

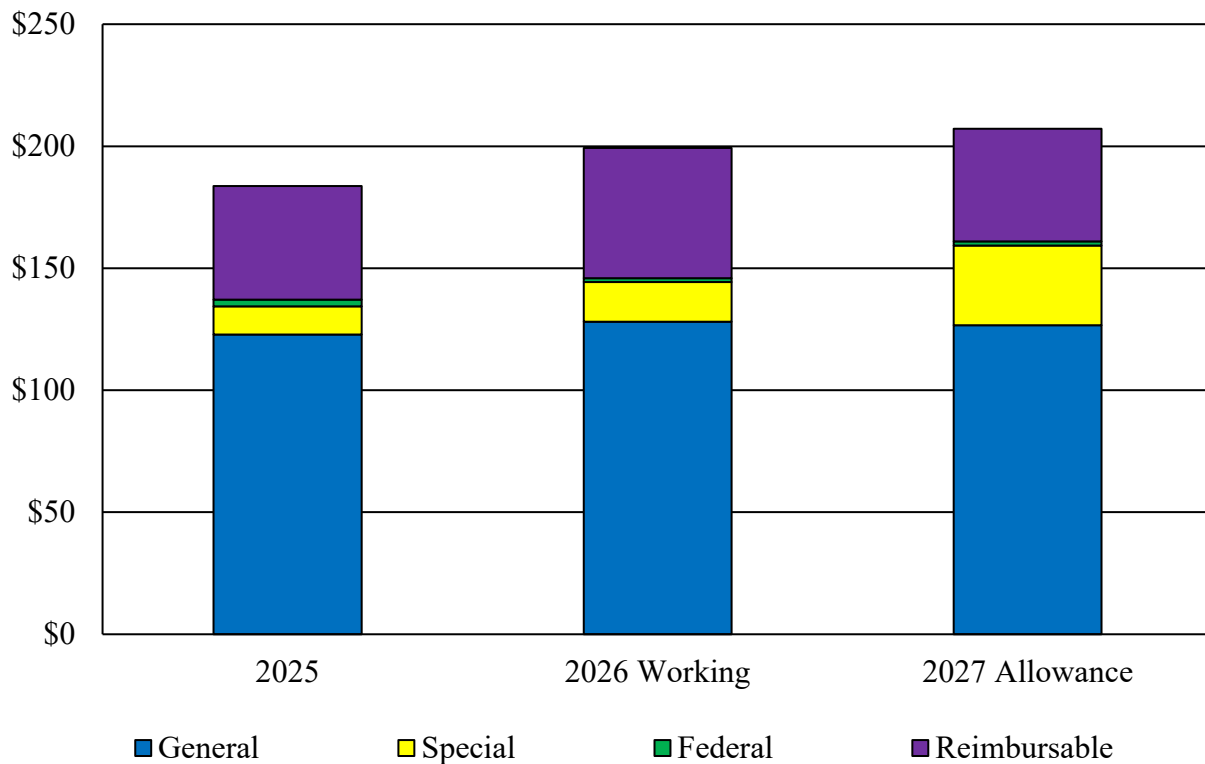
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Department of General Services

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 2027 Budget Increases \$7.9 Million, or 4.0%, to \$207.2 Million
(\$ in Millions)**



Note: The fiscal 2026 working appropriation accounts for deficiencies. The fiscal 2027 allowance accounts for a \$20 million special fund contingent appropriation. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.

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Key Observations

- ***Minority Business Enterprise (MBE) Participation Increases:*** Vendor participation in the MBE program reaches the highest level in fiscal 2025 at 25.2% but still falls short of reaching the program goal of 29%.
- ***State Center Relocations:*** Of the 12 agencies relocating their offices from State Center, 7 agencies have already moved to new locations within Baltimore City. The remaining agencies are expected to relocate in the first quarter of calendar 2027. As of January 2026, \$41.1 million has been spent of the \$60 million appropriated in the Dedicated Purpose Account (DPA) for this purpose, after accounting for the \$20 million transferred from the DPA to the General Fund through a provision in the Budget Reconciliation and Financing Act (BRFA) of 2025. There will be an estimated \$19.6 million remaining in the DPA at the end of fiscal 2026 for future relocation costs.

Operating Budget Recommended Actions

1. Add language restricting funds pending a report on the status of corrective actions related to the most recent fiscal compliance audit.
2. Add language restricting funds pending a report on the status of corrective actions related to the most recent fiscal compliance audit.
3. Modify contingent language on the special fund appropriation to more closely align with the applicable Budget Reconciliation and Financing Act provision.
4. Add language restricting funds pending the submission of a report on the State's asset maximization strategies.
5. Adopt committee narrative requesting a report on State Center agency relocation, funding, and expenditures.
6. Adopt committee narrative requesting a report on the use of Strategic Energy Investment Funds.
7. Adopt committee narrative requesting a report on the critical maintenance backlog projects.

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	<u>Amount Change</u>
8. Reduce the fiscal 2026 deficiency appropriation for critical maintenance projects to fund projects through the Facilities Renewal Fund.	-\$2,428,182
Total Net Change to Fiscal 2026 Deficiency	-\$2,428,182

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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.
- ***Business Enterprise Administration:*** Serves as a support unit that provides services to other DGS units. Services provided include information technology, 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 for State agencies.

- **External Affairs:** Serves as a support unit responsible for establishing and managing standards and quality of all DGS communications and marketing activities, including records management and serving as the agency’s legislative liaison.

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.

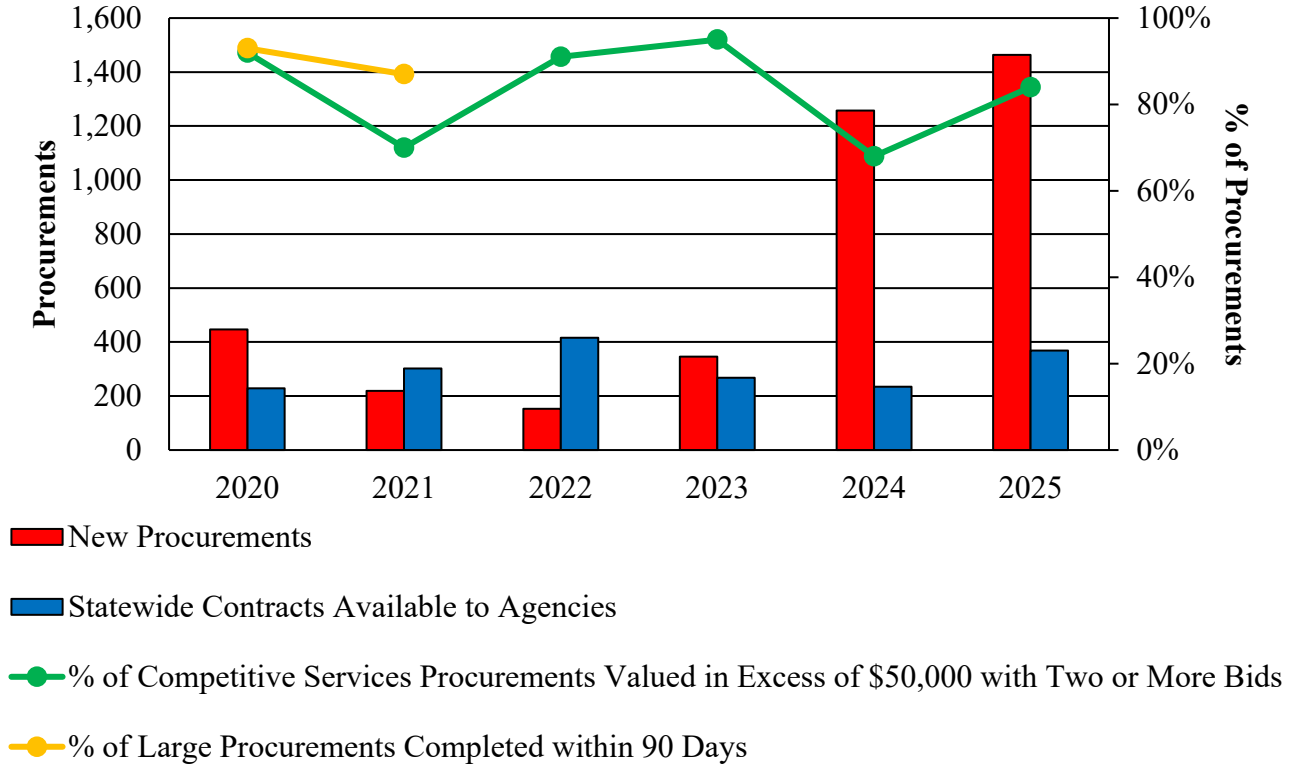
Performance Analysis: Managing for Results

