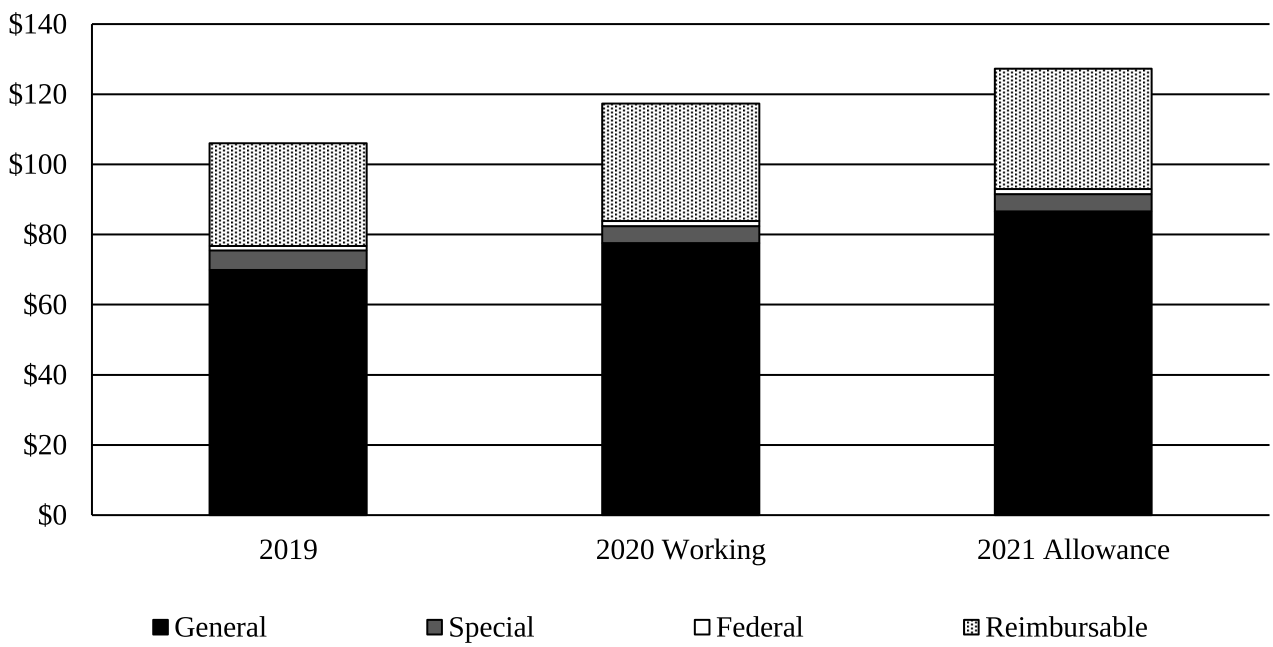
H00
Department of General Services

Executive Summary

The Department of General Services (DGS) is the landlord to State agencies. Services provided include operating and maintaining facilities; facility security; facility planning, design, and construction management; real estate management for leased facilities; and State procurement.

Operating Budget Summary

Fiscal 2021 Budget Increases by $10 Million or 8.5% to $127.3 Million
($ in Millions)



Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

- The budget bill proposes an additional $0.7 million in fiscal 2020 deficiencies for security systems and equipment upgrades and another $3.3 million over the fiscal 2019 spending level in fiscal 2021.

- To address a substantial maintenance backlog, the fiscal 2021 allowance includes an additional $2 million for critical maintenance projects for a total of $12.5 million.

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Key Observations

- ***DGS Continues to Have High Vacancy Rates:*** DGS vacancy rates were 11% at the beginning of January and have been high for years. A survey of salaries for common positions shows that, in spite of recent increases, DGS salaries continue to lag behind county salaries.

- ***Increased Funding for Operating Critical Maintenance and Capital Facility Renewal Has Reduced the Maintenance Backlog:*** Increased funding and new positions have contributed to a reduction in the maintenance backlog.

Operating Budget Recommended Actions

		Funds
1.	Increase fiscal 2021 turnover rate to fiscal 2020 level of 7%.	$ 530,000
2.	Add language restricting funds pending a report addressing five repeat audit issues.	
	Total Reductions	**$ 530,000**

Operating Budget Analysis

Program Description

The Department of General Services (DGS) provides an array of services for State agencies. DGS' primary function is to serve as a landlord. The department also administers a grant program and is a procurement control agency. Specific agencies and offices include:

- **Executive Direction** is responsible for leadership and coordination of programs and activities.

- **Administration** provides personnel and fiscal support for the department.

- **Facilities Operations and Maintenance** supports the operation and maintenance of over 50 State-owned facilities, including the District Courts and multiservice centers. These services are provided through a combination of State positions and private contractors.

- **Facilities Security** provides facility security and law enforcement services. Security is provided through State employees. The Maryland Capitol Police (MCP) has sworn officers who provide law enforcement services and coordinate with other law enforcement agencies.

- **Energy Performance and Conservation** manages energy procurement and consumption.

- **Facilities Planning, Design, and Construction** serves as the State's construction manager. The office provides architectural, engineering, and construction inspection services for projects at State facilities. The office also reviews the design of community college and public school construction programs.

- **Real Estate Management** acquires and disposes of real property interests through three programs: Lease Management and Procurement; Land Acquisition and Disposal; and Valuation and Appraisal.

- **State Procurement** serves as the control agency for the procurement of commodities as well as architectural and engineering services. The office includes the Inventory Management and Support Services Division that determines and manages property disposition (excluding vehicles) for State agencies. Records management services are also provided. Legislation expanding DGS' procurement role is discussed in the Issues section of this analysis.

- **Business Enterprise Administration** serves as a support unit that provides services to other DGS units. Services provided include business outreach and training, marketing, State fuel contract, technology services, mail room, and the capital grants and loan program.

Key goals are to provide the best value for customers and taxpayers, provide a safe and secure environment for State employees and visitors in complexes secured by MCP, carry out social and economic responsibilities, maintain the condition of DGS-owned buildings to provide a comfortable environment for State employees and visitors, improve the condition of State facilities, and reduce State energy consumption.

Exhibit 1 shows which of the goals relate to which agencies. For each agency, except Executive Direction and Administration, there is a Managing for Results (MFR) goal with specific objectives and performance measures that relate directly to that agency. With respect to Facilities Operation and Maintenance, which is the largest agency that consumes 50% of the budget and 32% of personnel, it would be helpful to have more measures about how responsive the department is to work orders. DGS has a new cloud-based maintenance system to track its work. The department should consider using data for MFR indicators to show how it is performing. For example, there could be indicators that show how quickly work is being done.

Exhibit 1
Goals by Agency
Fiscal 2021

Agency	Goal 1	Goal 2	Goal 3	Goal 4	Goal 5	Goal 6
Facilities Operation and Maintenance	✓				✓	✓
Planning, Design, and Construction[1]				✓	✓	✓
Security		✓				
State Procurement	✓		✓			
Business Enterprise	✓					
Executive Direction and Administration						
Real Estate Management	✓					

[1] Includes the Energy Office.

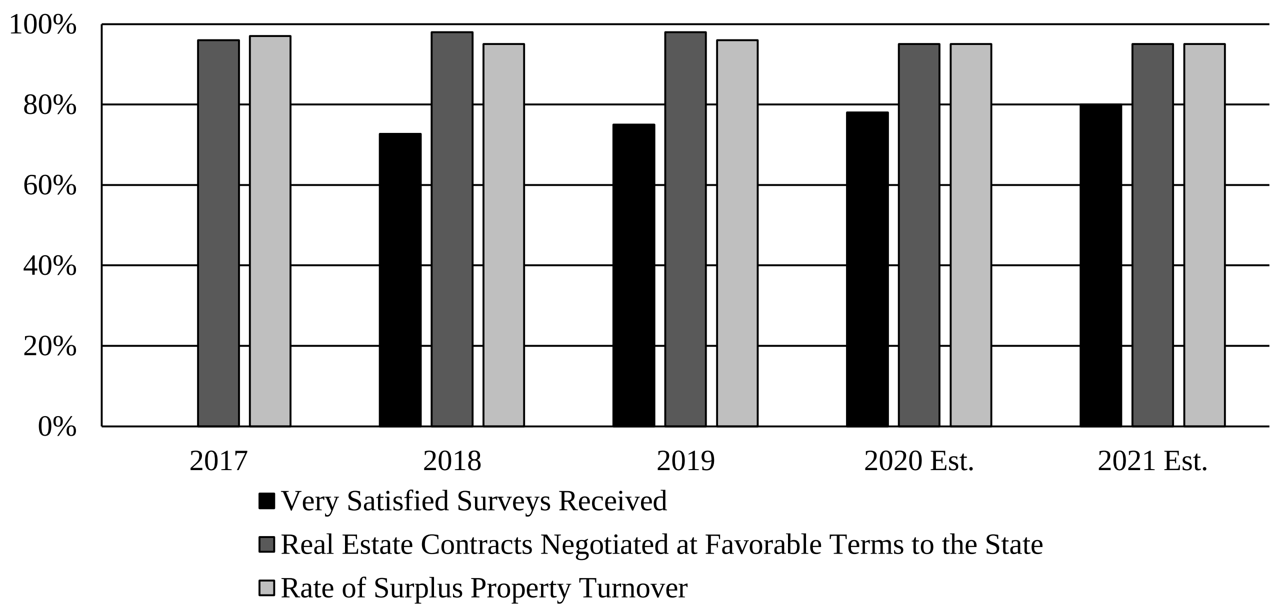
Source: Department of Budget and Management

Performance Analysis: Managing for Results

1. Customer Service and Taxpayer Value

DGS' first MFR goal is to provide the best value for customer agencies and taxpayers. To measure how well it is performing, the department has an online satisfaction survey from which data is gathered by the Governor's Office of Performance Improvement. The office forwards positive and negative responses. For negative responses, supervisors can contact the respondent if contact information was provided. DGS attempts to take corrective action, if feasible. The objective is that 85% of respondents are very satisfied. **Exhibit 2** shows that over 70% of survey respondents were very satisfied in fiscal 2018 and 2019.

Exhibit 2
Customer Service and Taxpayer Value
Fiscal 2017-2021 Est.



Source: Governor's Fiscal 2021 Budget Books

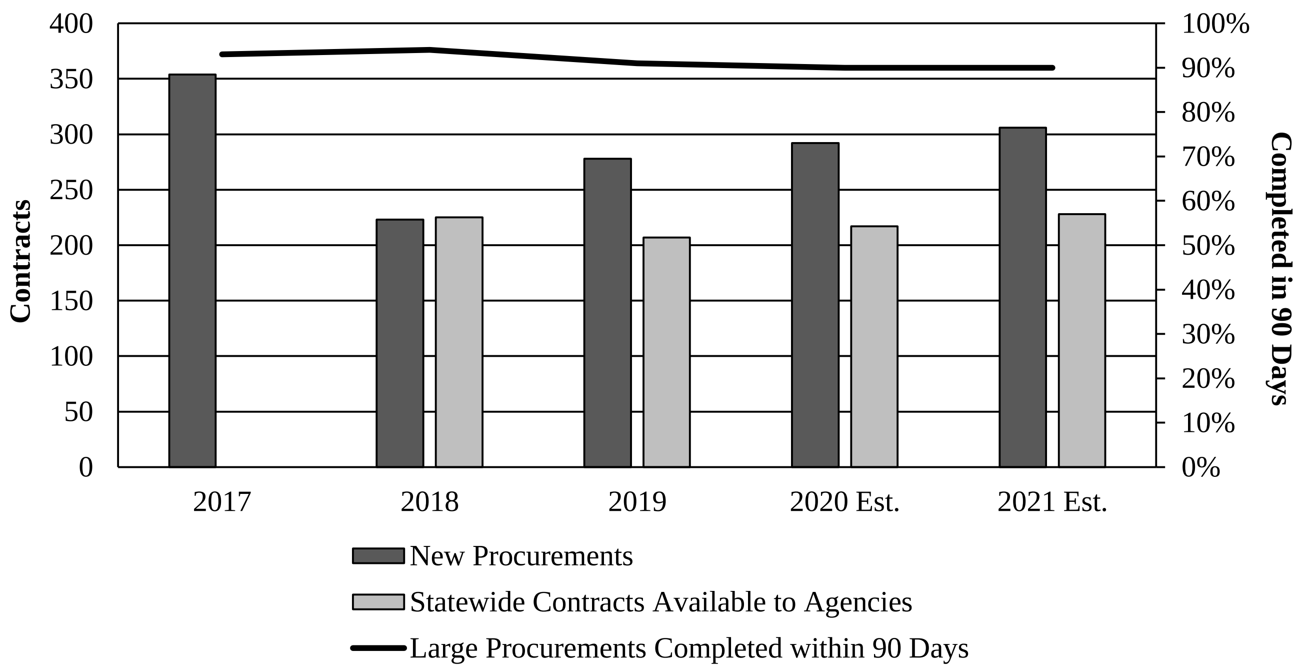
Prior to all real estate sales and acquisitions, the Office of Real Estate Management appraises the property. Not all transactions end with the State getting a property at favorable terms. Reasons include market conditions changing from the appraisal date to the sale date or differing appraisals for the parties. With respect to leases, the State attempts to secure them at or below estimated market values. The objective is that 90% of transactions negotiated by the office are at favorable terms for the State, compared to the appraisal. The MFR data is above 96% in recent years.

