H00

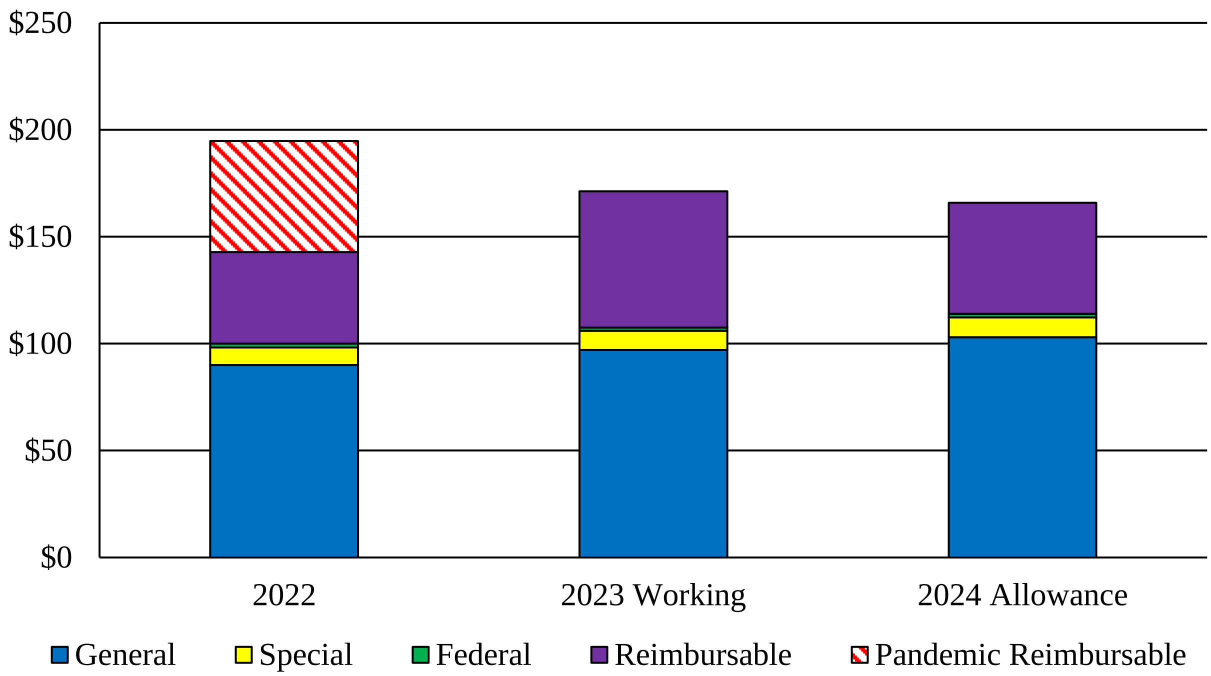
Department of General Services

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 2024 Budget Decreases $5.4 Million, or 3.1%, to $165.9 Million
($ in Millions)



Note: The fiscal 2023 working appropriation includes deficiency appropriations including this agency's share of a deficiency appropriation budgeted in the Statewide Account within the Department of Budget and Management (DBM). Fiscal 2024 salary enhancements are budgeted in the Statewide Account within DBM.

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

- Reimbursable fund spending on major information technology (IT) projects declines by $9.2 million in fiscal 2024, but budget amendments are expected that will increase fiscal 2024 major IT spending.

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Key Observations

- ***Facility Renewal Funding Has Increased Substantially, while Maintenance Spending Has Increased Modestly:*** Facility renewal funding totals $110 million in fiscal 2023, $35 million in general obligation bonds and $75 million in general fund appropriations to the Dedicated Purpose Account (DPA). DGS anticipates spending $30 million in fiscal 2023 on reducing the $224 million maintenance backlog. To address this, the department has a new contract to outsource project management and increase maintenance spending.

- ***DGS Continues to Have High Numbers of Vacant Positions:*** Over 12% of positions are vacant. DGS is modifying its hiring policies and processes to recruit more employees.

Operating Budget Recommended Actions

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

2. Adopt narrative requiring a State Center status report.

Operating Budget Analysis

Program Description

DGS provides an array of services for State agencies through the following units:

- ***Executive Direction:*** 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 program. The office includes the Inventory Management and Support Services Division that determines and manages property disposition (excluding vehicles) for State agencies.

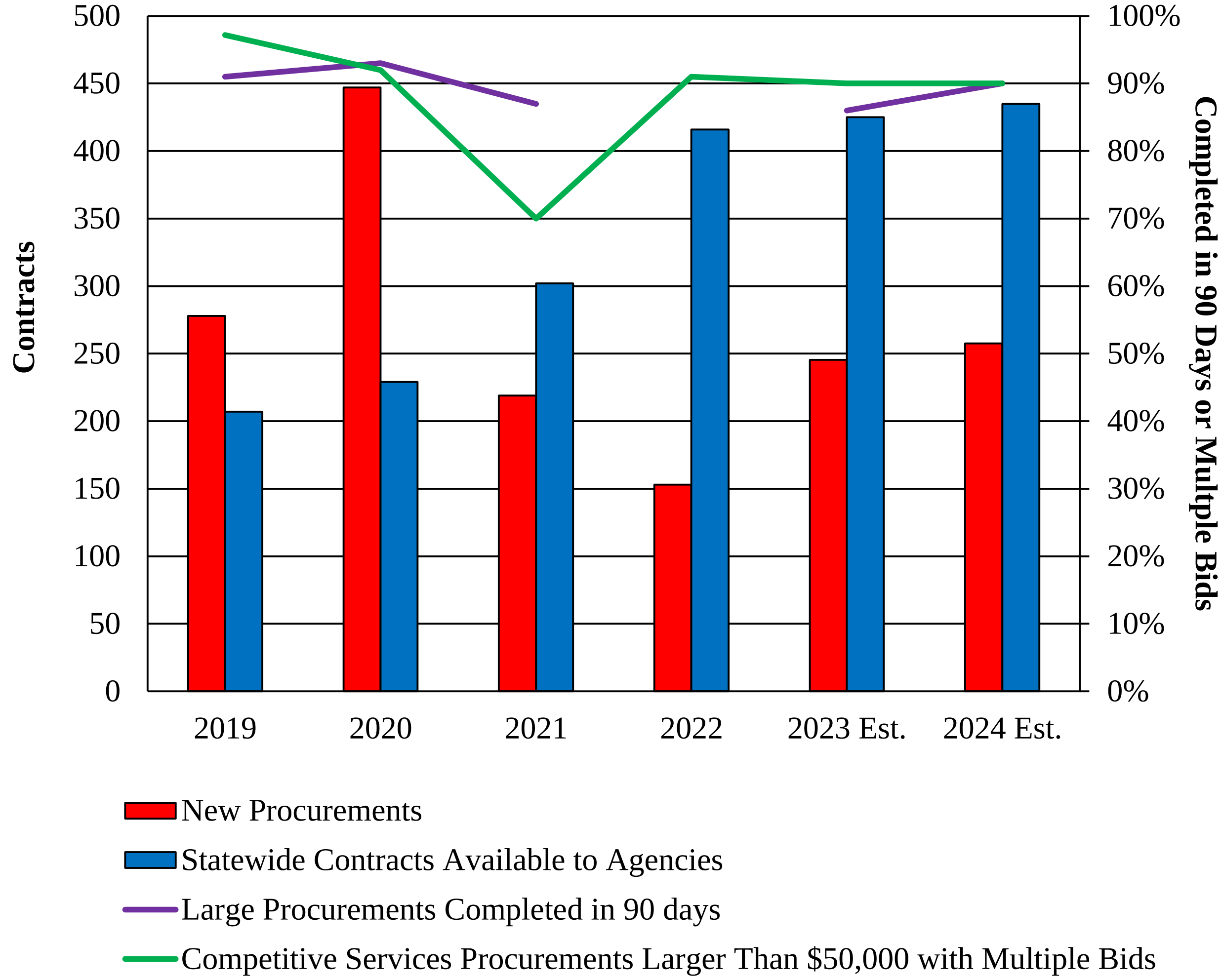
Key goals are to (1) provide the best value for customers and taxpayers; (2) provide a safe and secure environment for State employees and visitors in complexes secured by MCP; (3) carry out social and economic responsibilities; (4) maintain the condition of DGS-owned buildings to provide a comfortable 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 serves as the control agency for commodities, facilities maintenance, and construction. As of October 1, 2019, it assumed responsibility for procuring services, 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. There is no data for fiscal 2022 because of data integrity issues related to the transition from the Financial Management Information System (FMIS) to the new procurement system, eMaryland Marketplace Advantage (eMMA). These data integrity issues should be reconciled when eMMA is complete.

Exhibit 1
Procurement Activity
Fiscal 2019-2024 Est.