1. Procurement

As of October 1, 2019, the Office of State Procurement (OSP) serves as the control agency for procuring all commodities, facilities maintenance, and construction, previously under DGS, and all services, information technology (IT), and public safety construction, previously under the Department of Budget and Management (DBM), the Department of Information Technology (DoIT), and the Department of Public Safety and Correctional Services (DPSCS). As of October 1, 2019, it assumed responsibility for procuring services, information technology products, and public safety construction. Small procurements are delegated to individual agencies and are defined as procurements that are valued at less than \$100,000. DGS has an objective to complete 80% of large procurements, which are valued at more than \$100,000, within 90 days. As shown in **Exhibit 1**, there has been no Managing for Results data for the percentage of large procurements completed within 90 days since fiscal 2021. Data remains unavailable because of data integrity issues related to the transition from the Financial Management Information System to the eMaryland Marketplace Advantage (eMMA) procurement system. These data integrity issues should be reconciled when eMMA is complete. However, delays in eMMA project development have been ongoing for several years. **Appendix 4** provides more information on the eMMA major IT project.

DGS has a goal to reduce the total number of procurements through strategic sourcing by combining procurements with common commodity or service into larger procurements. Despite this goal, new procurements increased by 14.4%, or 206 new procurements, from fiscal 2024 to 2025, and increased by 323.1%, or 1,118 new procurements from fiscal 2023 to 2025. The number of statewide contracts available to State agencies increased by 56.7%, or 133, in fiscal 2025 as compared to fiscal 2024. However, this is lower than the 416 statewide contracts that were available to State agencies in fiscal 2022. The percentage of competitive services procurements valued over \$100,000 with two or more bids increased by 16 percentage points in fiscal 2025 as compared to fiscal 2024 but is still under the level of fiscal 2022 and 2023, which were at 91% and 95%, respectively. **DGS should comment on the reason for increased new procurements and competitive services procurements.**

**Exhibit 1
Procurement Activity
Fiscal 2020-2025**



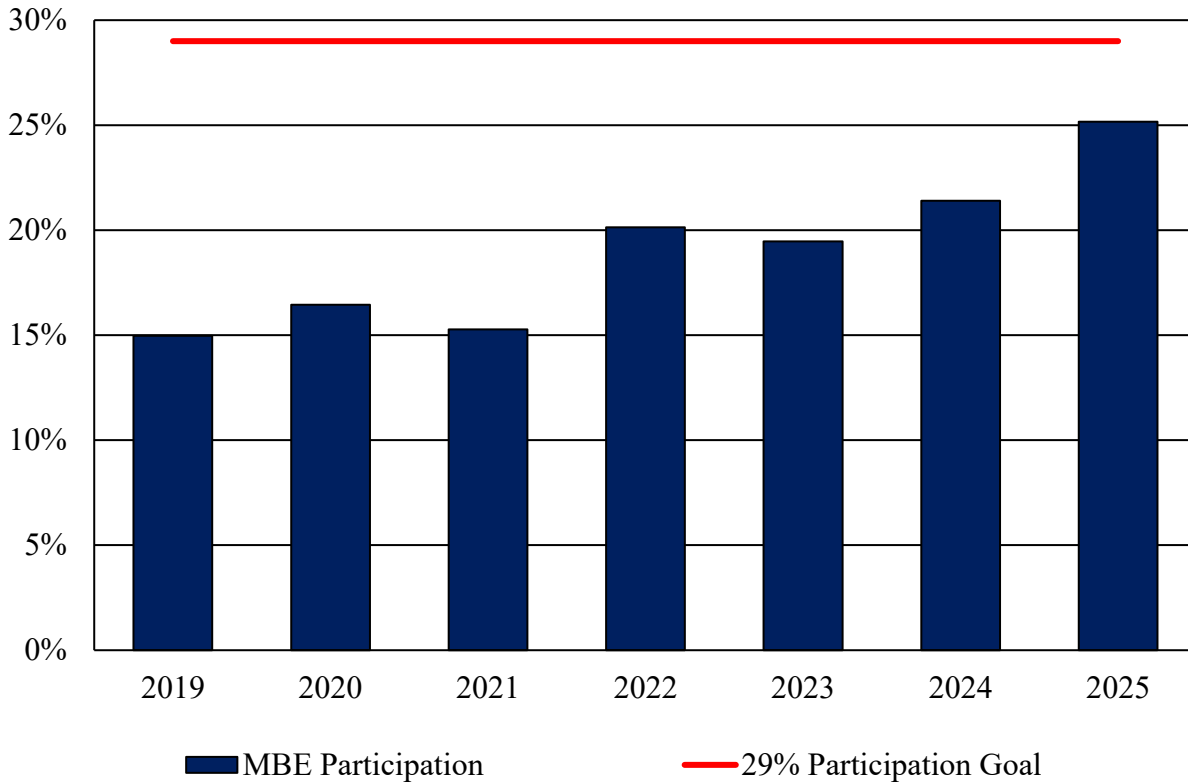
Source: Department of Budget and Management

2. Minority Business Enterprise Participation

The State has an 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 2025, DGS awarded \$97.2 million in contracts to MBE prime contractors and \$54.2 million to MBE subcontractors under the agency’s procurements. As shown in **Exhibit 2**, MBE participation was 25.2% of total procurement spending in fiscal 2025, which is 3.8 percentage points higher than fiscal 2024 but 3.8 percentage points below the MBE goal. This level continues a trend in which MBE participation has been below the target, but the fiscal 2025 level is the highest level DGS has reached since fiscal 2015. **DGS should brief the committees on its outreach activities and plans to reach the targeted 29% MBE participation.**

Exhibit 2
MBE Participation as a Percentage of Total Spending in DGS Procurements
Fiscal 2019-2025



DGS: Department of General Services
MBE: Minority Business Enterprise

Source: Department of Budget and Management

3. Energy Consumption

Statewide Energy Database Data

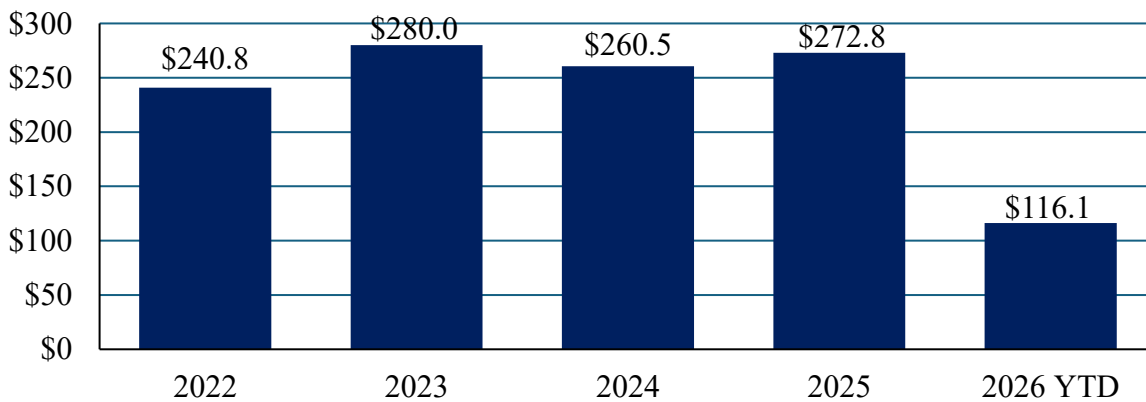
DGS contracts with a vendor to maintain a publicly accessible data dashboard on DGS’s website related to State agency energy usage, the State Energy Database, which includes historical yearly and monthly graphs of energy consumption by State agencies. While the information in the State Energy Database provides a means of understanding costs on an aggregate, statewide scale, the data has not been complete because the percentage of State facilities with complete data in the database has stagnated at approximately 60% since fiscal 2022.

