

H00
Department of General Services

Operating Budget Data

(\$ in Thousands)

	<u>FY 16</u> <u>Actual</u>	<u>FY 17</u> <u>Working</u>	<u>FY 18</u> <u>Allowance</u>	<u>FY 17-18</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$64,706	\$69,243	\$67,510	-\$1,733	-2.5%
Adjustments	0	786	-137	-923	
Adjusted General Fund	\$64,706	\$70,029	\$67,373	-\$2,656	-3.8%
Special Fund	3,965	4,094	3,956	-138	-3.4%
Adjustments	0	0	-5	-5	
Adjusted Special Fund	\$3,965	\$4,094	\$3,952	-\$143	-3.5%
Federal Fund	1,271	1,294	1,336	42	3.2%
Adjustments	0	0	-2	-2	
Adjusted Federal Fund	\$1,271	\$1,294	\$1,334	\$39	3.0%
Reimbursable Fund	25,233	28,665	28,436	-229	-0.8%
Adjusted Reimbursable Fund	\$25,233	\$28,665	\$28,436	-\$229	-0.8%
Adjusted Grand Total	\$95,176	\$104,083	\$101,094	-\$2,988	-2.9%

Note: Includes targeted reversions, deficiencies, and contingent reductions.

- The Department of General Services (DGS) has two fiscal 2017 general fund deficiency appropriations: \$885,000 to support maintenance and security services for the Crownsville complex and \$400,000 to cover the loss of special fund revenue tied to a contract.
- DGS's fiscal 2017 appropriation assumes a reversion of \$500,000 in general funds. These funds were restricted by the legislature to establish a facilities conditions assessment program.
- The adjusted fiscal 2018 budget decreases by \$2,988,000, or 2.9%, compared to the adjusted fiscal 2017 appropriation.

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

For further information contact: Darica S. Lawson

Phone: (410) 946-5530

Personnel Data

	<u>FY 16</u> <u>Actual</u>	<u>FY 17</u> <u>Working</u>	<u>FY 18</u> <u>Allowance</u>	<u>FY 17-18</u> <u>Change</u>
Regular Positions	577.50	581.00	581.00	0.00
Contractual FTEs	<u>6.66</u>	<u>22.93</u>	<u>22.93</u>	<u>0.00</u>
Total Personnel	584.16	603.93	603.93	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	35.15	6.05%
Positions and Percentage Vacant as of 12/31/16	54.50	9.38%

- There are no proposed personnel changes in the fiscal 2018 budget.

Analysis in Brief

Major Trends

Energy Consumption Reduction: Energy consumption among State agencies has decreased.

Minority Business Enterprise: Minority Business Enterprise participation in DGS procurement, as measured in total dollars, decreased by 7 percentage points in fiscal 2016.

Issues

Critical Maintenance Backlog: While the backlog has decreased, DGS is unable to specify the number of projects completed through DGS as well as the specific dollar amount associated with the projects.

2016 Closeout Audit: DGS improperly encumbered \$968,000 in special funds obtained through an administrative charge for operating the eMaryland Marketplace.

Recommended Actions

1. Concur with Governor's allowance.

H00
Department of General Services

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 the operation of the Maryland Capitol Police. DGS uses the following goals to guide its Managing for Results (MFR) reporting:

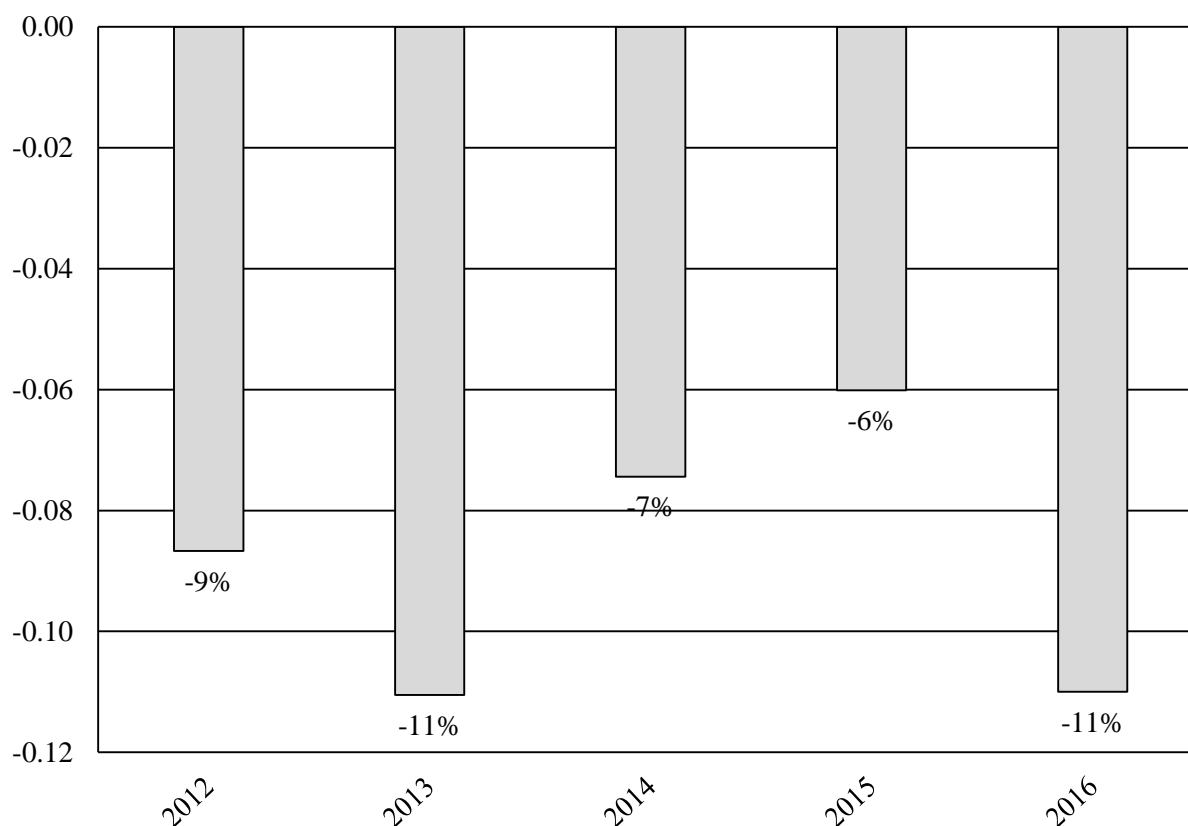
- operate efficiently and effectively;
- manage departmental projects efficiently;
- provide timely and accurate management information;
- achieve responsible asset management;
- provide best value for customer agencies and taxpayers; and
- carry out social, economic, and other responsibilities as a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

Performance Analysis: Managing for Results

1. Energy Consumption Reduction

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, set forth a goal to reduce energy consumption by 15% by fiscal 2015. Goals listed in the EmPOWER Maryland Energy Efficiency Act of 2008 were valid through 2015. **Exhibit 1** shows the annual percentage reduction against the 2008 consumption baseline. There was a decrease in energy consumption compared to the baseline by nearly 12% in fiscal 2016. During fiscal 2016, DGS managed 23 energy performance contracts (EPC), a slight decrease from the 27 EPCs reported in fiscal 2015.