The indicators also monitor the disposition of surplus property. Categories of surplus property include audio/visual equipment, printing equipment, boats and marine supplies, furniture, and printing and binding equipment. DGS has a GovDeals.com website for disposing of surplus property. The objective is to dispose of all property within a year. Over 94% has been disposed of within a year.

2. Procurement

The Office of State Procurement (OSP) serves as the control agency for commodities, facilities maintenance, and construction. As of October 1, 2019, it assumed responsibility for procuring services, information technology (IT) products, and public safety construction. Small procurements are procurements valued at less than $50,000 and are delegated to agencies. DGS' objective is that 80% of large procurements are completed within 90 days. **Exhibit 3** shows that DGS has been meeting this goal and anticipates that it will continue to do so. The data has not been adjusted to reflect the new workload associated with DGS' increased responsibilities.

Exhibit 3
Procurement Activity
Fiscal 2017-2021 Est.



Note: Indicators measure current workload prior to procurement consolidation.

Source: Governor's Fiscal 2021 Budget Books

DGS has found that it is more effective to combine procurements that have a common commodity or service into larger procurements. As such, the department has a goal to reduce the total number of procurements through strategic sourcing. The number of new procurements has fluctuated in recent years. DGS believes that it can increase vendor selection through the execution of more statewide and regional contracts. These statewide and regional contracts are also anticipated to have a greater mix of small, minority-, and veteran-owned businesses.

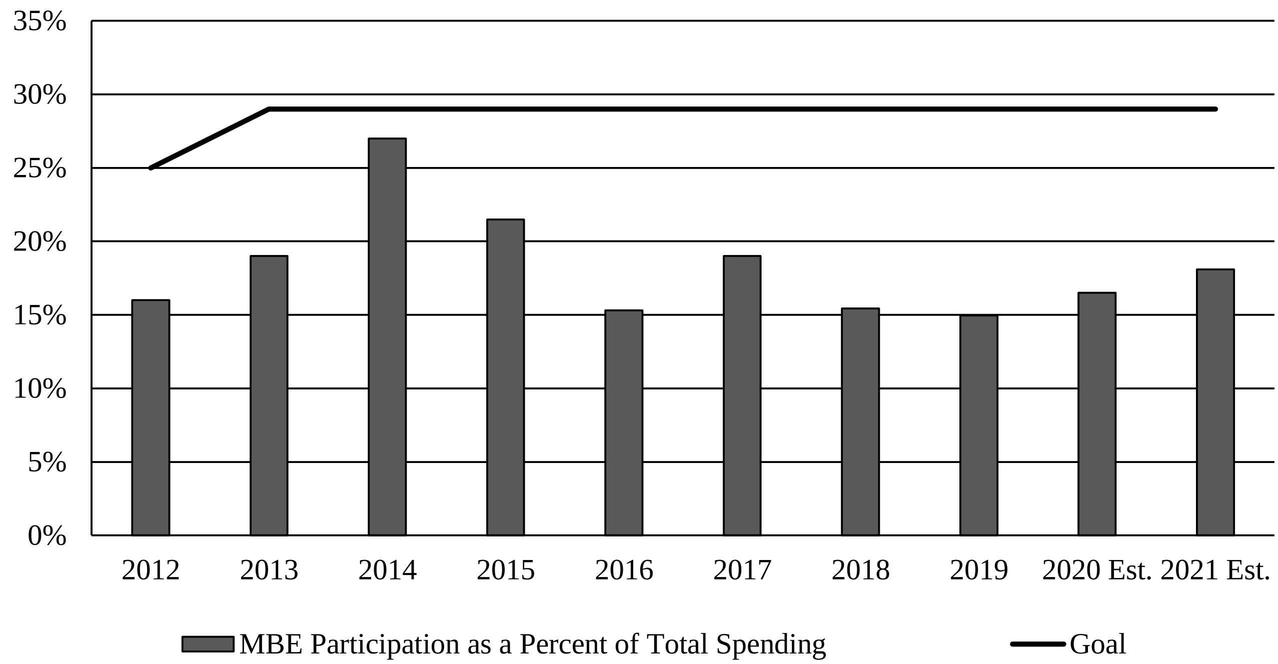
A concern is that performance measures relating to the number of new procurements or the number of statewide contracts available to agencies do not have any specific objectives. **DGS should develop some objectives for these measures.**

3. Minority Business Enterprise Participation

The State has a Minority Business Enterprise (MBE) program to increase procurement opportunities for minority- and women-owned businesses. The Governor's Office of Small, Minority, and Women Business Affairs has set the goal that 29% of prime and subcontract awards go to MBE-qualified businesses.

In fiscal 2019, DGS awarded $6.5 million in contracts to prime contractors and $25.5 million to subcontractors. **Exhibit 4** shows that MBE participation was 15% in fiscal 2019. This continues a trend in which every year since fiscal 2012 has been below the MBE target. A factor that led to the decline since fiscal 2016 was that legislation removed nonprofits and preferred providers from the MBE program. To improve MBE participation rates, DGS advises that the Office of Business Programs undertake vendor outreach activities through partnerships with procurement-related agencies and marketing events. This is discussed in more detail in Issue 2 of this analysis that discusses procurement.

Exhibit 4
MBE Participation as a Percent of Total Spending
Fiscal 2012-2021 Est.



MBE: Minority Business Enterprise

Source: Governor's Fiscal 2021 Budget Books

4. Energy Consumption

Statewide appropriations for energy are substantial. Excluding nonbudgeted funds, the fiscal 2021 allowance includes $150.6 million for electricity, $38.5 million for natural gas and propane, and $7.5 million for fuel oil.

Energy Consumption Executive Order

DGS' goal is to reduce consumption and be more efficient. On June 25, 2019, Governor Lawrence J. Hogan, Jr. issued an executive order with the goal of reducing energy consumption in State-owned buildings. The order excluded leased space and nonbuilding consumption, such as traffic lights, transit, and communications towers. The order noted that the State has seen a reduction in energy costs since fiscal 2014. The order requires that DGS submit an annual report to the Governor and that agencies be given an opportunity to highlight efforts to save energy.

MFR Indicators

The department has a number of tools that it can use to reduce energy consumption. Energy Performance Contracts (EPC) reduce consumption by improving assets to reduce energy consumption. DGS contracts with a private vendor to audit a facility and recommend improvements that reduce energy consumption. Improvements include replacing aging equipment with energy-saving equipment or improving insulation. If the cost of the savings is greater than the improvements, the State can enter into a contract with the vendor to implement the improvements. Generally, the State receives a surety bond that guarantees savings. **Exhibit 5** shows that the State has entered into 27 EPCs with annual savings of 1.2 million British thermal units in fiscal 2019.

Exhibit 5
Energy Efficiency Performance Measures
Fiscal 2017-2021 Est.

	2017	2018	2019	2020 Est.	2021 Est.
Energy Performance Contracts (EPC)	24	26	27	28	29
Total Energy Savings Achieved through EPCs (MMBTUs)	n/a	1.15	1.20	1.28	1.30
Percent of Statewide Facilities with Complete Data in the State's Energy Database	n/a	10.4%	17.4%	50.0%	75.0%

MMBTU: one million British thermal units

Source: Governor's Fiscal 2021 Budget Books

The June 2019 executive order sets a goal that energy consumption in State-owned buildings be reduced 10% compared to the fiscal 2018 consumption. Since fiscal 2018 is a baseline for the statewide goal, it would be helpful if DGS could report fiscal 2018 consumption as a baseline and compare this to subsequent annual consumption in the MFR indicators. **The Department of Legislative Services (DLS) recommends that MFR indicators measure fiscal 2018 baseline energy consumption and compare consumption in subsequent years to fiscal 2018.**

The State also has a database to manage energy consumption. The database, which is rebid every five years, is maintained by a contractor. It allows the State to know how much energy is used. From this data, the State can better manage block and index purchases and determine where the worst performing facilities are to address inefficiencies. DGS advises that this database is a key tool for improving energy efficiency and that the executive order focuses efforts on filling in data that is missing from the database. The percent of statewide agencies with all datapoints complete in the database increased from 10% in fiscal 2018 to 17% in fiscal 2019. Some large agencies, such as the University of Maryland, College Park Campus (UMCP), are scheduled to send data in fiscal 2020.

DGS can also make other improvements to make the State more energy efficient and reduce costs, such as improving metering and billing.

- ***Submetering:*** The majority of State buildings are currently on master-metered campuses and are consequently not metered at the building level. Metering at the building level will empower the State to identify and retrofit poor performing buildings.

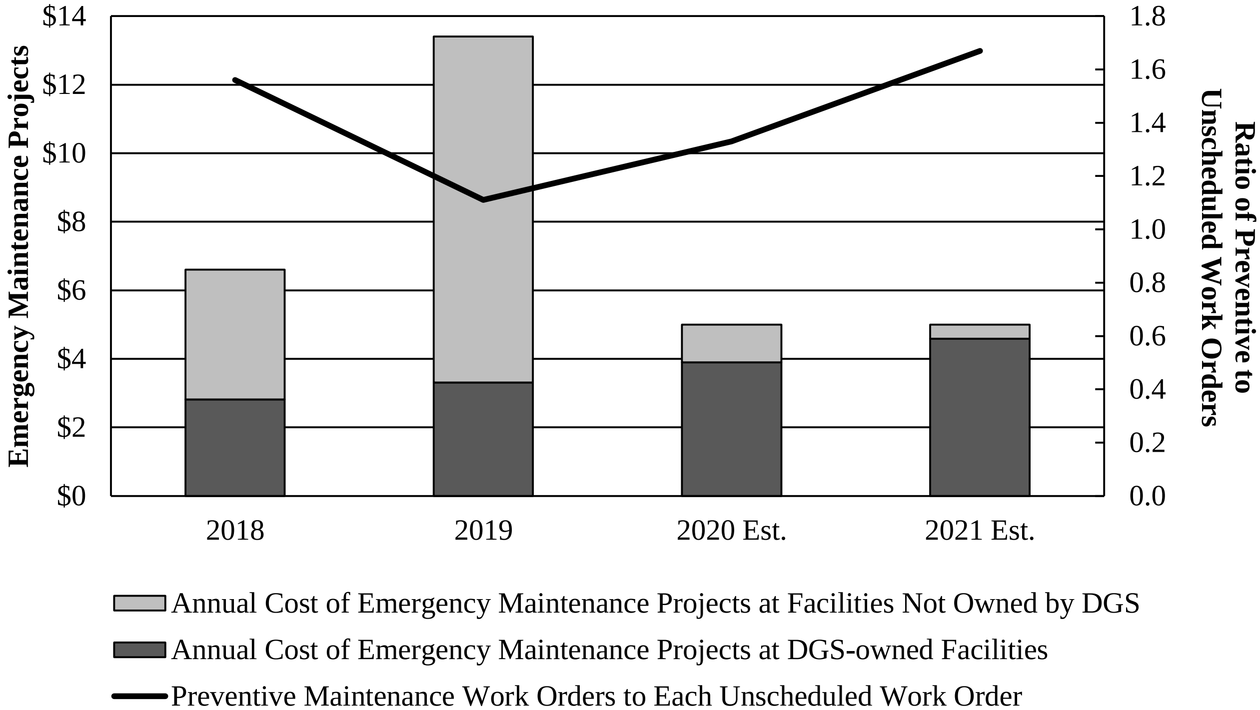
- ***Utility Bill Centralization:*** A centralized billing system for agency utility payments, which will become a component of the eMaryland Marketplace (eMM) eProcurement Solution, will bring substantial efficiencies to the payment of utility bills.

5. Facility Maintenance

Another DGS objective is to reduce the incidence and cost of emergency maintenance through timely, scheduled maintenance. To achieve this goal, the department has procured a Computerized Maintenance Management System (CMMS). The system is a commercial off-the-shelf, cloud-based system that tracks maintenance work. Potential benefits include faster response times to maintenance work, better maintenance and repair data, access to data about specific building maintenance histories, and predictive analytics. Maintenance employees now use tablets that are connected to CMMS to process work orders.

To measure success, new MFR indicators have been developed. They are to increase the ratio of preventive maintenance to unscheduled work orders and to reduce the cost of annual emergency maintenance projects. **Exhibit 6** shows new indicators relating to the cost of emergency projects and the number of preventive and unscheduled work orders. Emergencies in non-DGS facilities increased from $3.8 million in fiscal 2018 to $10.1 million in fiscal 2019. **DGS should be prepared to brief the committees on its plans to reduce the cost of emergency maintenance projects in non-DGS facilities.**

Exhibit 6
Facility Maintenance Indicators
Fiscal 2018-2021 Est.
($ in Millions)



DGS: Department of General Services

Source: Governor's Fiscal 2021 Budget Books

Fiscal 2020

Proposed Deficiencies

Procurement Reform

The budget bill includes three deficiency appropriations supporting procurement reform enacted in Chapter 590 of 2017. The deficiency appropriations add $999,965 in general funds and 12 new positions to DGS and transfer 3 more regular positions from the Department of Information Technology (DoIT) to DGS. Procurement reform is discussed in Issue 2 of this analysis.

