

**Department of Fiscal Services**  
Maryland General Assembly

**FISCAL NOTE**  
**Revised**

Senate Bill 123 (Chairman, Economic and Environmental Affairs Committee)  
(Departmental - Morgan State University)

Economic and Environmental Affairs

Referred to Appropriations

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**Procurement - Morgan State University - Public Improvement Projects**

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This amended departmental bill transfers certain responsibilities for procurement and contract management of public improvement projects from the Department of General Services (DGS) to Morgan State University (MSU). MSU's involvement is currently restricted to monitoring and review throughout the design and construction process. Under the proposed bill, DGS would be responsible for: (1) architectural and engineering procurements under \$100,000; (2) reviewing bids and making recommendations to MSU; (3) monitoring status reports that MSU would submit to DGS; and (4) advising MSU with respect to any engineering question or a matter concerning a public improvement. For projects funded with non-State funds, MSU is responsible for procurement, planning, and management of all project aspects, except that projects are subject to the Board of Public Works' approval.

The bill takes effect July 1, 1996.

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**Fiscal Summary**

**State Effect:** Morgan State University plans to absorb any increase in expenditures resulting from the bill's requirements within existing budgeted resources, as discussed below. Revenues would not be affected.

**Local Effect:** None.

**Small Business Effect:** Morgan State University has determined that this bill has no impact on small business (attached). Fiscal Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

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**Fiscal Analysis**

**Background:** Chapter 485 of 1994 requested that Morgan State University (MSU) report on the feasibility and fiscal implications of undertaking additional authority with regard to construction projects to the Legislative Policy Committee in December 1995. MSU's "Capital Facilities Management Implementation Study" was submitted to the Legislative Policy Committee in December 1995.

The study concludes that it will be feasible for MSU to undertake additional construction authority by developing a core staff unit called the Office of Design and Construction Management (ODCM). The ODCM should consist of a director, a manager for design services, a manager for construction management services, a manager for contract administration, and an office secretary. This core staff would be supplemented with one of three staff augmentation options: (1) outsourcing, using an architectural/engineering (A/E) firm to provide review of project design services and to perform construction management; (2) in-house full-service, hiring additional university employees to supplement the core staff unit; or (3) a hybrid approach of the first two options. The in-house full-service option is more costly than the other two options. The in-house full-service option supports maximum project control, but provides the least project management flexibility. The outsourcing option provides a moderate amount of control and maximum flexibility, while the hybrid option provides a moderate amount of control and moderate flexibility. MSU has decided to use the outsourcing option to supplement its core staff unit.

**State Expenditures:** MSU indicates that expenditures will not actually increase, since they plan to absorb any additional costs resulting from the bill's requirements within existing budgeted resources. Special fund costs that would need to be absorbed by MSU total an estimated \$126,050 in fiscal 1997. This estimate reflects the costs of contractual services (for outsourcing and for temporary contractual assistance on an as needed basis), one-time start-up costs (computer-aided design software and hardware), and ongoing operating expenses.

Special fund costs that need to be absorbed could increase by an additional \$86,692 in fiscal 1998 to reflect the cost of hiring two positions: one contract administrator and one office secretary. This estimate includes salaries of \$64,368 and fringe benefits. The core staff unit indicated in MSU's "Capital Facilities Management Implementation Study" includes a director, a manager for design services, a manager for construction management services, a manager for contract administration, and an office secretary. The first three positions will be filled by reorganizing existing staff resources. MSU will use temporary contractual assistance to perform the functions of the contract administrator and office secretary on an as needed basis in fiscal 1997, but will hire these two positions in fiscal 1998.

The bill's requirements decrease the responsibilities of the Department of General Services (DGS) with regard to capital improvement projects at Morgan State University. As a result,

DGS would presumably need fewer positions. The Department of Fiscal Services notes, however, that DGS' Office of Facilities Planning, Engineering, and Construction's fiscal 1997 budget allowance reflects a net decrease of 25 positions as part of the Governor's statewide position reduction effort. Accordingly, this bill should not result in expenditure savings for DGS.

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**Information Source(s):** Morgan State University, Department of General Services, Department of Fiscal Services

**Fiscal Note History:** First Reader - January 23, 1996  
ncs Revised - Senate Third Reader - March 19, 1996

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