Exhibit 1
Energy Consumption Reduction Against 2008 Baseline
Fiscal 2012-2016

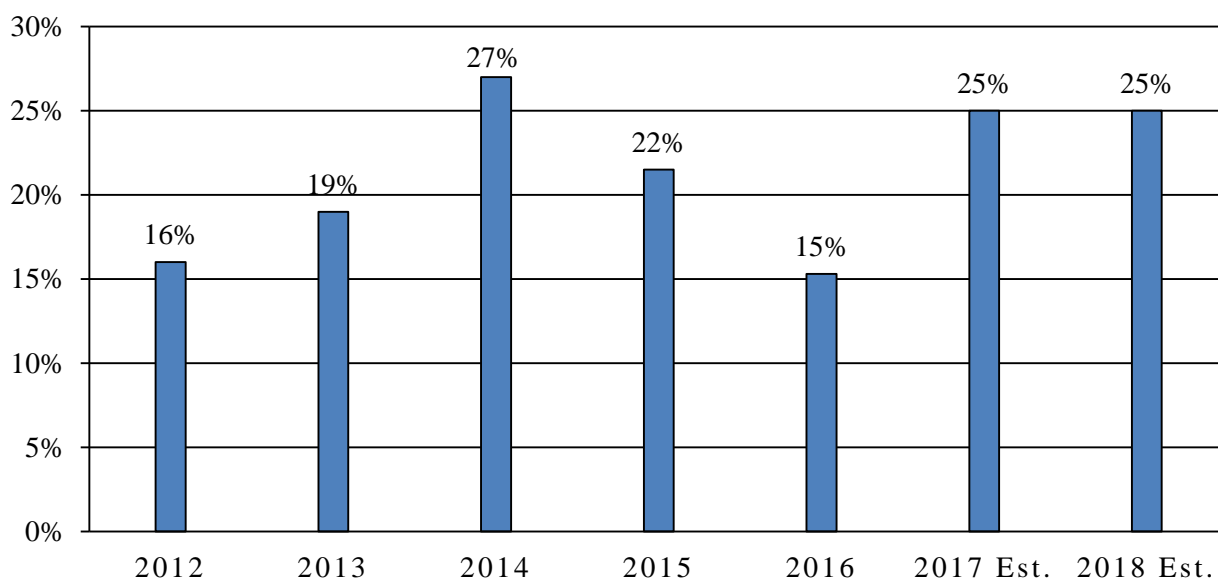


Source: Department of General Services

2. Minority Business Enterprise

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. The goal of 29% was established in 2013 by the Governor's Office of Minority Affairs. As shown in **Exhibit 2**, MBE participation decreased by 7 percentage points from fiscal 2015 to 2016, resulting in only 15% participation. DGS did not report the annual expenditures for MBE expenditures or the total value of annual procurements. **DGS should comment on its inability to meet its MBE goal.**

Exhibit 2
Minority Business Enterprise Participation
Fiscal 2012-2018 Est.
(% of Total DGS Procurement Dollars)



DGS: Department of General Services

Source: Department of General Services

Fiscal 2017 Actions

Proposed Deficiencies and Reversions

DGS has two fiscal 2017 general fund deficiency appropriations: \$885,000 to support maintenance and security services for the Crownsville complex and \$400,000 to cover the loss of special fund revenue tied to a contract. DGS's fiscal 2017 appropriation also assumes a reversion of \$500,000 in general funds. These funds were restricted by the legislature to establish a facilities conditions assessment program.

Section 20 Position Abolition

Section 20 of the fiscal 2017 budget bill required the Governor to abolish 657.0 regular positions and cut \$20 million in general funds and \$5 million in special funds. As part of the abolished positions, DGS abolished 6.5 positions and cut \$190,000.

Proposed Budget

Exhibit 3 shows the adjusted fiscal 2018 allowance falls by \$2.988 million from the adjusted fiscal 2017 working appropriation. Facilities security decreased \$912,000 because the Department of Information Technology will now be administering facilities security equipment at State-owned facilities. The fiscal 2017 one-time flood mitigation grant to Annapolis (\$1.0 million) was also removed from the fiscal 2018 allowance.

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

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2016 Actual	\$64,706	\$3,965	\$1,271	\$25,233	\$95,176
Fiscal 2017 Working Appropriation	70,029	4,094	1,294	28,665	104,083
Fiscal 2018 Allowance	<u>67,373</u>	<u>3,952</u>	<u>1,334</u>	<u>28,436</u>	<u>101,094</u>
Fiscal 2017-2018 Amount Change	-\$2,656	-\$143	\$39	-\$229	-\$2,988
Fiscal 2017-2018 Percent Change	-3.8%	-3.5%	3.0%	-0.8%	-2.9%

Where It Goes:

Personnel Expenses

Overtime earnings	\$638
Turnover expectancy	108
Social Security	77
Retirement contributions, including contingent reduction	19
Workers' compensation	-19
Reclassification	-37
Employee and retiree health insurance	-450
Regular earnings	-472
Other personnel expenses	14