The deficiency appropriation adds $573,235 in general funds and 10 new regular positions (5 procurement officers, 2 program managers, 2 administrative aides, and 1 auditor) to support the procurement office. Fiscal 2020 salaries total approximately $669,000, but a high turnover rate is applied so that only $109,000 is appropriated for salaries and fringe benefits. The appropriation also includes $281,000 for contractual services that support the Maryland Procurement Academy and risk management consultants. The State has not previously not invested in training procurement workers. The academy is consistent with the legislation's goal to provide regular training. The State does not have any risk managers, so consultants will be used. The remaining costs are typical office expenditures that include startup costs like equipment and communications as well as additional motor vehicles and travel costs that support the entire office.

Consistent with the mandate to move procurement activities into DGS, 3 assistant Attorney General positions were transferred from DoIT into DGS. The deficiency appropriation provides $283,683 in general funds for the salaries and fringe benefits with a 25% turnover rate. Salaries for these positions total approximately $295,000 in fiscal 2021.

The budget bill also includes $139,777 for 2 new regular positions in administration. This includes 1 account assistant and 1 human resources specialist, whose salaries total approximately $109,000 in fiscal 2021.

State Facility Security Enhancements

The budget bill includes $706,000 for contractual services and equipment to enhance security at State buildings. This adds video management systems, cameras, software, and computer monitors to buildings that do not currently have them. This is the beginning of a multiyear commitment to enhance security. An additional $2.7 million is added to the fiscal 2021 budget for this initiative.

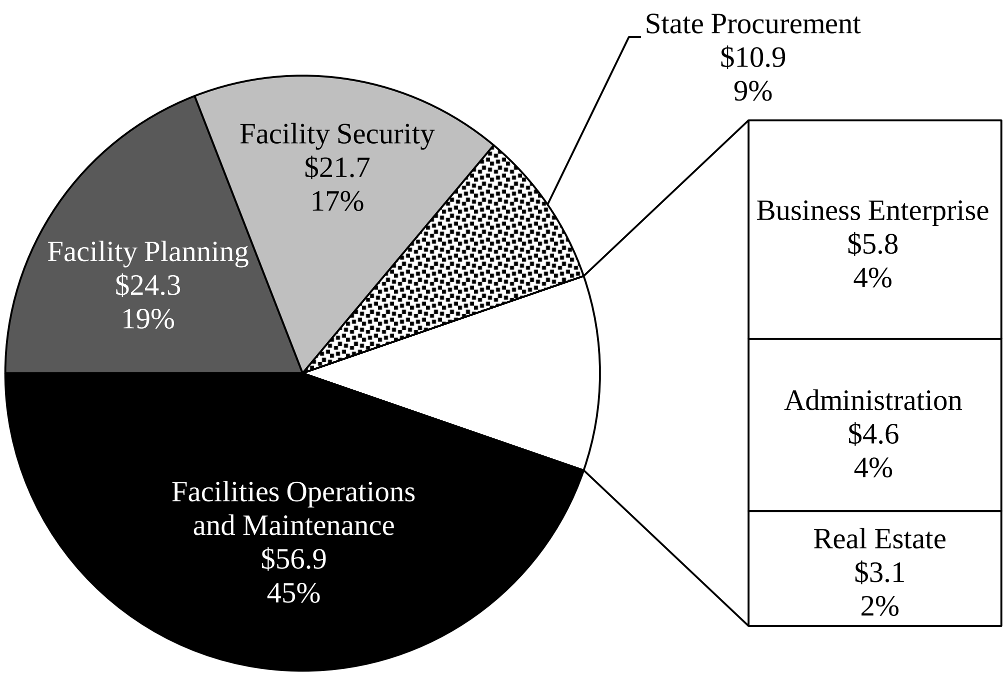
Vacating Towson District Court for Emergency Repairs

The Towson District Court needed to be vacated so that DGS could undertake emergency repairs to replace the heating, ventilation, and air conditioning system. Operations were moved to the new Catonsville District Court. DGS receives an additional $141,927 in general funds for contractual services, fuel, and utility costs.

Fiscal 2021 Overview of Agency Spending

DGS consists of seven agencies whose spending differs substantially. **Exhibit 7** shows that 45% of the department's spending supports Facilities Operations and Maintenance (the largest agency), while Real Estate (the agency requiring the least resources) consumes 2% of spending.

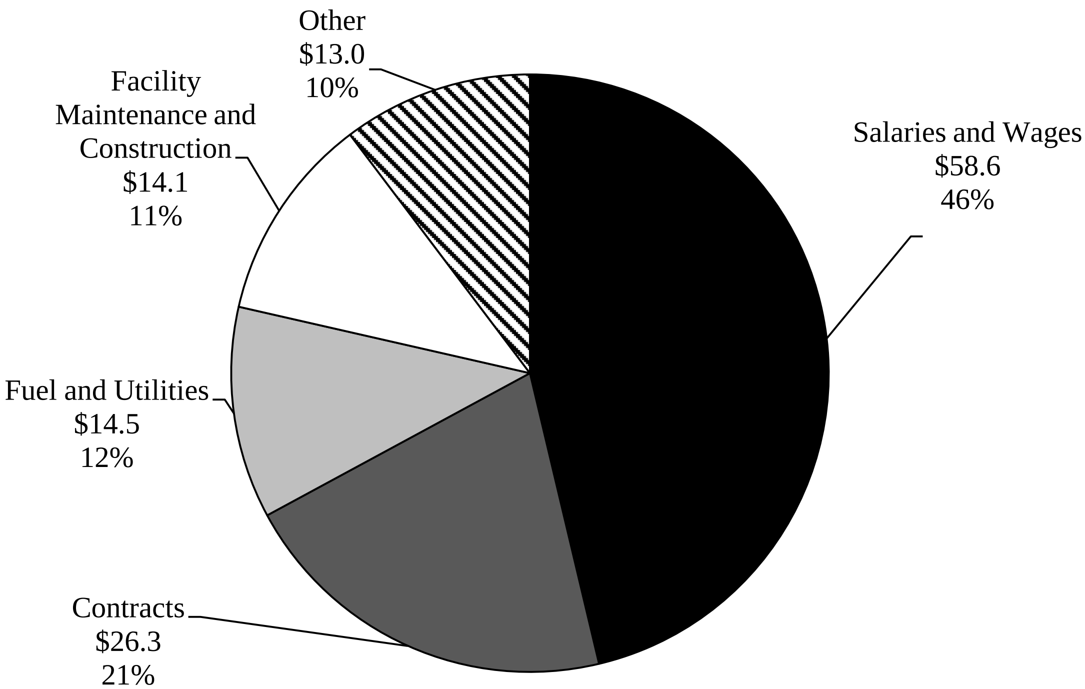
Exhibit 7
Expenditures by Agency
Fiscal 2021
($ in Millions)



Source: Department of Budget and Management

Personnel spending is the largest share of spending. **Exhibit 8** shows that 46% of spending supports salaries and wages. Other significant costs are contracts, fuel and utilities for State facilities, and maintenance of State facilities. These four areas comprise 90% of DGS spending.

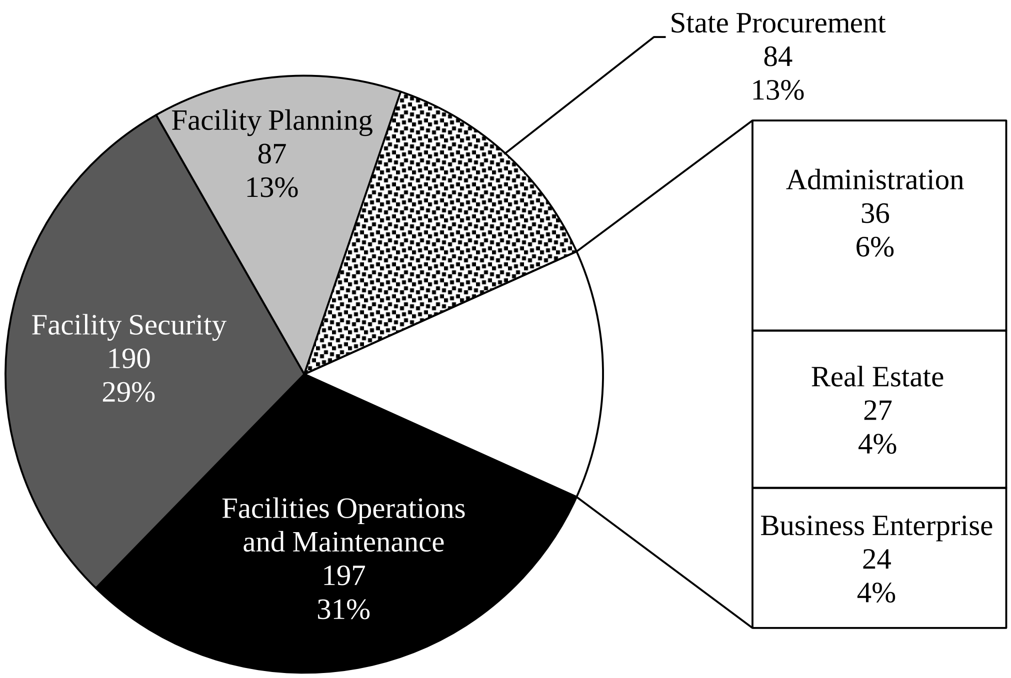
Exhibit 8
Spending by Object
Fiscal 2021
($ in Millions)



Source: Department of Budget and Management

Exhibit 9 shows that Facility Security has 29% of the department's positions. A previous exhibit showed that this agency is 17% of expenditures. This discrepancy is attributable to a higher share of spending on personnel and a lesser share on contracts. Conversely, Facilities Operations and Maintenance relies more on contracts and procures a substantial amount of facility maintenance contracts.

Exhibit 9
Regular Positions by Agency
Fiscal 2021
($ in Millions)



Source: Department of Budget and Management

Proposed Budget Change

Exhibit 10 shows that the adjusted fiscal 2021 allowance increases to $127.3 million, which is $10 million (8.5%) more than the adjusted fiscal 2020 working appropriation. As noted previously, DGS is an agency that relies heavily on personnel and, in fiscal 2021, salaries and wages increase by $5.2 million, which is 52% of the increase. Of note,

- turnover expectancy is reduced from 7.4% in the fiscal 2020 working appropriation to 5.6% in fiscal 2021. To do this, $1.6 million is added to the budget, which includes:
  - $0.9 million to reduce turnover rates for existing employees; and
  - $0.7 million to reduce turnover rate for positions added in the fiscal 2020 deficiency appropriation.

Exhibit 10
Proposed Budget
Department of General Services
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2019 Actual	$69,901	$5,526	$1,330	$29,264	$106,020
Fiscal 2020 Working Appropriation	77,573	4,818	1,427	33,504	117,323
Fiscal 2021 Allowance	86,557	4,957	1,492	34,278	127,285
Fiscal 2020-2021 Amount Change	$8,984	$139	$65	$774	$9,962
Fiscal 2020-2021 Percent Change	11.6%	2.9%	4.5%	2.3%	8.5%

Where It Goes:	Change
Personnel Expenses	
Employee and retiree health insurance, including costs for new positions	$1,657
Reduce turnover expectancy for existing employees and 15 employees approved in last quarter of fiscal year through a deficiency appropriation	1,586
Salary reclassification, Social Security, and unemployment insurance adjustments	421
Fiscal 2021 2% annual salary increase effective January 1, 2021	395
State Law Enforcement Officers Labor Alliance 4% increase and increments	368
New positions (16 full-time equivalents)	337
Retirement contributions	249
Annualize fiscal 2020 1% salary increase	188
Workers' compensation premium assessment	-23
Facilities Security	
Statewide security equipment upgrades, net of fiscal 2020 deficiency	1,983
Statewide contracts to improve security, net of fiscal 2020 deficiency	663
Catonsville District Court security contracts	342
700 megahertz services for Maryland Department of Labor security merger	161
Facilities Operation, Maintenance, and Repair	
Statewide critical maintenance projects	2,000
Communication cost for Computerized Maintenance Management System	91
Fuel and utilities, net of fiscal 2020 deficiency	-989
Energy Efficiency Executive Order	
Energy consulting contracts	300
University of Maryland, College Park Campus fiscal 2020 energy audits	-547

Where It Goes:	**Change**
Other Changes	
Department of Information Technology shared service allocation	384
Annapolis payment in lieu of taxes (no grant was provided in fiscal 2020)	367
Insurance to State Treasurer's Office	201
Postage	-93
Other	-77
Total	**$9,962**

Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

Budget changes also reflect DGS' priorities, which include:

- ***Facilities Security:*** In addition to the $0.7 million fiscal 2020 deficiency appropriation, $2.6 million is added to DGS' budget for Statewide security upgrades.
- ***Facilities Operation, Maintenance, and Repair:*** The critical maintenance budget is increased by $2 million, for a total fiscal 2021 appropriation of $12.5 million.
- ***Energy Efficiency:*** $300,000 is provided to advise on energy efficiency projects at State-owned buildings. Fiscal 2020 included $329,776 for energy audit services by UMCP to examine how to reduce costs at State-owned buildings. These expenditures support the Administration's energy efficiency executive order from June 2019.

Budget Reconciliation and Financing Act

Chapter 3 of 2019 amended Section 4-608 of the State Finance and Procurement Article to clarify that the State is mandated to appropriate a grant for the City of Annapolis for services that the city provides to State agencies.[1] The initial award was set at $750,000 in fiscal 2021, increasing annually thereafter by the Consumer Price Index for All Urban Consumers for the Baltimore Metropolitan Statistical Area. Prior law was ambiguous in that it noted that the State is required to pay for refuse and other services but did not mandate a specific amount or define a formula and, from fiscal 1996 through 2019, the State provided a $367,000 grant for Annapolis. There was no grant in fiscal 2020. The Budget Reconciliation and Financing Act of 2020 would reduce the grant by $383,000 and eliminate inflation indexing, providing a $367,000 grant in perpetuity.