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Originally, for information to appear on the State Energy Database, an accounts payable office within an agency had to send copies of their bills to DGS, which then copied and forwarded everything to the database contractor. DGS has stated there are over 100 accounts payable offices throughout all State agencies and that data compliance was a challenge. To address the problem of collecting utility data, DGS started a Utility Bill Centralization (UBC) pilot program in calendar 2022. This UBC program changed the utility billing addresses from DGS’ accounts payable office to the database contractor. When the contractor receives an invoice, it automatically notifies DGS who can access and pay the bill while also uploading its data to the State Energy Database. In the agency’s fiscal 2026 budget hearing testimony, DGS stated that some of the DGS utility accounts were yet to be reassigned and that DGS will work with DBM and other State agencies to begin transitioning agencies onto the UBC program. However, the percentage of statewide facilities with complete data in the State Energy Database only increased from 60.3% in fiscal 2024 to 61.0% in fiscal 2025. **DGS should comment on the status of the pending DGS utility accounts that were yet to be reassigned and the timeline to complete transition of State agencies onto the UBC program.**

Exhibit 3 shows energy spending from fiscal 2022 to 2026 year to date for State agencies that have data included in the State Energy Database. Total State energy costs increased by 4.7%, or \$12.3 million, in fiscal 2025 compared to fiscal 2024. The fiscal 2026 year-to-date cost of \$116.1 million is consistent with the fiscal 2025 year-to-date cost of \$119.3 million that was reported in the fiscal 2026 budget analysis last year. This consistency indicates that the total energy cost for the State is estimated to be between \$250 million to \$280 million at the end of fiscal 2026.

Exhibit 3
State of Maryland Yearly Energy Cost
Fiscal 2022-2026 YTD
(\$ in Millions)

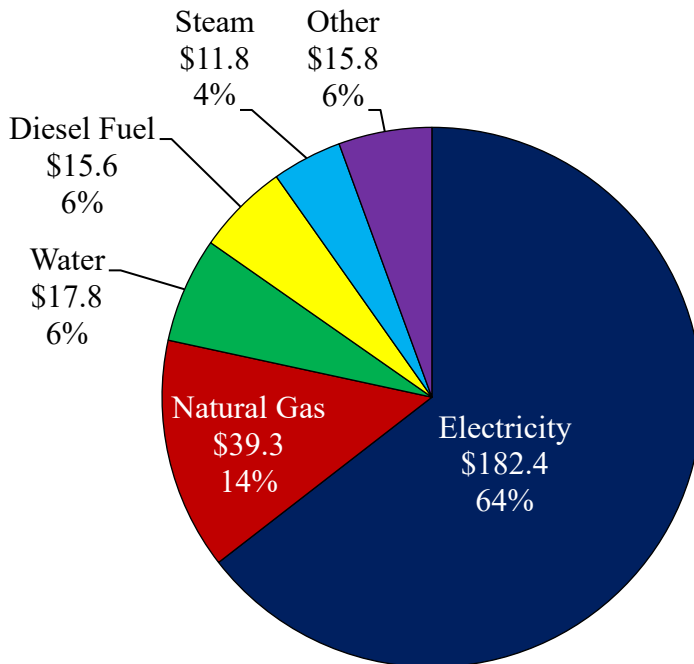


YTD: year to date

Source: Department of General Services State Energy Database

Exhibit 4 includes a breakdown of energy costs by commodity for the 12-month period from December 2024 to November 2025. The total energy costs during this period totaled \$282.8 million, which is 13.8%, or \$34.2 million, higher than the total energy costs reported for the period of December 2023 to November 2024. Electricity costs comprise 64% of these costs, or \$182.4 million, and natural gas comprises 14%, or \$39.3 million, of the total. The remaining 22% is comprised of water, diesel fuel, steam, and other sources of energy.

Exhibit 4
State of Maryland Energy Costs by Commodity
December 2024 to November 2025
(\$ in Millions)



Source: Department of General Services State Energy Database

Energy Performance Contracts

DGS has a goal of reducing energy consumption and helping the State become more energy efficient. DGS contracts with a private vendor to audit facilities 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 may enter into a contract with the vendor to implement the improvements, under which payment for the cost of the investment is expected from the cost savings realized

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using the new equipment or modifications. Generally, the State receives a surety bond that guarantees savings. Additionally, Chapter 247 of 2022 extended the maximum Energy Performance Contract (EPC) lease term from 15 to 30 years. Since EPCs are required to provide energy savings without increasing costs, 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. **Exhibit 5** shows that the State’s active EPCs remained stagnant with 19 active EPCs with estimated energy savings of 0.7 metric million British Thermal Units, which created \$15.9 million of savings in fiscal 2025. **DGS should discuss the reason for low EPC utilization and the department’s efforts to increase the use of EPCs.**

Exhibit 5
Energy Efficiency Performance Measures
Fiscal 2020-2025
(\$ in Millions)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
EPCs	27	26	26	24	19	19
Energy Savings Achieved through EPCs (MMBTUs)	1.20	1.20	1.20	0.90	0.72	0.70
Savings Realized from EPC Usage	\$24.95	\$24.89	\$24.89	\$19.63	\$16.10	\$15.90

EPC: Energy Performance Contract
MMBTU: metric million British Thermal Unit

Note: A British Thermal Unit is defined as the amount of heat required to raise the temperature of one pound of water by 1° Fahrenheit at a pressure of one atmosphere.

Source: Department of Budget and Management

Committee narrative in the 2025 *Joint Chairmen’s Report* (JCR) requested that DGS submit a report on the status of current EPCs, including specific contract details such as the vendor’s name, State agency covered by the EPC, start date and duration of the contract, total value of the contract, and projected energy and cost savings for the contract duration. While DGS reported that 20 projects are currently in the measurement and verification stage and the most recent EPC entered construction phase in calendar 2018, the report does not include specific contract details as requested. DGS notes that EPCs for multiple Maryland Transit Administration locations are in procurement, while preliminary investigations on the scope of EPCs for DPSCS and other DGS facilities are being carried out. Additionally, the committee narrative also requested DGS to discuss causes of the declining number of active EPCs, barriers to increasing the number of active EPCs, and strategies or procedural changes to accelerate EPC implementation. DGS reported that many EPCs that were launched during the calendar 2010-era were structured as

15-year projects, which are now coming to a close resulting in a lower number of active EPCs. However, conclusion of these older projects allows for new EPCs to be developed. Barriers to higher EPC implementation include staffing, the COVID-19 pandemic, diminishing returns, restricted access to excess savings for additional upgrades, and the inability to integrate planned capital with energy savings to create mixed-funding models. To increase EPC implementation, DGS recommends promoting the benefits of EPCs to State agencies, allowing an agency or EPC to reinvest savings to expand project implementation, adopting processes that allow for a mixed-funding model, and using bonds to provide necessary capital for major decarbonization measures.

Decarbonization Plan

In response to several recent legislative initiatives, policies, agreements, and regulations targeting greenhouse gas emissions reduction goals, DGS has used contractual services to fund decarbonization planning. In its fiscal 2024 annual report, DGS reported developing decarbonization plans for 23.4 million square feet of facilities under the department's support. Since then, a decarbonization policy has been issued by DGS. These contractual services are level funded in fiscal 2026 and 2027 at \$1.2 million each year. **DGS should provide an update on the progress of the work related to the decarbonization planning to date with an estimated timeline for completion.**

Fiscal 2026

Proposed Deficiency

The fiscal 2027 budget includes a total of \$9 million in general funds as fiscal 2026 deficiency appropriations, which include:

- \$6.1 million for facility maintenance and repairs, including \$5 million to fund critical maintenance and repairs across 23 facilities and \$1.1 million to fund emergency facility repairs. Of the \$5 million to fund critical maintenance and repairs, \$1.3 million is appropriated for a new facility maintenance project located at 1100 North Eutaw Street in Baltimore City, and \$1.1 million is appropriated for renovation expenses at the William Donald Schaefer Building in Baltimore City. The repair and rehabilitation costs of capital facilities ranging between \$100,000 and \$5 million are eligible to be funded by the Facilities Renewal Fund. **The Department of Legislative Services (DLS) recommends reducing the fiscal 2026 proposed deficiency of \$5 million by \$2.4 million to fund maintenance costs for a new project at 1100 North Eutaw Street and renovation expenses at the William Donald Schaefer Building and instead fund these projects through the Facilities Renewal Fund to align maintenance and renovation expenses with the appropriate capital program.**

