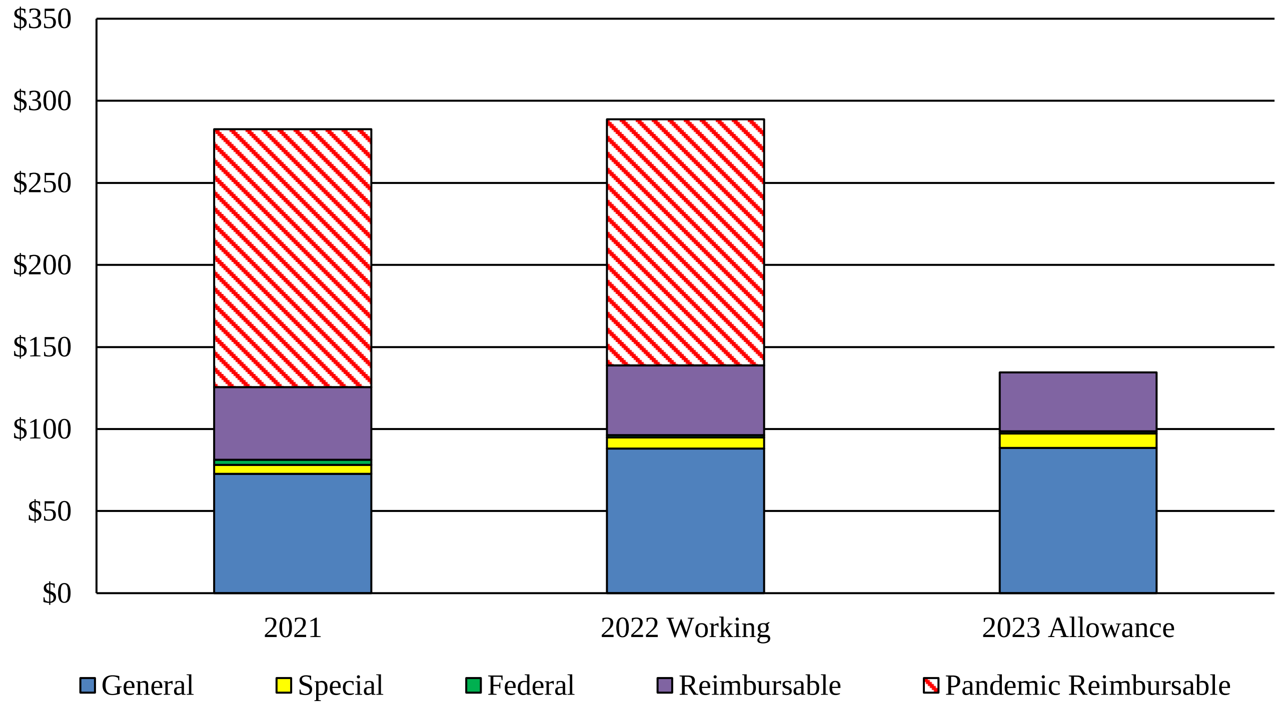
Department of General Services

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 2023 Budget Decreases $154.2 Million, or 53.4%, to $134.6 Million
($ in Millions)



Note: The fiscal 2022 working appropriation includes deficiency appropriations. The fiscal 2022 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.

- Unusually high spending in fiscal 2021 and 2022 is attributable to COVID-19 pandemic-related procurements.

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Key Observations

- ***Dedicated Purpose Account (DPA) Includes $75 Million for Facility Renewal Projects:*** This appropriation more than triples funding for State agency facility renewal projects. DGS advises that current staffing does not support these appropriations.

- ***DGS Continues to Have High Numbers of Vacant Positions:*** Since January 2017, 8% to 13% of positions at DGS have been vacant. The low salary scale for DGS positions contributes to these vacancies. To address low salaries, DGS hires most of its staff in the middle of the salary scale. There have been no increments in the last five years, so most of the staff hired over the period are on or near the same step and salary, resulting in salary compression for employees hired over the last half decade.

Operating Budget Recommended Actions

1. Add language restricting funds to support facility renewal projects supported by Dedicated Purpose Account appropriations.

2. Add language requiring a report on the status of State Center.

3. Adopt narrative requiring the Department of General Services to examine why over 90% of emergency procurements not related to the COVID-19 pandemic were reported to the Board of Public Works in more than 45 days.

4. Adopt narrative requiring the Department of General Services to add Managing for Results indicators for its new employee training program.

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Department of General Services

Operating Budget Analysis

Program Description

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 Management** 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.

- **Design, Construction, and Energy** 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 and manages energy procurement and consumption.

- **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. 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, mail room, and the capital grants and loan (CGL) program. The office includes the Inventory Management and Support Services Division that determines and manages property disposition (excluding vehicles) for State agencies.

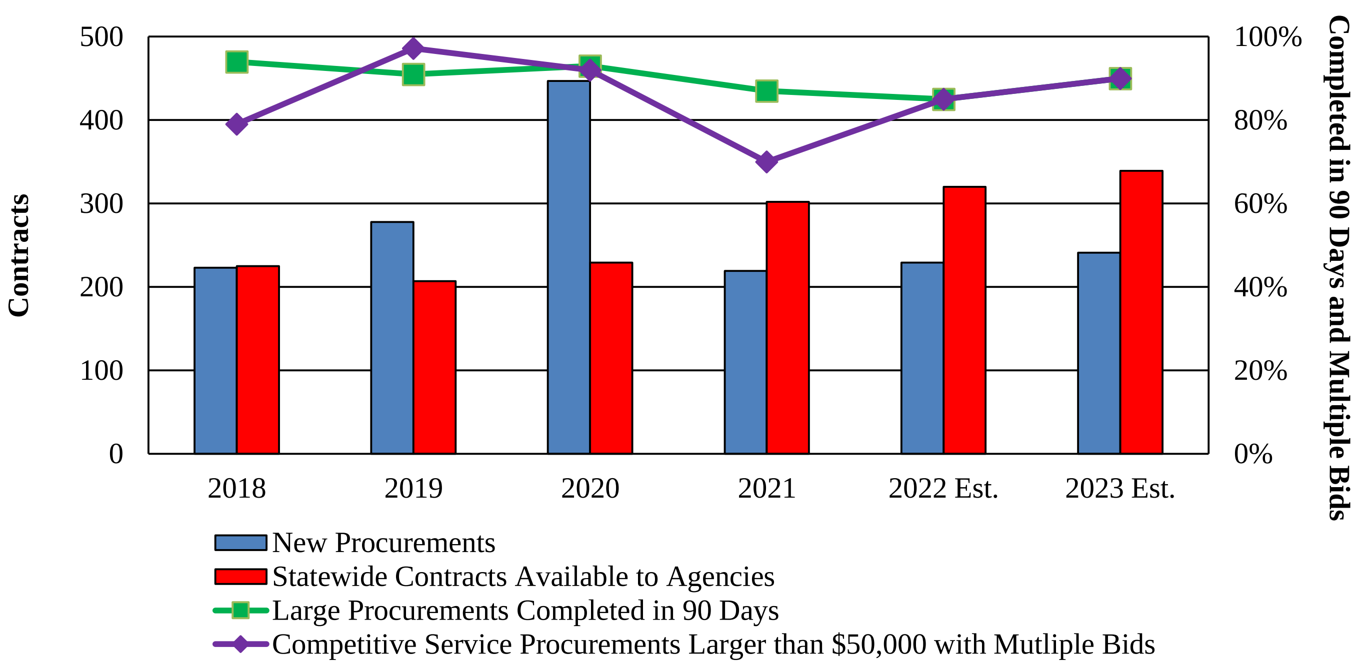
Key goals are to (1) provide the best value for customers and taxpayers; (2) provide a safe and secure environment for State employees and visitors in complexes secured by MCP; (3) carry out social and economic responsibilities; (4) maintain the condition of DGS-owned buildings to provide a comfortable environment for State employees and visitors; (5) improve the condition of State facilities; and (6) reduce State energy consumption.

Performance Analysis: Managing for Results

1. 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 1** 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 in fiscal 2020.

Exhibit 1
Procurement Activity
Fiscal 2018-2023 Est.



Source: Governor's Budget Books

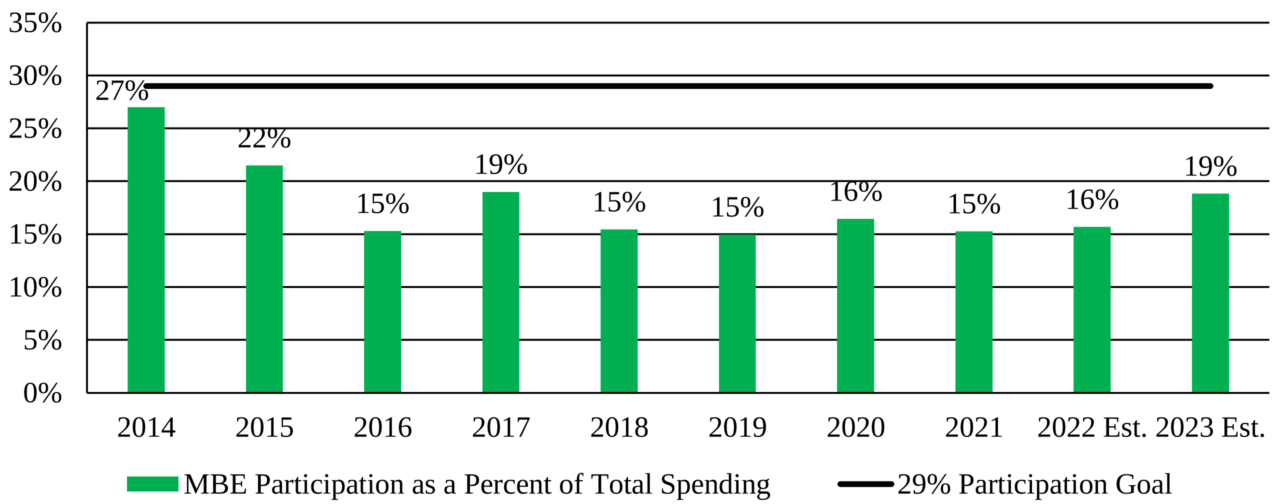
DGS has found that it is more effective to combine procurements that have a common commodity or service into larger procurements. As such, the department has a goal to reduce the total number of procurements through strategic sourcing. The number of new procurements has fluctuated in recent years. DGS 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.

2. 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 2021, DGS awarded $12.2 million in contracts to prime contractors and $21.2 million to subcontractors. **Exhibit 2** shows that MBE participation was 15.3% in fiscal 2021. This continues a trend in which every year since fiscal 2013 has been below the MBE target. A factor that led to the decline since fiscal 2016 was legislation that removed nonprofits and preferred providers from the MBE program. To improve MBE participation rates, DGS advises that the Office of Business Programs has undertaken vendor outreach activities through partnerships with procurement-related agencies and marketing events.