Personnel Data

	FY 19 Actual	FY 20 Working	FY 21 Allowance	FY 20-21 Change
Regular Positions	582.00	629.00	645.00	16.00
Contractual FTEs	0.00	38.63	40.43	1.80
Total Personnel	**582.00**	**667.63**	**685.43**	**17.80**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions		35.85	5.70%
Positions and Percentage Vacant as of 12/31/19		69.50	11.05%
Vacancies Above Turnover		33.65	

- From the end of fiscal 2019 through 2020, 41 regular positions are added to DGS' budget. This includes 13 positions proposed in the deficiency appropriations. **Exhibit 11** shows which positions change in DGS' units.

- Another 4 new positions are proposed in the fiscal 2021 budget. **Exhibit 12** lists the positions.

[1] DGS advises that the State owns 19 buildings with 1.8 million square feet and one parking garage with 720 parking spaces in Annapolis. The city estimated that it provided approximately $661,000 in State services in fiscal 2018. This includes the fire department maintaining a hazmat team and additional police expenses for services and special events.

Exhibit 11
Position Changes by Unit
Fiscal 2019-2020

Agency	2019[1]	2020[2]	Difference	Comment
Executive Direction and Administration	30	34	4	3 AAG positions from DoIT[3], 1 AAG position from DPSCS[4]
Security	178	191	13	13 security positions from MDL[5]
Facilities Operation and Management	202	202	0	
State Procurement	51	84	33	12 positions[3], 11 procurement positions from DoIT[4], and 10 procurement positions from DBM[4]
Real Estate Management	25	25	0	
Planning, Design, and Construction	77	86	9	5 construction management positions from DPSCS[4], 4 new facility management positions[6]
Business Enterprise	19	19	0	
Total	**582**	**641**	**59**	

AAG: Assistant Attorney General
DBM: Department of Budget and Management
DoIT: Department of Information Technology
DPSCS: Department of Public Safety and Correctional Services
MDL: Maryland Department of Labor

[1] Closeout position count adjusted for intradepartmental transfers.
[2] Includes 13 positions proposed in deficiency appropriations.
[3] Deficiency appropriation.
[4] Budget amendment.
[5] Required by Chapter 94 of 2019, which transferred MDL security services and positions into the Department of General Services Facility Security unit.
[6] Appropriated in the fiscal 2020 Budget Bill.

Source: Department of Budget and Management

Exhibit 12
New Positions
Fiscal 2021

Agency	Title	Description	Positions	Salary[1]	Salary and Fringe Benefits[1]
Real Estate	Program Manager I	Support lease management for agencies leaving State Center[2]	2	$167,379	$215,349
Business Enterprise	Administrative Officer I	Capital grant administration oversight	1	52,874	68,025
Business Enterprise	Administrator I	Contractual conversion of GovDeals surplus property sales[3]	1	47,111	60,613
Total			**4**	**$267,364**	**$343,988**

[1] Includes a 1% salary increase on January 1, 2020, and a 2% salary increase on January 1, 2021.
[2] As discussed in the State Center issue, the Department of General Services plans to vacate State Center. Additional positions are needed to arrange leases.
[3] This has been a contractual position for over a decade. Since this is permanent work that supports surplus property, which is included in the first Managing for Results key goal and has a performance measure, the Administration proposes to make this a permanent position.

Source: Department of Budget and Management

Capital Grant Administration Improvements

The fiscal 2020 capital budget authorized funds for 310 capital grant awards to be managed by DGS. The department advises that it manages $1.4 billion in grants. This program has been increasing steadily. In response to concerns about how efficiently the program is managing grants, the budget committees requested a review of the program in the fiscal 2020 *Joint Chairmen's Report* (JCR), which required that a workgroup of DGS, the Department of Budget and Management (DBM), the State Comptroller's Office, the Office of the Attorney General (OAG), and DLS staff be formed to review the program. DGS submitted the report to the budget committees in September 2019. The report recommended that:

- ***The Capital Grants Handbook Be Updated to Reflect New Legislation and Policies:*** This includes redesigning the workflow to simplify the process prior to issuing the new handbook.

- ***DGS Enforce Compliance and Have Sufficient Staffing:*** DGS now offers “Demystifying the Capital Grants Process” workshops. DGS has hired a policy and compliance specialist, and the group recommended adding 2 full-time grant administrators and 1 part-time compliance specialist position to help with the increased workload and improve operations. The budget includes 1 of the full-time administrator positions.

- ***Technology Be Used to Improve Workflow, Document Management, Records Management and Retention, and Expeditiously Provide Status Updates to Grant Recipients and Other Stakeholders:*** DGS has procured a subscription to SurveyMonkey Apply Professional, an online grant application and workflow management tool. The system is used to manage the 310 grant awards in the fiscal 2020 capital budget bill and will be used for the fiscal 2021 Budget Bill as well. Prior years are being migrated so that those recipients can also access the system.

DGS should be prepared to brief the committees on the status of its improvements to the capital grant administration process.

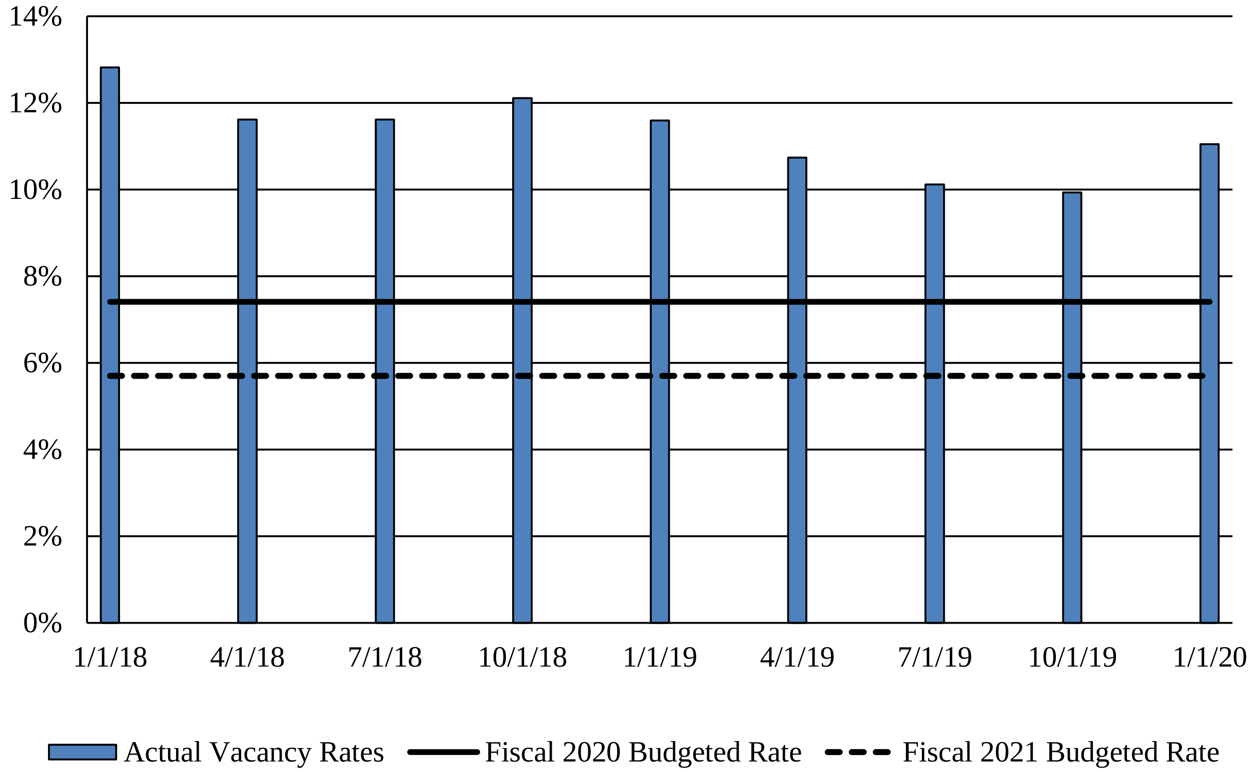
Review of Vacancies and Salaries

Data provided by DBM show that there were 70 vacant positions in DGS at the beginning of January 2020. This is 34 more than is required to meet DGS’ 7% fiscal 2020 budgeted turnover rate.

High Vacancies Persist

DGS has had high vacancy rates in recent years. Departmental quarterly vacancy rates have averaged 9.2% since January 2018 and have been as high as 12.8%. Vacancy rates seem to be highest among some large key agencies. **Exhibit 13** shows that Facilities Operation and Management has had the highest vacancy rate, which has averaged 12.7% since January 2018.

Exhibit 13
Department of General Services Quarterly Vacancies
January 2018 to January 2020



Source: Department of Budget and Management

Low Salaries Also Persist, but Some Progress Has Been Made

The most recent comprehensive study of State positions was released by DBM in 2008 that reviewed 208 benchmark classifications covering 45,000 employees. The study noted that "with few exceptions, the state of Maryland lags behind the surveyed public… base salary schedule." The survey also estimated that State salaries were an average of 5% behind the market at the minimum level and 3% behind the market at the maximum level.

To provide more recent data about State salaries, DLS compared State starting and average salaries of common DGS job groups to comparable positions in selected counties in August 2017. This survey was updated in January 2020 and includes the 1% salary increase that many State employees received on January 1, 2020.[2] The most common positions were selected for each group. In summer 2017, these eight job groups had 185 positions, which is 32% of all DGS positions. The group also provides a reasonable cross section of DGS employees. These positions were compared to similar positions in Baltimore City, and Cecil, Montgomery, and Washington counties. With some positions, the jurisdictions did not have similar positions. The positions selected include:

- building security;
- MCP;
- building maintenance;
- building services (generally janitorial);
- housekeeping (Government House and managing building services, also janitorial but at a higher grade);
- construction planning and design;
- procurement; and
- real estate.

Exhibit 14 shows that the State had the lowest base pay for all positions, except the procurement officer, in August 2017.[3] This remains the case in January 2020. However, the procurement officer is now ranked third, instead of fourth. As part of procurement reform, those positions were consolidated and received salary increases, which has affected the rankings. However, even in that case, starting salaries are approximately $13,000 less than the starting pay for the top two jurisdictions, so the State is unlikely to catch up soon.

[2] To limit the number of salaries shown, the January 2020 data includes a 1% salary increase for all State employees.

[3] In the 2017 survey, DLS entered the incorrect salary of the capital maintenance project engineer – architect II position. The salary shown in the report was a higher grade than the actual State salary scale. DLS has corrected the salary in this analysis.

Exhibit 14
Base Salary Comparison
Common Department of General Services Positions
To Similar County Positions
August 2017 to January 2020

	August 2017			January 2020		
Position	**State Base Salary**	**Surveyed Local Average Base Salary**	**State Rank**	**State Base Salary**	**Surveyed Local Average Base Salary**	**State Rank**
Building Security Officer II[1]	$25,502	$36,441	3	$27,199	$37,783	3
Police Officer II	40,164	44,931	Tied for 4th	43,665	49,291	5
Maintenance Mechanic Senior[2]	27,048	34,483	4	32,498	40,662	4
Building Services Worker	22,707	27,089	5	24,217	29,604	5
Capital Maintenance Project Engineer-Architect II[2]	53,193	55,837	4	56,727	60,169	4
Procurement Officer II	49,899	54,073	4	53,214	57,869	3
Housekeeping Supervisor IV[3]	28,702	36,755	3	30,611	40,140	3
Acquisition Specialist[4]	44,107	55,522	4	46,942	58,404	4

[1] Baltimore City and Cecil County advise that neither have similar positions.
[2] Baltimore City advises that it does not have a similar position.
[3] Baltimore City and Washington County advise that neither have similar positions.
[4] Cecil County advises that it does not have a similar position.

Source: Baltimore City; Cecil, Montgomery, and Washington counties; Department of Budget and Management; Maryland Association of Counties, *Annual Salary Survey of Maryland County Governments*

DGS Appears to Be Compensating for Low Salaries by Hiring at the Salary Midpoint

DBM's Standard Salary Schedule provides the salaries for most DGS employees.[4] The schedule begins at base, and then adds 20 steps in each grade so that there are a total of 21 different salaries. Grade 9, the tenth in the scale, is referred to as the midpoint. The schedule gives larger raises for employees on the lower end of the scale. Step increases are approximately 4% for steps 1 to 5. After

[4] A Consolidated Law Enforcement Salary Schedule is provided for DGS capital police. It begins at base and has 18 steps instead of 20 steps in the standard scale.

step 5, raises are about 2%. Even though there is one less salary increase below the midpoint, the midpoint salary is near the middle of the scale because early salaries receive larger raises.[5]

As DGS salaries tend to be lower than the salaries for similar positions with county agencies, DGS is compensating for the State's lower salary schedule by hiring new staff at about the middle of DBM's Standard Salary Schedule. DLS has reviewed the salaries of 199 positions on January 1, 2020, that have less than five years of experience with the State. **Exhibit 15** shows that the average employee with less than five years of experience is at a step 9. Over the last five years, employees on the standard schedule have received one increment (in fiscal 2017), so employees with less than two and a half years of experience have not had an increment, and those with more experience have had one increment. Having the median step be base 9 shows that most employees are hired at the middle of the pay scale or higher in recent years.