Source: Department of Budget and Management

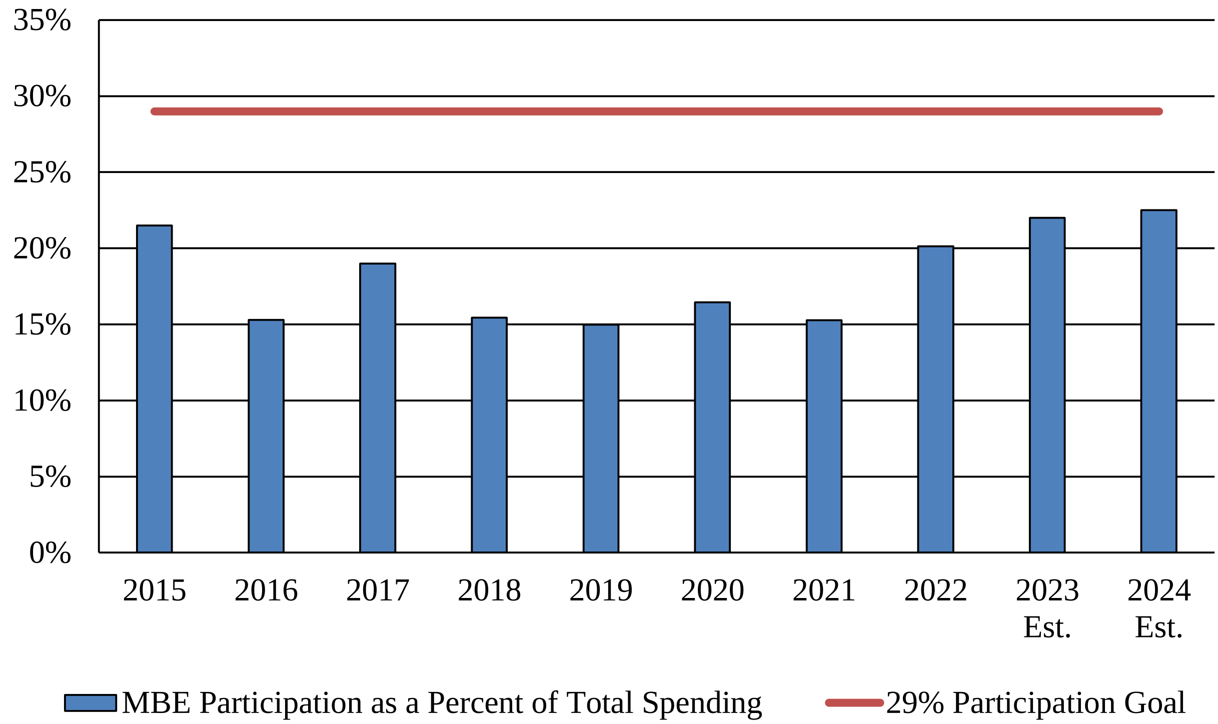
DGS has found that it is more effective to combine procurements that have a common commodity or service into larger procurements. As such, the department has a goal to reduce the total number of procurements through strategic sourcing. The number of new procurements has fluctuated in recent years. DGS 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 2022, DGS awarded $14.2 million in contracts to MBE prime contractors and $55.1 million to MBE subcontractors. **Exhibit 2** shows that MBE participation was 20.1% in fiscal 2022. This continues a trend in which MBE participation has been below the 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 2015-2024 Est.



MBE: Minority Business Enterprise

Source: Department of Budget and Management

3. Energy Consumption

Statewide appropriations for energy are substantial. Fiscal 2022 actual spending was $164.6 million for electricity, $24.5 million for natural gas and propane, and $8.0 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 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 are 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 had 26 active EPCs with estimated savings of 1.28 metric million British thermal units in fiscal 2022. DGS anticipates adding an EPC in fiscal 2023 and 2024. The Department of Legislative Services (DLS) notes that, since construction is commonly two years, benefits will not accrue until fiscal 2025 and 2026.

Exhibit 3
Energy Efficiency Performance Measures
Fiscal 2019-2024 Est.

	2019	2020	2021	2022	2023 Est.	2024 Est.
Energy Performance Contracts	27	27	26	26	27	28
Energy Savings Achieved through EPCs (MMBTU)	1.20	1.20	1.20	1.20	1.20	1.20
Savings Realized from EPC Usage ($ in Millions)	$24.95	$24.95	$24.89	$24.89	$24.89	$24.89
Percent of Statewide Facilities with Complete Data in Statewide Energy Database	17.4%	34.4%	58.7%	59.3%	60.0%	61.0%
Energy Consumption in State Facilities (MMBTU)	11.67	10.80	9.66	8.59	8.59	8.59

EPC: energy performance contracts
MMBTU: metric million British Thermal Unit

Source: Department of Budget and Management

Chapter 247 of 2022 extended 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. To date, DGS has not reviewed a project that is feasible if the maturity extends beyond 15 years. The department plans to market the program more aggressively.

The percentage of State facilities with complete data in the statewide energy database has been hovering around 60% since fiscal 2022. This process requires agencies' accounts payable offices to send copies of their bills to the database contractor consistently. The 2019 executive order substantially increased compliance, but this has stagnated.

To address the problem of collecting utility data, DGS started a pilot program in calendar 2022. Using DGS as the subject agency, utility providers send their invoices to the database contractor, rather than the DGS accounts payable office. The energy office contacted 31 of DGS' utility providers to change the address where invoices are sent. The database contractor obtained an IT platform to store the invoices, and when an invoice arrives, DGS accounts payable is automatically notified so that the staff can access the platform to download the invoice for payment. When the pilot is complete, DGS will roll this out to all State agencies. This effort does increase costs. For example, over $150,000 in fees for licensing and maintaining the platform are required for the pilot.

Proposed Deficiency

The fiscal 2024 operating budget bill includes $836,266 in general fund deficiency appropriations for DGS, specifically:

- $500,000 for technical assistance for building decarbonization assessments. Chapter 38 of 2022, the Climate Solutions Now Act, requires that greenhouse gas emissions be reduced 20% by January 1, 2030, compared to average calendar 2025 levels. These funds enhance the Building Assessment Unit (BAU), including hiring an engineer, to understand how to achieve these goals.

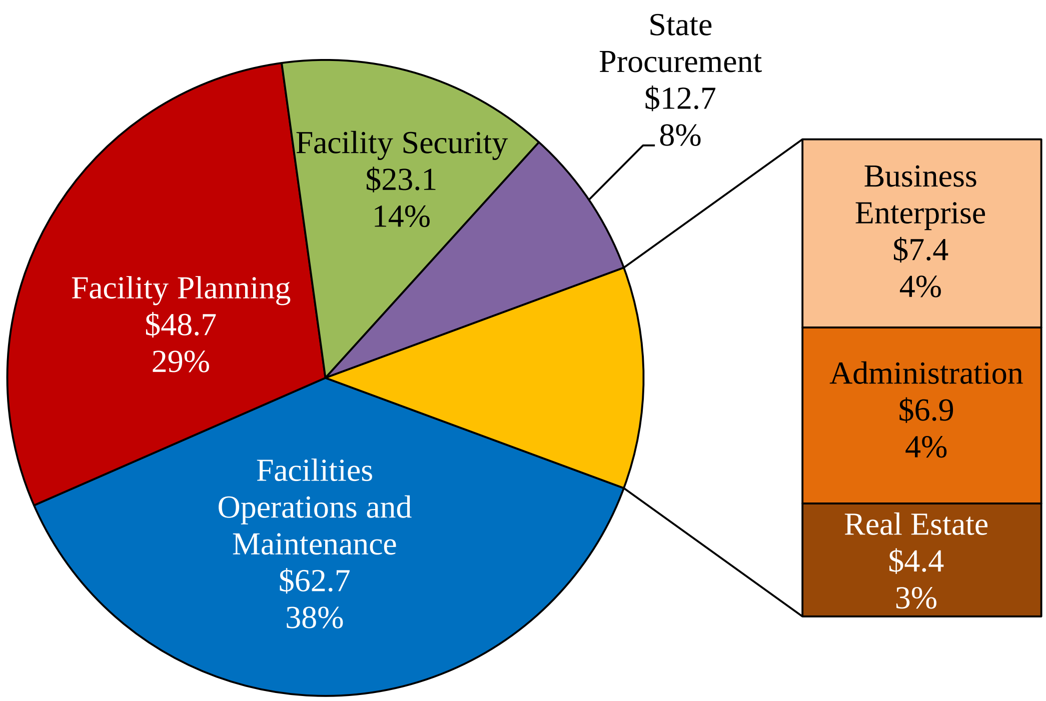
- $168,133 to support fuel management activities to backfill declining Fuel Management Fee revenues. Fees are a $0.025 per gallon administrative fee and a $0.01 per gallon rebate from fuel sales. These revenues support the Statewide Fuel Program. Vehicle fleet usage has declined since the pandemic and is not expected to rebound to prepandemic levels.

- $84,185 for additional contractual positions to address workload in the Office of State Real Estate's Land Acquisition and Disposal unit.

Fiscal 2024 Overview of Agency Spending

DGS consists of seven agencies whose share of spending differs substantially. **Exhibit 4** shows that 38% of the department's spending supports facilities management (the largest agency), while real estate (the agency requiring the least resources) consumes 3% of spending.

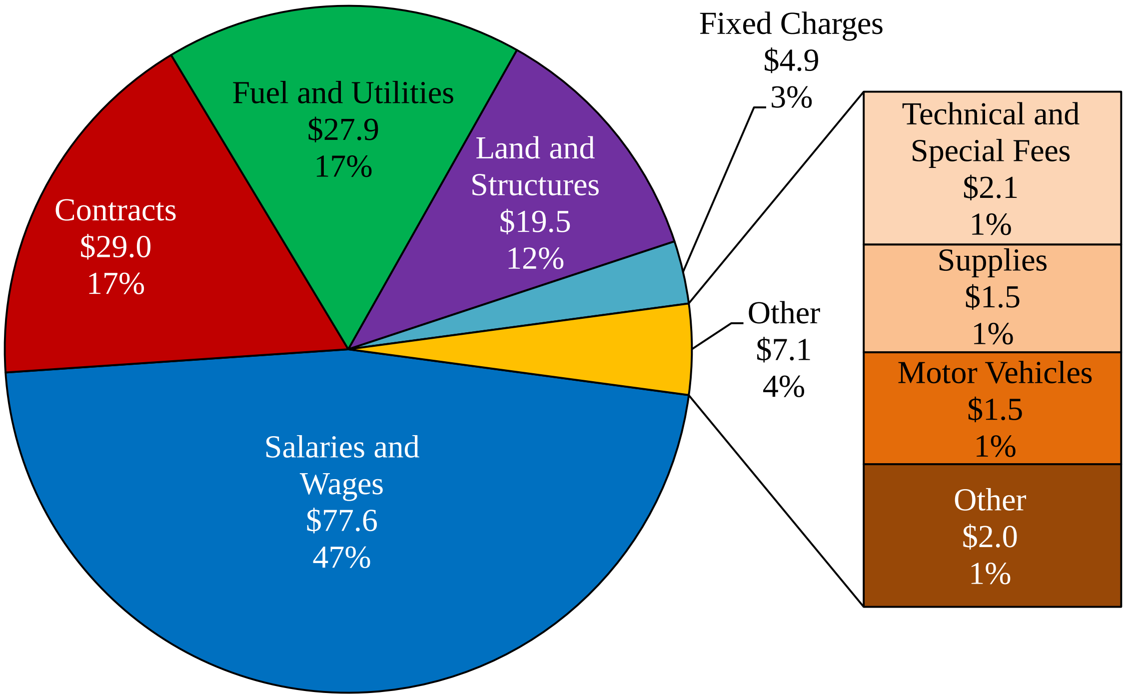
Exhibit 4
Expenditures by Agency
Fiscal 2024 Allowance
($ in Millions)



Source: Department of Budget and Management

Personnel spending is the largest share of spending. **Exhibit 5** shows that 47% 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 93% of DGS' spending.

