H00
Department of General Services

Operating Budget Data

($ in Thousands)

	FY 15 Actual	**FY 16 Working**	**FY 17 Allowance**	**FY 16-17 Change**	**% Change Prior Year**
General Fund	$61,007	$60,681	$67,610	$6,929	11.4%
Deficiencies and Reductions	0	3,783	-69	-3,852	
Adjusted General Fund	**$61,007**	**$64,464**	**$67,541**	**$3,077**	**4.8%**
Special Fund	2,828	4,215	4,513	298	7.1%
Deficiencies and Reductions	0	0	-2	-2	
Adjusted Special Fund	**$2,828**	**$4,215**	**$4,510**	**$295**	**7.0%**
Federal Fund	1,189	1,271	1,296	25	1.9%
Deficiencies and Reductions	0	0	-1	-1	
Adjusted Federal Fund	**$1,189**	**$1,271**	**$1,294**	**$23**	**1.8%**
Reimbursable Fund	28,181	28,186	28,665	479	1.7%
Adjusted Reimbursable Fund	**$28,181**	**$28,186**	**$28,665**	**$479**	**1.7%**
Adjusted Grand Total	**$93,205**	**$98,136**	**$102,011**	**$3,875**	**3.9%**

- The Department of General Services (DGS) has four fiscal 2016 general fund deficiency appropriations: $2,387,569 to support State agency moving costs and facilities maintenance in the Crownsville complex, $46,621 for security positions in the Crownsville complex, $911,683 for security upgrades at State-owned complexes, and $436,963 to fund lease obligations for non-DGS rent charges.

- The fiscal 2017 allowance increases by approximately $3.9 million, or 3.9%, compared to the fiscal 2016 working appropriation after adjusting for deficiencies and accounting for the across-the-board health insurance reduction.

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

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- General funds increase by approximately $3.1 million, or 4.8%, largely due to a $2.5 million increase in the statewide Critical Maintenance Program. Personnel expenditures increase by $1.2 million.

- Special funds increase by $295,305, or 7.0%, above the working appropriation, due to an increase in Strategic Energy Investment Fund funding to support vendor services for energy initiatives.

- Federal funds increase by $24,731, or 1.9%, and reimbursable funds from State agencies served by the department increase by $479,014, or 1.7%.

Personnel Data

	FY 15 Actual	FY 16 Working	FY 17 Allowance	FY 16-17 Change
Regular Positions	577.50	577.50	581.50	4.00
Contractual FTEs	24.27	24.68	23.88	-0.80
Total Personnel	**601.77**	**602.18**	**605.38**	**3.20**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	37.54	6.50%
Positions and Percentage Vacant as of 12/31/15	51.00	8.83%

- The Administration's fiscal 2017 personnel allowance increased by 4.0 regular positions over the fiscal 2016 working appropriation. All of the positions were added to the department's Office of Facilities Planning, Design and Construction to support the increased funding for the statewide Critical Maintenance Program.

- The department's fiscal 2017 budgeted turnover rate on existing positions is 6.50%, which requires 37.54 positions to remain vacant throughout the year to meet its turnover expectancy. As of December 31, 2015, 51.0 positions were vacant. **DGS should discuss the impact that the high vacancy rate has had on its ability to perform its core services and discuss its plan to fill vacant positions.**

Analysis in Brief

Major Trends

Energy Consumption and Reductions: DGS reports that energy consumption in fiscal 2015 by all State agencies was 6% less than the fiscal 2008 consumption baseline. While the reported measures reflect some success with energy reduction, the department has not met the State's energy reduction goal of 15%. **DGS should comment on the suitability of the 2008 consumption baseline and whether another year's data might offer a more reliable baseline to measure the State's success.**

Minority Business Enterprise Participation: Fiscal 2015 marks the fourth straight year that the department has not met the Minority Business Enterprise (MBE) participation goal for total procurement dollars awarded. The goal was 25% through fiscal 2012 and 29% through fiscal 2015. **DGS should comment on the department's plans to achieve the State's MBE participation goal and whether the 29% target is attainable in light of the removal of nonprofit organizations from MBE certification.**

Critical Maintenance Backlog: DGS reports a declining critical maintenance backlog. The fiscal 2017 allowance increases the critical maintenance funding level by $2.5 million, providing a total of $7.5 million to further reduce the backlog. **DGS should discuss its ability to support the appropriation increase and further reduce the critical maintenance backlog.**

Issues

Facilities Conditions Assessment Program: DGS reports that the current method for conducting and reporting assessments of facility conditions is deficient, resulting in poor maintenance, missed repairs, and an increase in emergency project requests. **DGS should comment on the quality of the most recent assessment reports received, identifying whether these reports properly assessed facility conditions. The Department of Legislative Services (DLS) recommends that language be added to the budget restricting $500,000 of the Facilities Critical Maintenance appropriation and allocating these funds to establish an assessment program within the department's Office of Facilities Planning, Design and Construction. This would include the intent that the Governor create 7 new positions for this purpose.**

Inadequate Funding: While the adjusted 2017 allowance for DGS increases over the working appropriation by nearly $3.9 million, mostly accounted for by the increases in the statewide Critical Maintenance Program and in aid to political subdivisions, the department continues to be underfunded by the State. **DLS has concerns that the department lacks the funding necessary to accomplish many of the programmatic responsibilities it has been assigned by the State.**

Recommended Actions

		Funds
1.	Add budget bill language to restrict $500,000 from the statewide Critical Maintenance Program.	
2.	Reduce double budgeted funds.	$ 426,098
	Total Reductions	**$ 426,098**

Updates

Energy Conservation Report: Committee narrative in the 2015 *Joint Chairmen's Report* requested that DGS submit a report outlining the State's energy conservation efforts. The agency submitted the report in November 2015. This update examines the four energy reduction strategies employed by the department.