Facilities Security

Facilities security equipment	-912
-------------------------------------	------

Facilities Operation and Maintenance

Calvert Street Garage – additional maintenance	805
Offset of fiscal 2017 Crownsville complex maintenance and security deficiency	-886
Annapolis flood mitigation	-1,000

H00 – Department of General Services

Where It Goes:

Facilities, Planning, Design and Construction

Loan Repayment – Energy Conservation	-650
--	------

Miscellaneous

Other agencywide reductions.....	-224
----------------------------------	------

Total	-\$2,988
--------------	-----------------

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

Across-the-board Reductions

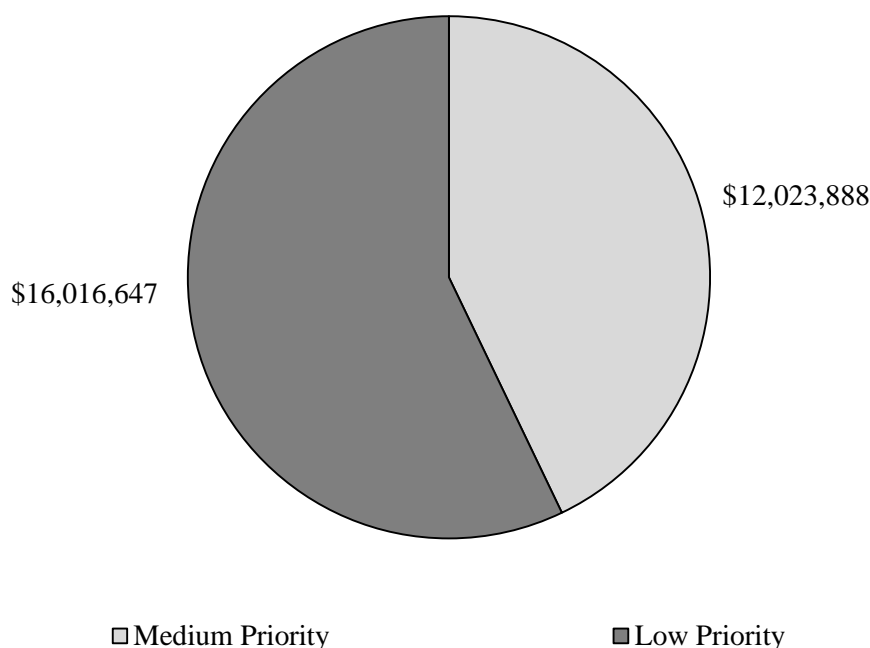
The fiscal 2018 budget bill includes a \$54.5 million (all fund) across-the-board contingent reduction for a supplemental pension payment. Annual payments are mandates for fiscal 2017 through 2020 if the Unassigned General Fund balance exceeds a certain amount at the close of the fiscal year. This agency's share of these reductions is \$144,110 in general funds. This action is tied to a provision in the Budget Reconciliation and Financing Act of 2017.

Issues

1. Critical Maintenance Backlog

As of February 9, 2017, the operating facilities maintenance backlog had 662 projects totaling \$28.9 million. In just under a 30-day period, the operating backlog grew 16 projects and \$859,465 from that provided in January (see **Exhibit 4**). This is still a decrease compared to 935 projects totaling \$37.1 million at this time during fiscal 2015. The decrease in the backlog can be attributed to agency survey, maintenance performed by DGS, or facility closure. By way of agency survey, 179 projects totaling \$7.4 million were removed from the backlog as of February 2017. DGS was unable to provide the number of projects and total dollar value for the two remaining methods. While the agency previously received \$5.0 million for this critical maintenance, in fiscal 2017 and 2018 funding increased to \$7.5 million. The department is unable to isolate specific items removed from the backlog due to the antiquated system utilized for database management. **DGS should comment on how it plans to measure the methods by which the backlog is decreased and their ability to support this increased appropriation.**

Exhibit 4
Operating Maintenance Backlog Rating



Source: Department of General Services

The facilities operating maintenance backlog currently indicates that there are no projects that require emergency attention. This is inclusive of projects that are under \$100,000. Exhibit 4 shows the maintenance backlog details as of January 2017. The operating backlog contained 646 projects, of which 56% (368 projects) had been requested 7 to 28 years ago and total \$15,028,616. **DGS should comment on any criteria used to add and remove projects from the backlog.**

