883,516	347,659	4.6%
01 Real Estate Management	2,397,791	2,519,827	2,784,411	264,584	10.5%
01 Facilities Planning, Design, and Construction	10,487,260	11,031,179	10,037,776	-993,403	-9.0%
Total Expenditures	**$ 84,344,372**	**$ 87,356,331**	**$ 87,999,414**	**$ 643,083**	**0.7%**
General Fund	$ 51,209,118	$ 52,252,777	$ 54,498,247	$ 2,245,470	4.3%
Special Fund	2,533,790	3,722,358	1,718,556	-2,003,802	-53.8%
Federal Fund	1,001,837	1,095,296	1,063,561	-31,735	-2.9%
Total Appropriations	**$ 54,744,745**	**$ 57,070,431**	**$ 57,280,364**	**$ 209,933**	**0.4%**
Reimbursable Fund	$ 29,599,627	$ 30,285,900	$ 30,719,050	$ 433,150	1.4%
Total Funds	**$ 84,344,372**	**$ 87,356,331**	**$ 87,999,414**	**$ 643,083**	**0.7%**

Note: The fiscal 2011 appropriation does not include deficiencies. The fiscal 2012 allowance does not include contingent reductions.

Appendix 5

Priority Classes

The prioritization process used by the Department of General Services attempts to identify the consequences of not funding projects based on the following priority classification:

Highest Level: Serious Prolonged Impact of 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 Very High Level of Economic Risk:

4. Fineable code violations, serious life 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 Associated with:

7. Restoring an asset to its design effectiveness.
8. Restoring an asset to design efficiency.
9. Improving an asset above its original design effectiveness.