Exhibit 2
MBE Participation as a Percent of Total Spending
Fiscal 2014-2023 Est.



MBE: Minority Business Enterprise

Source: Governor's Budget Books

3. Energy Consumption

Statewide appropriations for energy are substantial. Fiscal 2021 actual spending includes $126.9 million for electricity, $29.4 million for natural gas and propane, and $6.6 million for fuel oil. DGS' goal is to reduce consumption and be more energy efficient. This is supported by a June 2019 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.

The department has a number of tools that it can use to reduce energy consumption. Energy Performance Contracts (EPC) improve 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 savings is greater than the cost of 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 3** shows that the State has entered into 27 active EPCs with estimated savings of 1.28 million British thermal units in fiscal 2022.

Exhibit 3
Energy Efficiency Performance Measures
Fiscal 2018-2023 Est.

	2018	2019	2020	2021	2022 Est.	2023 Est.
Energy Performance Contracts (EPC)	26	27	27	26	27	28
Energy Savings Achieved through EPCs (Millions of MMBTUs)	1.15	1.20	1.20	1.20	1.28	1.36
Savings Realized through EPCs ($ in Millions)	$23.45	$24.95	$24.95	$24.89	$25.00	$25.00
Percent of Statewide Facilities with Complete Data in Statewide Energy Database	10.4%	17.4%	34.4%	58.7%	60.0%	62.0%
Total Energy Consumption in State Facilities (MMBTUs)	11.77	11.67	10.80	9.66	10.00	10.50

MMBTU: One million British thermal units

Source: Governor's Budget Books

The June 2019 executive order sets a goal that energy consumption in State-owned buildings be reduced by 10% compared to the fiscal 2018 consumption. DGS can also make other improvements to make the State more energy efficient and reduce costs, such as:

- ***Database Managing Energy Consumption:*** The State has a database managed by a contractor to manage energy consumption. 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. The percent of statewide agencies with all datapoints complete in the database increased from 10% in fiscal 2018 to 59% in fiscal 2021. This database will be used to measure how well the State is meeting the fiscal 2018 goal. The Managing for Results (MFR) indicators still include the 2008 goal.

- ***Submetering:*** The majority of State buildings are currently on master-metered campuses and are not metered at the building level. Metering at the building level will enable the State to identify and retrofit poor performing buildings. DGS has a memorandum of understanding (MOU) with the Maryland Energy Administration to install building-level submeters in the entire Annapolis complex. The project should be completed by the end of fiscal 2022.

- ***Energy Audits:*** In March 2020, DGS signed an MOU with Small and Smart Thermal Systems Laboratory at the University of Maryland, College Park Campus to perform audits on State-owned buildings. The laboratory is comprised of a team of graduate mechanical engineering students with oversight from faculty and professional engineers who have experience performing energy audits at the College Park campus. First-year results are that 1.7 million square feet were audited, identifying approximately $641,000 in annual energy savings. Average savings for the 15 buildings was 20%.

- ***Retrocommissioning of Buildings:*** In 2021, DGS hired an engineering firm to return the Building Automation System of the Rockville Multi-Service Center (MSC) back to its original operating condition, saving over 70% of the system's use of electricity, with an expected payback of less than two years. DGS has identified two other buildings as good candidates for further retrocommissioning: Borgerding MSC; and Hargrove MSC.

- ***Light Emitting Diode Lighting Upgrades:*** Through fiscal 2022, DGS is expecting to replace 10,000 existing lighting fixtures in the Annapolis complex, with total annual estimated savings of 2,281 megawatt hours and approximately $194,000.

SB 179 of 2022 is departmental legislation that would extend the maximum EPC lease term from 15 to 30 years. EPCs are required to provide energy savings without increasing costs. As such, the length of maturity of EPCs are a function of the useful life of the improvement. DGS advises that in spite of increasing the maximum lease term to 30 years, the department does not expect many projects to have a 30-year lease. However, many projects could see savings for 20 to 25 years such as ground source heat pumps and other HVAC systems as well as some envelope improvements such as new windows and increased wall and roof insulation.

Fiscal 2022

Proposed Deficiency

Exhibit 4 shows that the budget bill includes $7.1 million in fiscal 2022 deficiency appropriations for DGS' operating budget.

Exhibit 4
Fiscal 2022 Proposed Deficiency Appropriations

Program	Description	Amount
Design, Construction and Energy	Increased critical maintenance funding for State facilities consistent with recommendations from the Spending Affordability Committee.	$2,900,000
Facilities Management	Landscaping design and maintenance contract in Annapolis and Crownsville. The fiscal 2023 budget includes funding to maintain the new landscaping.	1,600,000
Business Enterprise Administration	Comprehensive assessment of approximately 120 State fuel dispensing sites to ensure that there are not any problems that could lead to spills or leaks. The most recent assessment was done 10 years ago.	900,000
Facilities Security	Continue upgrades to security access control systems in State buildings.	750,000
Facilities Management	Janitorial services contracts, reflecting anticipated cost increases.	418,885
Administration	Workforce training to address high vacancies and turnover.	300,000
Facilities Security	Implement new time clock software for Maryland Capital Police.	151,700
Facilities Security	Adding a fourth K-9 unit for Maryland Capital Police in response to requests for increased use at State–sponsored events.	53,200
Total		**$7,073,785**

Source: Department of Budget and Management; Department of General Services

The Spending Affordability Committee (SAC) raised concerns about the general deprofessionalization of the State workforce and recommended that the State put more efforts into upskilling its workforce. The training program addresses this concern. This is proposed to be a multitiered training program with tiers for (1) supervisors and employees wanting to become supervisors; (2) managers, such as unit chiefs, deputy directors, and directors; and (3) senior or executive level staff and employees whose goal it is to move into such a role.

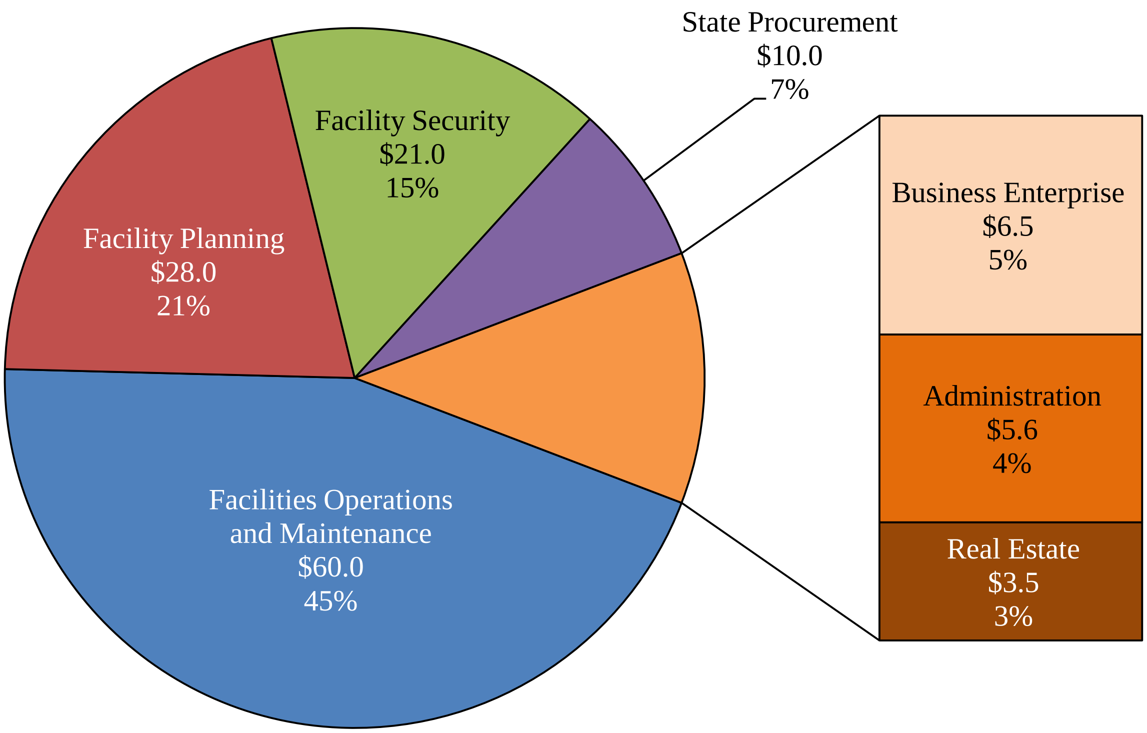
The training will be similar to a program offered in the State Highway Administration. Towson University will work with DGS to develop the training program and train the initial team of trainers. The kinds of skills developed in the program include listening, crisis management, deescalation of conflict, and negotiation and mediation, as well as understanding and preparing a budget, business writing, and customer service. DGS is exploring development of a formalized mentorship program in conjunction with this training. These efforts are an attempt to keep staff at DGS and promote staff throughout the department. The Department of Legislative Services (DLS) observes that the program is still in the early stages of planning. DGS has not yet determined how many employees will be trained, the specific retention goals and objectives, and how to measure the effectiveness of the program.

DGS' first MFR goal is to provide best value for customer agencies and taxpayers. To do this, DGS needs an effective and efficient workforce. As such, DGS should add an objective to its first goal about employee retention and training. DGS should add performance measures like (1) the number of employees in the program; (2) retention rates of employees that do and do not participate in the program; (3) career paths of employees that do and do not participate in the program; and (4) other measures of the training program's effectiveness. **DLS recommends that the committees add narrative requiring DGS to add an objective to its first goal regarding employee training and retention as well as the program's performance measures.**

Fiscal 2023 Overview of Agency Spending

DGS consists of seven agencies whose spending differs substantially. **Exhibit 5** shows that 45% of the department's spending supports Facilities Management (the largest agency), while Real Estate (the agency requiring the least resources) consumes 3% of spending.