Exhibit 15

Mean and Median Step for Employees with Less Than Five Years of Experience

As of January 2020

Experience	Mean Step	Median Step
2 to 5 Years	9	10
Less than 1 Year	9	9

Note: Step 9 is also referred to as the "Midpoint Step" in the Department of Budget and Management's Standard Salary Schedule.

Source: Department of Budget and Management

One concern with hiring at the midpoint is that State employees will get lower raises and their salaries have less room for growth. Since the largest raises are in the first five steps, 2% is the maximum step an employee hired at the midpoint will receive. State employees are also half way to top pay when they are first hired, so salaries will not increase as much as in most counties.

There is anecdotal evidence that it is common for workers to come to the State to get experience and then move to higher paid county positions. This analysis suggests that this is quite plausible.

[5] For example, the base salary for a grade 19 position is the $56,727, and the maximum salary is $91,075. The step 9 midpoint salary is $73,876, which is $17,149 more than the base salary and $17,199 less than the maximum salary. Similarly, the base salary for a grade 12 position is the $36,676 and the maximum salary is $57,787. The step 9 midpoint salary is $10,467 more than the base salary and $10,644 less than the maximum salary.

Issues

1. Maintenance

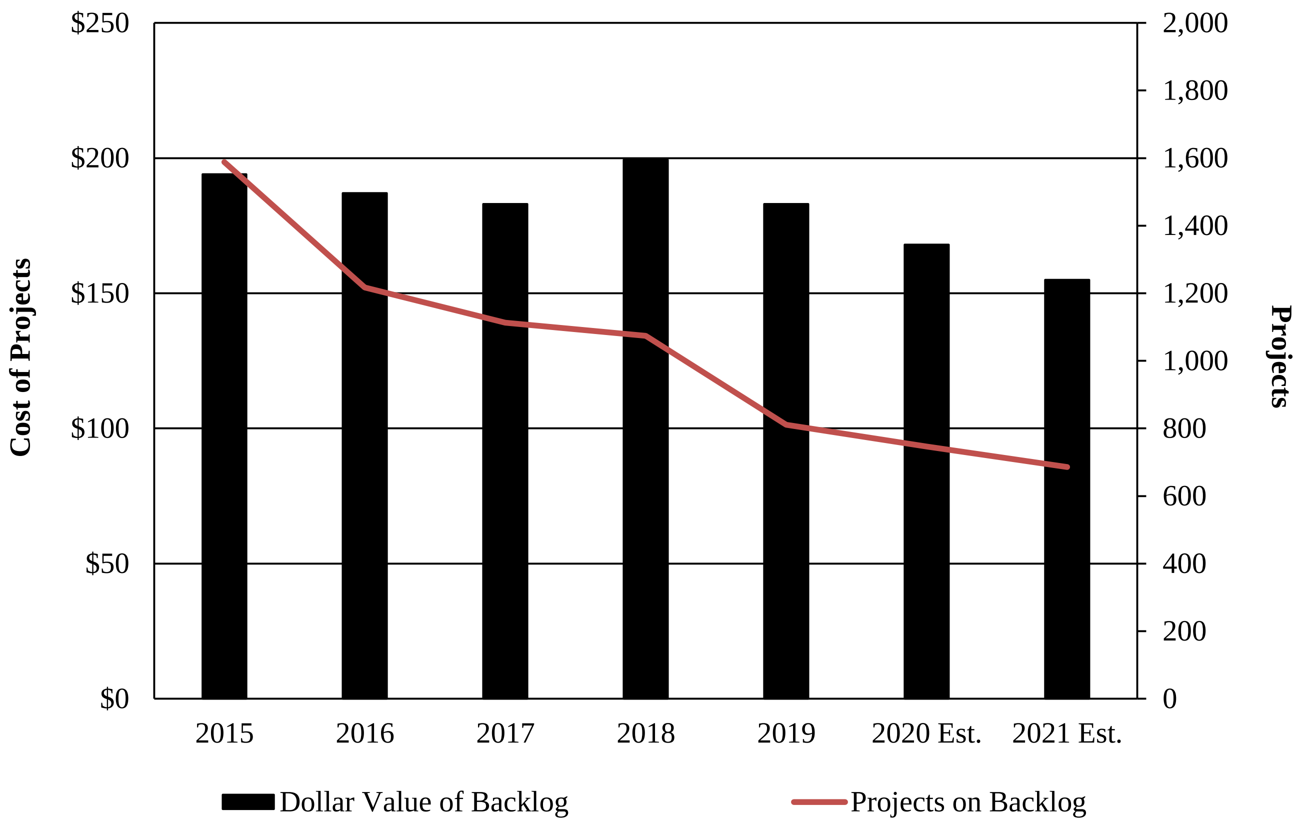
Pursuant to Sections 4-407 and 4-408 of the State Finance and Procurement Article, the department is required to establish and supervise a comprehensive and continuing program of maintenance and repair of all public improvements. DGS' maintenance of State facilities includes both critical maintenance funded through the operating budget and facilities renewal funded through the capital budget.

The Size of the Problem

Under current practices, DGS has established programs to supervise and review the maintenance and repair of State facilities. These programs support agencies for which DGS has procurement authority and where the State owns the facility. Examining the condition of facilities is the responsibility of the State agencies in the facility. To assist agencies, DGS annually issues an updated *Preventive Maintenance Operations* packet that includes instructions and deadlines for submitting project justifications. These agencies are referred to as using agencies.

The fiscal 2020 budget reinstituted the Statewide Facility Condition Assessment Unit with 4 new positions. The unit examines facilities, compiles data, and tracks the information about the condition of State facilities. DGS also assigns priorities to the projects. **Appendix 4** shows the priority classes, which are grouped into highest level, mid-level, and low-level categories. **Exhibit 16** shows that the backlog declined to $183 million in fiscal 2019.

Exhibit 16
Facility Maintenance Backlog
Fiscal 2015-2021 Est.
($ in Millions)

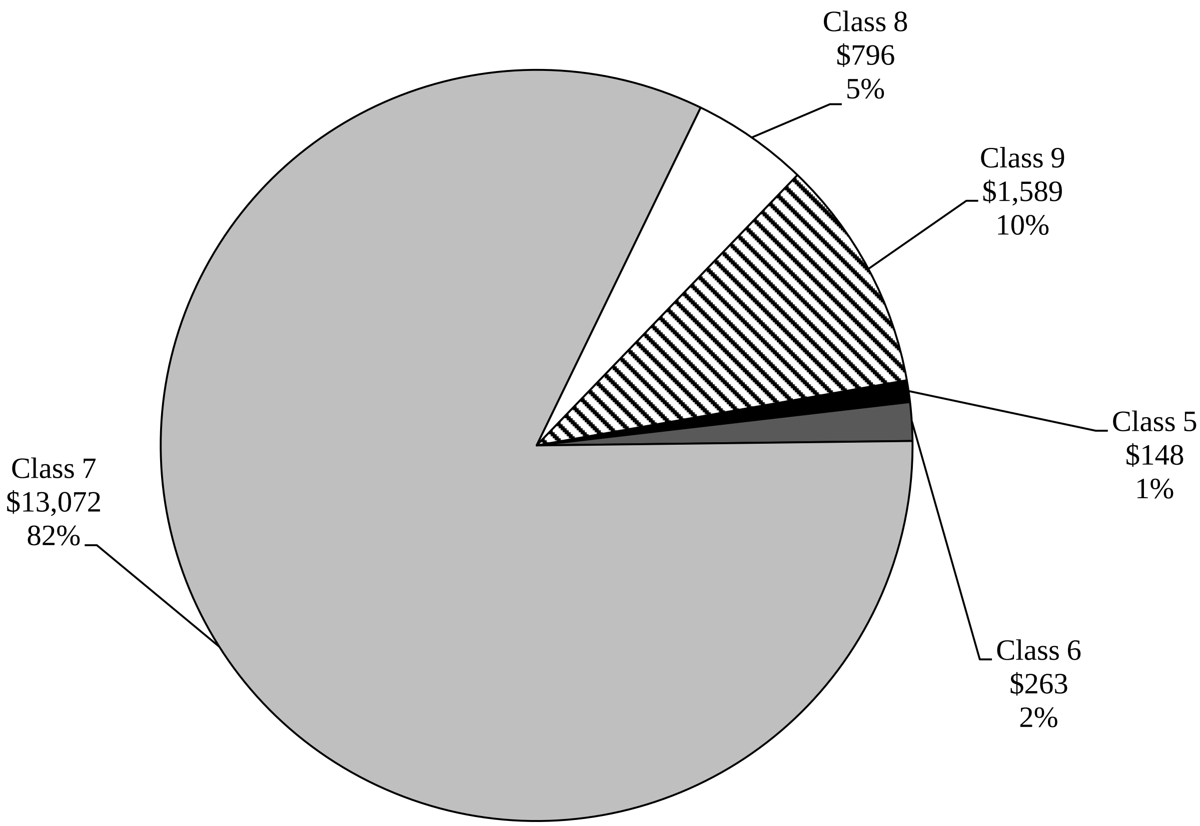


Source: Governor's Fiscal 2021 Budget Books

Projects in the first four categories pose a high risk of litigation, cessation or reduction of mandated services, fineable code violations, or serious life or safety issues. These projects are addressed as quickly as possible and are not part of any backlog if there is adequate funding for them. **Exhibit 17** shows that 82% of backlogged operating critical maintenance projects are in Priority Class 7. This is for projects that are depreciating at an accelerating rate or are near the end of their useful life. Examples of Priority Class 7 projects include replacing sidewalks or removing peeling paint.

In the last year, progress has been made by reducing the share of higher priority class projects in the backlog. There are no projects from Priority Class 1 to 4. Data from the end of fiscal 2019 estimated that Priority Class 5 and 6 were 23% of the backlog. This is now 3%.

Exhibit 17
Priority Classes for Operating Critical Maintenance Backlog
January 2020
($ in Thousands)

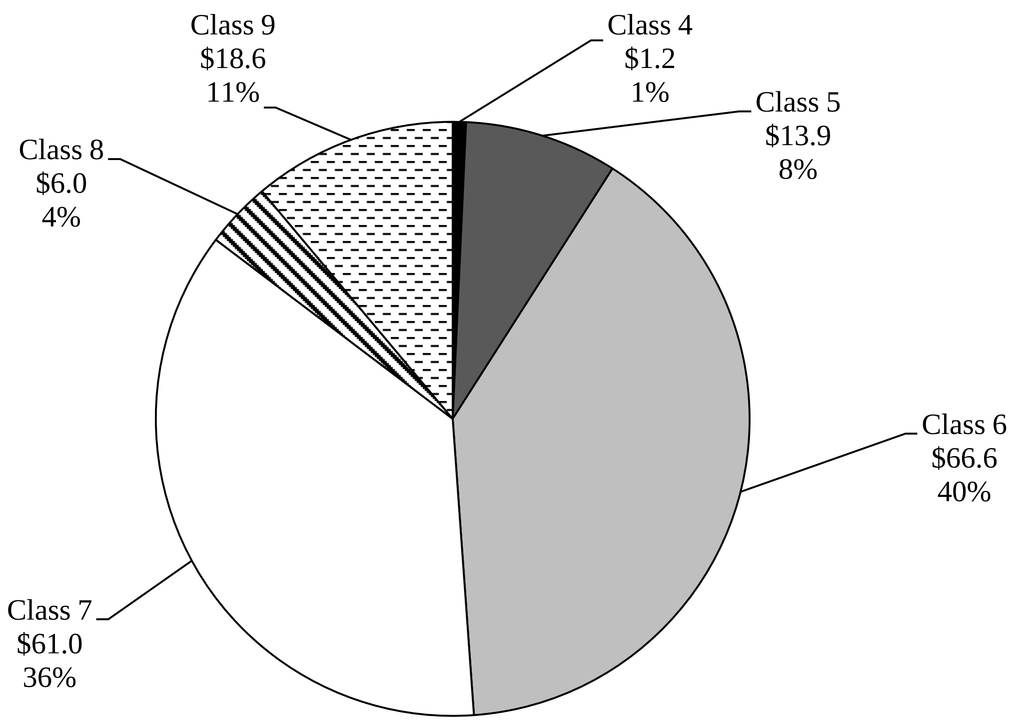


Note: See Appendix 4 for definitions.

Source: Department of General Services

Exhibit 18 shows that 76% of backlogged capital facilities renewal projects are in Priority Class 6 or 7. This is for projects that are depreciating at an accelerating rate, are near the end of their useful life, or need to be restored to get back to design effectiveness. Examples of Priority Class 6 and 7 capital projects include renovating exteriors or replacing walk-in coolers. As with critical maintenance, the share of backlogged projects in higher priority classes is shrinking. At the end of fiscal 2019, there were no projects from Priority Class 1 to 3, and Priority Class 4 and 5 projects were 12% of the total. This is reduced to 9% in January 2020.