Repeat Audit Findings: Fiscal 2016 budget bill language restricted $200,000 of the department's administrative appropriation until DGS corrected the actions identified by the Office of Legislative Audits (OLA), and OLA submitted a report to the budget committees determining that each repeat finding was corrected. As of this writing, OLA has not submitted certification that DGS has corrected the repeat audit findings. As a result, the funds continue to be withheld.

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; the provision of real estate services; and operation of the Maryland Capitol Police. DGS uses the following goals to guide it's Managing for Results (MFR) reporting:

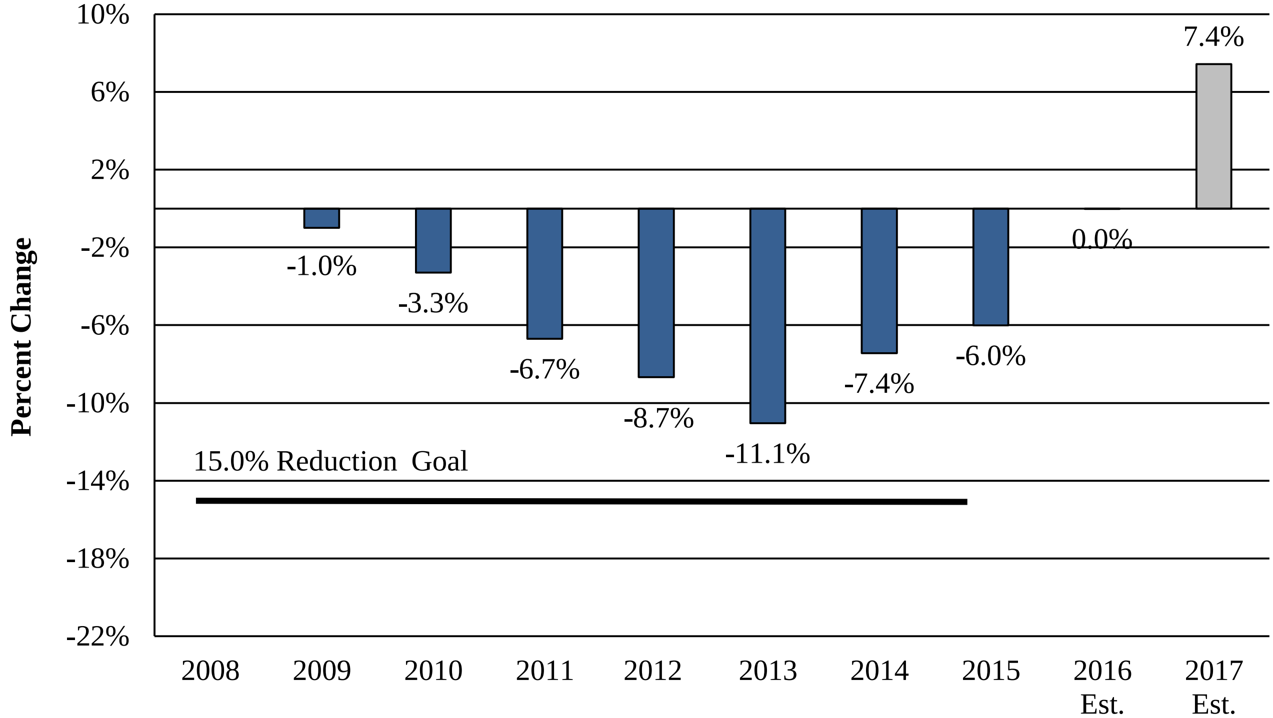
- operate efficiently and effectively;
- manage departmental projects efficiently;
- provide timely and accurate management information;
- achieve responsible asset management;
- provide best value for customer agencies and taxpayers; and
- carry out social, economic, and other responsibilities as a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

Performance Analysis: Managing for Results

1. Energy Consumption and Reductions

The Maryland Office of Energy Performance and Conservation within DGS is responsible for implementing part of the EmPOWER Maryland initiative. This initiative, established by Chapter 131 of 2008, among other provisions, sets forth a goal to reduce State government energy consumption by 15% by fiscal 2015. **Exhibit 1** shows the annual percentage reduction against the 2008 consumption baseline. While the reported measures reflect some success with energy reduction, the department has not met the State's energy reduction goal of 15%. In addition, as shown in Exhibit 1, DGS reports that energy consumption is expected to increase with fiscal 2016 and 2017 projections increasing above the 2008 consumption baseline. **DGS should comment on why energy consumption is expected to increase and on the suitability of the 2008 consumption baseline and whether another year's data might offer a more reliable baseline to measure the State's success.**

Exhibit 1
Energy Consumption Reduction Compared to 2008 Baseline
Fiscal 2008-2017 Est.



Source: Department of General Services; Governor's Budget Books, Fiscal 2009-2016; Department of Budget and Management Fiscal 2017