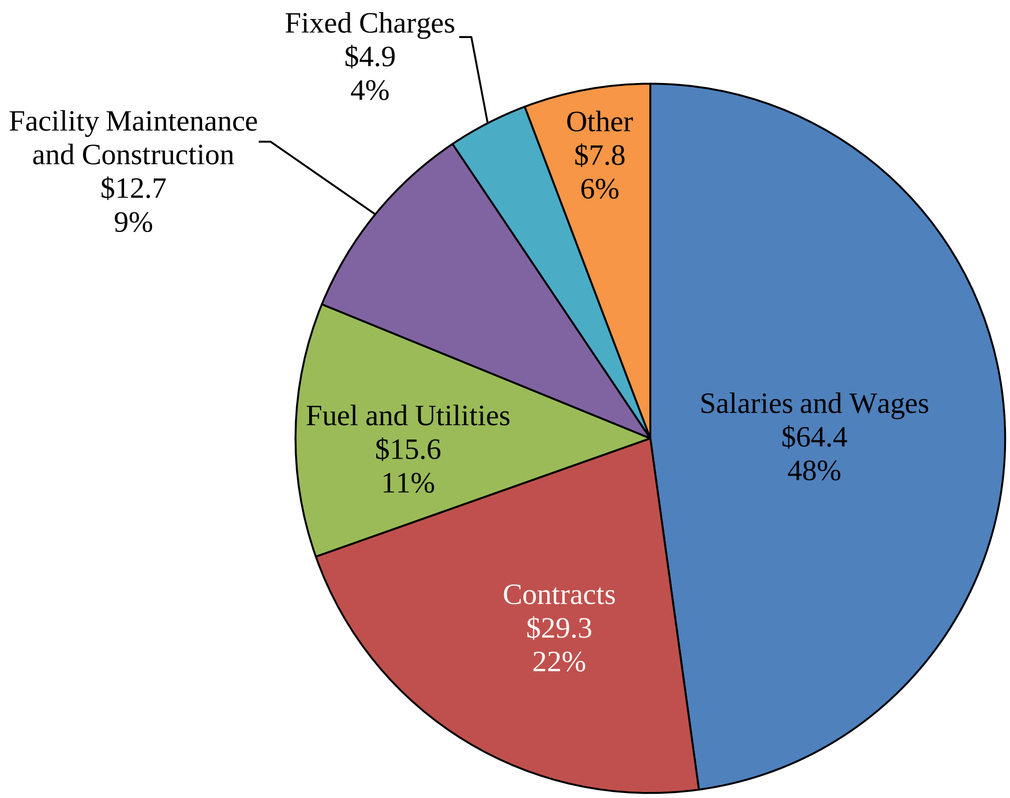
Exhibit 5
Expenditures by Agency
Fiscal 2023 Allowance
($ in Millions)



Source: Department of Budget and Management

Personnel spending is the largest share of spending. **Exhibit 6** shows that 48% of spending supports salaries and fringe benefits. 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 6
Expenditures by Objects
Fiscal 2023 Allowance
($ in Millions)



Source: Department of Budget and Management

Proposed Budget Change

Exhibit 7 shows that the fiscal 2023 allowance decreases to $134.6 million, which is $154.2 million (53.4%) less than the fiscal 2022 working appropriation. Fiscal 2022 costs are exceptionally high because of the $150 million budget amendment for supplies required during the COVID-19 pandemic.

Exhibit 7
Proposed Budget
Department of General Services
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2021 Actual	$72,771	$5,488	$2,955	$201,533	$282,747
Fiscal 2022 Working Appropriation	88,178	6,693	1,499	192,393	288,763
Fiscal 2023 Allowance	88,485	8,710	1,535	35,877	134,608
Fiscal 2022-2023 Amount Change	$307	$2,017	$37	-$156,516	-$154,155
Fiscal 2022-2023 Percent Change	0.3%	30.1%	2.5%	-81.4%	-53.4%

Where It Goes:	Change
Personnel Expenses	
Turnover adjustments	$1,484
Employee and retiree health insurance	897
Increments and other compensation	607
New positions	463
Overtime	-13
Workers' compensation premium assessment	-133
Reclassifications and miscellaneous adjustments	-193
Administration and Departmentwide Expenses	
Contractual employees' salaries and benefits to reflect higher wage costs	438
Department of Information Technology Services allocation	352
Insurance to State Treasurer's Office	255
Motor vehicle purchase and lease costs	136
Freight and delivery	124
One-time deficiency to create a training and workforce development program	-300
Reimbursable funds for COVID-19 pandemic response	-150,000
Facility Management	
Annapolis and Crownsville grounds landscaping design and maintenance net of fiscal 2022 deficiency	1,004
Janitorial services anticipated wage increases, including $15 per hour minimum wage	639
Realignment of facilities' security services	448
Facilities' electricity	-141
Realignment of facilities' repair and maintenance	-1,064
Maryland Environmental Service energy efficiency payments maturing in fiscal 2022	-1,453

Where It Goes:	
Facility Security	
Supplies to fund new identification card system and the expand proxy access	$564
Upgrade security access control system in facilities net of deficiency	220
Security capital lease payment	-149
One-time deficiency to implement new time clock software for MCP	-152
Reduction in overhead location for security contracts	-183
Other Changes	
New database for Office of Design, Construction, and Energy to comply with Green Purchasing Committee requirements	106
Energy audits prepared by Office of Design, Construction, and Energy	100
Other	22
One-time equipment rental at Business Enterprise Administration	-115
One-time deficiency to support a comprehensive assessment of fuel dispensing sites	-900
New database for Office of Design, Construction and Energy to comply with Green Purchasing Committee requirements	106
Total	**-$154,155**

MCP: Maryland Capitol Police

Note: The fiscal 2022 working appropriation includes deficiency appropriations. The fiscal 2022 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.

Personnel Data

	FY 21 Actual	FY 22 Working	FY 23 Allowance	FY 22-23 Change
Regular Positions	646.00	656.00	661.00	5.00
Contractual FTEs	40.23	39.73	44.73	5.00
Total Personnel	**686.23**	**695.73**	**705.73**	**10.00**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	34.18	5.21%
Positions and Percentage Vacant as of 12/31/21	68.50	10.44%
Vacancies Above Turnover	34.32	

- With over 68 vacant positions, there are twice as many vacant positions as budgeted vacancies.

Exhibit 8 shows that the fiscal 2023 allowance includes 5 new regular positions at an annual cost of approximately $463,000. DGS advises that additional positions are needed to support miscellaneous capital grants appropriated in the capital budget. DGS advises that precise responsibilities have not been determined.

Exhibit 8
New Positions
Fiscal 2023

Agency	Title	Positions	Salary	Salary and Fringe Benefits
Administration	Assistant Attorney General	1	$98,800	$127,156
Administration	Accountant 1	1	58,122	74,803
Business Enterprise	Administrator 1	1	62,001	79,795
Business Enterprise	Administrator 2	2	141,200	181,724
Total		**5**	**$360,123**	**$463,478**

Source: Department of Budget and Management

In addition to 5 new positions, 10 positions are transferred between agencies. **Exhibit 9** shows that administration, real estate, and business enterprise gain positions, while facility security, facility management, and facility planning lose positions. Administration and business enterprise positions support capital grants administration. An executive procurement position is transferred from procurement to administration. Real estate receives positions to assist with moving agencies out of State Center and into leases. There are no additional positions for operating budget facility renewal and capital budget critical maintenance projects, even though proposed funding for capital projects increases from $35 million to $110 million. These are discussed in more detail in the Issues section of this analysis.

Exhibit 9
New Positions and Position Transfers by Agency
Fiscal 2022-2023

Agency	2022	2023	Difference	Comment
Administration	37	42	5	*1 Assistant Attorney General New Position* *1 Accountant New Position* 1 Procurement Transferred Position 2 Planning Transferred Positions
Facility Security	190	188	-2	-1 Real Estate Transferred Position -1 Business Enterprise Transferred Position
Facilities Management	197	192	-5	-4 Real Estate Transferred Positions -1 Procurement Transferred Position
State Procurement	84	84	0	-1 Administration Transferred Position 1 Facilities Management Transferred Position
Real Estate	27	32	5	4 Facilities Management Transferred Positions 1 Security Transferred Position
Facility Planning	97	95	-2	-2 Administration Transferred Positions
Business Enterprise	24	28	4	*3 Administrator New Positions* 1 Facility Security Transferred Position
Total	**656**	**661**	**5**	

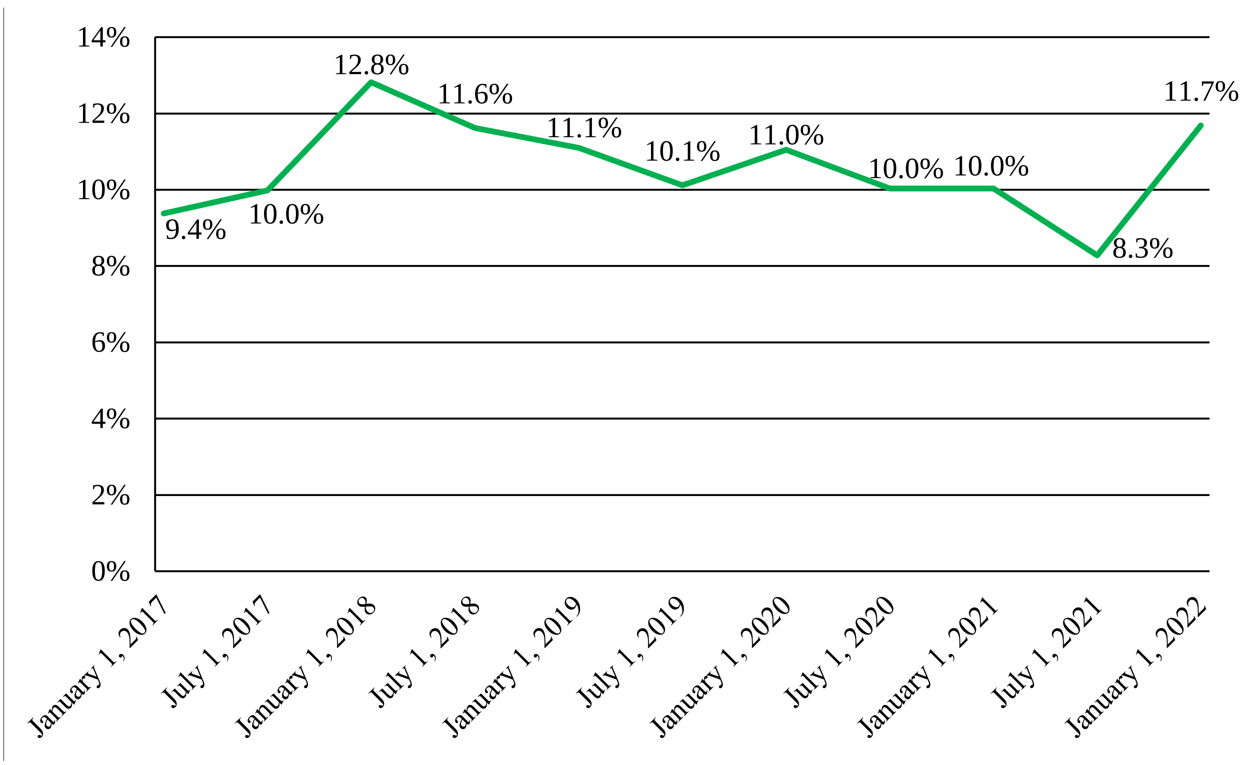
Note: New positions are italicized.