Exhibit 18
Priority Classes for Capital Facilities Maintenance Backlog
January 2020
($ in Millions)



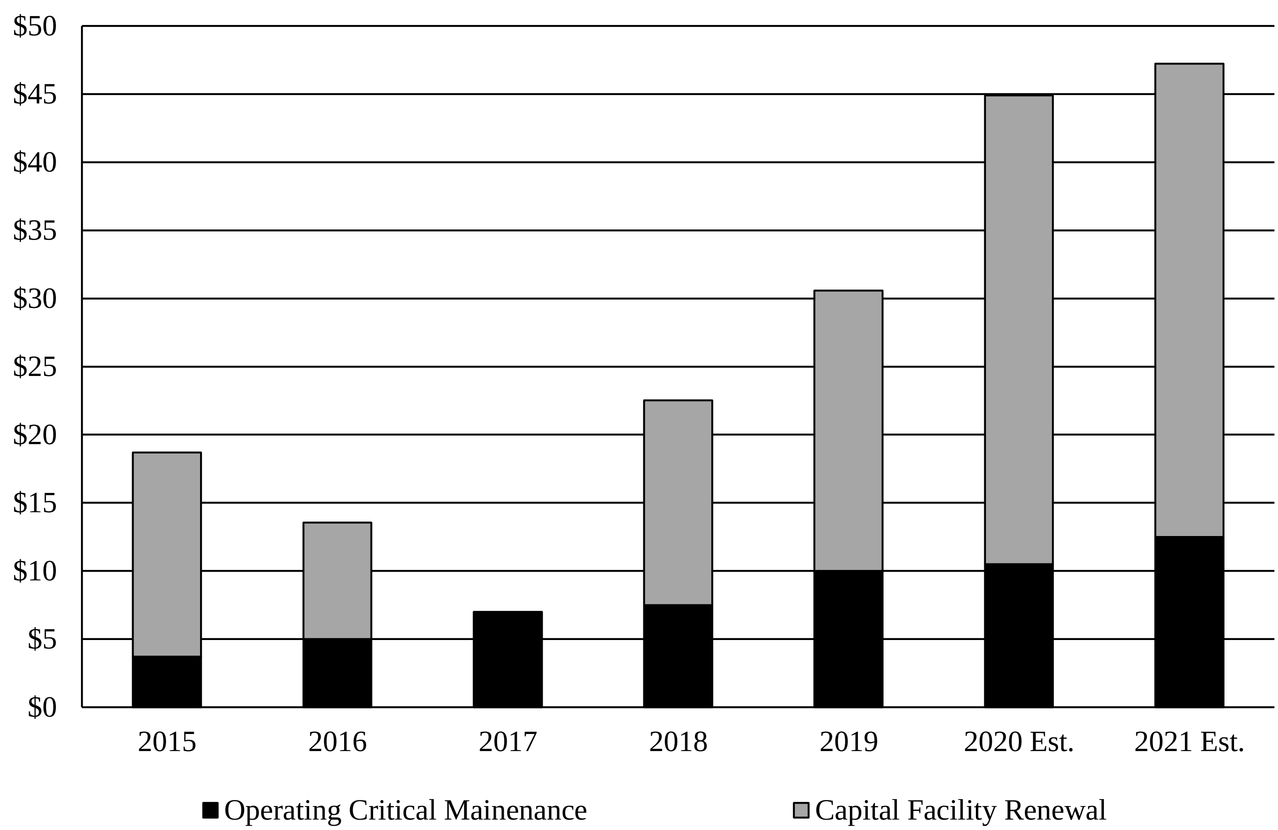
Note: See Appendix 4 for definitions.

Source: Department of General Services

Recent Efforts to Reduce the Backlog

Exhibit 19 shows that annual funding for the statewide facilities maintenance program was below $20 million prior to fiscal 2018. Funding has continuously increased in recent years. Staff has also been added to DGS to support a larger program to reduce the backlog.

Exhibit 19
Facilities Maintenance Funding
Fiscal 2015-2021 Est.
($ in Millions)



Source: Department of General Services

The State has an expedited process for small procurements. An MFR goal is to have small procurements completed in 10 days, while the goal for large procurements is 90 days. Legislation in fiscal 2017 increased the limit for small capital project procurements from $50,000 to $100,000. Small procurements advertised in eMM have been increasing consistently, from 13 in fiscal 2015 to 99 in fiscal 2019. This also helped reduce the backlog.

Assessment of State Facilities Expected by November 2020

As Exhibit 16 shows, the State had a backlog of almost $200 million in unfunded maintenance projects in fiscal 2018. To reduce this backlog, the Administration has increased funding, added staffing, and improved procurement. In fiscal 2020, DGS received 4 new positions and approximately $267,400 for reconstituting the Statewide Facility Condition Assessment Unit.

Adding positions for the Statewide Facility Condition Assessment Unit is a positive step that allows DGS to assume a more direct role in facility management. Since the positions will be capital maintenance project engineers and architects, they should have the requisite skills to provide accurate data for DGS' databases. Having trained engineers is also likely to provide better data than facilities managers whose experience and skill sets may be uneven.

In the fiscal 2020 JCR, the budget committees asked that DGS provide the committees with an assessment of State facilities. This assessment should examine the condition of State buildings, prioritize facilities maintenance and facilities renewal by condition, estimate resources required to rehabilitate facilities, and develop a spending plan to address these needs. So that DGS has time to set up the assessment unit to prepare a thorough assessment, the response is due in November 2020. **DGS should be prepared to brief the committees on its facilities maintenance programs and the status of the assessment report.**

2. Statewide Procurement Reorganized and New Information System Goes Live

2017 Procurement Reform

During the 2017 session, the General Assembly passed legislation to address many of the procurement system's identified deficiencies. Chapter 590 reduced the number of control agencies (through which specified procurements by other agencies are reported to the Board of Public Works (BPW)) and primary procurement units (which can carry out their own procurement without approval by another agency). The legislation also established the position of chief procurement officer (CPO) within DGS.

The legislation repeals the status of DBM, DoIT, and the Department of Public Safety and Correctional Services (for the procurement of construction, construction-related services, supplies, materials, and equipment for State correctional facilities) as primary procurement units, leaving only seven such units.[6] However, DGS, through CPO, is given authority to delegate procurement authority to agencies with specific expertise. DGS is also authorized to carry out additional functions to improve the efficiency and transparency of State procurement, including developing performance metrics, implementing strategic sourcing, compiling statistics on State purchasing, and overseeing procurement officer training, among other responsibilities. The former Procurement Advisory Council is

[6] The primary procurement units are the State Treasurer, DGS, the Maryland Department of Transportation, the Maryland Port Administration, the University System of Maryland, Morgan State University, and St. Mary's College of Maryland.

reconstituted as the Procurement Improvement Council.[7] The council is chaired by CPO and has expanded responsibilities that include advising the General Assembly on proposed legislation.

Goals and Strategies

The new CPO will be setting goals and implementing strategies that enhance the procurement process. DGS advises that it intends to improve effectiveness by aligning procurement responsibility with commensurate authority and simplifying the process, to expand small and minority business opportunities, and to develop and retain quality procurement personnel. DGS identified the following goals:

- ***Improved Effectiveness:*** This involves a number of strategies, such as aligning the organization, category and relationship management, and improving technology. The new centralized organization should encourage more collaboration and a better allocation of resources. Category management includes identifying and tracking demand-side spending and use; staying in touch with market changes; reviewing new and alternative technologies; proactive supplier management to encourage improvements in value, performance, technology, and cost management; and ensuring that contracts are responsive or can be modified to meet changing requirements. The State's current electronic procurement system does not provide management information or data. A new system, which is being procured, will need improvements such as line-item details and aggregated strategic enterprise reports that can be grouped by specific agencies and products or services.

- ***Improved Efficiency:*** The centralized agency should provide opportunities to simplify and standardize regulations, policies, processes, and templates. As with effectiveness, improved efficiency will require an improved electronic procurement system. Training is also a key component. The new procurement office is planning on providing substantially more training and having a specific unit dedicated to training. Until the training program is established and implemented, DGS' procurement office will provide oversight for all procurements above the small procurement level, which is $50,000 for commodities and services. As agency expertise increases, authority may be delegated. Full delegation would only be allowed after the procuring unit has completed an appropriate level of training and certification for the requested category or threshold.

- ***Attract and Retain Highly Qualified Personnel:*** One concern that was raised when procurement reform was enacted was that the State salary scale was inadequate and inconsistent across agencies. The decentralized nature of State procurement has resulted in 33 different

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[7] The council includes the State Treasurer; the Chancellor of the University System of Maryland; the Secretary of Budget and Management; the CPO; the Secretary of Information Technology; the Secretary of Transportation; a procurement advisor; the Special Secretary for the Governor's Office of Small, Minority, and Women Business Affairs; the Director of the Governor's Office of Performance Improvement; a representative of local government who has local procurement expertise appointed by the Governor with advice and consent of the Senate; and two members of the general public, at least one of whom has State procurement expertise who are also appointed by the Governor with advice and consent of the Senate.

classifications. To address this, the number of classes have been reduced to 9, and the fiscal 2021 budget provides approximately $822,000 for salary enhancements. The plan also provides for a clear path for advancement. Additional training is also proposed to improve the quality of the staff. Continuous learning is proposed in such areas as IT, construction, contract management, and contract negotiation.

Office of State Procurement Is Reorganized and Transitions to New Information System

The Office of Procurement and Logistics became OSP on October 1, 2019. The office is divided into these divisions:

- ***Statewide Procurement and Contract Management Division:*** This division will be administering procurements. It will include capital, goods and services, and an IT procurement office. It will also interact with State agencies.

- ***eProcurement/eMaryland Marketplace Advantage (eMMA) and Business Services Division:*** This division will manage the new electronic IT system, eMMA. This division will have the fiscal, compliance, reporting, and BPW offices. One goal of the reform is to improve contract management, and this division will have a contract management and supplier relationship office.

- ***Policy and Training Division:*** This division will review and update policies. One of the reform's goals is to have a more nimble process and to implement advances in procurement practices more rapidly. This division will assume that responsibility and provide training. Another goal is improved training to enhance the quality of the staff.

State agencies will still have some procurement staff. Agencies that are too small to support a full-time procurement position will be supported by account executives at OSP.

In August 2019, DGS' new procurement system, eMMA, went live. This was the first release of the new system that electronically manages procurement transactions. This replaced a legacy system in which the State was the last user. Subsequent releases will offer contract management (much of which is now done on spreadsheet), analytics (including reporting tools and the ability to bid reverse auctions), and requisition and purchase orders. OSP is also examining how to integrate the procurement system with the State's Financial Management Information System and other agency systems. No major problems were reported.

The department should be prepared to brief the committees on the reorganization and new procurement system.

Strategies for Addressing MBE Goals

As discussed in the third MFR goal, the State has a goal that 29% of prime and subcontract awards go to MBE-qualified businesses. The State has not been meeting this goal. The fiscal 2020 JCR asked that DGS report on its efforts to improve MBE participation. The report was submitted to the budget committees in November 2019. DGS advises that the department has taken the following actions:

- collaborated with the Maryland Department of Transportation to establish the Business Opportunities and Entrepreneurial Training Summit;
- hosted monthly outreach events, such as "Ready, Set, Grow" and "Teach and Talk;"
- encouraged MBE prime contractor involvement and performance through targeted outreach and aggressive goal setting; and
- worked to ensure that facilities maintenance contracts can support competitive bidding, quality of performance, and reasonable profit margins that make MBE performance possible.

The reorganization also affords DGS an opportunity to build MBE-friendly processes into procurement. DGS advises that OSP will:

- restructure and standardize the Procurement Review Group to develop a clear and consistent process so that more individualized goals can be determined for stand-alone contracts;
- create handouts and other educational media to better inform the vendor community;
- undertake targeted outreach to the prime contractor community so that all prime contractors can be better partners with MBE firms; and
- work with recent MBE awardees to keep eMMA up to date so that prime contractors can more easily partner with MBE firms.

3. Administration Is Making Plans to Move Agencies Out of State Center

Project Background

Located in close proximity to the State Center Metro in Baltimore City, State Center was conceived in 2005 as a transit-oriented, mixed-use development to revamp 1.5 million square feet of existing State office space on the west side of Baltimore City. After several years of predevelopment efforts, including the execution of a Master Development Agreement and several years of significant involvement from the budget committees, the State approved ground and occupancy leases with the development team in July 2010. The basic concept underpinning the development included the State ground leasing parcels in several phases to State Center LLC, with the State then renting office space from the developer. In addition to office space for the State, the development plan includes the construction of private commercial office space, retail space including a grocery store, a mix of low- and moderate-income rental and market rate for-sale housing, and parking.

Efforts to start Phase I were blocked due to litigation filed by a group of downtown Baltimore City businesses principally on the grounds that the State did not comply with competitive bidding requirements and procedures. A ruling by the Baltimore City Circuit Court in January 2013 voided the development contract, citing the State's failure to competitively bid the development. However, in March 2014, the Court of Appeals reversed the decision in the State's favor, allowing the development to proceed.

In 2014, the Governor Martin J. O'Malley Administration proposed changes to the State Center project, including changes to the investor mix, changes to the parking garage, relocation of the grocery store, the addition of a private charter school, and increasing the square footage to be leased by the State.

On December 21, 2016, BPW approved an item to rescind board items related to State Center approved on July 28, 2010, and December 15, 2010.