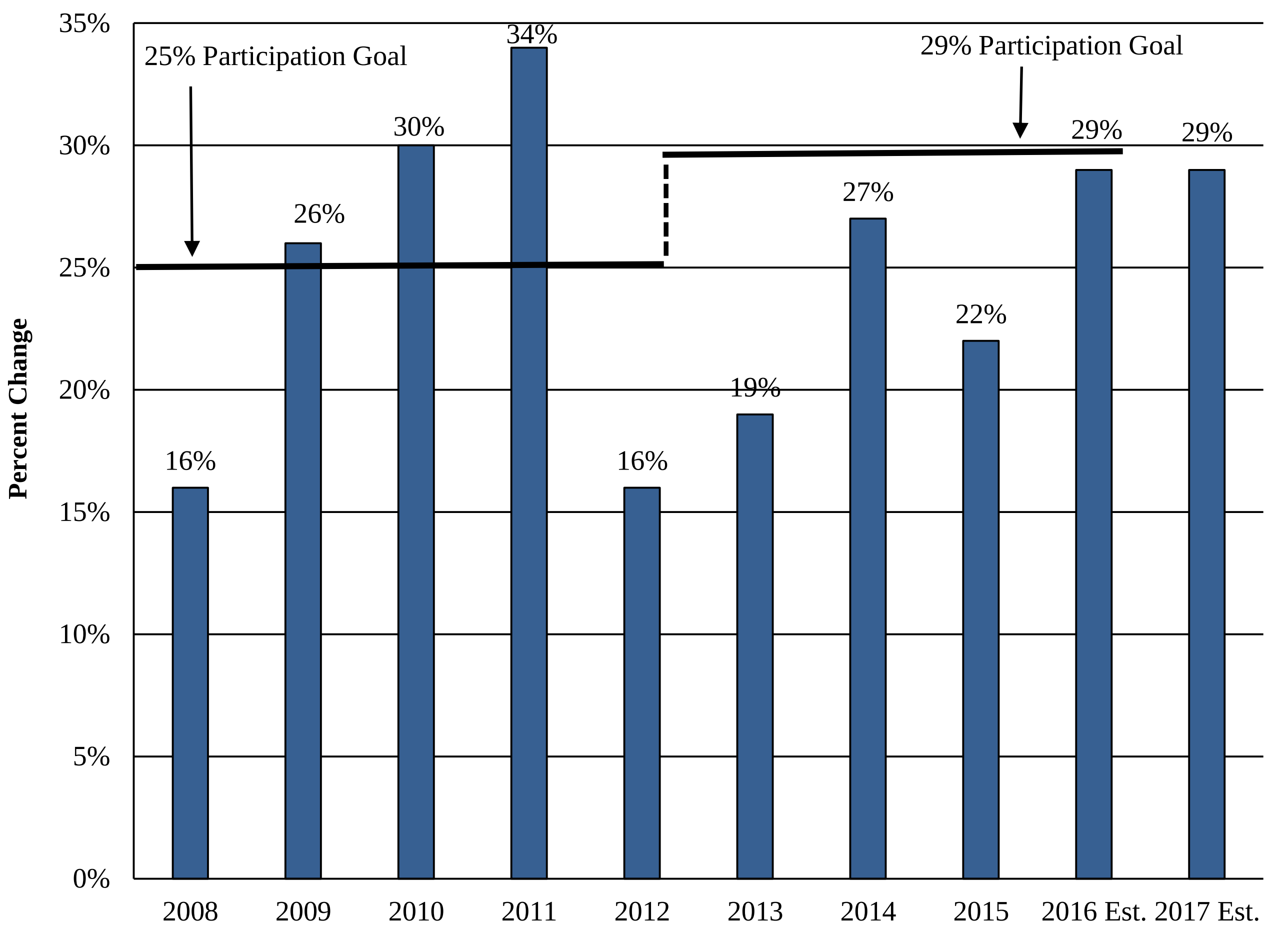
2. Minority Business Enterprise Participation

Exhibit 2 shows the department's MFR performance data regarding its objective to annually meet or exceed a 29% Minority Business Enterprise (MBE) participation rate for the department's total procurement dollars. As shown in the exhibit, the MBE participation goal of 29% was increased from 25% in fiscal 2013 by the Governor's Office of Minority Affairs.

DGS awarded nearly $166 million in prime and subcontracting awards, with approximately $36 million awarded to small, minority- and women-owned businesses in fiscal 2015. When measured as a percent of total procurement dollars, payments to minority businesses reflect a drop of 5 percentage points below the previous year, from 27% in fiscal 2014 to 22% in fiscal 2015, marking the fourth straight year the department has not met the MBE participation goal.

Additionally, Chapters 343 and 605 of 2013 removed not-for-profit entities that promote the interests of physically and mentally disabled individuals from the definition of MBE and exempted specified contracts with them from the calculation of MBE participation rates, which is expected to reduce the department's MBE utilization further in future MFR reports. **DGS should comment on the department's plans to achieve the State's MBE participation goal and whether the 29% target is attainable in light of the removal of nonprofit organizations from MBE certification.**

Exhibit 2
MBE Participation as Percent of Total Procurement Dollars
Fiscal 2008-2017 Est.



MBE: Minority Business Enterprise

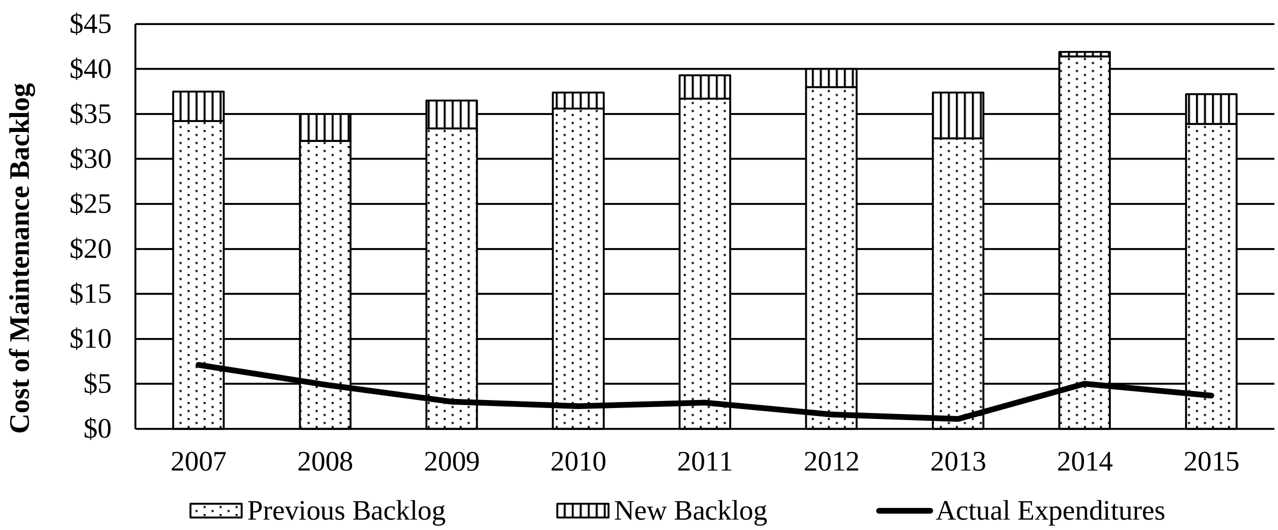
Source: Department of General Services; Governor's Budget Books, Fiscal 2009-2016; Department of Budget and Management Fiscal 2017