Source: Department of Budget and Management

Review of Vacancies and Salaries

DGS has had high vacancy rates in recent years. **Exhibit 10** shows snapshots of vacancy rates at the beginning and middle of each fiscal year since fiscal 2018. Rates have ranged between 8.3% and 12.8%. DGS' vacancy rates have been stubbornly high for years.

Exhibit 10
Vacancy Rates at the Department of General Services
January 2017 to January 2022



Source: Department of Budget and Management

Surveying Common Positions Shows That Salaries Have Been Low for Years

The most recent comprehensive study of State positions was released by the Department of Budget and Management (DBM) in 2008 and 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 January 2022. The survey includes the 2% salary increase that many State employees received on January 1, 2022. 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. For 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 11 shows that the State had the lowest base pay for all positions, except the procurement officer, in August 2017. This remains the case in January 2022. 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. Police positions have received larger pay increases than most State employees, which has moved the police officer to fourth, instead of tied for fourth.

Exhibit 11
Base Salary Comparison
Common Department of General Services Positions
To Similar County Positions
August 2017 to January 2022

Position	August 2017 State Rank	January 2020 State Rank	January 2022 State Rank	State Base Salary	Minimum Base Salary	Maximum Base Salary
Building Security Officer II[1]	3	3	3	$31,286	$31,286	$45,802
Police Officer II	Tied in Fourth	Tied for Fourth	4	47,683	45,802	57,352
Maintenance Mechanic Senior[2]	4	4	4	31,286	31,286	48,298
Building Services Worker	5	5	5	31,286	31,286	33,905
Capital Maintenance Project Engineer-Architect II[2]	4	4	4	58,441	58,441	67,156
DGS Procurement Officer II	4	3	3	54,822	52,146	69,126
Housekeeping Supervisor IV[3]	3	3	3	31,599	31,599	42,601
Acquisition Specialist[4]	4	4	4	47,407	47,407	69,126

Note: Highlights denote State has lowest salary.

[1] Baltimore City and Cecil County do not have similar positions.
[2] Baltimore City does not have a similar position.
[3] Baltimore City and Washington County do not have similar positions.
[4] Cecil County does not have a similar position.

Source: Baltimore City and 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. The schedule begins at step 1, and then adds 20 steps in each grade so that there are a total of 21 different salaries. 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 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.

As DGS salaries tend to be lower than the salaries for similar positions with county agencies, DGS is compensating by hiring new staff at about the middle of DBM's Standard Salary Schedule.

DLS has reviewed the salaries of 216 positions on January 1, 2022, that have less than five years of experience with the State. **Exhibit 12** shows that the average (mean) employee with less than five years of experience is at a step 10. This means that most employees have been hired at the middle of the pay scale or higher in recent years. Most State employees have not received step increases since July 1, 2016; the most common exception is employees in police unions. As such, most of these employees should not have received any step increases, so their current increment is the increment from their date of hire.

Exhibit 12
Mean and Median Step for Employees with Less Than Five Years of Experience
As of January 2022

Experience	Year Hired	Positions	Mean Step	Median Step
4-5 Years	2017	32	12	12
3-4 Years	2018	39	9	9
2-3 Years	2019	48	10	10
1-2 Years	2020	52	9	9
Less than 1 Year	2021	45	10	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

There is anecdotal evidence that it is common for individuals to come work for the State to get experience and then move to higher paid county positions. This analysis suggests that this is quite plausible. This data support concerns raised by SAC about the deprofessionalization of the overall State workforce.

The data also raises concerns about State salary scales and the effects of State employees not receiving increments in recent years. Recent general salary increases have been helpful but have not resulted in any identifiable progress regarding employee recruitment and retention. It may be more effective to rebase salary scales and provide increments, specifically:

- ***Salary Scale Does Not Reflect Labor Market:*** It is curious that employees are commonly hired in the top half of the salary scale. Raising salary scales so that new employees are at the bottom of the scale instead of the middle or top of the scale would give new employees higher raises (about 4%) from increments rather than the general salary increases, which typically provide a 2% increase but have also been 3%. These employees would also have more room for higher salaries as their careers progress.

- ***Lack of Increments Discourages Newer Employees:*** Step increases (referred to as increments) provide additional compensation for employees that work in a position and become proficient. This rewards employees as they become more effective and efficient. Not providing increments can result in new employees earning as much or more as employees that have been in the position for years. Not surprisingly, there is anecdotal evidence of new employees earning more than longer-term employees. While the data does not track individuals, the exhibit suggests that there are some employees hired in 2021 that earn more in a similar position as employees hired in prior years. For example, Exhibit 11 shows that the average (mean) step for employees hired in calendar 2021 is higher than the average (mean) step for employees hired in calendar 2020.

This issue and the resulting impact on the State workforce is not unique to DGS and is also addressed in the DBM – Personnel – F10A02 analysis.

Issues

1. Facility Maintenance and Critical Maintenance Spending

Pursuant to §§ 4-407 and 4-408 of the State Finance and Procurement Article, DGS 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. Issues related to capital facilities renewal are discussed in the Board of Public Works (BPW) capital budget analysis.

DGS evaluates and prioritizes maintenance projects. DGS has updated the 30-year-old ranking system used to prioritize facility maintenance and renewal projects. The prior system had nine categories; these have been reduced to the following five categories by priority with 1 being the highest priority:

(1) serious prolonged impact on facility mission such as high risk of litigation, cessation of services, or reduction of mandated services;

(2) system or unit is prematurely deteriorating or causes the premature deterioration of a related asset;

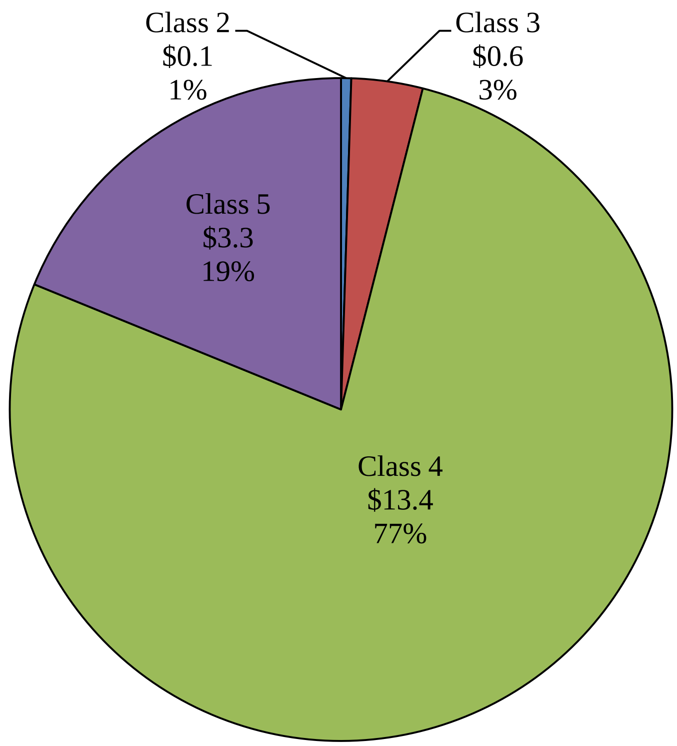
(3) end of life expectancy;

(4) restore to original design effectiveness; and

(5) system improvements or redesign.

DGS advises that, as of January 2022, the operating budget critical maintenance backlog is $17.4 million, which is $0.8 million more than the $16.6 million backlog in January 2021. There are no projects in category 1. **Exhibit 13** shows that over three-quarters of the projects are in class 4, *i.e.*, projects that have depreciated and need to be restored to original design effectiveness. Examples of class 4 projects include HVAC, replacing light fixtures, replacing emergency generators, and replacing security systems.

Exhibit 13
Priority Classes for Operating Critical Maintenance Backlog
Fiscal 2022
($ in Millions)



Source: Department of General Services

Keys to Effective Operations: Building Assessment Unit, IT Improvements, and Improved Data Collection

The fiscal 2020 operating budget reconstituted a unit in DGS to evaluate State buildings. This unit, the Building Assessment Unit (BAU) with 4.0 new positions in fiscal2020, assumes a direct role in facility management. Prior to fiscal 2020, agency staff in the facilities would assess their facilities and inform DGS. Since the positions will be for 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. Recent increases in facility maintenance backlogs are, in part, attributable to BAU identifying additional maintenance needs.

Funding for New IT Systems

DGS has also improved its facilities' IT management systems. An off-the-shelf computer maintenance software system was purchased, the Computerized Maintenance Management System (CMMS), referred to as eMaint. The system supports building and equipment lists, work order requests, and Project Justification requests. The system allows importing Excel worksheets and can export data into a common platform. DGS manages the system for DGS facilities and has provided a few test secondary accounts for agencies to use for new project requests only, not for full use of maintenance work orders. This integrates DGS' daily maintenance management so that the system can generate work orders and monitor day-to-day maintenance activities.