Exhibit 5
Expenditures by Objects
Fiscal 2024 Allowance
($ in Millions)



Source: Department of Budget and Management

Proposed Budget Change

Exhibit 6 shows details about how the fiscal 2024 allowance decreases to $165.9 million, which is $5.4 million (3.1%) less than the fiscal 2023 working appropriation. The fiscal 2024 budget includes approximately $566,000 for reclassifications. As DLS noted in last year's budget analysis, DGS employees had not received increments for five years, so some of the recently hired staff were earning more than their more experienced colleagues. Addressing these issues should be a priority, so it may make sense in some instances to give salary enhancements if positions are not reclassified. **DGS should be prepared to brief the committees on its priorities for determining which positions are reclassified or receive salary enhancements.**

Exhibit 6
Proposed Budget
Department of General Services
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2022 Actual	$90,044	$8,163	$1,778	$94,844	$194,829
Fiscal 2023 Working Appropriation	96,997	8,978	1,575	63,735	171,285
Fiscal 2024 Allowance	103,060	9,267	1,600	51,984	165,911
Fiscal 2023-2024 Amount Change	$6,063	$290	$25	-$11,751	-$5,374
Fiscal 2023-2024 Percent Change	6.3%	3.2%	1.6%	-18.4%	-3.1%

Where It Goes:	Change
Personnel Expenses	
Employee and retiree health insurance	$1,036
Annualization of 4.5% general salary increase	877
Increments and other compensation	840
Turnover adjustments	798
Reclassifications	566
New positions	464
Employee retirement system	425
Overtime earnings and shift differential	65
Workers' compensation premium assessment	-108
Administration and Departmentwide Expenses	
Department of Information Technology services allocation	435
Technical and special fees	-206
Reduced vehicle purchases	-396
Supplies	-476
Equipment cost	-673
Facility Management and Security	
Utility costs	1,578
Janitorial services contracts	420
Security services contracts	231
Saratoga State Center, rent and one-time contracts and equipment	-408
One-time facility costs	-587
Facility security one-time access installation costs	-850

Where It Goes:	**Change**
One-time landscaping costs in Annapolis and Crownsville	-1,256
One-time repair costs to the State House, Schafer Tower, House Office Building	-2,124
Office of Design, Construction and Energy	
Maryland Energy Administration loan funds for energy-efficient projects	2,000
Critical maintenance	1,500
Consulting contracts for Energy Performance Contract and energy service reviews	-160
Other Changes	
Undisclosed contract litigation costs to the Office of the Attorney General	194
Other	-14
One-time Office of Real Estate records management system upgrade	-376
Reimbursable funds for major information technology projects	-9,166
Total	**-$5,374**

Note: The fiscal 2023 working appropriation includes deficiency appropriations including this agency's share of a deficiency appropriation budgeted in the Statewide Account within the Department of Budget and Management (DBM). Fiscal 2024 salary enhancements are budgeted in the Statewide Account within DBM. Numbers may not sum to total due to rounding.

Personnel Data

	FY 22 Actual	**FY 23 Working**	**FY 24 Allowance**	**FY 23-24 Change**
Regular Positions	656.00	693.00	700.00	7.00
Contractual FTEs	36.78	44.73	43.00	-1.73
Total Personnel	**692.78**	**737.73**	**743.00**	**5.27**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	35.14	5.07%
Positions and Percentage Vacant as of 12/31/22	85.50	12.34%
Vacancies Above Turnover	50.36	

Despite having approximately 50 vacant positions funded above what is needed to meet fiscal 2024 budget turnover, DGS receives 7 new regular positions in the proposed allowance. The additional positions, however, will not contribute to the department's vacancies, as the department is moving contractual employees into regular positions with benefits, since their responsibilities are permanent. In response to the 2019 executive order on energy goals, DGS hired 4 contractual employees from July 2019 to August 2020. The order has been codified and this is now permanent work. The converted positions are:

- Energy data analyst (administrator III) that evaluates current and historical energy usage to forecast future energy needs;

- Sustainability coordinator (administrator III) that manages the workflow of the Green Purchasing Committee and oversees green purchasing specifications and drafts the annual report;

- Energy data analyst (administrator IV) that manages the energy audit program and contract to audit two million square feet of State-owned buildings annually. Once the audits are complete, the position is responsible for presenting the audit findings to the owners of the buildings, helping design the projects, tracking installation and energy savings, and coordinating utility rebates; and

- Database manager (administrator IV) that also provides ongoing customer service for over 50 agency energy coordinators and over 100 accounts payable contacts.

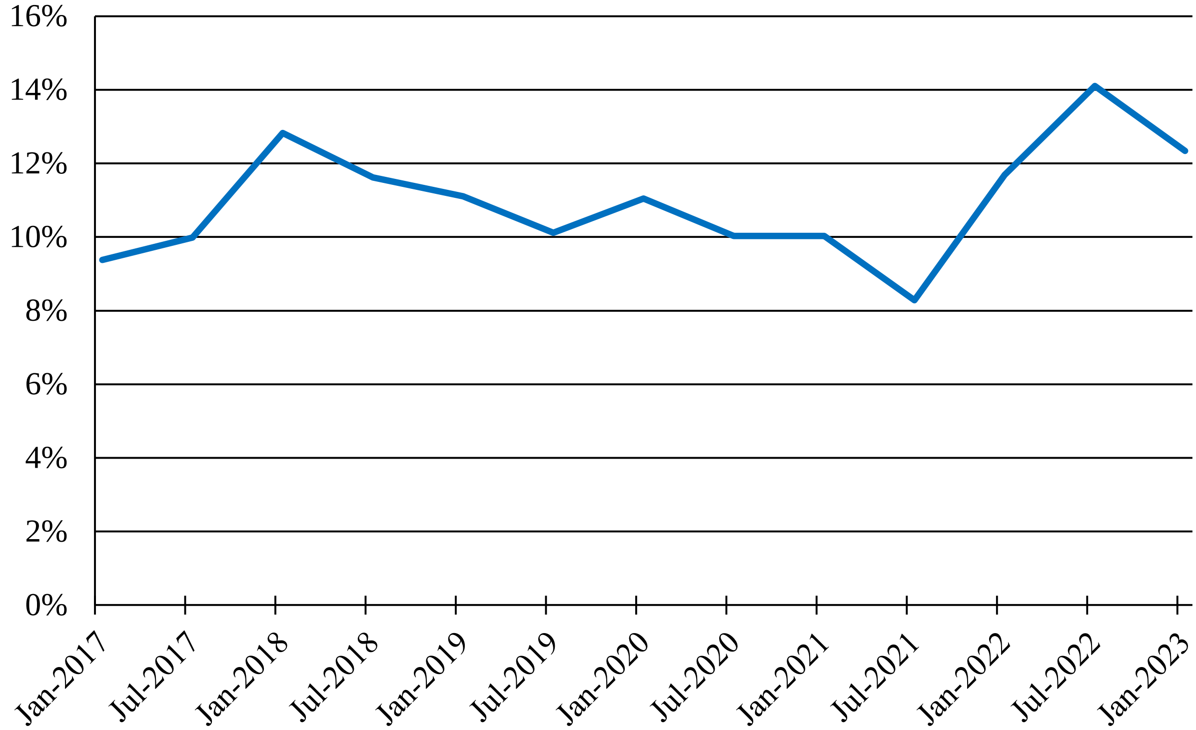
The other 3 contractual positions moving into positions with benefits are in the Business Enterprise Administration's Inventory Standards and Support Service Division, specifically:

- DGS property officer (administrative officer III) that maintains the property inventory; and

- 2 compliance auditors (administrative officer III) that maintain the Compliance Audit Program, which assists State agencies and the Office of Legislative Audits in detecting fraud and abuse in the accountability of state assets.

Exhibit 7 shows that DGS' vacancy rates have been above 10% for most of the last six years.

Exhibit 7
Vacancy Rates at the Department of General Services
January 2017 to January 2023



Source: Department of Budget and Management

The new administration's goal is that agencies reduce their vacancies by 50% in fiscal 2024. DGS advises that its strategies include:

- ***Reducing the Recruiting Process Time and Educating Hiring Managers:*** DGS will use the Department of Budget and Management's (DBM) streamlined recruitment process. The department also plans create a training video for hiring managers on the recruitment process and timeline.

- ***Expand and Improve Social Media Presence and Job Postings:*** This includes expanding advertising, adding images to make DGS jobs more "attractive and eye-catching," creating a "Why work for DGS" video to add to job postings and website, and attending virtual and in-person job fairs at local colleges and universities to advertise DGS.

- ***Update Vacancy Report with New Performance Metrics:*** DGS has begun tracking key points in the recruitment and selection process to develop performance metrics based on a recent International Organization of Standardization Certification audit. This will help human resources identify weaknesses to improve those areas and decrease the time taken to fill positions.

- ***Apprenticeship Program for Entry-level Jobs:*** This includes examining opportunities to work with local institutions as a feeder program into DGS facilities maintenance and trades positions and to use vacant regular positions as entry-level positions for applicants that do not have all the required education or experience. DGS also plans to create a training plan for employees that are hired at lower levels within facilities maintenance so that they can expand their skills through professional development and training to advance to higher levels within the agency. Developing a career ladder with opportunities for employees is also planned.

Issues

1. Facility Renewal 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 for projects usually costing less than $100,000, and facilities renewal, funded through the capital budget for projects usually costing more than $100,000. Issues related to capital facilities renewal are discussed in the Board of Public Works (BPW) capital budget analysis.