Subsequent Litigation

In response to the rescinding of prior BPW approvals, the developer sued the State, and the State countersued the developer. At this time, both parties agree that because the State terminated the contract for convenience, State Center LLC is entitled to its reasonable preconstruction costs. However, the State does not agree with how State Center LLC calculates those costs. The State believes that preconstruction costs estimated by State Center LLC are inflated. State Center LLC's position is that, in addition to preconstruction costs, they allege that the State acted in bad faith by breaching the contract and, as a result, they are entitled to lost profits, which they calculate to be in the low hundreds of millions. State Center LLC also claims that one of the leases was fully executed and, therefore, the State should be paying rent under the lease.

The lawsuit is still in discovery. At the request of both parties, this has been extended and is expected to close in summer 2020. OAG does not expect a trial before 2021.

Expression of Interest Released

In July 2018, the Maryland Stadium Authority (MSA) notified the budget committees that it had been asked by DGS to issue an Expression of Interest (EOI) relating to the redevelopment of the State Center Complex. This notification was made in accordance with Section 10-622 of the Economic Development Article, which requires MSA to notify the budget committees prior to beginning any project requested by a State agency or local government and to allow the committees 30 days to review and comment. The committees did not support the EOI. MSA released the EOI after the review and comment period.

Governor Issues Press Release Announcing State Center Plans

In November 2019, the Governor announced that he was directing MSA, in coordination with DGS, to move forward with a Request for Information (RFI) and Request for Proposal (RFP) to redevelop State Center. The RFI will solicit ideas about how to redevelop State Center and should inform the RFP. The press release notes that DGS will begin planning to move approximately 3,300 employees from 12 State agencies into leased space.

To support this additional workload, the Administration is requesting 2 new program manager positions in the Office of Real Estate. Agency fiscal 2021 budgets do not include any additional funds for rent or moving expenses. DGS anticipates that it will take 18 to 24 months to begin moving agencies, so additional funds will not be needed until fiscal 2022. DGS is currently preparing RFPs for leases. The final of 12 RFPs should be issued by the end of March 2021. A moving schedule will not be available until all RFPs have been released and awarded.

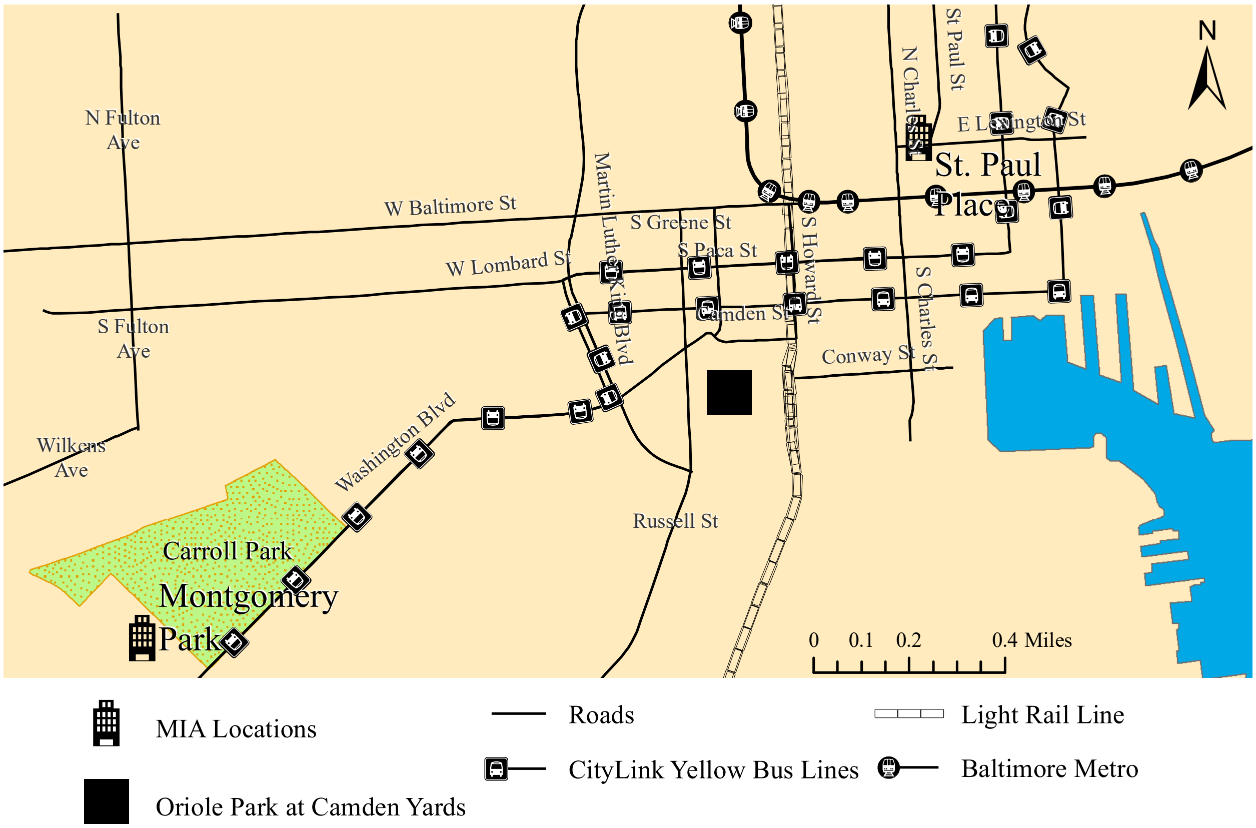
4. Maryland Insurance Administration Leases

On January 8, 2020, BPW approved a sole source lease for the Maryland Insurance Administration (MIA) to lease 68,771 square feet of office space at 200 St. Paul Place in Baltimore City. MIA has been at this location since 2009. The average annual cost of the lease is $1.7 million. This is a 10-year lease with a standard six-month holdover. The previous lease expired on May 2, 2019, and the holdover expired on November 2, 2019. DGS advises that the owner of the building could require MIA to pay double the prior lease payments after the expiration of the lease if the lease is not renewed. DGS also advises that they expected the owner of the lease, The Kornblatt Co., to invoke this provision if the State did not execute this new lease.

MIA Lease Procurement

In August 2017, almost two years before the 2019 lease expired, DGS issued an RFP seeking office space for MIA. After evaluating the proposals, DGS notified Montgomery Park that it was the recommended awardee of the procurement. During the negotiation period, the DGS procurement officer became aware that MIA had concerns regarding relocating to Montgomery Park. Specifically, MIA expressed concerns that the move could result in the loss of experienced professional employees that would negatively impact MIA operations. DGS determined that MIA's concerns were legitimate and canceled the RFP. Since Montgomery Park's lease is the lowest bid, moving there would reduce MIA costs. However, the parties are disputing how much is saved and how much it costs to move MIA to Montgomery Park. **Exhibit 20** shows the location of 200 St. Paul Place and Montgomery Park.

Exhibit 20
Map of 200 St. Paul Place and Montgomery Park
January 2020



MIA: Maryland Insurance Administration

Source: Baltimore City, MD iMAP; Department of Legislative Services

Montgomery Park's Owner Files Protests

Himmelrich Associates Inc., the owner of Montgomery Park, protested the cancellation of the lease in April 2019. In its protest, Himmelrich asserts that the decision to cancel the RFP is arbitrary and capricious, lacks a rational basis, and is unreasonable by not containing a determination by DGS that the cancellation was fiscally advantageous. DGS has denied the protest. Himmelrich then appealed to the Maryland State Board of Contract Appeals (MSBCA).

Himmelrich Associates filed a second protest with DGS that faults DGS for failing to obtain a justification from MIA for considering only St. Paul Plaza for the renewal lease, failing to advertise the "sole source" solicitation, and failing to solicit offers from prospective offerors, including Montgomery Park. DGS denied this protest on its merits, and Montgomery Park has not appealed.

A third protest was filed in September 2019. Himmelrich asserts in this protest that DGS violated State regulations by negotiating the renewal lease without having determined that doing so was in the best interests of the State. In addition, Himmelrich challenges any subsequent finding that it is in the State's best interest to negotiate the renewal lease and that it will be in the State's best interest to execute the renewal lease. DGS has denied this protest, and Himmelrich has appealed to MSBCA.

MSBCA Ruling

On January 29, 2020, MSBCA ruled on the appeals filed by Himmelrich, the owners of Montgomery Park. With respect to the reasonableness of the procurement officer's (PO) determination to cancel the Montgomery Park lease, MSBCA examined the following complaints and concluded:

- ***"The justification for the request has changed and is no longer valid."*** The claim was made by MIA that parking became less critical after Montgomery Park was identified as the awardee. There were concerns that Montgomery Park "is not directly accessible by multiple city bus routes, regional commuter buses, Metro and Light Rail." However, the proposal included customized shuttle service provided for MIA employees. MIA asserted that "60% of MIA employees use public transportation to commute to/from work." MSBCA found that "no credible evidence was admitted to support the employee's transportation and parking needs had indeed changed."

- ***"Employee retention will be significantly adversely impacted."*** The MIA asserted that "its relocation to [Montgomery Park] will result in the departure of experienced regulatory staff with the specialized insurance-related knowledge and expertise needed to perform [MIA's] regulatory functions." The PO took no affirmative steps to obtain and examine relevant data to verify this. Also, if this were the case, "the possibility of a negative impact on employee retention was an issue that should have been known to DGS and factored into the evaluation process before selecting a vendor for award." MSBCA found that the "PO could not reasonably conclude that cancelling the solicitation was in the best interest of the State when she failed to investigate or verify the extent of the asserted impact on MIA's employee retention and failed to investigate whether the impact on MIA's employee retention was any more significant than the impact that normally occurs when any agency moves."

- ***"The interruption of MIA operations and regulation of Maryland's insurance industry will hurt Maryland consumers and businesses."*** MSBCA notes that this "was also an impact (if true) that should have been known and factored into the evaluation process when selecting Montgomery Park for award. The PO did not investigate the accuracy of this assertion. Neither DGS nor MIA "articulated any specific adverse impact that the relocation to Montgomery Park would have upon the regulation of the insurance industry."

- ***"Insurance companies doing business in Maryland have opposed the move on the basis that it will be the second time in 10 years that these companies must fund the MIA's relocation."*** MIA's budget is funded by the insurance industry.[8] The PO was unaware of this when preparing the RFP. The PO became aware of this through a letter from MIA on April 23, 2019. The "PO testified that 'the determining factor' in her decision to cancel the solicitation was that the insurance companies would be required to pay the moving costs up front via a special assessment spread out over market share." Yet this is not noted in the written determination as the basis for the cancellation of the procurement. MSBCA notes that, based solely on the unverified assertions of the MIA letter, the PO "abruptly determined that it was in the State's best interest to cancel the solicitation … the same day that she was told that the MIA was fully funded by the insurance companies, and the same day that she was told that the insurance companies would be required to pay the moving costs up front as a special assessment."

MSBCA concluded that the State did not investigate and determine whether the facts and relevant data adequately support MIA's concerns, and the State did not weigh all the advantages and disadvantages to the State of canceling this solicitation before making a determination that canceling it was in the State's best interest.

DGS should be prepared to brief the budget committees on the MSBCA ruling. This should include what the next steps are with respect to the 200 St. Paul Street and Montgomery Park leases and the extent to which the State could be liable for damages.

[8] MSBCA also notes that DGS's highest estimate for relocation expenses was $1,237,068; its lowest was $71,729. There is no evidence admitted regarding the number of insurance companies over which this cost would be spread as an up-front special assessment The PO nevertheless conceded that the moving costs were significantly lower than the $3,337,052 that DGS estimated in net savings in rent over the life of the ten-year lease.

Operating Budget Recommended Actions

	Amount Reduction	
1. Increase the fiscal 2021 turnover rate to the fiscal 2020 level. The fiscal 2020 budgeted turnover rate is 7%. Since January 2018, vacancy rates have been averaging more than 9% per month. In January 2020, the department had 70 vacant positions, which is 34 positions more than are needed to meet the turnover rate. It is unlikely that the vacancy rate will average 5.7% as budgeted in fiscal 2021.	\$ 500,000 \$ 24,000 \$ 6,000	GF SF FF

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

, provided that since the Department of General Services' Office of State Procurement (OSP) has had four or more repeat findings in the most recent fiscal compliance audit issued by the Office of Legislative Audits (OLA), \$100,000 of this agency's administrative appropriation may not be expended unless:

(1) OSP has taken corrective action with respect to all repeat audit findings on or before November 1, 2020; and

(2) a report is submitted to the budget committees by OLA listing each repeat audit finding along with a determination that each repeat finding was corrected. The budget committees shall have 45 days to review and comment to allow for funds to be released prior to the end of fiscal 2021.

Explanation: The Joint Audit and Evaluation Committee has requested that budget bill language be added for each unit of State government that has four or more repeat audit findings in its most recent fiscal compliance audit. In this case, OSP has five repeat audit findings. Each such agency is to have a portion of its administrative budget withheld pending the adoption of corrective action by the agency and a determination by OLA that each finding was corrected. OLA shall submit reports to the budget committees on the status of repeat findings.