New Major IT Project Proposed to Build on eMaint System

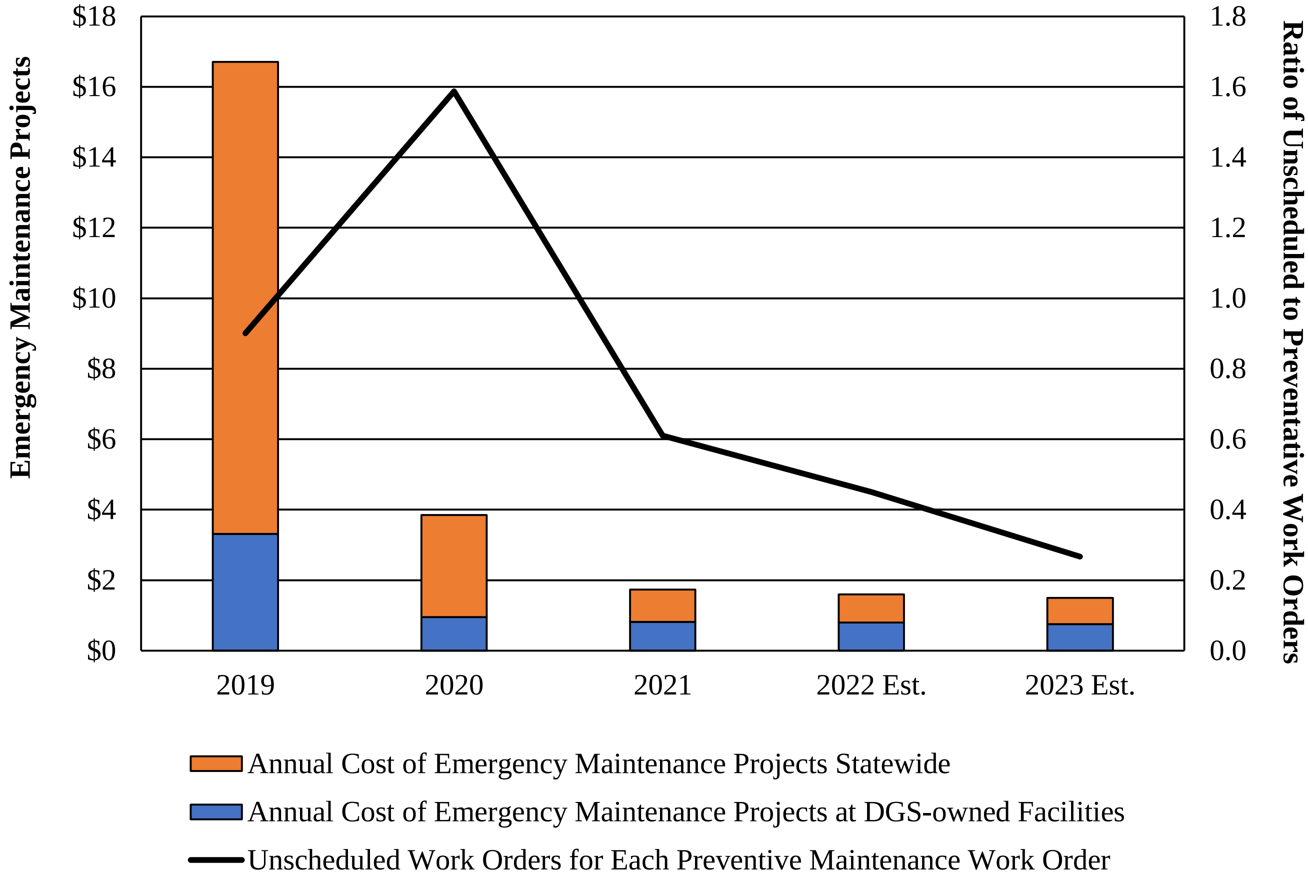
eMaint is a good start to automating daily maintenance data. To improve upon this system, the Department of Information Technology's (DoIT) Major Information Technology Development Project Fund includes funding for a DGS Operations Center. More details about the project are provided in **Appendix 5**. The current system supports work orders and tracks what is being done. The goal of the operations center is to add sensors that collect data and analyze the data so that predictive analytics can be used. This should reduce costs and extend the life of equipment and infrastructure.

This will not be an easy project for DGS to implement. Hardware and software will need to be integrated so that proper analytic processes are in place. The scope of DGS' operations requires a substantial amount of reliable connectivity to ensure that the needed data is received and analyzed. Another concern is hiring and keeping adequately trained staff. DGS has never attempted such a complicated IT project, so effective and technically skilled staffing will be critical. DGS' low starting salaries have resulted in high vacancies and turnover. If this persists, this could result in delays, cost overruns, and a system that does not deliver to what its objectives aspired. **The department should be prepared to brief the committees on its strategies for implementing this project successfully.**

Data Collection Key to Improving Maintenance

If maintenance is managed more effectively, the number of emergency work orders should decline, and the cost of emergencies should also decline. BAU, which will be integrated with the new eMaint system that links DGS maintenance operations, should result in measurable improvements. DGS has an MFR objective to reduce the incidence and cost of emergency maintenance through timely, scheduled maintenance. To measure this, DGS has an indicator for the ratio of preventive maintenance to unscheduled work orders and to reduce the cost of annual emergency maintenance projects. **Exhibit 14** shows new indicators relating to the cost of emergency projects for DGS buildings and for non-DGS buildings. The exhibit also shows that the ratio of unscheduled to preventive work orders for DGS buildings was unusually high in fiscal 2020 but has moderated in fiscal 2021. This may be in part due to the COVID-19 pandemic, as the number of preventive work orders declined from approximately 15,900 to 11,100.

Exhibit 14
Facility Maintenance Indicators
Fiscal 2019-2023
($ in Millions)



DGS: Department of General Services

Source: Department of Budget and Management

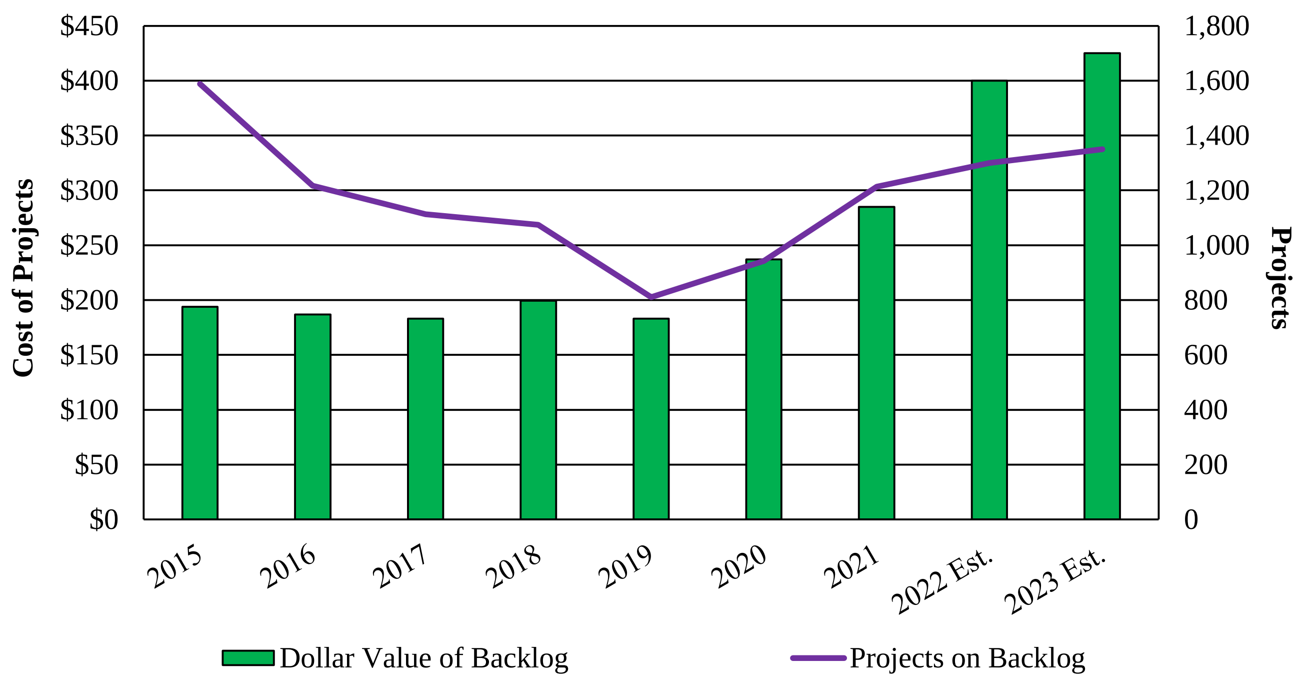
As components to the new system are brought online, the system should be able to provide data with which the maintenance program can be monitored more effectively. Current MFR data, like measuring and comparing preventive and unscheduled work orders, gives an indication of how well the maintenance program is operating; however, more data is needed. Data that would be especially helpful is data that measures timelines. For example, it would be helpful to know how long it takes from diagnosing a problem to fixing a problem, as data about each step of the process could identify where bottlenecks exist so management could respond accordingly. **DGS should be prepared to brief**

the committees on the data that it expects the new DGS Operations Center to collect that can measure how efficiently equipment and infrastructure is maintained.

2. Additional Staffing Will Be Needed for a Larger Workload

It is well documented that the State has a large maintenance backlog. In recent years, this backlog has increased. Since the State has increased resources to address maintenance needs, this increase is most likely attributable to BAU, which was formed in fiscal 2020, identifying more maintenance projects. **Exhibit 15** shows that the backlog increases to $285 million in fiscal 2021 and is expected to continue increasing through fiscal 2023. This data includes the operating budget critical maintenance shown previously and the capital budget facility renewal projects.

Exhibit 15
Facility Maintenance Backlog
Fiscal 2015-2023
($ in Millions)



Source: Department of Budget Management

Addressing the Maintenance Backlog with Increased Funding

Funding to address the maintenance backlog has increased from $5 million in the operating budget and $15 million in the capital budget in fiscal 2014 to $10 million in the operating budget and $35 million in the capital budget in fiscal 2022 and 2023. In December 2021, SAC recommended that the fiscal 2023 budget include $300 million for capital facility renewal.

To address the backlog, the administration includes $75 million in the DPA for facility renewal projects at State agencies. When combined with the standard $35 million capital appropriation, the total of $110 million in fiscal 2023 funding is a substantial increase in workload that DGS is not currently equipped to manage. DGS advises that a substantial funding boost, like that provided in the allowance, would require exploration of options for managing that high level of funding, as this will not only increase the workload related to planning and project management but will also increase workload related to procuring contracts to perform the work. While a higher level of facility renewal is clearly needed, it is unclear what the long-term State commitment will be. It makes sense to explore a range of options to manage this substantially larger workload, including hiring staff and contracting with firms that manage facility renewal projects.

To provide immediate resources to manage an increased capital facility renewal workload, DLS recommends that $500,000 of DGS' general fund appropriations be restricted for managing facility renewal projects funded by appropriations in the DPA or any general obligation bond authorization exceeding $35 million.

3. Procurement Issues: Emergency Procurements and the Need for Training State Agencies

OSP was created to centralize and professionalize State procurement so that the State can maximize its purchasing power while providing for fair and equitable treatment of all persons dealing with the State procurement system. Small procurements and emergency procurements are delegated to State agencies. OSP provides guidelines and training so that agencies adhere to State laws and regulations. This issue examines procurement issues related to emergency procurement contract awards and procurements delegated to State agencies.

Eight Out of Nine Emergency Procurement Contract Awards Are Reported to BPW After the Required 45 Days

The purposes of procurement law include providing a framework whereby procurements allow the State to get maximum benefit from its purchasing power, fair and equitable treatment of all persons dealing with the State procurement system, safeguards for maintaining a State procurement system of quality and integrity, and confidence in State procurement. State procurement law recognizes that there is a need for expedited or emergency procurements. As such, State law authorizes the emergency procurement method but limits it to items necessary to avoid or mitigate serious damage to public health, safety, or welfare. This method allows agencies to suspend procurement rules to procure needed items or services more quickly.

The COVID-19 pandemic led to a substantial increase in demand for supplies, equipment, and services. To meet this need, the State procured a range of health-related goods and services such as personal protective equipment (PPE), hand sanitizer, ventilators, test kits, beds, dividers, ambulance services, and call centers for contact tracing. Nonhealth procurements also increased, including tablets and laptops for remote work, additional software licenses, ballot drop-off boxes, and virtual call center agents for unemployment benefit claims. These goods and services needed to be procured quickly in an environment in which the State was competing with other states, the federal government, private and nonprofit organizations, and foreign countries.