3. Critical Maintenance Backlog

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. The DGS maintenance of State facilities efforts include both critical maintenance projects under $100,000, funded through the operating budget, and facilities renewal projects above $100,000, funded through the capital budget. Budget shortfalls in previous years caused the State to scale back on facilities maintenance and renewal funding. As a result, the critical maintenance backlog had grown to approximately $42 million by fiscal 2014. Beginning in fiscal 2014, and subsequently through fiscal 2016, the State increased the allowance to $5 million due to concern expressed by the budget committees that deferring critical maintenance will eventually lead to increasing project costs and further deterioration of the State's assets.

As shown in **Exhibit 3**, DGS reports that the critical maintenance backlog has been reduced by approximately $4.0 million, or 11%. DGS reports that much of the reduction, approximately 90 projects totaling $3.7 million, is the result of awarded contracts in fiscal 2015. The remaining reduction is due to facility closings and canceled projects.

Exhibit 3
Critical Maintenance Backlog
Fiscal 2007-2015
($ in Millions)



Source: Department of General Services; Governor's Budget Books, Fiscal 2009-2016; Department of Budget and Management Fiscal 2017

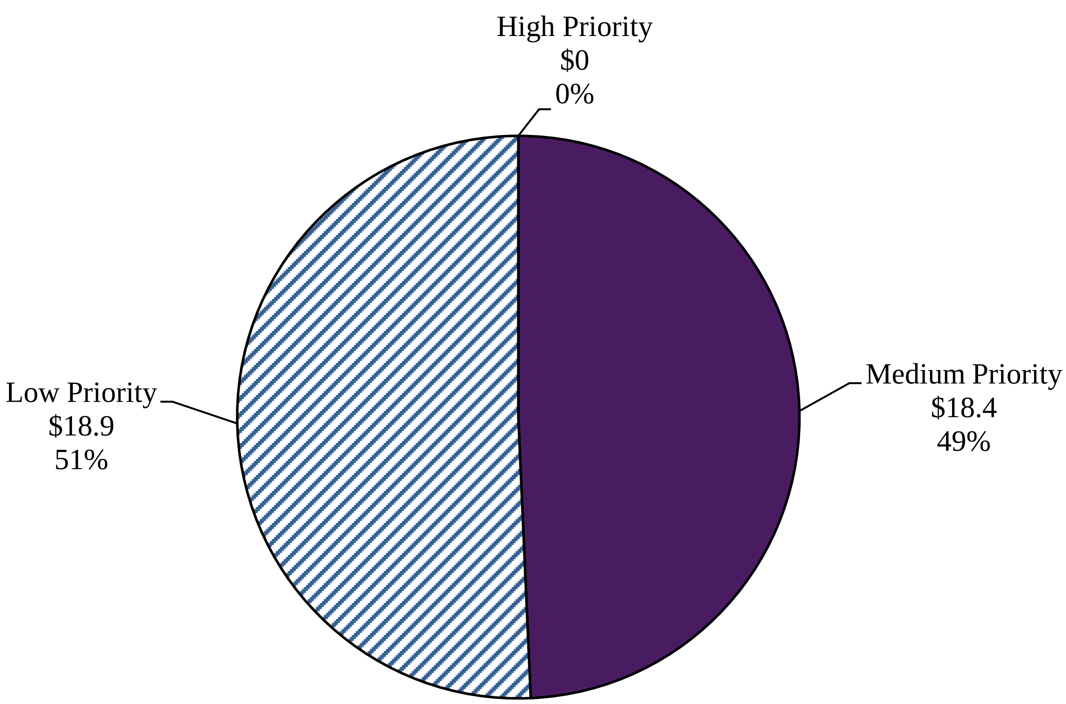
Exhibit 3 also shows approximately $3.3 million in additional critical maintenance requests, represented as a New Backlog in Exhibit 3, which reflect a total of 70 new projects that DGS must address. Generally, projects are discovered by agencies when they perform annual self-assessments, at which time DGS requires the agency to submit justifications as to why the maintenance request should be supported by the statewide Critical Maintenance Fund. Once approved by DGS, requests are added to the maintenance backlog and classified with a priority level of low, medium, or high and are finally undertaken as funds are available. **Exhibit 4** provides the priority detail of the department's critical maintenance backlog as of February 2, 2016. As shown, approximately 49% of the critical maintenance backlog is classified as medium priority level.

Exhibit 4

Critical Maintenance Backlog Rating

Fiscal 2015

($ in Millions)



Source: Department of General Services

The fiscal 2017 allowance increases the critical maintenance funding level by $2.5 million, providing a total of $7.5 million to further reduce the backlog. The appropriation represents the largest that DGS has received and may present some implementation challenges, although 4 new positions were added in the fiscal 2017 allowance to support implementation. **DGS should discuss its ability to support the appropriation increase and further reduce the critical maintenance backlog.**

Fiscal 2016 Actions

Two categories of actions impact the DGS fiscal 2016 budget: proposed deficiencies and a 2% across-the-board reduction.

Proposed Deficiency

The Governor has submitted four fiscal 2016 deficiency appropriations, totaling $3,782,836. Of the four deficiency appropriations, three reflect one-time costs and would supplement the appropriation by $2,871,153, while the other deficiency of $911,683 to upgrade security features at State-owned complexes will continue with an allowance in the Administration's fiscal 2017 budget.

- **Facilities Operations and Maintenance** – A deficiency appropriation of $2,387,569 would provide funds for State agency moving costs and facilities maintenance in the Crownsville complex, which is undergoing necessary renovations for State use.