DGS evaluates and prioritizes maintenance projects into 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, such as damaged roofs or windows that cause water damage to the interior, or a defective fire alarm system;

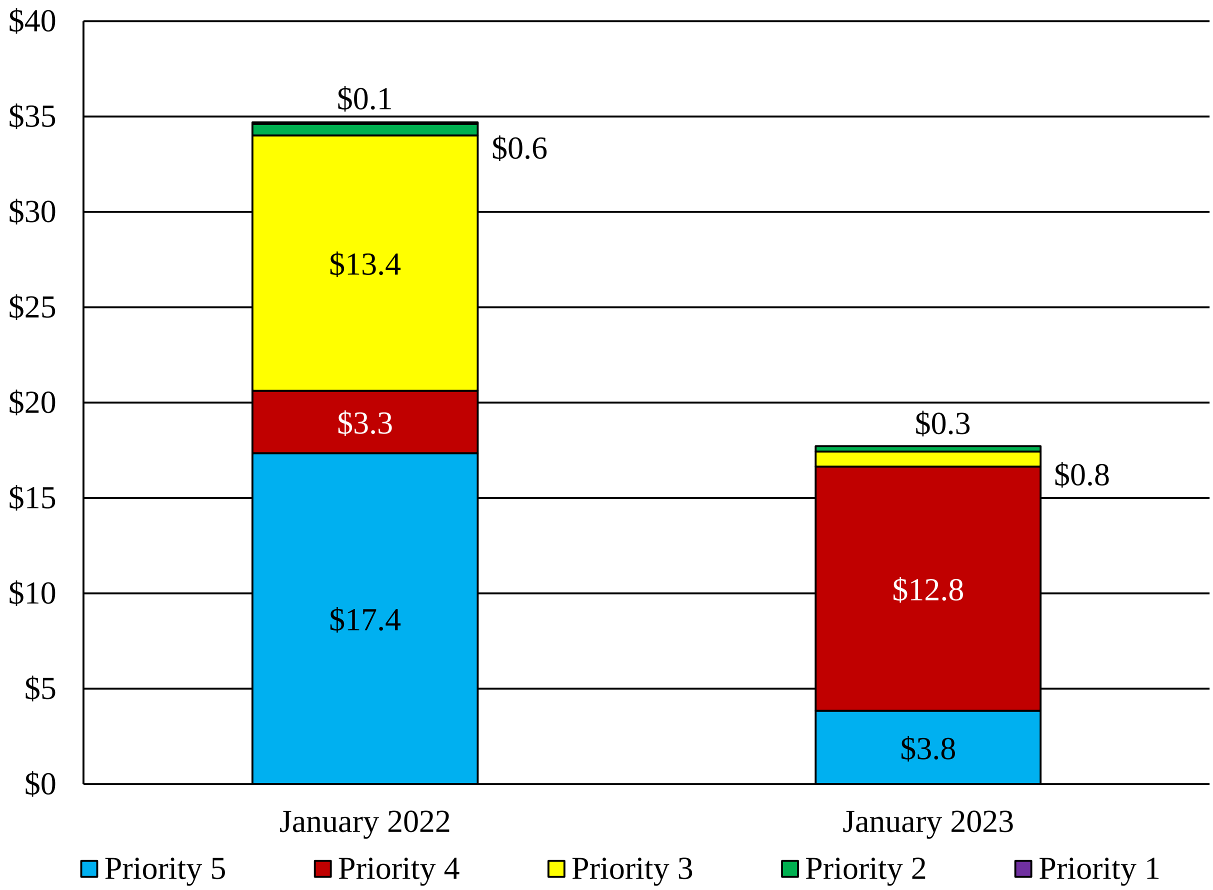
(3) end of life expectancy, common examples of which are lighting and air conditioning;

(4) restore to original design effectiveness, which includes a damaged loading dock, a master lock replacement, generators, and replacing insulation; and

(5) system improvements or redesign. Examples include repairing a sliding gate, unpaved parking lot, and noise reduction.

Exhibit 8 shows that the critical maintenance backlog declined from $35 million to $18 million from January 2022 to January 2023.

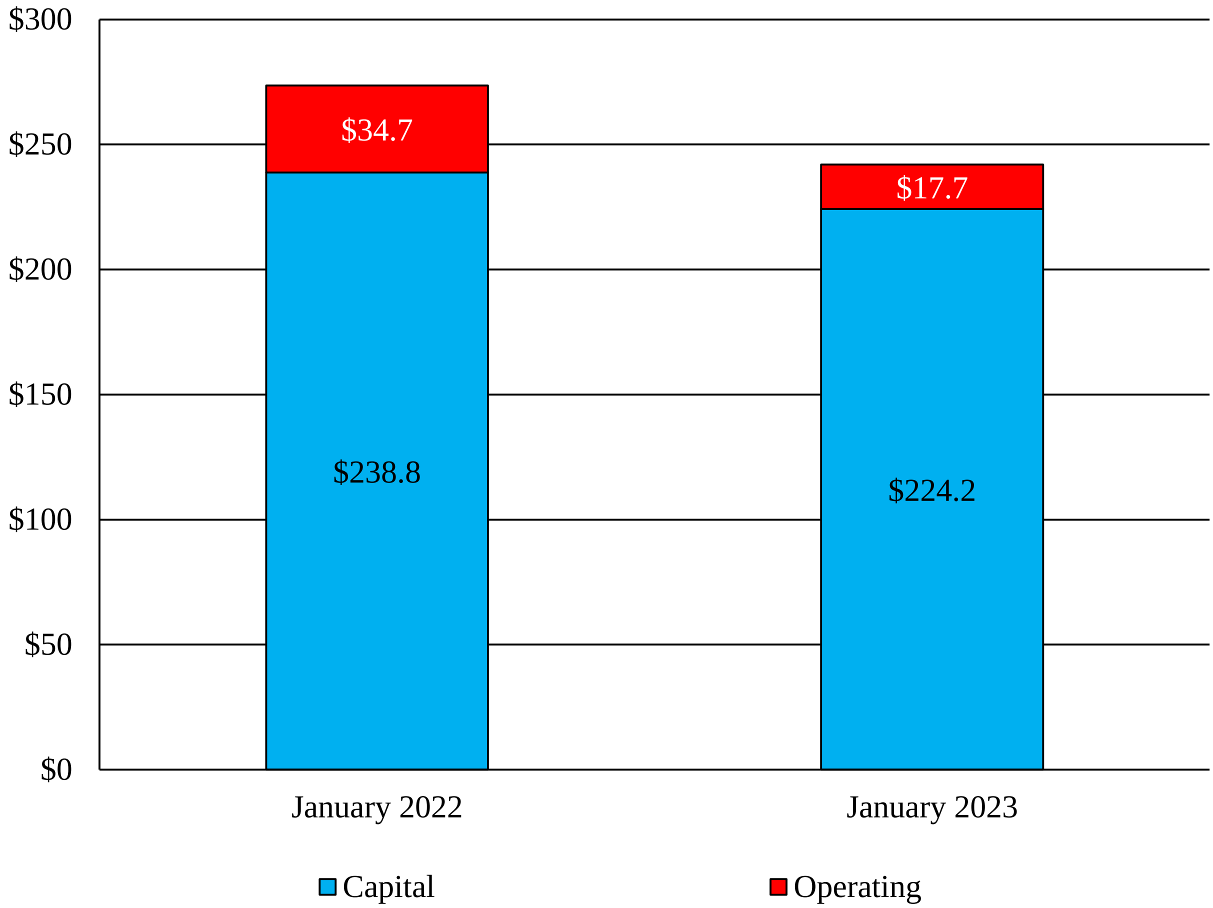
Exhibit 8
Operating Critical Maintenance Backlog Projects by Priority Categories
January 2022 to January 2023
($ in Millions)



Source: Department of General Services

While substantial progress has been made with the operating critical maintenance backlog, progress with the capital facility renewal backlog has been more modest. **Exhibit 9** shows that the capital backlog declined by $15 million but is still $224 million in January 2023. This is less than the $17 million decline in the critical maintenance backlog.

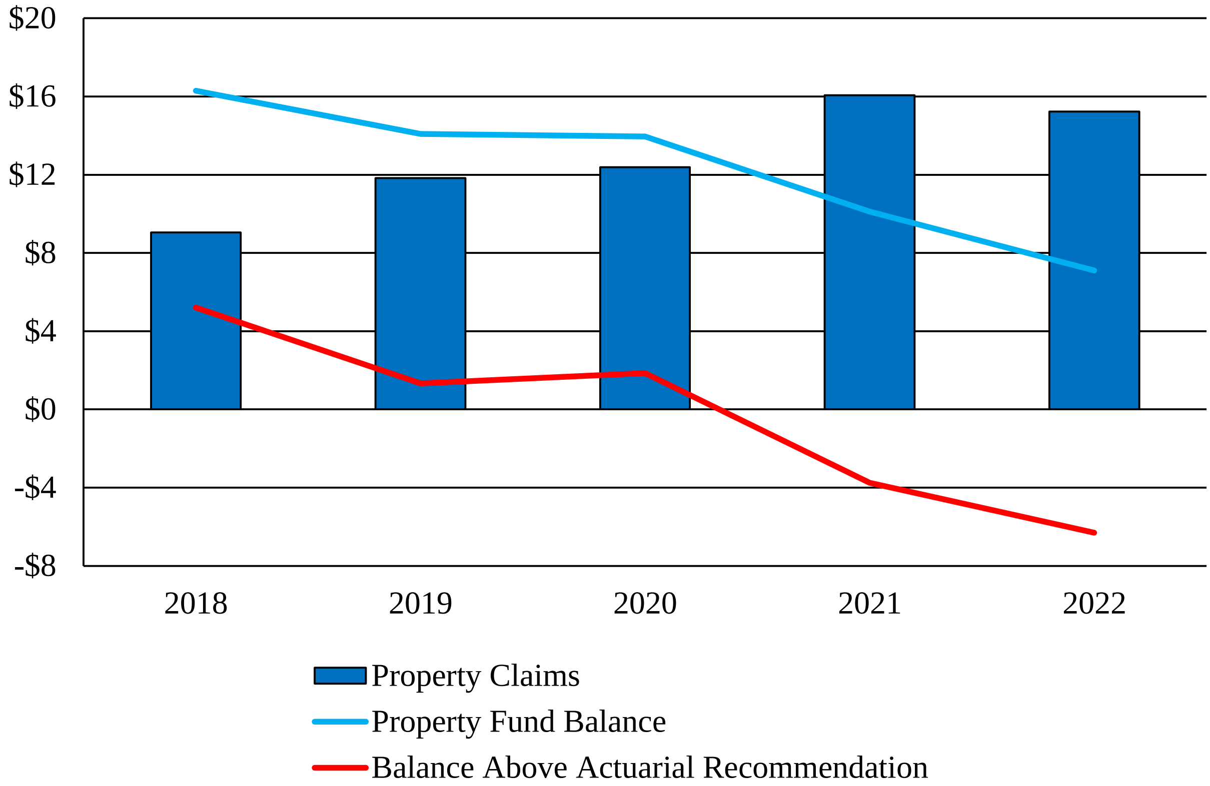
Exhibit 9
Combined Operating and Capital Backlog
January 2022 to January 2023
($ in Millions)



Source: Department of General Services

Another concern with the maintenance backlog is that it can cause collateral damage to other property. For example, water damage may not only damage the floor, but could also damage the equipment in a building. The State Treasurer's Office advises that the State Insurance Trust Fund's end-of-year balances fell below the actuarially recommended amount in fiscal 2021 and 2022. **Exhibit 10** shows that this was attributable to substantial increases in property claims, which increased from $9 million in fiscal 2018 to $16 million in fiscal 2022. Over the same period, all other claims (tort, motor vehicle, and officers' and employees' liability) combined increased by less than $1 million.