Review of Emergency Procurements after Excluding Pandemic-related Emergency Procurements

State government continued to function during the pandemic, which means that there were still emergency procurements that did not relate to the pandemic. In its 2021 report on emergency procurements, DLS' Office of Program Evaluation and Government Accountability noted that, from fiscal 2013 to 2020, the State averaged less than $50 million per year in emergency procurements. The average number of annual procurements, excluding late fiscal 2020 COVID-19-related procurements, was 65. DLS reviewed BPW agendas and tracked non-COVID-19 emergency procurements during calendar 2021 to compare them to prepandemic emergency procurements. During 2021, 54 nonpandemic emergency procurements were brought to BPW. The total value of those procurements was $79 million.

Emergency procurements do not need to be approved by DGS. Instead, State procurement law delegates emergency procurements to agencies. State law requires that agencies report emergency procurement contract awards to BPW within 45 days of the award.

The most striking finding from reviewing emergency procurement contracts awarded is how few were reported to BPW within the 45-day window. **Exhibit 16** shows that 11% of awards were reported to BPW within 45 days. This is one out of every nine awards.

Exhibit 16
Emergency Procurement Contract Awards
Days from Contract Award to Board of Public Works Reporting
Calendar 2021

Awards Reported:	Amount	Percent of Total
Within 45 Days	6	11%
Between 46 and 60 Days	6	11%
Between 61 and 90 Days	18	33%
Between 91 and 120 Days	8	15%
Between 121 and 180 Days	5	9%
Between 181 and 270 Days	7	13%
Between 271 and 363 Days	4	7%
Total	**54**	**100%**

Source: Board of Public Works; Department of Legislative Services

Since procurement law has delegated emergency procurement to State agencies, OSP does not have any direct control over emergency procurements. But as the procurement control agency, OSP is best placed to evaluate why it is uncommon for State agencies to report emergency procurements to BPW within the time period required by State law. **DLS recommends that the committees adopt narrative requiring OSP to examine calendar 2021 emergency procurements to determine why eight out of nine emergency procurement contracts awarded were reported to BPW after the required 45 days.**

Office of the Public Defender Audit Highlights the Importance of Training

State procurement regulations provide that procurements of IT contracts of less than $200,000 require DGS approval and contracts over $200,000 require BPW approval. In addition, State procurement regulations provide that contract modifications of less than $50,000 require DGS approval and modifications for more than $50,000 require BPW approval.

Audit Finds That OPD Did Not Comply with Procurement Laws

The Office of the Public Defender (OPD) did not comply with State procurement laws and regulations when awarding two sole-source IT contracts with expenditures totaling approximately $960,000 during fiscal 2018 through 2020. In November 2017, OPD hired a consultant via a sole-source contract for $19,800 to perform an independent assessment of OPD's IT environment. The consultant identified numerous areas for OPD to address, such as outdated software and the lack of comprehensive IT program management, and recommended that OPD obtain an IT advisory services vendor to address these deficiencies. OPD subsequently awarded a one-year contract totaling $288,000 to a different vendor for these advisory services in February 2018, with later modifications of $850,000 bringing the total contract value to $1,138,000 and had paid $939,000 as of June 2020.

The Office of Legislative Audits' (OLA) review found that OPD did not justify the use of sole-source procurements or publish the solicitation on eMaryland Marketplace for either procurement. In addition, neither the initial contract nor the 19 contract modifications were approved by DGS or BPW. These modifications expanded the scope beyond what was in the initial contract.

The concern is that procurement law was not observed before approving these contracts. State procurement law's goal is to get the maximum benefit for the State. Competitive bidding is a key approach for getting maximum value. Whenever possible, agencies should get multiple bids. Procurement law recognizes that multiple vendors are not always available and allows sole-source procurements. Sole-source procurements should only be used, however, when goods or services are available from only a single vendor and require that written justifications be prepared and approved prior to the contract award.

Office of State Procurement

This audit finding shows that agencies can circumvent procurement laws and regulations with small procurements that can be modified to become million-dollar procurements.

OSP's mission includes training agency staff to follow procurement laws and regulations so that the procurement process provides the State with the maximum benefit. DGS advises that OSP is available to assist any agency that requests help. Additional assistance is available through the Senior Procurement Advisory Group meetings to provide guidance, best practices, policies, and procedures for conducting procurements along with the Maryland Procurement Manual that is available on the procurement.maryland.gov site.

OSP also has the Procurement Review Program (PRP) that is responsible for reviewing agency procurements as part of OSP's control agency oversight. PRP is reaching out to each Executive Branch agency with delegated $50,000 small procurement authority to conduct what OSP refers to as a health check of the agency's procurement office and assisting it with internal policy and best practices formation as needed. The Maryland Procurement Academy is creating the Certified Maryland Procurement Associate (CMPA) courses for the entry-level procurement officer to learn about Maryland procurement and how to conduct small procurements for their agency. In addition, OSP has established guidelines and training for end-users, agency heads, and nonprocurement program personnel to understand how procurement works in Maryland.

OSP also conducts Agency Procurement Reviews (APR), which will have an Agency Health Check (AHC) prior to conducting the APRs. The health checks include a questionnaire that went out in December 2021 to 28 agencies. For agencies with delegated procurement authority, health checks review the agencies' procurement files to assess the procurement practices and determine whether the procurements are being conducted properly and in accordance with policies and regulations. Documentation will be maintained to support the conclusions made concerning agency procurement practices. It is expected to take approximately two years to complete AHCs for all agencies under OSP's delegated authority.

DGS should be prepared to brief the committees on its efforts to train agency staff and its efforts to minimize the likelihood that agencies circumvent procurement laws. DGS should also consider adding data about procurement training to its MFR indicators.

4. State Center Update

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 agreed 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, it alleges that the State acted in bad faith by breaching the contract and, as a result, it is entitled to lost profits, which it calculates 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. Some fact phases of discovery have concluded, while other aspects are still being discussed. The next phase will be motions for summary judgement and a court ruling on the motions. DGS has not indicated when this could happen.

Governor Announces Plans to Relocate Agencies in the State Center Complex

In April 2021, the Governor announced plans to relocate State agencies from the State Center Complex to vacant office space within Baltimore City's Central Business District. The State Center relocation process includes a detailed study of each agencies' space needs. Those needs will be reflected in all final relocation determinations and decisions. **Exhibit 17** shows the administration's relocation schedule.

Exhibit 17
State Center Relocation Schedule
Calendar 2021-2024

Agencies	RFP Schedule	Move Schedule
State Department of Assessments and Taxation	October 2021	Fall 2023
Comptroller's Office	November 2021	Fall 2023
Maryland Department of Health	November 2021	Fall 2023
Department of Budget and Management and Department of Aging	December 2021	Winter 2023
Department of Planning and Maryland Tax Court	January 2022	Winter 2024
Department of Labor, Department of Information Technology, and Department of Disabilities Telecommunications Access of Maryland	February 2022	Winter 2024

RFP: request for proposals

Source: Department of General Services

For agencies listed in Exhibit 17, DGS advises that new office space should be located within a northern boundary of U.S. Route 40; a southern boundary of East Pratt Street; an eastern boundary of Interstate 83; and a western boundary of South Martin Luther King (MLK) Jr. Boulevard to North MLK Jr. Boulevard. There is one exception, the Comptroller's Office requested that its new office space could expand the southern boundary for a southern boundary of East Pratt Street to Light Street to East Ostend Street to West Ostend Street to Russell Street.

The fiscal 2022 Budget Bill provided a $50 million supplemental appropriation to the DPA to support the relocation of agencies from State Center to other locations in Baltimore City. To prepare for these moves, DGS plans on transferring 5 positions from other DGS agencies into the Office of Real Estate. While some work has been done for these moves, questions remain such as:

- Since there is no free parking in Baltimore City, relocated agencies will need some parking. How many parking spaces will the State lease, how much will this cost, and what funds will support the payments?

- DGS plans to depopulate the building over a 15-month period. How will this be managed? Will savings be realized?

- What will happen to the State Center property after the last tenant leaves in 2024? Will the community or the General Assembly be involved in what happens to the property?

- Are there any plans for new State office construction or is the long-term plan to keep these State agencies in leased space?

- DGS has said that it cannot prepare a Baltimore City master plan until after the new State Center leases are in place. When will a new master plan be ready?

DLS recommends that the General Assembly add budget bill language requiring a report by DGS that updates its plans for the State Center relocation and the long-term effects of the relocation.

5. Additional Resources Budgeted for Grant and Loan Administration

CGLs can be authorized in the Maryland Consolidated Capital Bond Loan (MCCBL), which is the capital program administered by DBM. The capital budget's CGLs consist of the administrative bond initiatives, which are added to the capital budget by the Administration, and legislative bond initiatives (LBI), which are added to the capital budget by the legislature. DGS' Business Enterprise Administration has an office that administers CGLs. After CGLs are authorized in the MCCBL, the CGL goes through the following process:

- ***Administrative Intake Process:*** DGS provides the grantees a packet that the grantee must submit to DGS. Forms in the packet include an application form, a grant agreement template, affidavits affirming that no portion of the grant funding may be used for a religious purpose, proof of insurance in which the State is listed as a payee protected for the grant amount, and a Maryland Historical Trust (MHT) review form.

- ***MHT Review Form:*** The Director of MHT is consulted to determine if the project will adversely affect historic property. After completing the review, MHT sends a letter to the grantee, copied to the DGS regional grant administration and Comptroller's Office, indicating its findings.

- ***DGS Grant Application Review:*** This includes (1) verifying that any leases have at least 15 years remaining; (2) determining if written consent from a landlord is needed for leased property; (3) appraising the value of the property, which includes sending the appraisal to DGS' Office of Real Estate for review; (4) verification of a grantee's ownership of the property; (5) if a match is required, verifying that the grantee has provided documentation for sufficient funds; (6) verification of the grantee's tax identification number; and (7) verification of the receipt of a clearance letter from MHT.

- ***BPW Review:*** The grant is on an agenda item for BPW review, along with any supporting documents.

CGLs can expire or be terminated. Each CGL has two years from the time that the CGL is authorized in the MCCBL to be approved by BPW and expend a portion of the authorization. Each year's MCCBL can reauthorize a grant to extend this time period. Capital projects, including CGLs, are terminated seven years after authorization in the MCCBL.

Substantial Increases in CGLs and Recommendations to Improve the Process

CGLs, which include LBIs, have increased substantially over the last decade. BPW advises that MCCBLs enacted between 2010 and 2014 averaged 188 CGLs. This increased to 240 between 2015 and 2019. The MCCBL of 2020 included 376 CGLs, and the MCCBL of 2021 included 416 CGLs.