Information Request	Author	Due Date
Status of corrective actions related to the most recent fiscal compliance audit	OLA	45 days before the release of funds

Total Reductions	**$ 530,000**
Total General Fund Reductions	**$ 500,000**
Total Special Fund Reductions	**$ 24,000**
Total Federal Fund Reductions	**$ 6,000**

Appendix 1
2019 *Joint Chairmen's Report* Responses from Agency

The 2019 *Joint Chairmen's Report* (JCR) requested that the Department of General Services (DGS) prepare five reports, four due in fiscal 2020 and one due on November 1, 2020. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***Report on Senate Office Building Housekeeping Positions:*** Concerns were raised about hiring contractual housekeeping positions. In the response, DGS documented the department's difficulties in hiring housekeeping staff. Potential employees must pass background checks and have appropriate work history. In a calendar 2017 recruitment, 9 of 82 applicants were deemed suitable for interviews, and 2 were hired. Facing staffing shortages, DGS procured a six-month contract for housekeeping services. The procurement was consistent with relevant sections in the State Finance and Procurement Article and State Personnel and Pensions Article.[9]

- ***Report on Jobs Contemplated for Outsourcing:*** The committees expressed concerns about DGS increasing contracted services instead of using State employees and asked that DGS report on jobs contemplated to be outsourced. DGS responded that there have been two recent changes. First, DGS was able to replace additional staff so that the housekeeping contract mentioned in the previous response ended after the initial six months and permanent employees now provide these services. DGS also struggles to keep stationary engineer positions supporting the Baltimore complex power plant filled. Beginning on January 1, 2020, the power plant is managed by a contractor, and the filled positions were transferred to Annapolis so that no employees were involuntarily separated.

- ***Report on Capital Grant Administration and Management:*** To improve oversight of capital grant awards managed by DGS, a workgroup recommended redesigning and simplifying the processes for applications, matching fund certification, contract approval, payment and reimbursement of expenses, and reporting project completion. Further discussion of this data can be found in the Capital Budget Miscellaneous Grants Overview and the Personnel Data section of this analysis.

- ***Report on Improving Minority Business Enterprise (MBE) Participation Rates:*** The State's goal is a 29% MBE participation rate. The budget committees expressed concerns that the fiscal 2017 rate was 19%, and the fiscal 2018 rate was 15% and required that DGS report on what it is doing to improve rates. Further discussion of this data can be found in Issue 2 of this analysis.

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[9] In January 2019, DGS consolidated housekeeping staff into the House Office Building and issued a six-month contract for housekeeping in the Senate Office Building. Since the contract was for approximately $39,000, it did not require Board of Public Works review. Further, because the contract did not exceed $100,000, it is not subject to Title 13, Subtitle 4 of the State Personnel and Pensions Article and, therefore, is not subject to State Finance and Procurement Article § 13-218.1. Moreover, even if this janitorial contract met the definition contemplated under SPP § 13-401, it would be exempt from the preference stated in SPP § 13-402, because there are not enough State employees to perform the service required as set forth in State Finance and Procurement Article § 13-404(b)(1).

Appendix 2
Audit Findings

Audit Period for Last Audit:	October 28,2015 to October 15, 2018
Issue Date:	December 2019
Number of Findings:	6
Number of Repeat Findings:	5
% of Repeat Findings:	83%
Rating: (if applicable)	n/a

Finding 1: **The Office of Procurement and Logistics (OPL) did not adequately monitor certain State agency procurements that were subject to its oversight. OPL can delegate small procurements to State agencies. Since fiscal 2011, only three State agencies were audited. The Department of General Services (DGS) advises that, when implementing the new procurement law, account executive positions are created to conduct these audits and monitor State agencies. This finding has been noted in the last two audits.**

Finding 2: **DGS did not publish contract awards totaling $37 million on eMaryland Marketplace (eMM). The Office of Legislative Audits (OLA) tested 24 commodity, facility maintenance, architectural and engineering, and construction contracts totaling $132 million. Eight of the awards totaling $37 million were not posted on eMM. DGS' audit response noted that efforts will be made so that the new eMaryland Marketplace Advantage (eMMA) will publish all awards.**

Finding 3: **OPL did not always provide prices with Intergovernmental Cooperative Purchasing Agreements (ICPA). These agreements allow agencies to procure goods or services from other federal, state, or local agencies consistent with State law and competitive procurement practices. OLA reviewed eight ICPAs totaling $17 million and found that five totaling $4.5 million did not have prices. DGS advises that some price structures are complicated so that pricing data cannot easily be entered into the State's Financial Management Information System. DGS also advises that pricing data is made available to procurement officers.**

Finding 4: **State law provides that, when goods or services can be supplied at prices that do not exceed prevailing market prices, procurement preferences will be given to Maryland Correctional Enterprises (MCE), Blind Industries and Services of Maryland (BISM), the Employment Works Program (EWP), and disability-owned businesses (referred to as preferred providers). OPL is required to determine and publish fair market prices for these products and services. The audit notes that OPL did not establish comprehensive procedures for determining fair market prices and did not publish prices for MCE and BISM. This finding has been noted in the last two audits.**

Finding 5: **OPL has a Memorandum of Understanding with a coordinating entity (CE) to manage EWP. The auditor found OPL has not been adequately monitoring CE and that DGS did not supply CE with sufficient detail about CE's responsibilities. DGS' response is that it will direct CE to form a workgroup to comply with the audit recommendation to clarify responsibilities. OLA believes that OPL should independently specify how these responsibilities should be carried out and disagrees with the process whereby CE forms a workgroup. This finding has been noted in the last two audits.**

Finding 6: OPL relies on eMM as its procurement system. OPL did not periodically review who has access to the system and did not periodically review the eMM vendor to ensure the safeguarding and availability of the system. An OLA review of April 2019 vendors disclosed that 2,017 of 2,092 eMM users had access to bidders before bids were opened. OPL did not perform a system and organization controls (SOC) review by an independent third party of eMM. An SOC 2 Type 2 review would provide OPL with assurance as to the propriety of the design and operation of critical controls, including those related to the safeguarding of confidential bids. These reviews are required of State agencies. DGS advises that these issues are addressed in the new eMMA system that became operational in August 2019. Information technology audit issues are discussed in the Department of Information Technology budget analysis.

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

Appendix 3
Major Information Technology Project
Department of General Services
eMaryland Marketplace eProcurement Solution

<table>
<tr><td colspan="9">New/Ongoing: Ongoing</td></tr>
<tr><td colspan="4">Start Date: January 2018</td><td colspan="5">Est. Completion Date: Spring 2021</td></tr>
<tr><td colspan="9">Implementation Strategy: Agile</td></tr>
<tr><th>($ in Millions)</th><th>Prior year</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th><th>2024</th><th>Remainder</th><th>Total</th></tr>
<tr><td>GF</td><td>$5.1</td><td>$15.0</td><td>$5.5</td><td>$11.9</td><td>$4.5</td><td></td><td></td><td>$42.0</td></tr>
<tr><td>SF</td><td></td><td></td><td>3.0</td><td></td><td></td><td></td><td></td><td>3.0</td></tr>
<tr><td>Total</td><td>$5.1</td><td>$15.0</td><td>$8.5</td><td>$11.9</td><td>$4.5</td><td></td><td></td><td>$45.0</td></tr>
</table>

- ***Project Summary:*** Implement a Statewide procurement system available to State agencies and vendors. This eProcurement system should provide a single, user-friendly portal for suppliers and end-users that support a number of platforms, including smartphone mobile devices. The system should support public notices, sourcing, receiving, vendor self-service registration and management, solicitation development, bid document management, government-to-business online electronic punch-out catalogs, requisitioning, and a readily available data warehouse repository with reporting tools for appropriate public information. The system should also include management information systems to better track and manage procurements and should support the department's efforts to improve strategic purchases.

- ***Need:*** The system should provide a clear, accurate, and detailed account of procurements. In addition, the system should be able to provide management procurement reports so that strategic decisions can be made about procurements to improve efficiencies.

- ***Observations and Milestones:*** The contract for the prior system with Periscope, Inc. expired in August 2019. The new system was implemented in August 2019 so that the State and vendors could transact on an electronic system.

- ***Changes:*** Complexities associated with integrating this procurement system with State Financial Management Information Systems are being examined to determine the scope, time, and cost required to address them.

- ***Concerns:*** To be successful, the system must be user-friendly for State agencies and the vendor community, integrate with State accounting and budgeting systems, and provide comprehensive management information system reports to the Office of State Procurement. The State has not done this effectively in the past, suggesting that this may not be an easy feat.

Appendix 4
Priority Classes Defined by the Department of General Services' Office of Facility Planning, Design, and Construction

The prioritization process attempts to identify the consequences of not funding a project and bases the priority class on the following:

Highest Level: Serious prolonged impact on facility mission.

Class 1. High risk of litigation from failure to provide a mandated service.

Class 2. High risk of cessation of a mandated service.

Class 3. High risk of reduction of a mandated service.

Mid Level: Short-term impact on mission capability but a high level of economic risk.

Class 4. Fineable code violations, serious life or safety issues.

Class 5. Destruction of related assets.

Class 6. Accelerated deterioration of the asset, end of normal life expectancy.

Low Level: No impact on mission capability and low economic risk.

Class 7. Restoring an asset to its design effectiveness.

Class 8. Restoring an asset to design efficiency.

Class 9. Improving an asset above its original design effectiveness or efficiency.

Source: Department of General Services

Appendix 5
Object/Fund Difference Report
Department of General Services

Object/Fund	FY 19 Actual	FY 20 Working Appropriation	FY 21 Allowance	FY 20 - FY 21 Amount Change	Percent Change
Positions					
01 Regular	582.00	629.00	645.00	16.00	2.5%
02 Contractual	24.86	38.63	40.43	1.80	4.7%
Total Positions	**606.86**	**667.63**	**685.43**	**17.80**	**2.7%**
Objects					
01 Salaries and Wages	$ 47,492,051	$ 53,803,400	$ 58,562,556	$ 4,759,156	8.8%
02 Technical and Special Fees	1,423,792	1,614,896	1,687,316	72,420	4.5%
03 Communication	1,000,916	700,564	909,964	209,400	29.9%
04 Travel	98,247	49,999	121,418	71,419	142.8%
06 Fuel and Utilities	13,884,137	15,457,891	14,505,605	-952,286	-6.2%
07 Motor Vehicles	1,503,414	1,558,264	1,527,766	-30,498	-2.0%
08 Contractual Services	22,915,712	24,248,244	26,346,724	2,098,480	8.7%
09 Supplies and Materials	1,276,860	1,423,722	1,458,870	35,148	2.5%
10 Equipment – Replacement	106,162	15,004	15,004	0	0%
11 Equipment – Additional	131,453	117,600	2,102,130	1,984,530	1687.5%
12 Grants, Subsidies, and Contributions	367,000	0	750,000	750,000	N/A
13 Fixed Charges	4,204,908	4,201,867	4,443,850	241,983	5.8%
14 Land and Structures	11,615,827	12,098,552	14,098,125	1,999,573	16.5%
Total Objects	**$ 106,020,479**	**$ 115,290,003**	**$ 126,529,328**	**$ 11,239,325**	**9.7%**
Funds					
01 General Fund	$ 69,900,890	$ 75,593,413	$ 86,139,658	$ 10,546,245	14.0%
03 Special Fund	5,525,852	4,811,853	4,928,624	116,771	2.4%
05 Federal Fund	1,330,227	1,426,239	1,478,147	51,908	3.6%
09 Reimbursable Fund	29,263,510	33,458,498	33,982,899	524,401	1.6%
Total Funds	**$ 106,020,479**	**$ 115,290,003**	**$ 126,529,328**	**$ 11,239,325**	**9.7%**

Note: The fiscal 2020 appropriation does not include deficiencies, planned reversions, or general salary increases. The fiscal 2021 allowance does not include contingent reductions or general salary increases.

Appendix 6
Fiscal Summary
Department of General Services

Program/Unit	FY 19 Actual	FY 20 Wrk Approp	FY 21 Allowance	Change	FY 20 - FY 21 % Change
0A Office of the Secretary	$ 4,326,065	$ 3,761,767	$ 4,474,914	$ 713,147	19.0%
0B Office of Facilities Security	14,270,077	17,439,688	21,039,980	3,600,292	20.6%
0C Office of Facilities Operations and Maintenance	53,664,241	55,821,629	57,231,351	1,409,722	2.5%
0D Office of State Procurement	7,018,781	9,306,831	10,827,213	1,520,382	16.3%
0E Office of Real Estate	3,373,691	2,625,506	3,037,869	412,363	15.7%
0G Office of Facilities Planning, Design, and Construction	20,172,670	21,375,423	24,133,935	2,758,512	12.9%
0H Business Enterprise Administration	3,194,954	4,959,159	5,784,066	824,907	16.6%
Total Expenditures	**$ 106,020,479**	**$ 115,290,003**	**$ 126,529,328**	**$ 11,239,325**	**9.7%**
General Fund	$ 69,900,890	$ 75,593,413	$ 86,139,658	$ 10,546,245	14.0%
Special Fund	5,525,852	4,811,853	4,928,624	116,771	2.4%
Federal Fund	1,330,227	1,426,239	1,478,147	51,908	3.6%
Total Appropriations	**$ 76,756,969**	**$ 81,831,505**	**$ 92,546,429**	**$ 10,714,924**	**13.1%**
Reimbursable Fund	$ 29,263,510	$ 33,458,498	$ 33,982,899	$ 524,401	1.6%
Total Funds	**$ 106,020,479**	**$ 115,290,003**	**$ 126,529,328**	**$ 11,239,325**	**9.7%**

Note: The fiscal 2020 appropriation does not include deficiencies, planned reversions, or general salary increases. The fiscal 2021 allowance does not include contingent reductions or general salary increases.