- **Facilities Security –** A second deficiency relating to the use of the complex includes a deficiency of $46,621 to support new security positions.

- **Facilities Operations and Maintenance** – A deficiency of $436,963 is necessary to provide funds to fulfill lease obligations for non-DGS rent charges.

Cost Containment

The fiscal 2016 budget contained an across-the-board general reduction for all State agencies, which resulted in a 2% across-the-board general fund reduction for DGS, totaling approximately $1,270,000. To accommodate this reduction, DGS reduced contractual support to the Secretary ($31,117), reduced security overtime ($12,000), reduced the number of electronic devices, such as cell phones for department staff ($25,000), switched to generic brands for supplies and reduced janitorial supplies ($52,000), implemented energy efficient procedures ($332,000), and refinanced the 2005 bond series that funded the Calvert Street Parking Project ($817,623).

Proposed Budget

As shown in **Exhibit 5**, the fiscal 2017 allowance for DGS increases by approximately $3.9 million, or 3.9%, over the current year appropriation. This increase accounts for the fiscal 2016 deficiency appropriations, as well as the fiscal 2017 across-the-board reduction for health insurance.

Exhibit 5
Proposed Budget
Department of General Services
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2015 Actual	$61,007	$2,828	$1,189	$28,181	$93,205
Fiscal2016 Working Appropriation	64,464	4,215	1,271	28,186	98,136
Fiscal 2017 Allowance	67,541	4,510	1,294	28,665	102,011
Fiscal 2016-2017 Amount Change	$3,077	$295	$23	$479	$3,875
Fiscal 2016-2017 Percent Change	4.8%	7.0%	1.8%	1.7%	3.9%

Where It Goes:	
Personnel Expenses	
Employee retirement	$585
Employee and retiree health insurance	423
New positions	367
Turnover adjustments	201
Overtime	41
Workers' compensation	40
Regular earnings	-450
Other fringe benefit adjustments	19
Facilities Operations and Maintenance	
Flood mitigation grant to Annapolis	1,000
Contractual – janitorial services	828
Fuel	313
Contractual – building repairs	301
Contractual – security services	132
Contractual – trash disposal	93
Contractual – grounds and maintenance	31
Loan repayment – energy conservation efforts	-650
Procurement and Logistics	
Capital lease payment	-146
Facilities Planning, Design and Construction	
Statewide Critical Maintenance Program	2,500

Where It Goes:	
Agencywide	
Contractual – Energy performance contracts	685
Contractual – Towson Courthouse	261
Other	185
Supplies – building and households	138
Supplies – housekeeping	59
Supplies – office	49
Contractual – Annapolis bus service	41
Contractual – Nancy Grasmick Building	16
Insurance coverage	-108
Paid telecommunications	-208
One-time deficiencies	-2,871
Total	**$3,875**

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

Across-the-board Reductions

The fiscal 2017 budget bill includes an across-the-board reduction for employee health insurance, based on a revised estimate of the amount of funding needed. This agency's share of these reductions is $69,222 in general funds, $2,337 in special funds, and $1,260 in federal funds. There is an additional across-the-board reduction to abolish positions statewide, but the amounts have not been allocated by agency.

Personnel and Full-time Equivalents

Personnel expenses increase by a net of $1,227,048, once adjusted for fiscal 2016 deficiencies and the fiscal 2017 across-the-board insurance reduction. Increases of $585,000 for the employee retirement system, $423,000 for employee and retiree health insurance, $367,000 for new positions, and $201,000 for turnover adjustments are offset by a decrease of $450,000 in regular earnings. The allowance for the Department of Budget and Management (DBM) also includes funding for employee increments, totaling $643,743. General funds of $553,547, special funds of $10,100, and reimbursable funds of $80,096 will be transferred by budget amendment to DGS to allocate the funding.

Other Changes

Overall, the nonpersonnel-related fiscal 2017 adjusted allowance increases by $2,647,924. While changes are noted by objects of expenditure, the areas of change are grouped to follow programmatic funding and routine, agencywide operations.

Programmatic Funding

The programmatic funding changes in the fiscal 2017 adjusted allowance are as follows.

- **Facilities Operations and Maintenance –** The most significant changes within this program include the $1,000,000 increase for a grant to Annapolis in support of its flood mitigation project and a combined $1.4 million increase for contractual services, which reflect a variety of increasing costs related to janitorial, maintenance, and security service contracts. A 3% cost escalation for fuel-related costs requires an increase of $313,498, while the final payment of debt service in fiscal 2016 to pay off the Energy Performance Contract for the Baltimore Central Plant provides a decrease of $650,419.

- **Procurement and Logistics –** The only significant change within this program reflects the final payment of the capital lease payments for the Fuel Management System, providing for a reduction of $146,472 below the fiscal 2016 appropriation.

- **Facilities Planning, Design and Construction –** The only significant change within this program reflects the $2.5 million increase of funding support for the statewide Critical Maintenance Program.

- **Agencywide –** Several changes occur throughout the agency that are not significant to any single program. An increase in contractual services of approximately $1.0 million is due to a variety of contracts managed by DGS, including the Annapolis bus service contract, the management contract for the Nancy Grasmick building, energy performance contracts, and the contract to maintain the Towson Courthouse. The total $246,623 increase in supplies will support building and household supplies used to maintain 54 of the facilities managed by the department, which includes such items as repair parts, lumber, electrical, plumbing, and restroom supplies. Two assigned costs by DBM reduced the allowance for telecommunications and insurance coverage paid to the State Treasurer's Office by $207,937 and $107,715, respectively.

Issues

1. Facilities Conditions Assessment Program

Under the direction of DGS, and pursuant to Section 4-407 of the State Procurement and Finance Article, each unit of the State government is to carry out a regular maintenance and repair program for the facilities under its responsibility. Additionally, for DGS owned and supported facilities, each unit is to provide an annual assessment of the condition of its facilities to the DGS Maintenance Engineering Division (MED). Though each unit attempts to follow the policies and standards established by DGS, there are deficiencies in the condition assessments that, in large part, result in unplanned, emergency project requests.