Exhibit 10
Effect of Higher Property Claims on SITF Balances
Fiscal 2018-2022
($ in Millions)

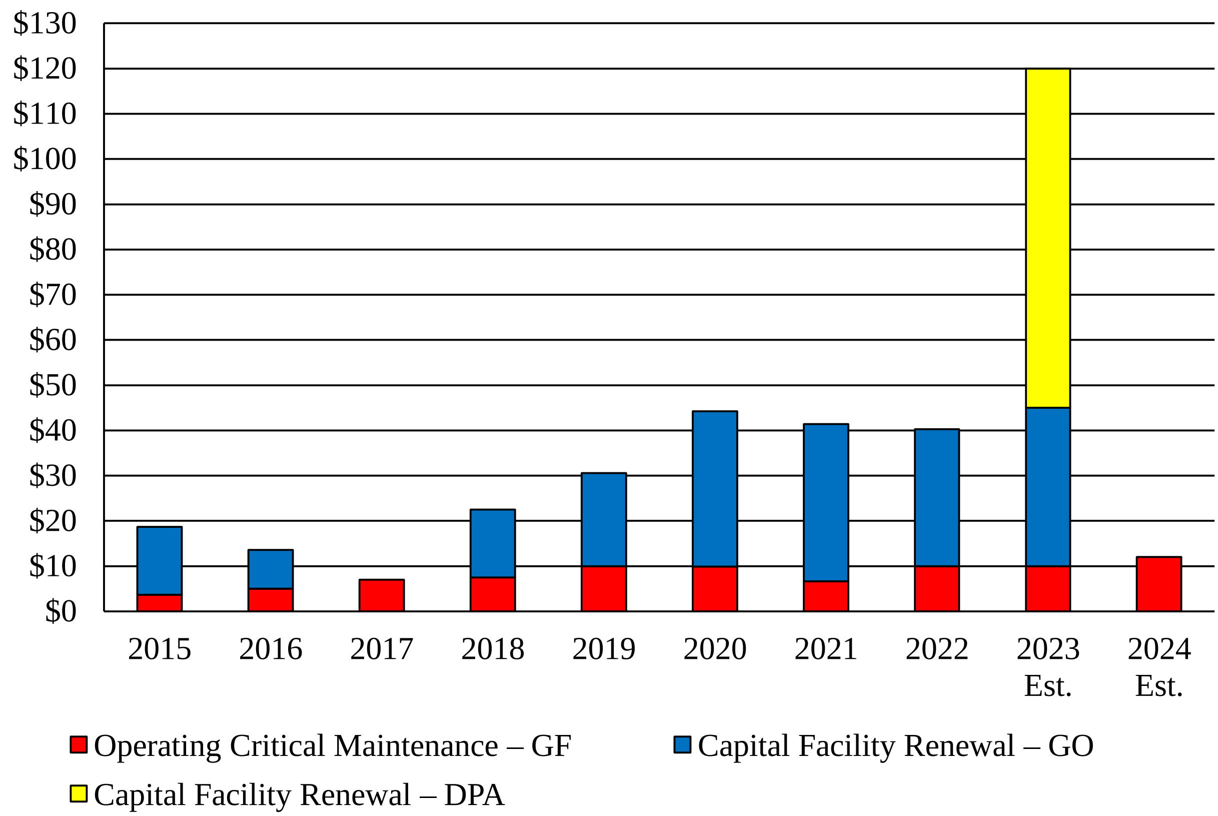


SITF: State Insurance Trust Fund

Source: State Treasurer's Office

The State substantially increased funding for operating and capital maintenance, as shown in **Exhibit 11**. In addition to $45 million budgeted in DGS' budget, there was an additional $75 million appropriation to the DPA in fiscal 2023. DGS advises that the facility renewal program expended $20 million to $25 million annually from fiscal 2018 to 2022. The department anticipates spending $30 million in fiscal 2023 and increasing this to $35 million in fiscal 2024 and $40 million in fiscal 2025. Spending in both years is less than the $80 million available from fiscal 2023 appropriations. While these increases are substantial, it is well below what is needed when there is a $224 million backlog and additional projects are added each year. Current capacity to address the maintenance backlog is well below available funds. **DGS should be prepared to brief the committees on its efforts to increase its capacity.**

Exhibit 11
Maintenance Funding Appropriated
Fiscal 2015-2024 Est.
($ in Millions)



GF: General Fund
GO: General Obligation Bonds
DPA: Dedicated Purpose Account

Source: Department of Budget and Management

One approach that DGS is using to expand its capacity is to procure a job order contractor. On February 15, 2023, BPW approved a $10 million contract, with a $5 million, five-year base and a $5 million option that can be renewed for five years. The job order contractor provides a project delivery method used to get numerous, commonly encountered construction projects done quickly and easily through multi-year contracts for a wide variety of renovation, repair, and minor construction projects. It is regularly used to clear deferred maintenance backlogs, perform rapid response recurring project needs, and construct renovation projects. Individual contracts are competitively bid, fixed price, multi-year construction contracts based on established or published unit prices via a unit price book or a price list with a multiplier, termed as a termed coefficient, applied to the unit prices. The intent is that this procurement enhances the amount of maintenance work that is done annually. **DGS should be prepared to brief the committees on how it expects to increase its capacity and to what extent capacity will be increased.**

2. Early Performance Data from Computerized Maintenance Management System Suggest Improved Maintenance Results

Improving DGS' facilities IT management systems is a key strategy for improving maintenance and keeping costs down. To do this, DGS purchased an off-the-shelf computer maintenance software system, the Computerized Maintenance Management System, 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. eMaint integrates DGS' daily maintenance management so that the system can generate work orders and monitor day-to-day maintenance activities.

DGS Operations Center Major IT Project Put on Hold

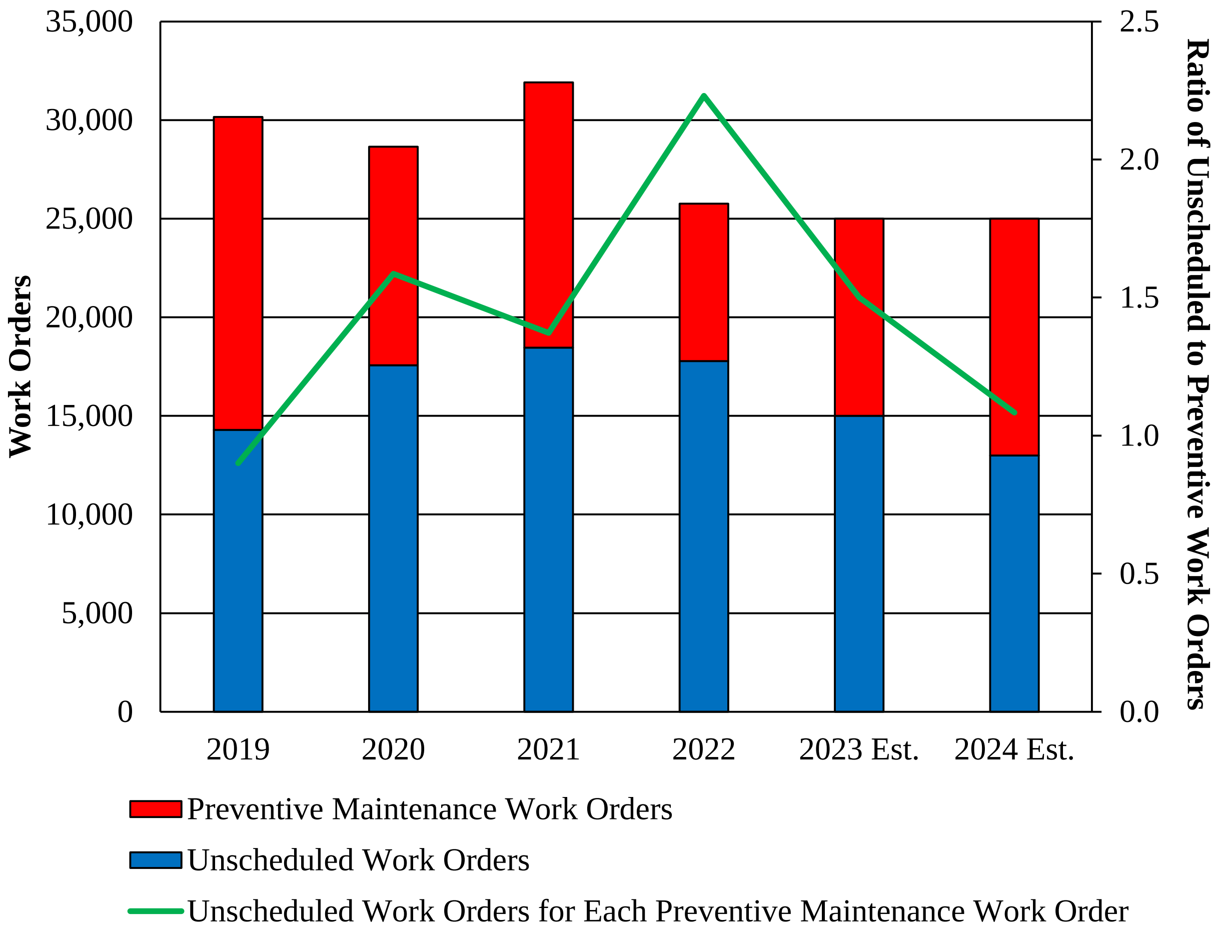
eMaint is a good start to automating daily maintenance data, but to continue improving upon this system, the Department of Information Technology's (DoIT) Major IT Development Project Fund includes funding for a DGS Operations Center. The current system supports work orders and tracks what is being done. 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.