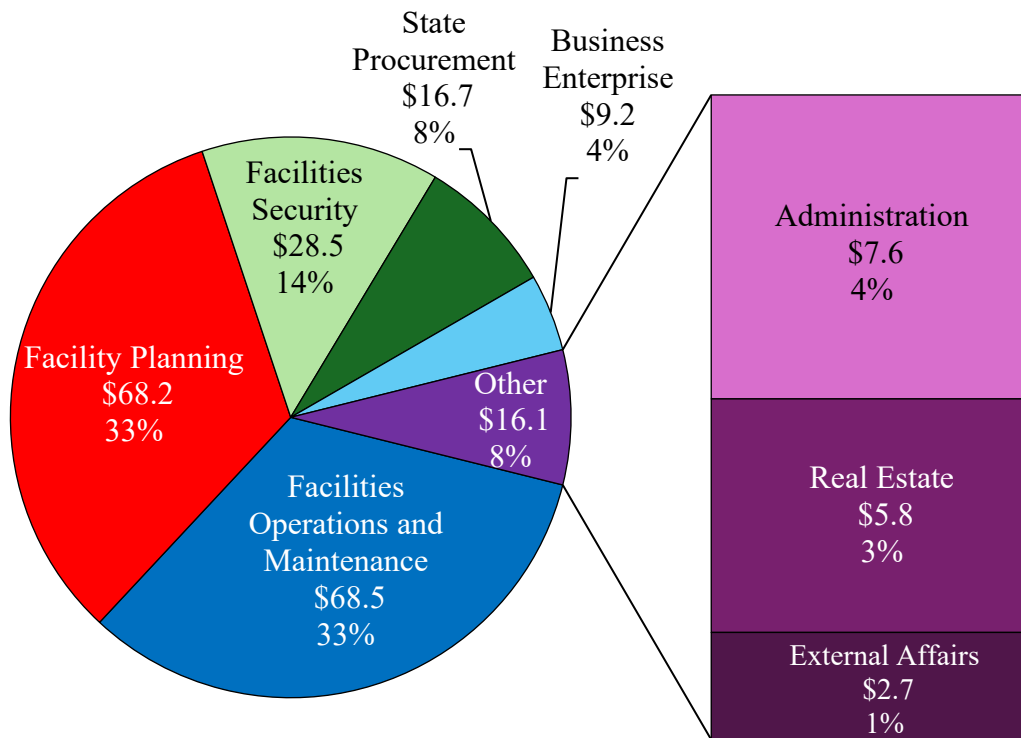
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- \$2.3 million for personnel costs, including \$2 million in shortfalls related to lower-than-expected vacancy savings and \$255,485 to support incentive and leave payouts for the Voluntary Separation Program (VSP);
- \$384,064 to fund various security upgrades and the ground control system in the Annapolis complex;
- \$307,481 to add 7 new MCP positions in the Office of Facilities Security program;
- \$100,000 to support the annual fee for maintenance of the new grant management system; and
- A decrease of \$77,200 to transfer 1 position from DGS' Office of Facilities Security program to the Governor's Office.

Fiscal 2027 Overview of Agency Spending

The fiscal 2027 allowance for DGS is \$207.2 million after accounting for the contingent appropriation, which is distributed across eight units. **Exhibit 6** shows that facility-related units (facilities management, planning, and security) account for 80% of the budget, or \$165.3 million, and account for the \$20 million contingent appropriation. State procurement spending represents 8%, or \$16.7 million, of the fiscal 2027 allowance; business enterprise represents 4%, or \$9.2 million; while administration, real estate, and external affairs together are the remaining 8%, or \$16.1 million.

**Exhibit 6
Overview of Agency Spending
Fiscal 2027 Allowance
(\$ in Millions)**



Note: The fiscal 2027 figures account for contingent appropriations. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

Source: Department of Budget and Management

The Office of External Affairs (OEA) is a newly established division within DGS that merged the Office of Communications, Marketing, Legislative Affairs, and Records Management into a central office in fiscal 2025. OEA is primarily responsible for establishing and managing standards and quality of all DGS communications and marketing activities, including records management and serving as the agency’s legislative liaison. General funds and 13 positions were realigned from various divisions within DGS to OEA through budget amendment. The budget as introduced does not include a fiscal 2026 working appropriation for OEA; however, DGS notes that another budget amendment for the fiscal 2026 working appropriation has been submitted for OEA. The fiscal 2027 allowance includes \$2.7 million for OEA.

Proposed Budget Change

As shown in **Exhibit 7**, the fiscal 2027 allowance for DGS increases by \$7.9 million, or 4%, compared to the fiscal 2026 working appropriation after accounting for proposed deficiency appropriations and a contingent appropriation. The primary factor of the overall increase in spending is the contingent appropriation of \$20 million, which is discussed in the Performance Analysis section. This increase is partially offset by a decrease of \$7.6 million in reimbursable funds for the Maryland Marketplace eProcurement Solution Major Information Technology Development Project. A number of one-time fiscal 2026 proposed deficiency appropriations for specific facilities maintenance and renewal projects result in a decrease of \$6.1 million.

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

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2025 Actual	\$122,803	\$11,630	\$2,662	\$46,537	\$183,632
Fiscal 2026 Working	128,119	16,238	1,595	53,343	199,296
Fiscal 2027 Allowance	126,578	32,767	1,675	46,167	207,187
Fiscal 2026-2027 \$ Change	-\$1,541	\$16,529	\$80	-\$7,176	\$7,891
Fiscal 2026-2027 % Change	-1.2%	101.8%	5.0%	-13.5%	4.0%

Where It Goes:	Change
Personnel Expenses	
Employee and retiree health insurance	\$4,078
Salary adjustments and associated fringe benefits.....	4,039
Reclassification.....	2,653
Workers' compensation	339
Deferred compensation match due to change in statewide budgeting.....	217
Salaries and fringe benefits for net 2.0 new positions	210
Overtime expenses.....	11
Turnover rate increase from 5.7% to 9.5%.....	-3,363
Other Changes	
Fiscal 2027 contingent appropriation in special funds to support decarbonization efforts	20,000
Security services at State-owned facilities	183
Cost allocations, mainly due to DoIT cost allocations	-149
Motor vehicles, including fuel and utilities	-158

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Where It Goes:	<u>Change</u>
Expense related to consulting work for the procurement process of offshore wind projects	-170
Fixed charges, including insurance paid to the State Treasurer’s Office	-275
Supplies, materials, and equipment	-631
Building repair and maintenance	-757
One-time contractor fee payment for fuel-site assessments for deployment of a new statewide contract	-789
Contractual personnel salary decreases and fringe benefits	-999
State Center relocation DPA funding	-2,647
One-time fiscal 2026 deficiency appropriation for critical maintenance projects, emergency facility, repairs, and ground system support	-6,100
Reimbursable fund for Maryland Marketplace eProcurement Solution Major Information Technology Development Project.....	-7,591
Other expenses	-207
Total	\$7,891

DoIT: Department of Information Technology

DPA: Dedicated Purpose Account

Note: Numbers may not sum to total due to rounding. The fiscal 2027 allowance accounts for contingent appropriation. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

Budget Reconciliation and Financing Act

A provision in the BRFA of 2026 authorizes the Governor to use compliance fees deposited into the Strategic Energy Investment Fund for grants or loans to support the creation of new tier 1 renewable energy sources in the State for fiscal 2027 through 2031. The fiscal 2027 allowance for DGS includes \$20 million in special funds as a contingent appropriation for the Office of Design, Construction, and Energy. According to DGS, the funds will be used to subsidize the costs to install solar installations at State-owned facilities located in underserved and overburdened communities and use the energy savings to implement EPCs. The initiative is considered an essential tool for achieving the decarbonization of State facilities established in the Climate Solutions Now Act of 2022. **DLS recommends that DGS brief the committees concerning the selection criteria for which facilities will be included in the initiative, the estimated timeline for initiating and completing projects, and the estimated annual energy savings to be achieved that could be used to support EPC projects. DLS also recommends adopting committee narrative requesting that DGS submit a report that identifies the projects funded through the initiative, including the stage of project completeness and the estimated energy savings associated with each project.**

Personnel Data

	FY 25	FY 26	FY 27	FY 26-27
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	727.00	733.00	750.00	17.00
Contractual FTEs	<u>40.16</u>	<u>40.00</u>	<u>20.00</u>	<u>-20.00</u>
Total Personnel	767.16	773.00	770.00	-3.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	71.12	9.49%
Positions and Percentage Vacant as of 12/31/2025	61.00	8.13%
Vacancies Below Turnover	10.12	