Concerns have been raised about how CGLs are processed. Past *Joint Chairmen's Reports* (JCR) of the capital budget have included narrative to review the process. In response to the 2021 JCR, the *Board of Public Works Evaluation of Capital Grant and Loan Program in Response to 2021 Joint Chairmen's Report Requirement* report was published in January 2022. This report had three observations:

- recommend that BPW initiate the process of implementing a web-based automated online project management tool;

- improve communication in CGL booklet and tutorial sessions; and

- improve customer service, including timely responses to inquiries, improved document management, grantee notification, and wait times for substantive updates on grant status.

In November 2021, OLA released an audit of State grants. This covered numerous agencies, including the Governor's Grants Office, DBM, the Department of Commerce, the Department of Human Services, the Maryland Department of Labor, the Maryland State Department of Education, and DGS. Some of the audit's findings relate to DGS administration of CGLs, specifically:

- not maintaining documentation to support grant payments;

- not ensuring that grantees submitted required documents to explain or support the basis used to select vendors to work on certain capital projects funded by State capital grants; and

- not performing routine site visits to ensure that capital projects funded with State grants were progressing in accordance with the terms of the contract.

OLA also recommended that a statewide grants management system be procured and implemented. OLA advises that a grant system should be able to:

- interface with State accounting (Financial Management Information System (FMIS)) systems and other information systems;

- create and disseminate grant award packages;

- submit reports on any aspect of the monitoring phase relevant to the grants, including site visits;

- query data and use data mining features to create reports on any aspect of the grant that is tracked in the system;

- track and monitor direct and indirect costs; and

- include a repository of grant award and monitoring documents, including applications and financial data.

DGS Fiscal 2023 Budget Includes New Positions and Major IT Project for Grant Management

The Administration is taking action to improve the CGL processes as new positions and a major IT project are added to the fiscal 2023 budget. The new positions for DGS are discussed in the Personnel section of the analysis and identified in Exhibit 7. The new major IT project is discussed in **Appendix 6**. With respect to the IT project, the functionality recommended by OLA should be built into the new system. This new system should also have a secure interface that can be used by grantees. This would address the observations of the BPW report, which noted that improvements in customer service were needed. Giving grantees secure access could resolve a number of these customer service concerns.

DGS should be prepared to brief the committees on its efforts to improve CGL administration.

Operating Budget Recommended Actions

1. Add the following language:

   Provided that $500,000 of the appropriation made for reducing budgeted turnover across various programs within the Department of General Services may not be expended for that purpose but instead may be used in the Office of Design, Construction, and Energy (program H00G01.01) only to support (1) facility renewal projects funded in the Dedicated Purpose Account appropriated for Facilities Renewal – State Agencies or (2) general obligation bond authorizations in excess of $35,000,000 that are authorized for the Facility Renewal Fund in SB 291 or HB301. Funds from other programs in the Department of General Services may be transferred by budget amendment to the Office of Design, Construction, and Energy (program H00G01.01) to support (1) and (2). Funds not expended for this restricted purpose may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund.

   Explanation: General funds for turnover expectancy increase the Department of General Services' (DGS) budget by approximately $1,145,000 in the fiscal 2023 allowance. While additional funding to fill vacant positions may be helpful, DGS has a long history of vacancies and is unlikely to need this entire amount to fill vacant positions. The fiscal 2023 budget also includes $75 million for facility renewal in addition to the $35 million in the capital budget. This is a substantial workload. Additional funds are needed to manage more than tripling the facility renewal workload. This language restricts $500,000 in funds allocated to reduce vacant positions to instead be used specifically for addressing the greater need of managing this substantial increase in facility renewal funding.

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

   , provided that $250,000 of this appropriation made for the purpose of Executive Direction may not be expended until the Department of General Services submits a report to the budget committees on the status of State Center. The report should include an update on the State Center litigation, planned agency moves, parking for agencies moving into leased space, cost and operational issues associated with depopulating State Center, potential future uses of the State Center property when it is vacant, and opportunities for the community and General Assembly to provide input regarding future uses of the State Center property. The report shall be submitted by September 30, 2022, and the budget committees shall have 45 days to review and comment. Funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.

   Explanation: The Department of General Services (DGS) is moving agencies out of State Center and into leased space in Baltimore City. The language requires that DGS update the budget committees on the status of State Center and potential future uses of the property.

Information Request	**Author**	**Due Date**
Report on State Center	DGS	September 30, 2022

3. Adopt the following narrative:

Emergency Procurements Reporting to the Board of Public Works: A review of emergency procurements in calendar 2021 not related to the COVID-19 pandemic showed that only 6 of 54 Board of Public Works (BPW) agenda items were brought to BPW within 45 days of awarding the contract, as required by law. As the procurement control agency, the Department of General Services (DGS) should examine emergency procurements to determine why such a large share of them were reported to BPW beyond the 45-day timeframe and what can be done so that more emergency procurements are reported within the time required by State law.

Information Request	**Author**	**Due Date**
Review of emergency procurements reported late to BPW	DGS	December 23, 2022

4. Adopt the following narrative:

Managing for Results Goals for Employee Training and Retention: In response to high employee vacancies and turnover rates, the budget bill includes a $300,000 deficiency appropriation for the Department of General Services (DGS) to create a training program for DGS employees. The training program will be a multitiered training program that is expected to have a tier for (1) supervisors and employees wanting to become supervisors; (2) managers such as unit chiefs, deputy directors, and directors; and (3) senior or executive level staff and employees whose goal it is to move into such a role. DGS' first Managing for Results (MFR) goal is to provide best value for customer agencies and taxpayers. This training program is consistent with this goal. As such, DGS should add an objective to its first goal about employee retention and appropriated training. DGS should consider performance measures like (1) the number of employees in the program; (2) retention rates of employees that do and do not participate in the program; (3) career paths of employees that do and do not participate in the program; and (4) other measures of the training program's effectiveness.

Information Request	**Author**	**Due Date**
MFR indicators for employee training	DGS	With the budget bill

Appendix 1
2021 *Joint Chairmen's Report* Responses from Agency

The 2021 JCR requested that DGS prepare three reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Report on Remote Work at Maryland State Agencies:*** In response, DGS surveyed agencies about their workforce needs and found that the share of workers that are teleworking full time is much smaller than the share of the hybrid workforce. Agency space requests have been modified to account for teleworking, and hybrid staff and space standards have been adapted as well. DGS asserts that it is too soon to evaluate how this will affect costs.

- ***PPE Stockpiles Readiness:*** The committees asked for an update on PPE inventories on July 1, 2021. At the time, small N95 masks were difficult to obtain. Contracts were in place to purchase more PPE, and contractors had committed to maintaining continuous supplies.

- ***Greenhouse Gas Reduction Goal Report:*** The report addressed actions regarding facility construction and renovation, energy performance contracting, green purchasing, energy auditing, renewables purchasing, energy efficiency projects, and outreach to University System of Maryland and Executive Branch agencies on energy efficiency goals. The report also provided internet links to the *Annual Report on Executive Order 01.01.2019.08, Energy Savings Goals for State Government* Pages - Energy Savings (maryland.gov) and *Annual Report of the Maryland Green Purchasing Committee* Pages - Annual Reports (maryland.gov).

Appendix 2
State Grants Audit Findings

Audit Period for Last Audit:	July 1, 2015 – December 31, 2020
Issue Date:	November 2021
Number of Findings:	6
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	

Finding 1: Not related to DGS. The State does not have statewide comprehensive laws, regulations, policies, or procedures governing the creation, award, and administration of State grants.

Finding 2: The State does not have standardized grant applications and grant agreements. As a result, we noted critical provisions that were not included in certain State agencies' grant agreements.

Finding 3: The State did not have a statewide grants management system to help administer and track grant awards and related expenditures.

Finding 4: Not related to DGS. Individual agencies awarded certain grants without competition, and required documentation was not always available to support the propriety of the award, including one award that was not calculated correctly.

Finding 5: DGS did not ensure that grantees submitted required documents to explain or support the basis used to select vendors to work on certain capital projects funded by State capital grants. In addition, DGS did not perform documented routine site visits to ensure that capital projects funded with State grants were progressing in accordance with the terms of the contract(s) funded by the grants.

Finding 6: Certain State agencies did not maintain documentation to support grant payments totaling approximately $22.3 million and made payments totaling $220,000 that were not in accordance with the related grant agreement.

Appendix 3
Fiscal Compliance Audit Findings

Audit Period for Last Audit:	May 31, 2016 – August 31, 2020
Issue Date:	January 2022
Number of Findings:	8
Number of Repeat Findings:	3
% of Repeat Findings:	37.5%
Rating: (if applicable)	n/a

Finding 1: With respect to the nonbudgeted clearing account, DGS did not adequately account for funds in a nonbudgeted clearing account and could not determine the proper disposition of $1.74 million of the remaining amount in the fund at the end of fiscal 2020.

Finding 2: With respect to real estate commissions, DGS did not timely deposit approximately $465,000 in commission rebates, which resulted in the retention of certain funds that should have been reverted to the State's General Fund at June 30, 2020 fiscal year end.

Finding 3: **With respect to procurements and disbarments, DGS did not use available online controls to ensure that critical transactions were independently approved and were proper and could not document that it verified the propriety of user access granted to its employees.**

Finding 4: With respect to the statewide fuel contract, DGS did not verify that the statewide fuel vendor performed accurate and valid fuel usage reconciliations and conducted all environmental testing required by State regulations.

Finding 5: **With respect to vendor administrative fees, DGS did not ensure that it received all administrative fees due from vendors providing goods and services to State agencies under Statewide contracts, and the review of selected contracts disclosed uncollected fees of approximately $227,300.**

Finding 6: **With respect to cash receipts and noncash receipts, DGS did not have sufficient controls over cash receipts and noncash credits posted to the accounts receivable records.**

Finding 7: With respect to payroll and leave adjustments, DGS had not established adequate controls to ensure the propriety of certain overtime payments and leave adjustments.

Finding 8: With respect to monitoring State property and equipment, DGS did not adequately monitor State agencies to ensure that they complied with State property and equipment requirements.

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

Appendix 4
eMaryland Marketplace eProcurement Solution
Major Information Technology Project
Department of General Services

New/Ongoing: Ongoing								
Start Date: 2018				**Est. Completion Date:** Fiscal 2023				
Implementation Strategy: Agile								
($ in Millions)	**Prior Year**	**2022**	**2023**	**2024**	**2025**	**2026**	**Remainder**	**Total**
GF	$24.950	$8.000	$5.050	$0.000	$0.000	$0.000	$0.000	$38.000
SF	3.000	0.000	0.000	0.000	0.000	0.000	0.000	3.000
Total	**$27.950**	**$8.000**	**$5.050**	**$0.000**	**$0.000**	**$0.000**	**$0.000**	**$41.000**

- ***Project Summary:*** Implement a statewide procurement system available to State agencies and vendors. The procurement system should provide a single, user-friendly portal for suppliers and end-users that supports 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. The project has four release cycles: (1) release 1.0 is the public bid board; (2) release 1.1 is contract management; (3) release 1.2 is vendor management; and (4) release 2.0 is procure to pay.