DLS is concerned that the project is progressing more slowly than planned. The project was proposed as a coordinated connectivity effort with the establishment of a data collection site as the culmination of the effort. Development was more complicated than anticipated and communication challenges, including inconsistent terminology, have further complicated development. The project has been put on hold, and DGS and DoIT are re-baselining the project scope to reconsider how to develop the project. DLS concurs that stopping and reevaluating the project is needed if this project is going to be a success. The project received $3.5 million in fiscal 2023. Another $2.1 million was planned in fiscal 2024 but is not in the allowance since the project is being re-baselined. **DGS should be prepared to brief the committees on the operations center major IT project and its efforts to re-baseline the project so that it is successful.**

Managing for Results Data Evaluates Maintenance Program Effectiveness

If maintenance is managed more effectively, the number of emergency work orders should decline, and the cost of emergencies should also decline. DGS has a Managing for Results (MFR) objective to reduce the incidences 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 12** shows indicators comparing preventive maintenance and unscheduled work orders. The high share of unscheduled work orders in fiscal 2022 is explained by the decline in preventive maintenance work orders. **The department should be prepared to brief the committees on the decline in fiscal 2022 preventive maintenance work orders and its efforts to improve this.**

Exhibit 12
Preventive Maintenance and Unscheduled Work Orders
Fiscal 2019-2024 Estimated



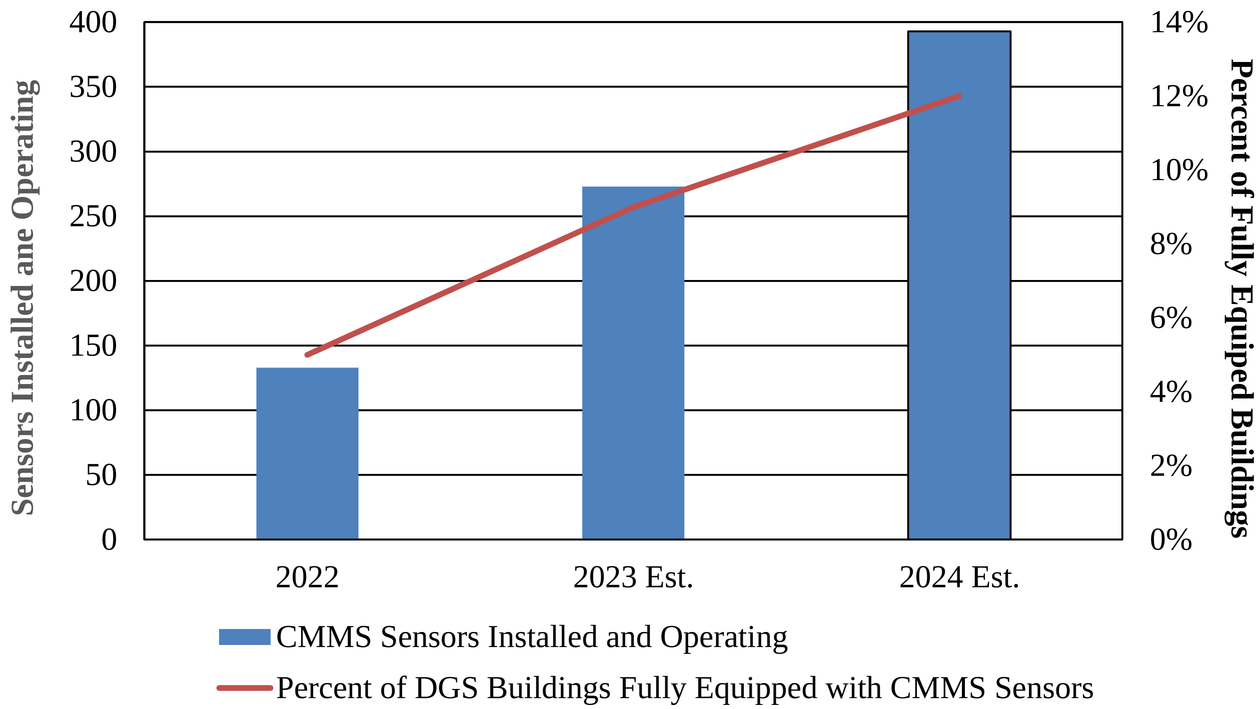
Source: Department of Budget and Management

Additional MFR Indicators Are Adopted

Another strategy to improve maintenance, limit damage, and reduce costs is to add equipment sensors. Sensors can measure changes in heat and vibration. Calibrating sensors so that they alert management when heat or vibration increase beyond an acceptable level can quickly identify problems that, if addressed immediately, can reduce collateral damage to other equipment and infrastructure. Over time, this monitoring allows DGS to use this data to predict when problems are likely to occur and address issues before there are problems.

DGS added new MFR indicators for these sensors to the fiscal 2024 budget books. The first set of indicators measures how quickly DGS is adding new equipment sensors in buildings. **Exhibit 13** shows that approximately 130 sensors were installed by the end of fiscal 2022 and that 5% of buildings now have these sensors. DGS advises that about 210 sensors have been installed to date and that having 400 installed in 17 months may not be achievable. Since that has the potential to affect maintenance efforts materially, DLS will continue to monitor progress. Moving forward, this task may become easier since new construction and new replacement equipment tend to have built-in remote sensors.

Exhibit 13
Progress Installing Sensors
Fiscal 2022-2024 Est.

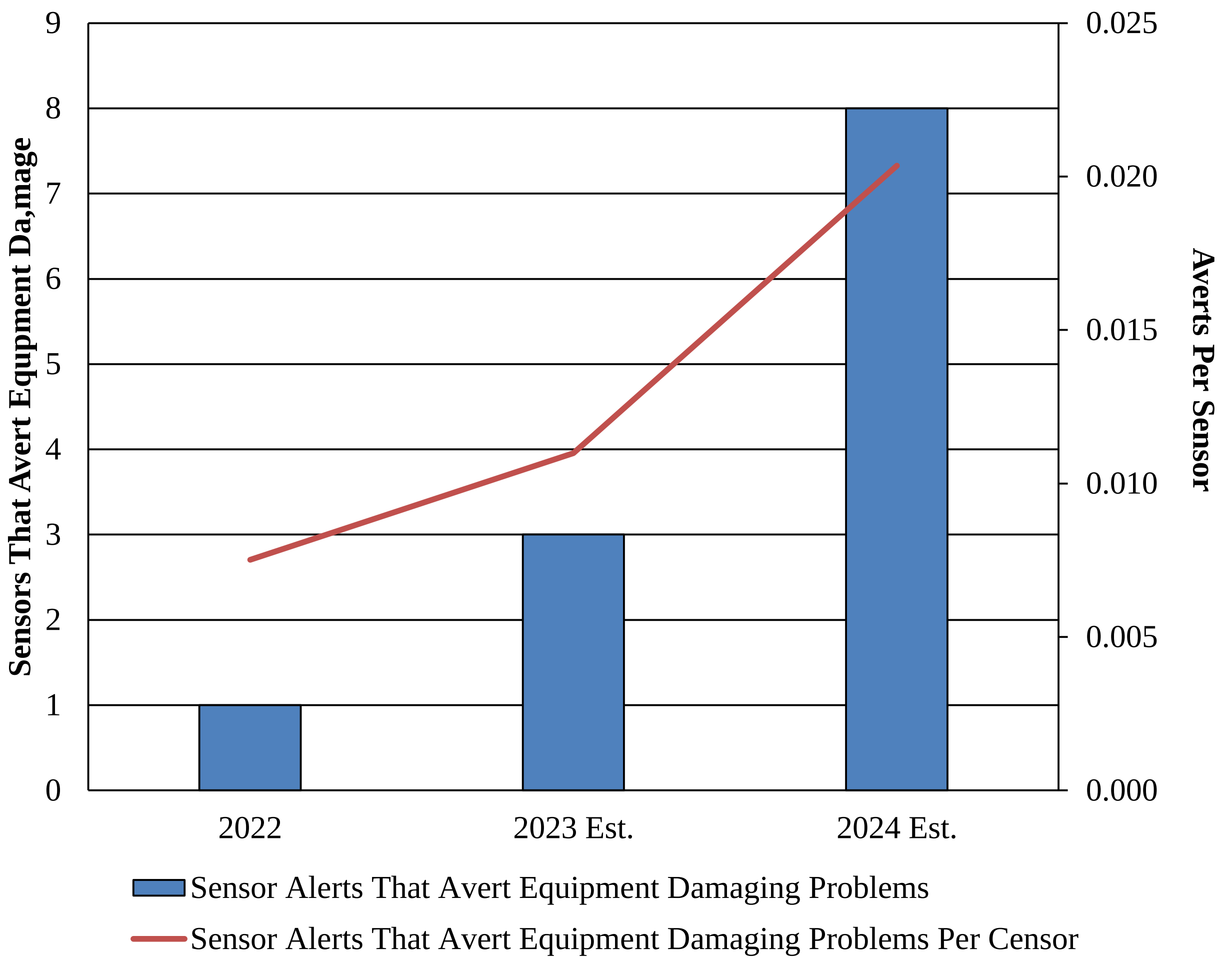


CMMS: Computerized Maintenance Management System
DGS: Department of General Services

Source: Department of Budget and Management

Another new indicator is how many incidents are averted because of a sensor alert. **Exhibit 14** shows that one incident was averted in fiscal 2022. DLS compared the number of incidents averted to the number of sensors and found that DGS estimates that sensors become more effective as more sensors are installed. The estimate is that three times an many incidents will be averted per sensor with approximately 400 installed than with only 130 installed. DGS advises that, as more equipment is fitted with sensors, those sensors record issues and detect potential problems that would have otherwise gone undetected.