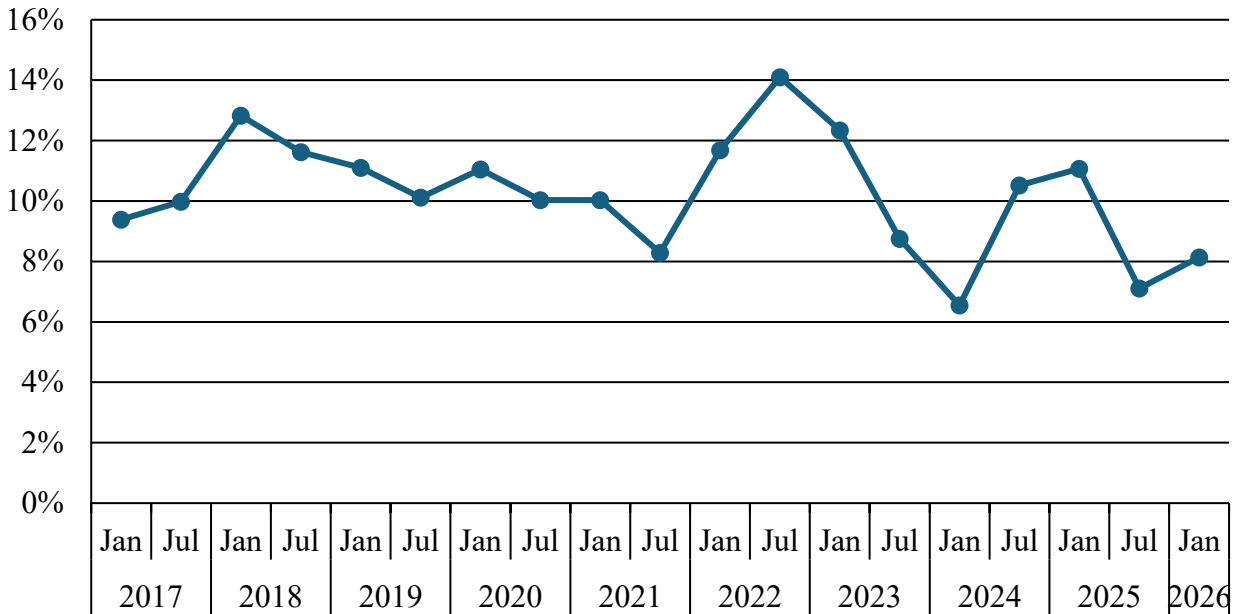
- In October 2025, the Board of Public Works (BPW) approved the abolition of 502.7 positions statewide, which include 170.7 vacant positions and 332.0 positions associated with the VSP. In DGS, 5.0 positions were abolished due to the VSP that resulted in total salary savings of \$468,485. Of the 5.0 abolished positions, 2.0 positions were from the Office of Design, Construction, and Energy; 1.0 position was from the Office of Facilities Management; 1.0 position was from Procurement and Logistics; and 1.0 position was from the Business Enterprise Administration.
- The fiscal 2027 allowance includes an increase of 17 regular positions and reduces contractual positions by 20 positions. The increase of 17 new regular positions includes 15 positions that are contractual conversions, which include 11 positions in the Office of Facilities Security; 3 positions in the Business Enterprise Administration program; and 1 position in the Office of Facilities Operation and Maintenance. The 2 new regular positions are DGS procurement office apprentices in the Procurement and Logistics program. The remaining 5 contractual positions being reduced are part-time contractual positions.
- As of December 31, 2025, DGS reported 61 vacant positions, which include the 2 new regular positions added in the fiscal 2027 allowance. Excluding these new positions, there are 59 remaining vacant positions. Of the 59 vacant positions, 40 positions have been vacant for less than 6 months, 12 positions have been vacant for more than 6 months but less than a year, and the remaining 7 positions have been vacant for more than a year.
- Committee narrative in the 2025 JCR requested DGS to submit a status report on the 80.5 vacant positions as of December 31, 2024, which included 9 positions that were vacant for more than a year. In its October 2025 report, DGS reported that of the 80.5 vacant

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positions, only 5 remained vacant as of report submission. DGS reported conducting six recruitment projects during the reporting period that resulted in 327 qualified applicants. As part of its outreach and recruitment strategies, DGS posted vacancies on multiple online resources like the State’s Online Employment Center, the online portal for federal employees, and various online recruitment platforms. As a result, DGS employed 97 new permanent staff, excluding contractual positions, in fiscal 2025. **DGS should comment on the status of the 5 positions that were still vacant as of the report submission.**

- **Exhibit 8** shows the vacancy rate for regular positions from January 2017 to January 2026. The vacancy rate decreased considerably by 2.9 percentage points, or 19.5 vacant positions, from 80.5 vacant positions as of January 2025 to 61 vacant positions as of January 2026. However, the vacancy rate increased by 1 percentage point, or 9 vacant positions, in the last seven months, *i.e.* from July 2025 to January 2026.

**Exhibit 8
Vacancy Rates
Calendar 2017-2026 (as of January)**



Source: Department of Budget and Management

Issues

1. State Center and Agency Relocation

The State Center property is comprised of four buildings in Baltimore City. The buildings on 300 and 301 West Preston Street and 1100 North Eutaw 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 the poor condition of State Center and redevelop the property, previous Administrations contemplated a public-private partnership (P3), 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. On November 20, 2024, BPW approved a settlement of \$58.5 million payable to State Center LLC, the P3 contractor. Of this payment, 80% (\$46.8 million) consisted of general funds, and the remaining 20% (\$11.7 million) was to be paid with special funds from the Transportation Trust Fund.

Agency Relocation Status

The relocation of State agencies from the State Center complex to vacant office space within Baltimore City’s Central Business District started in fiscal 2022. Although the Department of Human Services headquarters is not in the Preston Street complex, it is included in this relocation project and has moved out of the State building at 311 West Saratoga Street owned by Baltimore City.

Language in the fiscal 2026 Budget Bill restricted funds pending submission of a status report by DGS on the relocation of agencies from State Center and the use and timing of associated funds appropriated in the DPA. **Exhibit 9** lists the relocation status of each agency that is moving out of State Center per the report submitted in October 2025. Of the 12 agencies, 7 agencies have completed their move to a new office space. One agency is estimated to be relocated in calendar 2026 with the remaining agencies estimated to be relocated in calendar 2027. According to DGS, the timeline for completion of the entire agency relocation project has moved from calendar 2026 to 2027 due to permitting issues, use and occupancy delays, supply chain issues, and labor shortages.

Exhibit 9
State Center Relocation Status
As of October 2025

<u>Agency</u>	<u>New Location</u>	<u>Estimated Relocation</u>
State Department of Assessments and Taxation	115 Market Place, Suites 123 and 200	Completed in April 2024
Comptroller	7 St. Paul Street	Completed in June 2024
Department of Human Services	25 South Charles Street	Completed in July 2024
Department of Planning	120 East Baltimore Street	Completed in August 2024
Department of Information Technology	100 South Charles Street	Completed in September 2024
Department of Labor	100 South Charles Street	Completed in January 2025
Department of Aging	36 South Charles Street	Completed in February 2025
Department of Disabilities (Telephone Relay)	36 South Charles Street	March 2026
Department of Budget and Management	7 St. Paul Street	Quarter 1 of 2027
Department of Health	300 to 400 North Greene Street	Quarter 1 of 2027
Department of General Services, Maryland Tax Court, Department of Budget and Management Office of Capital Budgeting	One South Street	Quarter 1 of 2027

Source: Department of General Services

State Center Funds from the Dedicated Purpose Account

The fiscal 2022 budget appropriated \$50 million in the DPA to cover moving expenses, rent and parking for the first year at new locations, new furniture, cubicles, new IT equipment, and relocating existing IT equipment. The fiscal 2025 budget added a \$30 million deficiency to the

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DPA for fiscal 2024. DGS has spent the following amounts from the DPA, for the affected agencies:

- \$121,839 in fiscal 2022 for space studies to plan agency relocations;
- \$1.1 million in fiscal 2023 for IT assessments and consultant management services;
- \$27.3 million in fiscal 2024 for moving expenses, construction or alterations of office space, and moving costs;
- \$9.3 million in fiscal 2025 for moving expenses, furniture, and equipment; and
- \$3.3 million year to date in fiscal 2026 for moving expenses, furniture, and equipment.