According to DGS, there were 162 unplanned projects in fiscal 2015 that required the department to source contractors through the emergency procurement method, which significantly increases the State's expenditure on repairs; *i.e.*, unlike the preferred competitive procurement processes for planned repairs, the emergency procurement method reduces price competition as emergencies require immediate resolution to avoid serious damage to public health, safety, or welfare.

DGS reports that most emergency requests are a result of assessments that fail to identify preventative maintenance needs and properly prioritize repairs, which would have otherwise been noticed with a comprehensive and accurate assessment of facilities. Such assessments require technical expertise, including electrical, plumbing, mechanical, and roofing competencies that are not fully represented by the department's technical staff within MED or by the agencies conducting the self-assessments.

Prior to 1993, maintenance projects were identified by a DGS assessment team that inspected all State facilities under DGS control and evaluated the facility maintenance program of each agency. One advantage of this approach was that DGS could prioritize funding across all State agencies, based on the most important and urgent needs. Due to the constrained fiscal environment in the early 1990s, DGS eliminated the assessment team and, as is current practice, relies on agencies to submit a report regarding their facility conditions and maintenance program.

DGS should comment on the quality of the most recent assessment reports received, identifying whether these reports properly assessed facility conditions. The Department of Legislative Services (DLS) recommends that language be added to the budget restricting $500,000 of the facilities critical maintenance appropriation and allocating these funds to establish an assessment program within the department's Office of Facilities Planning, Design and Construction. This would include the intent that the Governor create an additional 7 new positions for this purpose.

2. Inadequate Funding

DGS operates to help facilitate efficiency and effectiveness throughout State government, with the bulk of its workload comprised of assisting or overseeing other State agencies as they procure goods and services, manage real estate, renovate existing or design new facilities, operate fleet vehicles efficiently, maintain fuel inventories, and work in clean and safe workplaces. In addition to the direct support provided to other State agencies, DGS serves as the lead agency for a variety of statewide initiatives, including the responsibility to reduce energy consumption at State-owned and -leased facilities, to manage eMaryland Marketplace (eMM), and to increase State contract opportunities for small and minority-owned businesses.

In short, DGS provides a variety of professional and technical services to support the work of the State, and it does so with less than 1% of the overall General Fund of the State budget. While the adjusted 2017 allowance for DGS increases over the working appropriation by nearly $3.9 million, mostly accounted for by the increases in the statewide Critical Maintenance Program and in aid to political subdivisions, the department continues to be underfunded by the State. **DLS has concerns that the department lacks the funding necessary to accomplish many of the programmatic responsibilities it has been assigned by the State.**

The following is a general overview of the department's core programs, with examples of inadequate funding or functions that would benefit the State if funding were increased.

- **Office of Facilities Operation and Maintenance:** This office provides for the operation, maintenance, and physical safety of 60 facilities for which the department is responsible. The responsibility requires both preventative and routine maintenance, the supply of materials and equipment, general improvements and upkeep, and the provision of 24-hour security at approximately 6.5 million square feet of buildings, 120.0 acres of landscaped grounds, and 66.5 acres of parking lots.

  In order to provide these services, the department contracts much of the work. According to DGS, service contracts generally increase 2% to 3%, requiring the department to request a deficiency appropriation. During fiscal 2015, for example, many of the service contracts expired, and the department had to solicit new ones. Due to inflationary factors and recent wage rate increases, the cost to perform these services increased, which required the State to provide a deficiency appropriation for fiscal 2016.

- **Office of Procurement and Logistics (OPL):** OPL manages the centralized procurement of certain goods and services for State agencies, including the procurement of contracts for design and construction of certain State facilities. OPL also oversees the State's automated fuel management program, printing and graphic services, and manages State records, inventories, and surplus property.

Within its capacity to manage the State's records of capital projects, DGS continues to utilize an AS-400 database system developed for DGS in the 1980s. DGS reports that this system is being updated through the Department of Information Technology.

Finally, OPL also administers the State's online procurement system, otherwise known as the eMM. The system was supposed to interface with the State's Financial Management Information System (FMIS), allowing for seamless electronic integration of invoicing, payment processing, and purchase orders, but as of this writing it continues to serve the State only as an underused messaging board for advertising solicitations, receiving bids, and announcing awards. A recent audit by the Office of Legislative Audits (OLA) (see Update 2) found that 10 of 11 agencies reviewed for the audit did not use eMM to receive bids, despite having the capability. DGS reports that a number of shortcomings reduce activity, including terminology challenges between bidders and procurement officers and an interface that is not user friendly. **Though DGS is not responsible for many of the inefficiencies surrounding eMM, DLS has concerns that, due to a lack of funding, the department has not incorporated greater use of the electronic procurement system. DGS should comment as to whether OPL is adequately funded to maximize the State's use of the eMM portal, notwithstanding its suitability to interface with FMIS.**

- **Office of Real Estate Management:** While the Department of Planning is the repository for information on real property owned by the State, as provided in Section 5-504 of the State Finance and Procurement Article, the Office of Real Estate Management within DGS manages the facility and real property needs of State agencies. As such, the department has a fiduciary responsibility to ensure the most efficient use of property, avoiding, for example, paying rent for space when State-owned properties might be underutilized or vacant. DGS reports that it does have an inventory of owned and leased spaces, but that it does not have real time access to full-time equivalent counts and total occupancy costs per location, owned or leased. **DLS is concerned that without this data, DGS is not able to execute its portfolio management responsibility in the most efficient way possible. DGS should comment on the opportunities for cost savings and improved portfolio management practices that would develop from an electronic asset management system.**

- **Office of Facilities Planning, Design and Construction:** This office manages projects statewide, supervises and coordinates contract awards related to the planning, design, and construction of State public improvements, and reviews public school projects through the Public School Construction Program. The primary area where this office has continued to lack adequate funding is within its responsibility to manage the critical maintenance backlog. The lack of adequate funding has been a concern of the budget committees for many years, since deferring critical maintenance eventually leads to increasing project costs and further deterioration of the State's assets. See Issue 1 for more detail.