Exhibit 14
Damage Averted by Sensors
Fiscal 2022-2024 Est.



Source: Department of Budget and Management

The budget bill includes a $500,000 deficiency appropriation for technical assistance for building decarbonization assessments. Chapter 38, the Climate Solutions Now Act, requires that greenhouse gas emissions be reduced 20% by January 1, 2030, compared to average calendar 2025 levels. These funds enhance the BAU, including hiring an engineer, to understand how to achieve these goals. As a goal of the State, this should also be a goal of DGS, who should consider how to integrate this into its MFR. **The department should be prepared to brief the committees on its efforts to reduce greenhouse gas emissions through building decarbonization.**

3. Leases for Agencies in State Center Have Been Approved by BPW

State Center property is three buildings in Baltimore City. The buildings on 300 and 301 West Preston Street were constructed in the late 1950s, and the building on 201 West Preston Street was constructed in the early 1970s. The buildings are in poor condition and renovation is expensive. To address this, previous Administrations contemplated a public-private partnership (P3) to redevelop the property, and the Martin J. O'Malley Administration entered into a P3 agreement with developers. The Lawrence J. Hogan, Jr. Administration later voided the contract, and the courts upheld the State's decision to void the contract. The amount owed by the State to the developers is being litigated. More detail about this is provided in **Appendix 2**.

Agencies in State Center Are Relocated to the Baltimore City Central Business District

In April 2021, the Hogan Administration 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, including changes due to telework for a post-pandemic workforce. The first of these leases was approved by BPW in May 2022. Seven additional leases were approved through December 2022. **Exhibit 15** shows that the State has leased approximately 934,000 square feet at a weighted average cost of $24.84 per square foot. The leases escalate between 2% and 3% annually, so that all leases will increase between $5 and $9 per square foot after 10 years. Agencies have options to extend leases after the initial period is over.

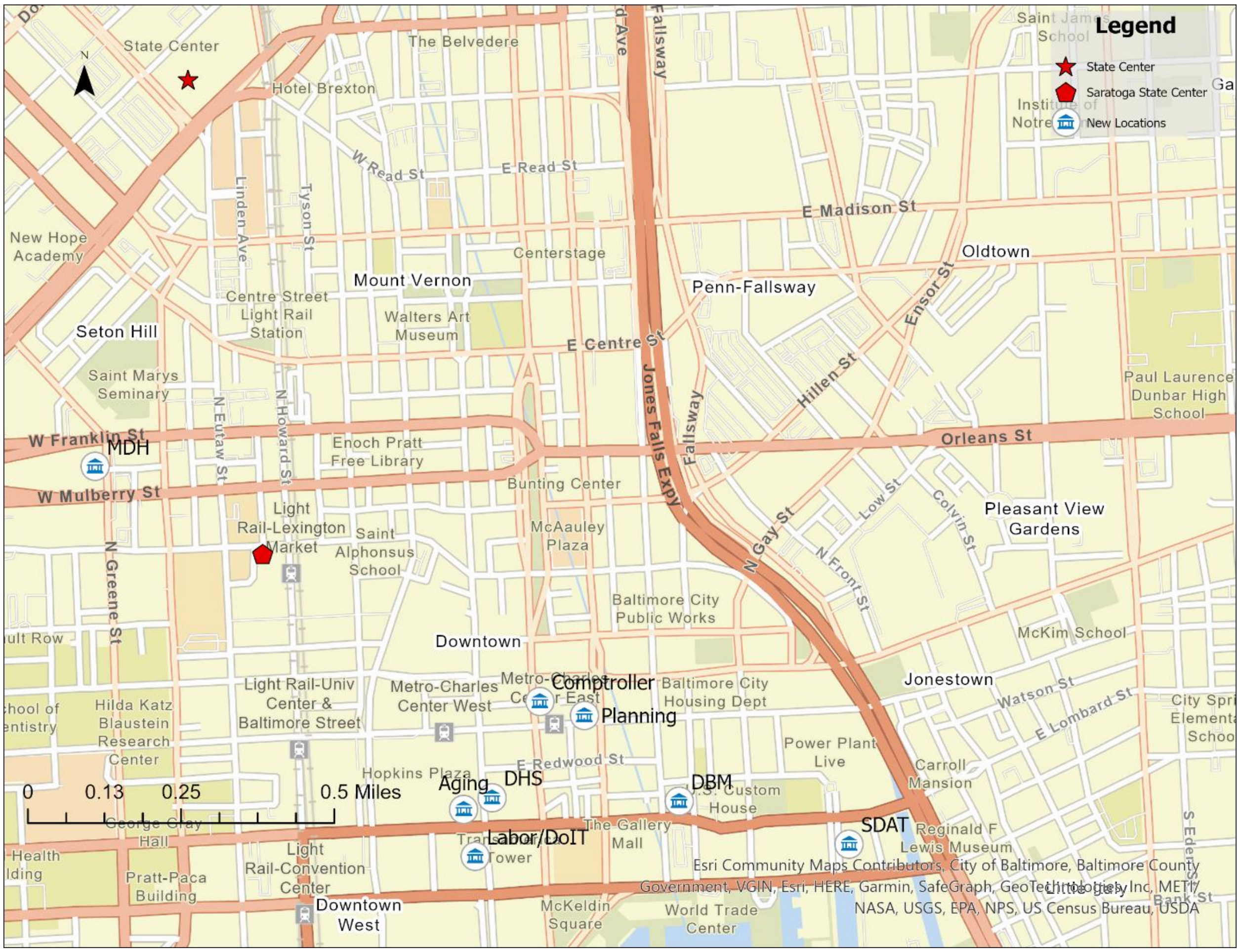
Exhibit 15
State Center Leases Approved by the Board of Public Works
Calendar 2022

Agency	Lease Start	Lease End	Total Square Feet	First-year Annual Rent	Cost per Square Foot
Maryland Department of Health	01/01/24	12/31/38	463,000	$12,130,600	$26.20
Department of Human Services	09/01/22	08/31/32	149,024	3,651,088	24.50
Department of Labor and Department of Information Technology	09/01/23	08/31/38	126,432	2,705,634	21.40
State Comptroller's Office	06/01/23	05/31/33	67,586	1,588,271	23.50
State Department of Assessment and Taxation	07/01/23	06/30/33	47,391	1,189,988	25.11
Department of Budget and Management	06/01/23	05/31/33	44,240	1,045,391	23.63
Department of Planning	06/01/23	05/31/33	19,329	490,957	25.40
Department of Aging	06/01/23	05/31/33	16,876	394,898	23.40

Source: Board of Public Works

Exhibit 16 shows the location of the agencies' new offices. Seven of these agencies relocated out of the West Preston Street complex. The Department of Human Resources moved out of the State building at 311 West Saratoga Street. This property is owned by Baltimore City.

Exhibit 16
Agency Moves Approved by BPW
May 2022 to December 2022



BPW: Board of Public Works
DBM: Department of Budget and Management
DHS: Department of Human Services
DoIT: Department of Information Technology
MDH: Maryland Department of Health
SDAT: State Department of Assessments and Taxation

Source: Board of Public Works, Esri, Department of General Services

There are some smaller agencies in State Center. The Governor's office has been moved to the William Donald Schaefer Tower on 6 St. Paul Street. It has not been decided where the Tax Court, which requires 6,000 square feet, and the Disabilities/Telephone Relay group, which requires 4,000 square feet, will go. DGS is determining if space can be found on State property or if space will need to be leased.

The last agency in State Center will be DGS. The department advises that the plan will be to move DGS out of State Center when the renovation of 2100 Guilford Avenue is completed. However, the 2023 *Capital Improvement Program* moves construction funding to fiscal 2025 and 2026, instead of in fiscal 2024. This is a two-year delay in construction, so that the earliest that the project will be ready to be occupied is when these funds become available in June 2025. Most agencies are leaving State Center in calendar 2023, with some leaving in calendar 2024. DGS will be the only tenant in State Center after 2024.

DPA Appropriations to Support Moving Agencies into Leased Offices in Baltimore City

The fiscal 2022 budget appropriated $50 million in the DPA to fund moving agencies out of State Center and into other Baltimore City locations. As of February 2023, two budget amendments were processed. DoIT received $2.6 million for necessary IT network infrastructure and DGS' Office of Real Estate received approximately $122,000 to support leasing operations. This leaves $47.3 million unallocated, which can be used to pay leases.

DGS should be prepared to brief the budget committees on the status of the State Center moves, State Center litigation, and the uses and timing of State Center funds appropriated into the DPA. DLS recommends committee narrative requiring DGS to update the budget committees on State Center.

4. Training MFR

DGS received a $300,000 deficiency appropriation in fiscal 2022 to develop a training program. The program addresses the lack of supervisory and management training at agencies. This is proposed to be a multitiered training program with tiers for (1) supervisors and employees wanting to become supervisors, referred to as Tier 1; (2) managers, such as unit chiefs, deputy directors, and directors, referred to as Tier 2; and (3) senior or executive level staff and employees referred to as Tier 3. DGS will develop the training with Towson University (TU). DGS has a memorandum of understanding (MOU) with TU. The training is being designed so that it can easily be adapted to other agencies. DGS plans to update the training as necessary. The new administration supports DGS' training efforts to continue developing the training. The committees adopted narrative in the fiscal 2023 *Joint Chairmen's Report* (JCR) requiring that DGS' MFR include performance measurers for this training program. The training has not begun, as DGS is still developing the training and the performance measures.

