

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1557 (Delegate Solomon)(By Request - Joint Audit and Evaluation Committee)

Government, Labor, and Elections

Procurement - Department of General Services - Real Estate Advisory Committee

This bill establishes a Real Estate Advisory Committee in the Department of General Services (DGS). The Real Estate Advisory Committee must (1) advise State agencies of any issues of concern regarding real estate transactions before a formal action on the transaction; (2) immediately begin real estate transaction review upon the selection by DGS of a lead offeror; (3) not less than one year prior to the expiration of a lease, vote to make a recommendation as to whether a real estate transaction or specific provisions of a real estate transaction should be rejected, revised, or removed prior to submission to the Board of Public Works for approval; and (4) advise DGS on its lease procurement procedures. The bill specifies information that an agency must submit to the advisory committee for each proposed real estate transaction and establishes requirements for the advisory committee to report annually to the Governor and General Assembly. DGS must provide staff for the advisory committee, and the Secretary of General Services must designate the chair of the committee. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: General fund expenditures increase by \$189,400 beginning in FY 2027 for staff. Out-year expenditures reflect annualization and inflation. The bill may delay approval of real estate transactions, which may increase costs, as discussed below. No effect on revenues.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	189,400	223,800	234,100	244,700	255,400
Net Effect	(\$189,400)	(\$223,800)	(\$234,100)	(\$244,700)	(\$255,400)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: “Real estate transaction” means a lease, lease renewal, or purchase of property by the State for land acquisition that has a total expected cost greater than \$500,000 per year.

Each agency that submits a request for proposals for a real estate transaction to the advisory committee must include:

- a full cost benefit analysis comparing similar or comparable properties and purchase options, including a comparison of lease options with purchase options, and lease consolidation options;
- an analysis of agency parking needs and costs, including any related considerations regarding the property;
- documents that justify (1) real estate terms of time or cost in excess of ordinary and regular State contract terms; (2) rent escalation rates in excess of market rates; (3) construction costs and costs for any other part of the real estate transaction, with consideration for the reasonableness and cost competitiveness of each item; (4) removal of any standard real estate provisions, including the right to terminate the lease or transaction; and (5) any issues regarding noncompetitive procurements;
- a full or significant renovation cost analysis, distinct from the overall lease cost benefit analysis, including (1) a justification for noncompetitive procurement of goods and services; (2) a demonstration that costs are necessary, reasonable, and appropriate; and (3) a demonstration that full funding is available for all renovations; and
- landlord payment documentation, including (1) total payments to date to the landlord; (2) prior lease payments; (3) tax credits or other State benefits granted to the landlord; and (4) tax credits or other State benefits for the location of the real estate transaction.

A real estate transaction that is submitted to BPW must include all of this information as well as the advisory committee’s recommendations on the real estate transaction or specific provisions of the real estate transaction. A real estate transaction (or specific provisions) not recommended for approval by the advisory committee may be resubmitted to the committee for additional review. Nothing in the bill may be construed to prohibit or limit an agency from submitting a real estate transaction to BPW for approval.

The advisory committee must submit an annual report to the Governor and the General Assembly before January 1 of each year. The report must include:

- a list of all current real estate transactions by the State under State law regarding State leasing of real property and land acquisition, including the term of duration and costs associated with each real estate transaction;
- the total number of agencies that submitted requests for proposals for real estate transactions to the advisory committee;
- the final disposition of each request for proposals for a real estate transaction;
- the subsequent action taken by the agency following final disposition of each request for proposals for a real estate transaction; and
- following BPW approval, the status of real estate transactions published in eMaryland Marketplace, listing whether the real estate transaction publication was on time or late.

DGS must publish all data required in the annual report on its website or on a publicly accessible online dashboard for public review.

Committee members may not receive compensation as members of the committee but are entitled to reimbursement for expenses under the Standard State Travel Regulations.

Current Law:

Land Acquisition

The Land Acquisition Division within DGS is exclusively responsible for negotiating the acquisition of land for any public improvement. The Division must make each State acquisition in the name of the unit of the State government or the principal department of the State government to which the unit belongs. The division is not responsible for acquiring land for a local project or the development of any acquired land.