DLS estimates that there will be an estimated \$19.6 million remaining in the DPA at the end of fiscal 2026 for future relocation costs. **Exhibit 10** shows the total DPA funds of \$41.2 million used from fiscal 2022 to 2026 year to date by each agency for relocation costs. No additional costs for the Maryland Department of Health (MDH) are anticipated as the agency's operating lease is converted into a capital lease with the Maryland Economic Development Corporation. In the fiscal 2026 budget analysis, which included MDH, it was noted that the total anticipated funding requirement for the completion of the State Center relocation will be around \$115 million with 83% of the total request, or \$95.8 million, eligible for reimbursement from the DPA. **Because MDH is no longer eligible for reimbursement from the DPA due to the conversion of its operating lease to a capital lease, DGS should comment on the revised estimated remaining costs for the completion of the State Center relocation and also discuss if the remaining balance in the DPA will cover the estimated balance of the total relocation cost.**

DLS recommends adopting committee narrative requesting that DGS submit bi-annual reports on the State Center relocation project, including the status of moves and new site locations for each agency, the uses and timing of State Center funds appropriated into the DPA to support State agency moves, and the additional expenditures that will not be reimbursed by the DPA.

Exhibit 10
State Center Relocation Dedicated Purpose Account Funds Use
(\$ in Thousands)

<u>Agency</u>	<u>Furniture</u>	<u>Equipment</u>	<u>Low Voltage</u>	<u>Moving</u>	<u>Surplus Disposal</u>	<u>Parking</u>	<u>Rent</u>	<u>Security</u>	<u>Document Digitization</u>	<u>Other</u>	<u>Total</u>
Initial Costs – DGS/DoIT											
Enterprises	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,245	\$1,245
MTC	0	0	0	0	0	0	0	0	0	0	0
MDOD	0	0	0	0	0	0	0	0	0	0	0
MDOA	521	193	20	50	20	0	0	67	0	41	912
MDP	532	16	310	84	0	0	0	0	23	75	1,039
Comptroller	3,637	1,558	35	200	0	172	882	702	199	420	7,805
SDAT	2,303	295	0	74	0	0	0	0	0	87	2,759
DBM	0	0	0	0	0	0	0	0	0	0	0
DoIT	226	0	0	12	0	0	85	0	0	0	324
DoIT Enterprises	0	39	29	0	0	0	0	0	0	1,391	1,459
MDH	0	4,933	0	0	0	0	0	0	1,000	-	5,933
DHS	0	0	0	31	18	0	0	0	-	146	195
MD Labor	8,651	345	229	730	11	0	0	0	1,952	1,105	13,023
DGS	94	500	1,474	-	344	0	0	500	1,000	2,569	6,481
Total	\$15,964	\$7,880	\$2,098	\$1,180	\$392	\$172	\$967	\$1,270	\$4,174	\$7,078	\$41,175

DBM: Department of Budget and Management
DGS: Department of General Services
DHS: Department of Human Services
DoIT: Department of Information Technology
MDH: Maryland Department of Health
MD Labor: Maryland Department of Labor

MDOA: Maryland Department of Aging
MDOD: Maryland Department of Disabilities
MDP: Maryland Department of Planning
MTC: Maryland Tax Court
SDAT: State Department of Assessments and Taxation

Note: Numbers may not sum to total due to rounding.

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

Audit Report Findings

A fiscal compliance audit by the Office of Legislative Audits (OLA) for the period of September 1, 2020, to July 15, 2024, was released on July 7, 2025. The audit disclosed 11 findings, of which 4 were repeat findings from the previous audit report dated January 27, 2022. These audit findings highlighted deficiencies in DGS’ due diligence and transparency when evaluating whether relocating the agencies from the State Center complex into a State-owned facility or a privately leased facility was in the State’s best interest. This led to the State entering into lease agreements totaling \$410.9 million, which includes an MDH lease that will cost the State \$277.9 million over 15 years for a building that was purchased for \$7 million by the current landlord in calendar 2016. The audit reported that these deficiencies in cost-benefit analysis may cost the State more than was originally anticipated, as DGS did not determine fair market rates for the leases to ensure if these leases were at or below market rates or if colocating agencies in a single location would be in the State’s best interest. The audit notes that DGS only reported the first-year cost of the leases instead of the full cost over the 10- to-15-year lease terms to BPW. Additionally, DGS failed to present other costs associated with the lease like annual parking costs totaling \$4.7 million for eight leases, which were not included in the annual costs reported by DGS to BPW. Inconsistencies in evaluating lease proposals to comply with regulatory requirements were also highlighted in the audit report where DGS did not verify that annual rent did not exceed 15% of the property’s fair market value at the time of award, which is the maximum allowable rate under State law. Similar findings were reported regarding the new leases that were reviewed by the audit. **DLS recommends adopting budget bill language restricting funds pending the submission of a report on assessment of the State’s asset maximization strategies.**

2. Critical Maintenance

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 \$200,000, and facilities renewal funded through the capital budget for projects usually costing more than \$200,000. The fiscal 2027 budget includes \$10 million in general funds to support the program, which is consistent with recent annual funding levels. The budget also includes \$6.1 million of general fund deficiency appropriations allocated to DGS Office of Facility Management for facility maintenance and repairs in DGS portfolio, including \$5 million to fund critical maintenance and repairs across 23 facilities and \$1.1 million to fund emergency repairs on all 54 facilities.

DGS evaluates and prioritizes maintenance projects into the following five categories by priority, with 1 being the highest priority:

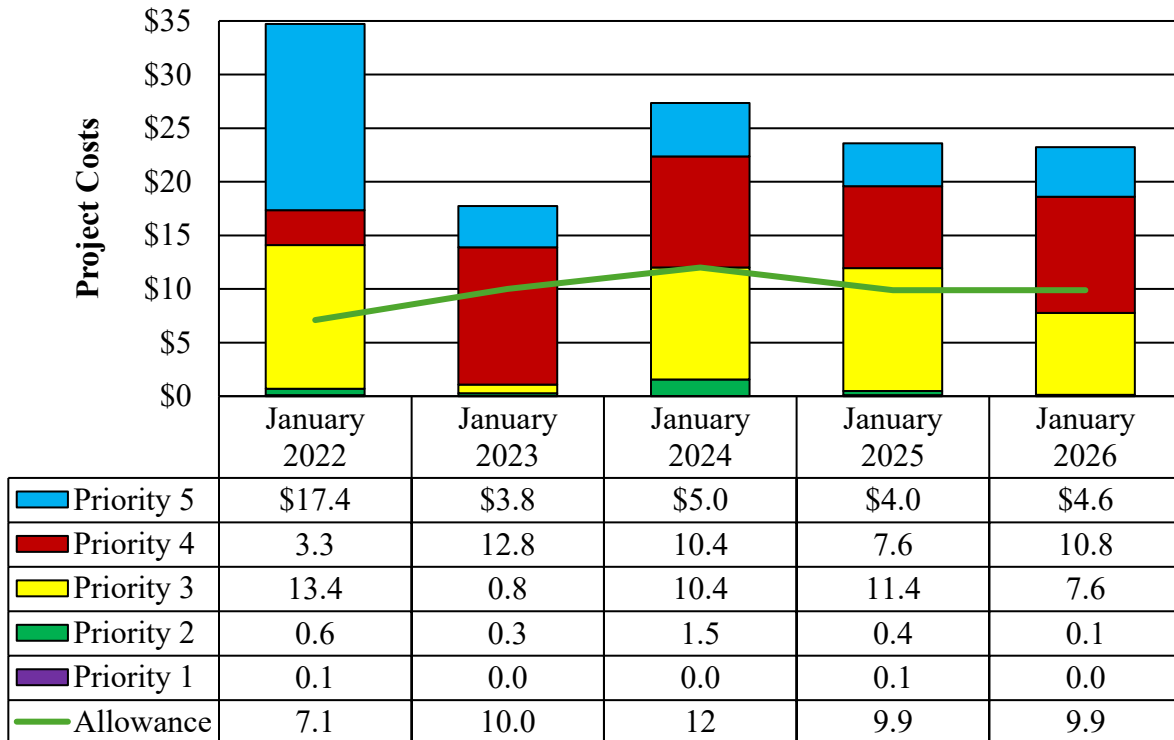
- **Priority 1:** serious prolonged impact on facility mission such as high risk of litigation, cessation of services, or reduction of mandated services;

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- **Priority 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;
- **Priority 3:** end of life expectancy, common examples of which are lighting and air conditioning;
- **Priority 4:** restore to original design effectiveness, which includes a damaged loading dock, a master lock replacement, generators, and replacing insulation; and
- **Priority 5:** system improvements or redesign. Examples include repairing a sliding gate, unpaved parking lot, and noise reduction.