3. 2016 Closeout Audit

By law, DGS is permitted to collect an administrative fee from bidders who utilize eMaryland Marketplace (eMM) to conduct procurements with the State. The fees collected from these procurements would pay for the cost incurred to operate the eMM System. Current law does not specify that the special fund revenues obtained from these fees are to be retained in a nonlapsing fund nor dedicated for any specific purpose. DGS does not have the legal authority to retain the excess fees collected during the year. In the 2016 closeout audit conducted by the Office of Legislative Audits, it was noted that DGS recoded the funds as deferred revenue totaling approximately \$968,000 to avoid reverting certain accumulated and unspent special fund revenues. According to the Comptroller of Maryland, deferred revenue should only be recoded when it has been collected in the fiscal year but will not be recognized until the following fiscal year.

Recommended Actions

1. Concur with Governor's allowance.

H00 – Department of General Services

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2016					
Legislative Appropriation	\$60,119	\$3,283	\$1,263	\$28,186	\$92,851
Deficiency Appropriation	3,783	0	0	0	3,783
Budget Amendments	805	1,170	8	0	1,982
Reversions and Cancellations	0	-488	0	-2,953	-3,440
Actual Expenditures	\$64,706	\$3,965	\$1,271	\$25,233	\$95,176
Fiscal 2017					
Legislative Appropriation	\$67,797	\$4,084	\$1,294	\$28,665	\$101,841
Cost Containment	0	0	0	0	0
Budget Amendments	1,446	10	0	0	1,456
Working Appropriation	\$69,243	\$4,094	\$1,294	\$28,665	\$103,297

Note: Does not include targeted reversions, deficiencies, and contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2016

The Department of General Services' legislative appropriation increased by \$2.3 million. Deficiency appropriations added \$3.8 million, budget amendments a further \$2.0 million, with reversions and cancellations totaling \$3.4 million. Most of the cancellations (\$3.0 million) were in reimbursable funds.

Fiscal 2017

Salary increments for State employees were appropriated through a budget amendment in fiscal 2017, adding \$622,151 in general funds and \$10,100 in special funds to the legislative appropriation. Other budget amendments increased the appropriation by \$824,000 in general funds.

Appendix 2
Audit Findings
Office of Procurement and Logistics

Audit Period for Last Audit:	August 20, 2012 – October 27, 2015
Issue Date:	December 7, 2016
Number of Findings:	7
Number of Repeat Findings:	3
% of Repeat Findings:	43%
Rating: (if applicable)	n/a

Finding 1: The Office of Procurement and Logistics (OPL) did not verify the accuracy of periodic fuel usage reconciliations, sufficiently address failed fuel quality tests, and ensure State agencies were reviewing monthly fuel variance reports.

Finding 2: **OPL did not adequately monitor certain State agency procurements that were specifically subject to its oversight and did not review and update State procurement regulations and the Department of General Services manual for commodity procurements as needed.**

Finding 3: OPL did not publish contract awards totaling \$5.9 million eMaryland Marketplace as required.

Finding 4: OPL did not always provide prices for products available from Intergovernmental Cooperative Purchasing Agreements to State agencies.

Finding 5: OPL did not ensure that it received all administrative fees due from vendors providing goods and services to State agencies under statewide contracts, and the Department of Legislative Services review of selected contracts disclosed uncollected fees of approximately \$222,000.

Finding 6: **OPL did not establish comprehensive procedures for determining the fair market prices of goods and services available from Maryland Correctional Enterprises (MCE). Furthermore, OPL did not publish the fair market prices of items available for purchase from MCE and Blind Industries and Services of Maryland as required.**

Finding 7: **OPL did not adequately monitor the coordinating entity for the Employment Works Program (EWP) to ensure that it met its responsibilities under the law, and that fees it collected from EWP preferred providers were reasonable.**