Recommended Actions

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

   , provided that $500,000 of this appropriation made for the purpose of the statewide Critical Maintenance Program may not be expended for that purpose but instead may only be used to establish a facilities conditions assessment program within the department's Office of Facilities Planning, Design and Construction. 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.

   Further provided it is the intent of the General Assembly that the Governor shall create 7 new positions for the department through the Board of Public Works with the restricted funds.

   Explanation: Inadequate self-assessments of facilities lead to poor maintenance of the State's assets. Eventually, the poor maintenance and deferment lead to an increase in emergency project requests, thereby increasing the State's facility maintenance cost.

		Amount Reduction	
2.	Reduce the allowance for the Energy Projects and Services within the Office of Facilities Planning, Design and Construction because the increase was double budgeted by the Department of Budget and Management.	$ 426,098	SF
	Total Special Fund Reductions	**$ 426,098**	

Updates

1. Energy Conservation Report

The Maryland Office of Energy Performance and Conservation is responsible for implementing the State Building Energy Efficiency and Conservation Act of 2006, which requires the development of an energy use index and the setting of energy savings goals for every State agency. Additionally, the office is partly responsible for implementing the EmPOWER Maryland Energy Efficiency Act of 2008, which established a State goal of achieving a 15% reduction in both per capita electricity consumption and per capita peak demand, based on 2008 electricity consumption data, by the end of calendar year 2015. DGS reports that it has been pursuing four specific strategies to reduce energy consumption by 15% below the 2008 baseline:

- energy tracking;
- energy performance contracts;
- alternative energy; and
- Statewide energy purchasing.

Energy Tracking

In order to manage the State's energy cost and consumption, DGS has implemented an online, statewide utility database that hosts all State government utility accounts, including accounts for electricity, gas, water, heating fuel, steam, sewer, propane, and chilled water, allowing the department to:

- observe and manage utility consumption;
- confirm accurate billing from suppliers;
- plan, implement, and verify energy reduction efforts for all State agencies; and
- utilize aggregated data for energy analysis and energy trending.

DGS reports that the database currently includes more than one million invoices for 22,000 State utility accounts, covering 58 State facilities. Population of the database is approximately 91% complete, and DGS verifies the completeness and accuracy of the database against DBM's utility expenditure data.

Additionally, DGS has extended a Memorandum of Understanding that allows the department to support all State agencies in developing and completing agency-specific energy plans. As of this writing, 23 completed plans have been executed, with 10 additional plans in various stages of completion.

Energy Performance Contracts

Most of the State's energy-related facility upgrades are performed through Energy Performance Contracts (EPC). An EPC is an agreement between the State and an energy service company to make energy efficient capital improvements. The type of energy saving upgrades executed through an EPC include replacing or retrofitting boilers, furnaces, air conditioning units, windows, and lighting fixtures. DGS reports that there are currently 21 EPCs managed by the department with an approximate value of $204 million, saving the State approximately $21.3 million annually.

Alternative Energy

As part of its electricity purchasing portfolio, DGS will enter into Power Purchase Agreements (PPA) for alternative, or renewable energy. These agreements support energy reduction in two ways, namely by arranging for the State to purchase renewable energy resources without the cost of investing into the system and by replacing the State's future energy consumption with the new electricity provided by the renewable energy source. There are PPAs in place at four DGS managed facilities:

- Tawes State Office Complex (4 buildings);
- John R. Hargrove, Sr. District Court and Multi-Service Center;
- Elkton District Court and Multi-Service Center; and
- Ellicott City District Court and Multi-Service Center.

Energy Purchasing Strategy

DGS has developed a statewide purchasing strategy that encompasses all of State government, including the University System of Maryland, thereby leveraging the full purchasing power of the State to save on energy costs. According to the department, approximately 67% of the State's electricity load is purchased through a hedging strategy and managed by 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. The remaining load is purchased through an online reverse energy auction. In a reverse auction, electricity suppliers place bids to satisfy the State's energy needs. DGS reports that the two purchasing methods – block purchasing and reverse auctions – saved the State approximately $6.3 million in fiscal 2015.

2. Repeat Audit Findings

In November 2014, OLA released a compliance audit for OPL in DGS. The audit covered the period beginning July 1, 2009, and ending August 19, 2012. OPL findings ranged from the procurement of the statewide fuel management contract, use of the eMM, procurement and oversight of statewide purchasing transactions, and the proper inventory controls on State owned materials and equipment. Of the 13 findings, 4 were repeated from the previous audit. The repeat audit findings were that:

- OPL did not document its assertion that it was in the best interest of the State to participate in certain Intergovernmental Cooperative Purchasing Agreements;

- OPL did not publish the fair market prices of goods and services from the Maryland Correctional Enterprises and the Blind Industries and Services of Maryland as required;

- proper internal control was not established over statewide purchasing transactions; and

- OPL did not maintain adequate accountability and control over DGS's equipment.

To satisfactorily resolve these findings, language in the fiscal 2016 budget bill restricted $200,000 of the department's administrative appropriation until DGS corrected the actions and until OLA submitted to the budget committees a report determining that each repeat finding was corrected. As of this writing, OLA has not provided a report showing that DGS has taken corrective action.

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 2015					
Legislative Appropriation	$62,323	$3,092	$1,185	$29,285	$95,885
Deficiency Appropriation	0	0	0	0	0
Cost Containment	-1,430	0	0	0	-1,430
Budget Amendments	215	10	4	72	300
Reversions and Cancellations	-100	-274	0	-1,176	-1,550
Actual Expenditures	**$61,007**	**$2,828**	**$1,189**	**$28,181**	**$93,205**
Fiscal 2016					
Legislative Appropriation	$60,119	$3,283	$1,263	$28,186	$92,851
Budget Amendments	562	932	8	0	1,502
Working Appropriation	**$60,681**	**$4,215**	**$1,271**	**$28,186**	**$94,353**

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. Numbers may not sum to total due to rounding.