- ***Need:*** The system should provide a clear, accurate, and detailed account of procurements with end-to-end or procure-to-pay functionality with any financial management or asset management system. In addition, the system should be able to provide management procurement reports so that strategic decisions can be made about procurements to improve efficiencies and other goals, such as MBE participation.

- ***Observations and Milestones:*** As of February 2021, the system can do the following: issue solicitations; receive electronic responses to solicitations; conduct bid analysis; verify small business certification; create, manage, and sunset contracts; allow for electronic signatures on contracts; allow contracts to be routed through the contract's workflow; allow contracts to be stored in a repository; allow for contracts to be published; allow public search of published contracts; allow public search of solicitations; and allow public search of vendors. Release 1.2 was rolled out as a pilot program in December 2021. This release supports vendor management and includes supplier onboarding and vetting, document collection, supplier diversity management and MBE data, and integration with the State budget system (R*STARS). To be more efficient, 1.2 includes purchase order (PO) and non-PO vendor setup, vendor maintenance process that allows vendor and State initiated change requests for vendor information, and automatic vendor record (including address, tax identification, sanctioned entities, and bank routing number) validation.

- ***Changes:*** Deployment of procure to pay (Release 2.0) has been delayed until early fiscal 2023. This includes requisition workflow to PO, PO transmission to vendors through four different channels, contract spending, integration with the State accounting system, and managing all invoices. Finally, the system will have the ability to interface with the State's accounting system, FMIS.

- ***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 OSP.

Appendix 5
Department of General Services Operations Center
Major Information Technology Project
Department of General Services

This project is also discussed in Issue 1 addressing facility maintenance.

New/Ongoing: New								
Start Date: July 2022				**Est. Completion Date:** June 2025				
Implementation Strategy: Agile								
($ in Millions)	**Prior Year**	**2022**	**2023**	**2024**	**2025**	**2026**	**Remainder**	**Total**
GF	$0.000	$0.000	$3.500	$2.070	$1.765	$0.000	$0.000	$7.335
Total	**$0.000**	**$0.000**	**$3.500**	**$2.070**	**$1.765**	**$0.000**	**$0.000**	**$7.335**

- ***Project Summary:*** DGS Operations Center (DOC) will develop a system in which data from DGS-owned buildings will be gathered, analyzed, and distributed for appropriate action. Components include hardware (including building equipment sensors, handheld vibration and temperature sensors, portable displays, and other diagnostic equipment) and software licenses for expanded CMMS capabilities and modules. In addition to this system, DOC will be supported by staffing (management team, analysts, database manager, and building systems manager) and IT support (software development, networking, and troubleshooting). The system should use the data to develop predictive and prescriptive analytics to anticipate and avoid failures and emergencies.

- ***Need:*** DGS operates and maintains 54 office buildings with 6.3 million square feet. The January 2022 capital and operating maintenance backlog is $257 million. Improved monitoring of buildings and equipment such as boilers, chillers, and motors can prolong building and equipment life, reduce operating and capital maintenance costs, and reduce staffing.

- ***Observations and Milestones:*** To date, the business justification is completed. The project has developed strategic goals and identified critical success factors, customers, and external dependencies. Activities to be completed in fiscal 2022 include developing the Agile implementation plan, system administration manual, and disaster recovery plan. Activities planned for fiscal 2023 include a responsibility assignment matrix, functional requirements, and selecting an agile project management tool.

- ***Concerns:*** Technical issues and user interface may pose the greatest risks. DGS will need to modify the current CMMS, which is used for work orders, to provide predictive and prescriptive analysis. Hardware and software will need to be integrated so that proper analytic processes are in place. The scope of DGS' operations requires a substantial amount of reliable connectivity to ensure that the needed data is received and analyzed. Another concern is hiring and keeping adequately trained staff. DGS has never attempted such a complicated IT project, so effective and technically-skilled staffing will be critical. DGS' low starting salaries have resulted in high vacancies and turnover. If this persists, this could result in delays, cost overruns, and a system that does not deliver to what its objectives aspired.

Appendix 6
AS400 Replacement
Major Information Technology Project
Department of General Services

This project is also discussed in Issue 5 discussing CGLs.

New/Ongoing: New								
Start Date: July 2022				**Est. Completion Date:** June 2024				
Implementation Strategy: Agile anticipated, but no acquisition strategy has been identified								
($ in Millions)	**Prior Year**	**2022**	**2023**	**2024**	**2025**	**2026**	**Remainder**	**Total**
GF	$0.000	$0.000	$1.600	$0.200	$0.200	$0.600	$0.000	$2.600
Total	**$0.000**	**$0.000**	**$1.600**	**$0.200**	**$0.200**	**$0.600**	**$0.000**	**$2.600**

- ***Project Summary:*** Implement a new management tool to track cost, schedule, and progress of capital projects used by the Office of Design, Construction and Energy. Specifically, replace the legacy AS400[1] with a cloud-based financial and project management system. Management of design and construction is complex and includes the contract, schedule, and financial management of the projects and their fund sources.

- ***Need:*** The Office of Design, Construction, and Energy is responsible for design and construction management as well as tracking capital grants. The office also manages capital funds for agencies that do not have procurement authority, approximately 20 agencies. A new cloud-based system should be more accurate, user-friendly, and reduce time spent on redundant documentation. Capital grants support a number of organizations throughout the State.

- ***Observations and Milestones:*** At this point, the project schedule is rudimentary. Deliverables in fiscal 2023 include the project charter and management plan. The other work, such as functional requirements, responsibility assignments, selecting an agile project management tool, and procuring a solution, is scheduled for fiscal 2024.

- ***Concerns:*** A review of the documentation suggests that this project is early in development. Although there is a clear sense of what the problems are, it is less clear what the solution is. The project has a high level of interdependencies and is technically complicated. At this point, commercial off-the-shelf solutions have not been identified. In-house solutions are inherently more difficult and riskier to implement. The project will need careful planning to select the appropriate solution.

- ***Other Comments:*** A review by DoIT completed in 2015 recommended that the AS400 was in need of replacement. That need has not diminished in the last seven years. The documentation and timeline suggest that this project will need DoIT's expertise to develop specifications.

[1] AS400 is an IBM mainframe computer developed in 1988. It has been operational in the State since 1990.

Appendix 7
Object/Fund Difference Report
Department of General Services

Object/Fund	FY 21 Actual	FY 22 Working Appropriation	FY 23 Allowance	FY 22 - FY 23 Amount Change	Percent Change
Positions					
01 Regular	646.00	656.00	661.00	5.00	0.8%
02 Contractual	40.23	39.73	44.73	5.00	12.6%
Total Positions	**686.23**	**695.73**	**705.73**	**10.00**	**1.4%**
Objects					
01 Salaries and Wages	$ 59,913,628	$ 61,249,264	$ 64,361,440	$ 3,112,176	5.1%
02 Technical and Special Fees	2,098,908	1,688,995	2,127,045	438,050	25.9%
03 Communication	811,050	971,041	949,361	-21,680	-2.2%
04 Travel	43,021	54,131	56,179	2,048	3.8%
06 Fuel and Utilities	12,861,992	12,902,395	12,678,029	-224,366	-1.7%
07 Motor Vehicles	1,316,797	1,412,131	1,544,617	132,486	9.4%
08 Contractual Services	134,000,151	33,680,730	29,309,957	-4,370,773	-13.0%
09 Supplies and Materials	29,589,047	151,208,317	1,896,560	-149,311,757	-98.7%
10 Equipment – Replacement	373,069	116,318	195,473	79,155	68.1%
11 Equipment – Additional	20,519,141	317,084	186,645	-130,439	-41.1%
12 Grants, Subsidies, and Contributions	404,916	760,500	794,875	34,375	4.5%
13 Fixed Charges	12,562,899	4,633,476	4,916,452	282,976	6.1%
14 Land and Structures	8,252,540	12,694,964	15,591,123	2,896,159	22.8%
Total Objects	**$ 282,747,159**	**$ 281,689,346**	**$ 134,607,756**	**-$ 147,081,590**	**-52.2%**
Funds					
01 General Fund	$ 72,771,024	$ 81,104,176	$ 88,484,924	$ 7,380,748	9.1%
03 Special Fund	5,487,876	6,693,342	8,710,336	2,016,994	30.1%
05 Federal Fund	2,955,492	1,498,623	1,535,495	36,872	2.5%
09 Reimbursable Fund	201,532,767	192,393,205	35,877,001	-156,516,204	-81.4%
Total Funds	**$ 282,747,159**	**$ 281,689,346**	**$ 134,607,756**	**-$ 147,081,590**	**-52.2%**

Note: The fiscal 2022 working appropriation includes deficiency appropriations. The fiscal 2023 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.

Appendix 8
Fiscal Summary
Department of General Services

Program/Unit	FY 21 Actual	FY 22 Wrk Approp	FY 23 Allowance	Change	FY 22 - FY 23 % Change
0A Office of the Secretary	$ 167,392,879	$ 161,952,196	$ 5,588,653	-$ 156,363,543	-96.5%
0B Office of Facilities Security	19,352,792	19,237,881	20,950,483	1,712,602	8.9%
0C Office of Facilities Management	56,548,651	58,188,945	60,038,826	1,849,881	3.2%
0D Office of State Procurement	10,488,821	9,401,162	10,040,661	639,499	6.8%
0E Office of Real Estate	4,109,319	2,985,284	3,516,217	530,933	17.8%
0G Office of Design, Construction and Energy	19,822,123	24,240,385	27,951,986	3,711,601	15.3%
0H Business Enterprise Administration	5,032,574	5,683,493	6,520,930	837,437	14.7%
Total Expenditures	**$ 282,747,159**	**$ 281,689,346**	**$ 134,607,756**	**-$ 147,081,590**	**-52.2%**
General Fund	$ 72,771,024	$ 81,104,176	$ 88,484,924	$ 7,380,748	9.1%
Special Fund	5,487,876	6,693,342	8,710,336	2,016,994	30.1%
Federal Fund	2,955,492	1,498,623	1,535,495	36,872	2.5%
Total Appropriations	**$ 81,214,392**	**$ 89,296,141**	**$ 98,730,755**	**$ 9,434,614**	**10.6%**
Reimbursable Fund	$ 201,532,767	$ 192,393,205	$ 35,877,001	-$ 156,516,204	-81.4%
Total Funds	**$ 282,747,159**	**$ 281,689,346**	**$ 134,607,756**	**-$ 147,081,590**	**-52.2%**

Note: The fiscal 2022 working appropriation includes deficiency appropriations. The fiscal 2022 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.