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

Appendix 3
Object/Fund Difference Report
Department of General Services

<u>Object/Fund</u>	<u>FY 16 Actual</u>	<u>FY 17 Working Appropriation</u>	<u>FY 18 Allowance</u>	<u>FY 17 - FY 18 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	577.50	581.00	581.00	0.00	0%
02 Contractual	6.66	22.93	22.93	0.00	0%
Total Positions	584.16	603.93	603.93	0.00	0%
Objects					
01 Salaries and Wages	\$ 42,817,536	\$ 47,183,840	\$ 47,206,323	\$ 22,483	0%
02 Technical and Spec. Fees	1,121,100	1,086,812	1,129,912	43,100	4.0%
03 Communication	1,265,526	901,301	1,027,938	126,637	14.1%
04 Travel	47,411	23,623	36,897	13,274	56.2%
06 Fuel and Utilities	16,144,011	16,751,652	15,866,561	-885,091	-5.3%
07 Motor Vehicles	1,302,277	1,279,951	1,409,786	129,835	10.1%
08 Contractual Services	19,228,482	19,857,697	19,493,679	-364,018	-1.8%
09 Supplies and Materials	1,272,257	1,287,007	1,264,885	-22,122	-1.7%
10 Equipment – Replacement	934,362	911,683	0	-911,683	-100.0%
11 Equipment – Additional	405,146	146,228	12,000	-134,228	-91.8%
12 Grants, Subsidies, and Contributions	367,000	1,300,000	367,000	-933,000	-71.8%
13 Fixed Charges	4,499,492	4,023,232	4,078,076	54,844	1.4%
14 Land and Structures	5,771,037	8,544,040	9,345,427	801,387	9.4%
Total Objects	\$ 95,175,637	\$ 103,297,066	\$ 101,238,484	-\$ 2,058,582	-2.0%
Funds					
01 General Fund	\$ 64,706,447	\$ 69,243,247	\$ 67,510,020	-\$ 1,733,227	-2.5%
03 Special Fund	3,964,867	4,094,297	3,956,286	-138,011	-3.4%
05 Federal Fund	1,270,853	1,294,324	1,335,908	41,584	3.2%
09 Reimbursable Fund	25,233,470	28,665,198	28,436,270	-228,928	-0.8%
Total Funds	\$ 95,175,637	\$ 103,297,066	\$ 101,238,484	-\$ 2,058,582	-2.0%

Note: Does not include targeted reversions, deficiencies, and contingent reductions.

**Appendix 4
Fiscal Summary
Department of General Services**

<u>Program/Unit</u>	<u>FY 16 Actual</u>	<u>FY 17 Wrk Approp</u>	<u>FY 18 Allowance</u>	<u>Change</u>	<u>FY 17 - FY 18 % Change</u>
0A Department of General Services	\$ 4,016,735	\$ 3,838,627	\$ 3,837,004	-\$ 1,623	0%
0B Office of Facilities Security	13,476,062	15,027,622	13,673,854	-1,353,768	-9.0%
0C Office of Facilities Operation and Management	54,088,274	55,174,795	54,894,310	-280,485	-0.5%
0D Office of Services and Logistics	6,465,735	7,822,506	8,347,628	525,122	6.7%
0E Office of Real Estate	2,333,374	2,632,644	2,563,206	-69,438	-2.6%
0G Office of Facilities Planning, Design and Construction	14,795,457	18,800,872	17,922,482	-878,390	-4.7%
Total Expenditures	\$ 95,175,637	\$ 103,297,066	\$ 101,238,484	-\$ 2,058,582	-2.0%
General Fund	\$ 64,706,447	\$ 69,243,247	\$ 67,510,020	-\$ 1,733,227	-2.5%
Special Fund	3,964,867	4,094,297	3,956,286	-138,011	-3.4%
Federal Fund	1,270,853	1,294,324	1,335,908	41,584	3.2%
Total Appropriations	\$ 69,942,167	\$ 74,631,868	\$ 72,802,214	-\$ 1,829,654	-2.5%
Reimbursable Fund	\$ 25,233,470	\$ 28,665,198	\$ 28,436,270	-\$ 228,928	-0.8%
Total Funds	\$ 95,175,637	\$ 103,297,066	\$ 101,238,484	-\$ 2,058,582	-2.0%

Note: Does not include targeted reversions, deficiencies, and contingent reductions.