As of January 2026, there are 246 projects in the critical maintenance backlog, which is an increase of 51 projects compared to 195 projects reported in January 2025. As shown in **Exhibit 11**, the overall critical maintenance backlog dropped by 1.5%, from \$23.6 million to \$23.2 million between January 2024 and January 2025. The most notable decrease of 70%, or \$0.3 million, was in higher priority level 2 projects, followed by a decrease of 33.2%, or \$3.8 million, in priority 3 projects. Priority 4 projects increased by 41.7%, or \$3.2 million, and priority 5 projects increased by 15.6%, or \$0.7 million, during the reporting period. There are no priority level 1 projects in the critical maintenance backlog for the reported period. The critical maintenance projects are level funded at \$9.9 million in fiscal 2025 and 2026. **DLS recommends adopting committee narrative requesting that DGS submit a report on the critical maintenance backlog projects including project title, project priority, agency currently occupying the facility, and total project cost.**

Exhibit 11
Operating Critical Maintenance Projects Backlog
January 2022 to January 2026
(\$ in Millions)



Note: Allowance amount is shown by fiscal year.

Source: Department of General Services; Department of Legislative Services

3. Submittable Grant Management System

In October 2024, DGS launched a new centralized grants management system called “Submittable” to improve its management and oversight of miscellaneous capital grants authorized each session by the General Assembly. At any one time, DGS administers roughly 4,000 active grants and, prior to implementation of the new system, the process was almost completely paper driven and lacked appropriate procedures and protocols to ensure the effective and timely administration of grants from initial grant application intake through reimbursement, which can span several years. While the new system should be viewed as an improvement to the process, its implementation lacked sufficient onboarding for grantees and members of the General Assembly on how to access and use the system.

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Language in the fiscal 2025 Budget Bill restricted funds from DGS pending a report on the new grants management system, including the number of grantees who have access to the new system, the number of active grants, and the number of regular and contractual positions supporting the new system. DGS reported that the implementation of the new grants management system reduced grant intake review time from over six months to under 30 days. The new grants management system currently has 2,164 grantee accounts. There are 5,403 active grants from fiscal 2019 to 2026, including 258 grants from between fiscal 2014 and 2018 that were granted extensions by BPW and 46 pay-as-you-go grants. Of the 5,403 active grants, 3,295 grants are moving through the grant lifecycle leading to BPW approval, and 2,108 grants have completed activations by creating an account and submitting a request to access the grant account but have yet to advance through the grant lifecycle. There are 6 regular and 5 contractual positions operating the new system.

DGS notes that the implementation of the new grants management system allows for all technical assistance requests from grantees to be received, tracked, and resolved in a single platform. DGS also maintains a general inquiry message system to assist with questions related to grants and usage of the new grants management system. The report highlights the implementation of the capital grants insight dashboard available to the public that provides real-time access to grant status and grant-related information.

DLS determined the report on the new grant management system to be in compliance with the language and therefore recommends that \$150,000 in withheld general funds be released. DLS will process a letter to this effect if no objections are raised by the committees during the hearings.

4. Procurement Modernization Efforts

On December 18, 2024, the Governor signed Executive Order 01.01.2024.38 directing DGS to develop and implement a centralized statewide contract management process in coordination with the Maryland Department of Transportation (MDOT) and DoIT, in addition to other operational changes to streamline and centralize the procurement process. These activities aim to make the procurement process more efficient and to expand opportunities for minority- and veteran-owned small businesses. Additionally, Chapter 601 of 2025 and the Procurement Reform Act of 2025 made similar changes to the State procurement law to align the existing law with the requirements of the executive order. Some notable provisions include (1) expanding the contract threshold for the Small Business Reserve (SBR) program from between \$50,000 and \$500,000 to contract values at \$1 million or less; (2) providing more flexibility to adjust MBE and Veterans-owned Small Business Enterprise (VSBE) participation goals before and after contract awards, if needed; (3) faster payment timelines to improve vendor participation and performance for SBR contracts (from 30 days to 15 days after invoice approval); and (4) mandatory oral presentations as part of evaluation process for certain high-value and complex procurements.

Committee narrative in the 2025 JCR requested DGS to submit a report highlighting plans to implement the executive order. In its October 2025 report, DGS reported that certain

procurement functions like requisitions, purchase orders, and invoicing were reverted back to the Comptroller’s Financial Management Information System (FMIS) from eMMA to reconfigure eMMA with the requirements of the new provisions. Additionally, KPMG LLP was onboarded as the new system integrator for eMMA in May 2025, and the contract is valid through December 2027. The expansion of the SBR program threshold is implemented, and the MBE and VSBE reporting forms are updated to allow vendors to correct deficiencies in MBE and VSBE participation documentation after bid or proposal submission. Some of the provisions that are currently in the process of being implemented are faster payments for small businesses; contracts to include a registered apprenticeship and internship programs; and an evaluation preference for contractors that commit to ethical labor practices, including proper worker classification, fair wages, and workplace safety.

Audit Report Findings

A fiscal compliance audit of DGS OSP was released on December 19, 2025, by OLA for the period of November 1, 2021, to January 31, 2025. The audit disclosed 8 findings, of which 4 were repeat findings from the previous audit report dated May 3, 2023. The audit findings highlighted inefficient management and lack of oversight of the original eMMA implementation contract that resulted in the State paying \$32.5 million of the \$38.2 million contract that was ultimately terminated but whose costs were not recovered from the vendor. The report also highlights instances where OSP did not follow State procurement regulations such as the exclusion of administrative fees on contracts procured through eMMA as authorized by State law, which resulted in OSP not collecting at least \$2 million in administrative fees from the vendors; OSP did not always publish contract awards on eMMA as required by the State procurement regulations, which included 7 contracts for a total contract amount of \$40.9 million that had not been published as of June 2025; and the lack of critical procurement documentation in accordance with State procurement regulations.

DGS should comment on the projected timeline for the completion of the ongoing modernization processes as highlighted in its 2025 JCR submission report and how these processes will help address the audit findings above, including DGS’ plans and timeline for statewide deployment of eMMA across all agencies.

Operating Recommended Actions

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

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

- (1) DGS has taken corrective action with respect to all repeat audit findings on or before November 1, 2026; and
- (2) a report is submitted to the budget committees by OLA listing each audit finding along with a determination that each repeat finding was corrected. The budget committees shall have 45 days from the receipt of the report to review and comment to allow for funds to be released prior to the end of fiscal 2027.

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

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

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

, provided that since the Department of General Services – Office of State Procurement (OSP) has had four or more repeat audit findings in the most recent fiscal compliance audit issued by the Office of Legislative Audits (OLA), \$250,000 of this agency's administrative appropriation may not be expended unless:

- (1) OSP has taken corrective action with respect to all repeat audit findings on or before November 1, 2026; and
- (2) a report is submitted to the budget committees by OLA listing each repeat audit finding along with a determination that each repeat finding was corrected. The

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budget committees shall have 45 days from the date of the receipt of the report to review and comment to allow for funds to be released prior to the end of fiscal 2027.

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

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

3. Modify the following language:

, provided that \$20,000,000 of this appropriation is contingent upon enactment of legislation expanding the uses of the Strategic Energy Investment Fund to include providing grants or loans to support the creation of new Tier 1 renewable energy sources in the State

Explanation: This language adds specificity to contingent language on the special fund appropriation to more closely align with the applicable Budget Reconciliation and Financing Act provision.

4. Add the following language:

, provided that \$100,000 of this appropriation made for the purposes of Executive Direction may not be expended until the Department of General Services, in coordination with the Department of Budget and Management and the Department of Planning, submits a report to the budget committees that provides an assessment and review of the State’s facility and real property asset inventory with recommendations for maximizing the economic efficiency and effectiveness of the State’s assets. The report shall be submitted by November 1, 2026, and include a review and assessment of master planning strategies and policies for (1) facilities programming; (2) determinations concerning purchase versus lease versus construction for office space for State agencies, including the establishment of the criteria and best practice for the development of cost-benefit analysis; and (3) an assessment of the utilization of State-owned and leased space. The budget committees shall have 45 days to review and comment after the date of submission of the report. Funds restricted pending the receipt of a report may not be transferred by budget amendment or

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otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.

Explanation: The budget committees are interested in receiving a report that provides an assessment and review of the State's facility and real property asset inventory with recommendations for maximizing the economic efficiency and effectiveness of the State's assets. This language restricts funds pending a report that provides an assessment of the State's asset maximization strategies.