Fiscal 2015

General fund expenditures for DGS totaled $61.0 million in fiscal 2015, reflecting a decrease of approximately $1.3 million when compared to the legislative appropriation. Cost containment measures reduced the general fund appropriation by approximately $1.4 million, while budget amendments related to the cost-of-living adjustment (COLA) and the employee Voluntary Separation Program increased the appropriation by $214,570. A reversion of $100,000 further decreased the general fund appropriation, which reflects the loss of restricted funds for failing to address repeat findings by OLA.

A cancellation of $274,000, somewhat offset by the addition of $9,600 from the COLA, reduced the fiscal 2015 special fund appropriation by $264,000.

The fiscal 2015 federal fund appropriation increased by $4,013 due to the COLA.

The department's fiscal 2015 reimbursable fund expenditures were approximately $1.1 million lower than the legislative appropriation. Reimbursable funds increased by $72,000 through an amendment that transferred funds to support the cost of a consultant who evaluated the participation of not-for-profit entities in State procurement. This increase was significantly offset, however, by cancellations of approximately $1.2 million.

Fiscal 2016

The DGS general, special, and federal appropriations increased by a total of $588,000 ($562,000 in general funds, $18,000 in special funds, and $8,000 in federal funds) to restore funds for employee salaries, per Section 48 of the fiscal 2016 budget bill.

The department's special fund appropriation was further increased by $914,195, as a result of the Maryland Energy Administration's decision to continue providing Strategic Energy Investment funds to support the department's involvement with the Roadmap to Maryland State Agency Energy Efficiency.

Object/Fund Difference Report
Department of General Services

Object/Fund	FY 15 Actual	FY 16 Working Appropriation	FY 17 Allowance	FY 16 - FY 17 Amount Change	Percent Change
Positions					
01 Regular	577.50	577.50	581.50	4.00	0.7%
02 Contractual	24.27	24.68	23.88	-0.80	-3.2%
Total Positions	**601.77**	**602.18**	**605.38**	**3.20**	**0.5%**
Objects					
01 Salaries and Wages	$ 43,049,377	$ 44,205,103	$ 45,544,152	$ 1,339,049	3.0%
02 Technical and Spec. Fees	1,267,769	1,067,590	1,086,812	19,222	1.8%
03 Communication	1,073,086	1,101,204	901,301	-199,903	-18.2%
04 Travel	49,248	27,062	23,623	-3,439	-12.7%
06 Fuel and Utilities	16,871,601	17,099,531	16,751,652	-347,879	-2.0%
07 Motor Vehicles	1,163,323	1,230,656	1,279,951	49,295	4.0%
08 Contractual Services	17,808,084	17,912,912	20,283,795	2,370,883	13.2%
09 Supplies and Materials	1,450,363	968,904	1,287,007	318,103	32.8%
10 Equipment – Replacement	41,299	72,000	911,683	839,683	1166.2%
11 Equipment – Additional	347,831	293,818	146,228	-147,590	-50.2%
12 Grants, Subsidies, and Contributions	367,000	300,000	1,300,000	1,000,000	333.3%
13 Fixed Charges	4,147,289	4,085,726	4,023,232	-62,494	-1.5%
14 Land and Structures	5,568,958	5,988,343	8,544,040	2,555,697	42.7%
Total Objects	**$ 93,205,228**	**$ 94,352,849**	**$ 102,083,476**	**$ 7,730,627**	**8.2%**
Funds					
01 General Fund	$ 61,006,955	$ 60,680,822	$ 67,610,062	$ 6,929,240	11.4%
03 Special Fund	2,828,267	4,214,990	4,512,632	297,642	7.1%
05 Federal Fund	1,189,493	1,270,853	1,295,584	24,731	1.9%
09 Reimbursable Fund	28,180,513	28,186,184	28,665,198	479,014	1.7%
Total Funds	**$ 93,205,228**	**$ 94,352,849**	**$ 102,083,476**	**$ 7,730,627**	**8.2%**

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.

Fiscal Summary
Department of General Services

Program/Unit	FY 15 Actual	FY 16 Wrk Approp	FY 17 Allowance	Change	FY 16 - FY 17 % Change
0A Department of General Services	$ 4,921,598	$ 3,853,735	$ 3,745,896	-$ 107,839	-2.8%
0B Office of Facilities Security	12,580,169	12,257,104	13,871,488	1,614,384	13.2%
0C Office of Facilities Operation and Management	53,479,918	52,276,744	55,022,461	2,745,717	5.3%
0D Office of Services and Logistics	6,972,605	7,911,821	7,636,477	-275,344	-3.5%
0E Office of Real Estate	2,531,932	2,530,134	2,620,220	90,086	3.6%
0G Office of Facilities Planning, Design and Construction	12,719,006	15,523,311	19,186,934	3,663,623	23.6%
Total Expenditures	**$ 93,205,228**	**$ 94,352,849**	**$ 102,083,476**	**$ 7,730,627**	**8.2%**
General Fund	$ 61,006,955	$ 60,680,822	$ 67,610,062	$ 6,929,240	11.4%
Special Fund	2,828,267	4,214,990	4,512,632	297,642	7.1%
Federal Fund	1,189,493	1,270,853	1,295,584	24,731	1.9%
Total Appropriations	**$ 65,024,715**	**$ 66,166,665**	**$ 73,418,278**	**$ 7,251,613**	**11.0%**
Reimbursable Fund	$ 28,180,513	$ 28,186,184	$ 28,665,198	$ 479,014	1.7%
Total Funds	**$ 93,205,228**	**$ 94,352,849**	**$ 102,083,476**	**$ 7,730,627**	**8.2%**

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.

Appendix 3