DGS advises that the scope of work has been completed, which will be sent to TU for a task order, consistent with the MOU, to begin creating the coursework. DGS is targeting the second quarter of fiscal 2024 as the start date for the inaugural class of the Tier I supervisor training course. Tiers II and III (the management and leadership modules, respectively) are expected to begin their inaugural classes in the second half of fiscal 2024. The initial training class will include new supervisors (hired or promoted in the 6 months prior to the training) and other supervisors identified by leadership. The duration of the supervisor training class has not been determined. Each tier is meant to target different levels of supervising and managing employees, and while capable of being a stand-alone set of courses, DGS plans to have Tiers 2 and 3 build upon the Tier 1 supervisor training. There will be a mentor training course that will support all three tiers.

DGS advises that performance measures will be developed and ready when the first training program begins. The department will rely on TU to guide their efforts.

DGS should be prepared to brief the committees on this training program. DLS recommends that committee narrative requiring MFR performance indicators be adopted.

Operating Budget Recommended Actions

1. Adopt the following narrative:

   Managing for Results Goals for Employee Training and Retention: In response to high employee vacancies and turnover rates, the Department of General Services' (DGS) fiscal 2022 budget included $300,000 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 appropriate training. DGS should consider performance measures such as (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 submission of the Fiscal 2025 budget

2. Adopt the following narrative:

   State Center Status Report: The Department of General Services (DGS) is moving agencies out of State Center and into leased space in Baltimore City. The State also voided a public–private partnership agreement, which resulted in litigation. DGS should report on the status of the State Center moves, State Center litigation, and the uses and timing of State Center funds appropriated into the Dedicated Purpose Account to support State agency moves.

Information Request	**Author**	**Due Date**
State Center status report	DGS	December 15, 2023

Appendix 1
2022 *Joint Chairmen's Report* Responses from Agency

The 2022 JCR requested that DGS prepare four reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Report on State Center:*** The General Assembly restricted $250,000 of DGS' budget pending a report updating the status of State Center. The report was due on September 30, 2022. DGS updated the committees about litigation, planned moves, parking, costs and operational issues, and potential future uses on time. Further discussion can be found in Issue 3 of this analysis.

- ***Emergency Procurement Reporting to BPW:*** The committees noted that only 6 of 54 emergency procurements in calendar 2021 were reported to BPW on time. DGS was required to report to the committees on steps taken to report emergency procurements within the required 45 days after the award of the contact by December 23, 2022. DGS complied and reported steps taken to report on time.

- ***MFR Goals for Employee Training and Retention:*** DGS received a $300,000 deficiency appropriation in fiscal 2022 to develop supervisor, manager, and leadership training. The committees asked that DGS include MFR indicators with the fiscal 2024 budget. Though progress has been made, the training was not developed to the point that indicators have been developed. Further discussion of this data can be found in Issue 4 of this analysis.

- ***Women's Prerelease Center Oversight:*** The committees required that DGS and the Department of Public Safety and Correctional Services to report on late status reports about the Women's Prelease Oversight Center, as required by Chapter 16, of 2021. The report was due by January 15, 2023. It was submitted on time.

Appendix 2
State Center

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 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. In February, 2023, DGS advised that the State prevailed on the contractors claims and that the developer has filed an interlocutory appeal of that decision. So, nothing has been conclusive resolved. DGS expects the trial to be in 2024.

Appendix 3
eMaryland Marketplace Advantage (eMMA) eProcurement Solution
Major Information Technology Project
Department of General Services

New/Ongoing: Ongoing								
Start Date: 2018				**Est. Completion Date:** estimated or actual date				
Implementation Strategy: Agile								
($ in Millions)	**Prior Year**	**2023**	**2024**	**2025**	**2026**	**2027**	**Remainder**	**Total**
GF	$20.066	$8.000	$5.050	$6.825	$0.000	$0.000	$0.000	$48.198
SF	3.000	0.000	0.000	0.000	0.000	0.000	0.000	3.000
Total	**$23.066**	**$8.000**	**$5.050**	**$6.825**	**$0.000**	**$0.000**	**$0.000**	**$51.195**

- ***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:*** 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, Release 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. Deployment of procure-to-pay (Release 2.0) will be rolled out as a Minimum Viable Product to four agencies, including DBM and DoIT, and then rolled out to the remaining agencies. Pay-to-procure 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.

- ***Changes:*** Design flaws in procure-to-pay's vendor management code stemming from inadequate requirements gathering by the systems integration vendor were identified. Reviews and additional requirements gathering needed to address this led to delays. Integrating with the Maryland Department of Transportation's MBE system also led to delays. Costs are also added in fiscal 2024 and 2025 to integrate eMMA to the State's accounting system, FMIS.

- ***Concerns*:** Initial funding to replace FMIS is budgeted. The FMIS project has high risks like sponsorship (multiple agencies complicate governance), resource availability (all key agencies must stay focused and provide key staff), interdependencies (system should integrate with other systems like procurement and budgeting), and organizational culture (replacing a legacy system). Once eMMA is complete, it will need to link to FMIS, which may be difficult.

Appendix 4
AS400 Replacement
Major Information Technology Project
Department of General Services

New/Ongoing: Ongoing								
Start Date: July 2022				**Est. Completion Date:** estimated or actual date				
Implementation Strategy: Agile anticipated, but no acquisition strategy has been identified								
($ in Millions)	**Prior Year**	**2023**	**2024**	**2025**	**2026**	**2027**	**Remainder**	**Total**
GF	$0.000	$1.600	$0.210	$0.200	$0.200	$0.400	n/a	$2.610
Total	**$0.000**	**$1.600**	**$0.200**	**$0.200**	**$0.200**	**$0.400**	**n/a**	**$2.610**

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 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 numerous 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. There was no information technology –project request (ITPR) in 2022. The ITPR was completed in February 2023.

Concerns**:** Progress has been slow and completing the ITPR took longer than expected. High risks include interdependencies (eMaint and FMIS connectivity), technical (no clear solution that meets all operational requirements), user interface, implementation (regulations require maintaining seven years of data), and flexibility (processes supported are inflexible and interdependencies are also inflexible).

Appendix 5
Object/Fund Difference Report
Department of General Services

Object/Fund	FY 22 Actual	FY 23 Working Appropriation	FY 24 Allowance	FY 23 - FY 24 Amount Change	Percent Change
Positions					
01 Regular	656.00	693.00	700.00	7.00	1.0%
02 Contractual	36.78	44.73	43.00	-1.73	-3.9%
Total Positions	**692.78**	**737.73**	**743.00**	**5.27**	**0.7%**
Objects					
01 Salaries and Wages	$ 64,306,279	$ 70,755,273	$ 77,636,948	$ 6,881,675	9.7%
02 Technical and Special Fees	2,279,989	2,300,278	2,094,604	-205,674	-8.9%
03 Communication	964,504	960,611	954,601	-6,010	-0.6%
04 Travel	93,536	56,179	70,806	14,627	26.0%
06 Fuel and Utilities	15,922,985	26,278,029	27,856,114	1,578,085	6.0%
07 Motor Vehicles	1,529,412	1,937,654	1,535,976	-401,678	-20.7%
08 Contractual Services	83,780,731	42,304,899	28,957,287	-13,347,612	-31.6%
09 Supplies and Materials	1,135,360	1,954,948	1,479,034	-475,914	-24.3%
10 Equipment – Replacement	45,251	195,473	15,004	-180,469	-92.3%
11 Equipment – Additional	662,931	730,986	34,574	-696,412	-95.3%
12 Grants, Subsidies, and Contributions	760,500	794,875	879,450	84,575	10.6%
13 Fixed Charges	7,766,931	4,916,452	4,906,266	-10,186	-0.2%
14 Land and Structures	15,580,995	15,591,123	19,490,600	3,899,477	25.0%
Total Objects	**$ 194,829,404**	**$ 168,776,780**	**$ 165,911,264**	**-$ 2,865,516**	**-1.7%**
Funds					
01 General Fund	$ 90,043,707	$ 94,634,059	$ 103,059,774	$ 8,425,715	8.9%
03 Special Fund	8,163,477	8,843,110	9,267,261	424,151	4.8%
05 Federal Fund	1,778,366	1,564,278	1,599,736	35,458	2.3%
09 Reimbursable Fund	94,843,854	63,735,333	51,984,493	-11,750,840	-18.4%
Total Funds	**$ 194,829,404**	**$ 168,776,780**	**$ 165,911,264**	**-$ 2,865,516**	**-1.7%**

Note: The fiscal 2023 appropriation does not include deficiencies. The fiscal 2024 allowance does not include contingent reductions or cost-of-living adjustments.

Appendix 6
Fiscal Summary
Department of General Services

Program/Unit	FY 22 Actual	FY 23 Wrk Approp	FY 24 Allowance	Change	FY 23 - FY 24 % Change
0A Office of the Secretary	$ 64,494,685	$ 15,403,101	$ 6,899,082	-$ 8,504,019	-55.2%
0B Office of Facilities Security	20,677,702	23,633,229	23,076,856	-556,373	-2.4%
0C Office of Facilities Management	62,200,173	63,818,123	62,717,795	-1,100,328	-1.7%
0D Office of State Procurement	9,658,428	11,713,832	12,699,921	986,089	8.4%
0E Office of Real Estate	3,803,444	3,771,256	4,422,579	651,323	17.3%
0G Office of Design, Construction and Energy	27,979,777	43,721,743	48,723,878	5,002,135	11.4%
0H Business Enterprise Administration	6,015,195	6,715,496	7,371,153	655,657	9.8%
Total Expenditures	**$ 194,829,404**	**$ 168,776,780**	**$ 165,911,264**	**-$ 2,865,516**	**-1.7%**
General Fund	$ 90,043,707	$ 94,634,059	$ 103,059,774	$ 8,425,715	8.9%
Special Fund	8,163,477	8,843,110	9,267,261	424,151	4.8%
Federal Fund	1,778,366	1,564,278	1,599,736	35,458	2.3%
Total Appropriations	**$ 99,985,550**	**$ 105,041,447**	**$ 113,926,771**	**$ 8,885,324**	**8.5%**
Reimbursable Fund	$ 94,843,854	$ 63,735,333	$ 51,984,493	-$ 11,750,840	-18.4%
Total Funds	**$ 194,829,404**	**$ 168,776,780**	**$ 165,911,264**	**-$ 2,865,516**	**-1.7%**

Note: The fiscal 2023 appropriation does not include deficiencies. The fiscal 2024 allowance does not include contingent reductions or cost-of-living adjustments.