Before execution, a contract for the acquisition of land must be reviewed by the Secretary of General Services and approved by BPW (unless otherwise specified in regulations). Except for any capital expenditure by the Maryland Aviation Administration, the Maryland Port Administration, or the Maryland Transit Administration, the division must, at least 40 days before BPW may act on a land acquisition, give written notice of a potential land acquisition to the governing body of the county in which the land is located and, if the land is located within a municipal corporation, to the governing body of the municipal corporation. Within 30 days after receiving notice, the governing body may submit written comments to the division. The provisions of this paragraph do not apply to any capital expenditures by the Department of Transportation or the Maryland Transportation

Authority in connection with State roads, bridges, or highways or to the acquisition of land by the Department of Natural Resources. BPW is responsible for supervising the expenditures of any money that the General Assembly appropriates for the acquisition of land.

Except when real property is acquired by gift, before any real property is acquired from a private owner, BPW must obtain two independent appraisals of the property.

State Leasing of Real Property

DGS must give written notice of each proposed initial lease of property to (1) the governing body of each political subdivision in which the property is located and (2) each member of the General Assembly in whose legislative district the property is located. Within 30 days after receiving notice, the governing body or member of the General Assembly may submit written comments to DGS, and a lease for a site may not be executed until 31 days after the day that notice is received.

DGS must advertise any need of the State to rent building space at least 20 days before proposals for a lease are due. The Department must advertise the leasing by posting a publication on the DGS website and eMaryland Marketplace, as well as in a daily or weekly newspaper with circulation sufficient to provide notice to the people of the State, or at least to the people of the affected locality. The advertisement must contain the number of square feet proposed to be leased and the general area in which the States desires to lease the space.

Unless BPW regulations require otherwise, the Secretary of General Services must submit each proposal for the lease of building space by the State, along with any recommendation of the Secretary, to BPW for final approval.

These requirements do not apply to (1) intergovernmental lease transactions; (2) lease transactions involving property located outside the State; (3) lease transactions declared by the Secretary of General Services to be necessary because of an emergency; (4) lease transactions where the State is the lessor; or (5) lease transactions involving up to 5,000 square feet of property.

State Expenditures:

Department of General Services

The bill requires the Real Estate Advisory Committee to review and make recommendations on all State real estate transactions (purchases and leases) with an expected cost exceeding \$500,000. To do so, the committee must collect and review documentation submitted by State agencies for every proposed purchase and lease

transaction. For the committee to make informed recommendations, it requires staff to gather the required materials and review them for completeness and accuracy. Although the Office of Real Estate within DGS is responsible for managing real estate transactions, the Office of State Procurement is also responsible for preparing submissions to BPW.

DGS is responsible for providing staff to the committee, but it does not currently have sufficient existing budgeted resources to absorb the resulting workload. Accordingly, general fund expenditures increase by \$189,418 in fiscal 2027, which accounts for a 90-day start-up delay from the bill's July 1, 2026 effective date. This estimate reflects the cost of hiring two administrative staff to revise policies and procedures for the committee, verify all documentation has been sufficiently and accurately submitted to the Advisory Committee, prepare BPW submissions, and oversee annual reporting by the committee. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	2.0
Salaries and Fringe Benefits	\$171,136
Operating Expenses	<u>18,282</u>
Total FY 2027 State Expenditures	\$189,418

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Real Estate Transactions

The bill effectively adds another layer of review to an already extended approval process for proposed real estate transactions. BPW approval alone can take between four and six weeks once a lease or sale is agreed upon. Protracted approvals of real estate transactions can disadvantage the State when it is competing for land or office space with private buyers or lessors, who can typically complete transactions more expeditiously. This can limit the lease and purchasing options available to the State, which can result in it paying a premium in the real estate marketplace. Any such effect cannot be reliably estimated, but it may be meaningful.

Additional Comment: The bill establishes that it may not be construed to prohibit or limit a State agency from submitting a real estate transaction to BPW, but it also requires that every real estate transaction that is submitted to BPW must include the committee's recommendation. Thus, it is not clear to what extent, if any, an agency can bypass the committee's review of a proposed real estate transaction. It is also not clear whether a favorable recommendation by the committee is a precondition for submission of a purchase or lease to BPW for approval, especially since transactions not recommended for approval can be resubmitted for the committee's review.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Department of General Services; Board of Public Works; Department of Legislative Services

Fiscal Note History: First Reader - March 5, 2026
jg/mcr

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