Information Request	Author	Due Date
Report on maximization of State assets	Department of General Services Department of Budget and Management	November 1, 2026

5. Adopt the following narrative:

Status Report on State Center Complex Agency Relocations and Funding: The relocation of State agencies from the State Center complex to vacant office space within Baltimore City's Central Business District started in fiscal 2022. A total of \$80 million is appropriated in the Dedicated Purpose Account (DPA) to cover moving expenses, rent, and parking for the first year at new locations; new furniture; cubicles; new information technology (IT) equipment; and relocating existing IT equipment. As of January 2026, \$41.1 million of the DPA funds appropriated for State Center agency relocation have been expended. In anticipation of the State Center agency relocation being completed by the first quarter of calendar 2027, the committees request that DGS submit two reports on the status of the State Center agency relocations and funding, which include:

- the status of moves and new site locations for each agency moving out of the State Center complex in Baltimore City;
- the uses and timing of State Center funds appropriated into the DPA to support State agency moves and demolition; and
- any additional expenditures not reimbursed by the DPA.

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Information Request	Author	Due Date
Status of State Center agency relocation, funding, and expenditure	Department of General Services	October 1, 2026 April 1, 2027

6. Adopt the following narrative:

Report on the Use of Strategic Energy Investment Funds (SEIF): A provision in the Budget Reconciliation and Financing Act of 2026 authorizes the Governor to use compliance fees deposited into the SEIF for grants or loans to support the creation of new tier 1 renewable energy sources in the State for fiscal 2027 through 2031. The fiscal 2027 allowance for the Department of General Services (DGS) includes \$20 million in special funds as a contingent appropriation for the Office of Design, Construction, and Energy. According to DGS, this contingent appropriation will be utilized to subsidize solar installations at State-owned facilities located in underserved and overburdened communities and use the available funds to implement Energy Performance Contracts to decarbonize State facilities that currently burn natural gas and fuel oil. The committees request DGS to submit a report that identifies the projects through the initiative, including the state of project completeness, funds utilized for each project, and the estimated energy savings associated with each project.

Information Request	Author	Due Date
Report on the utilization of the SEIF	DGS	June 1, 2027

7. Adopt the following narrative:

Report on the Critical Maintenance Backlog Projects: As of January 2026, there are 246 projects in the critical maintenance backlog, which is an increase of 51 projects compared to 195 projects reported in January 2025. The committees request the Department of General Services (DGS) to submit a report on the critical maintenance backlog projects, including project title, project priority, agency currently occupying the facility, and total project cost.

Information Request	Author	Due Date
Report on the critical maintenance backlog projects	DGS	December 15, 2026

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	<u>Amount Change</u>
8. Reduce fiscal 2026 deficiency appropriation for critical maintenance projects to fund new facility maintenance at 1100 North Eutaw Street and renovation expenses at the William Donald Schaefer Building through the Facilities Renewal Fund. This reduction aligns the maintenance and renovation expenses with the appropriate capital program.	-\$2,428,182 GF
Total Net Change to Fiscal 2026 Deficiency	-\$2,428,182

Appendix 1
2025 Joint Chairmen’s Report Responses from Agency

The 2025 JCR requested that DGS prepare five reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Status of State Center Agency Relocations and Funding:*** The relocation of State agencies from the State Center complex to vacant office space within Baltimore City’s Central Business District started in fiscal 2022. The budget committees requested a report on the status of the State Center agency relocations and funding. Further discussion can be found in Issue 1 of this analysis.
- ***New Grant Management System:*** The budget committees requested a report on the new grants management system that was launched in October 2024 by DGS. Further discussion can be found in Issue 3 of this analysis.
- ***Status of Vacant Positions:*** As of December 31, 2024, there were 80.5 vacant positions, including 9 positions that were vacant for more than a year. The committees requested that DGS submit a report on the status of the 80.5 vacant positions that remain vacant as of the report submission date, including a description of outreach efforts to recruit for these vacant positions, the number of job postings and qualifying applications received, and a description of specific actions DGS is taking to fill these long-term vacant positions. Further discussion of the department’s efforts can be found in the Personnel section of this analysis.
- ***Procurement Modernization Efforts:*** On December 18, 2024, the Governor signed an executive order directing DGS to develop and implement a centralized statewide contract management process in coordination with MDOT and DoIT, in addition to other operational changes to streamline and centralize the procurement process. The committees requested that DGS, in consultation with MDOT and DoIT, submit a report on the implementation plan for the executive order. Further discussion of the implementation plan can be found in Issue 4 of this analysis.
- ***EPCs:*** In fiscal 2024, the State had 19 active EPCs as compared to 24 active EPCs in fiscal 2023 and 26 active EPCs in fiscal 2021 and 2022. The committees requested that DGS submit a status report on current EPCs discussing reasons for the declining number of active EPCs in recent fiscal years, barriers to increasing the number of active EPCs, strategies to increase the number of active EPCs, and policy or procedural change recommendation to accelerate implementation of EPCs. Further discussion of the status report can be found in the Performance Analysis section of this analysis.

**Appendix 2
Audit Findings
Office of the Secretary**

Audit Period for Last Audit	September 1, 2020 – July 15, 2024
Issue Date	July 2025
Number of Findings	11
Number of Repeat Findings:	4
% of Repeat Findings:	36.36%
Rating (if applicable)	Unsatisfactory

Finding 1: DGS could not adequately support that entering into lease agreements totaling \$410.9 million to relocate agencies to Baltimore’s central business district was in the State’s best interest and did not report the total cost of the leases to BPW in a transparent manner.

Finding 2: DGS did not structure lease solicitations in accordance with State procurement regulations and did not ensure that the solicitations sufficiently addressed each agency’s needs.

Finding 3: DGS did not properly evaluate lease proposals, raising questions as to whether the lease awards were the most advantageous to the State.

Finding 4: DGS could not support numerous aspects of the Maryland Department of Environment lease renewal, certain of which were questionable.

Finding 5: DGS did not always publish lease awards as required by State procurement regulations.

Finding 6: **DGS did not obtain required procurement documentation from grantees and did not have a comprehensive policy for conducting site visits of the projects to ensure that the funds were being used as intended.**

Finding 7: DGS did not have a procedure to identify and refer unused capital funds to BPW for deauthorization or extension. As of June 2023, capital funds totaling \$194.2 million met the criteria for deauthorization provided in State law.

Finding 8: **DGS did not adequately account for funds in a nonbudgeted clearing account primarily used to account for capital construction projects and did not determine the proper disposition of \$8.4 million remaining in the account on June 30, 2024.**

Finding 9: DGS procured construction management services for the Maryland State House Rehabilitation Project without competition, did not fully disclose the cost of the project to BPW, and could not support modifications to the contract.

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Finding 10: DGS did not adequately pursue collection of delinquent accounts due from State agencies and did not establish sufficient controls over accounts receivable records.

Finding 11: DGS did not perform inventory compliance audits since September 2019 to ensure that State agencies complied with State property and equipment requirements.

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

Appendix 3
Audit Findings
Office of the State Procurement

Audit Period for Last Audit	November 1, 2021 – January 31, 2025
Issue Date	December 2025
Number of Findings	8
Number of Repeat Findings:	4
% of Repeat Findings:	50.00%
Rating (if applicable)	Unsatisfactory

Finding 1: OSP did not effectively manage the eMMA implementation contract resulting in the State paying \$32.5 million for a system that did not function as intended and resulted in incomplete and inaccurate State procurement records. OSP ultimately terminated the contract but did not attempt to recover damages or recoup the cost of the system from the vendor.

Finding 2: OSP improperly used an MBE subcontractor on the eMMA contract to obtain services from certain vendors, circumventing State procurement regulations and MBE participation goals, and incurring unnecessary and excessive administrative costs.

Finding 3: **OSP did not establish procedures to ensure that contracts procured through eMMA included the administrative fee authorized by State law or to ensure that the fees were remitted. As a result, it did not collect at least \$2 million from six contracts tested.**

Finding 4: **OSP did not ensure that delegated procurements were proper and that agencies did not exceed their delegated authority.**

Finding 5: **OSP did not always publish contract awards on eMMA as required by State procurement regulations.**

Finding 6: OSP could not document critical components of procurements to support the propriety of the awards and did not justify and obtain BPW approval for certain sole-source contracts.

Finding 7: OSP did not document its justification for approving intergovernmental cooperative purchase agreements as required by State law.

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Finding 8: OSP did not monitor its vendor responsible for coordinating contracts between State agencies and businesses owned by, or operated in the interest of, individuals with disabilities. Certain contracts were awarded without required competition and were not complaint with the terms of the program including 8 contracts with \$16.5 million in payments that had no hours worked by disabled individuals.

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

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

New/Ongoing: Ongoing					
Start Date: July 2017				Est. Completion Date: 2029	
Implementation Strategy: Agile					
(\$ in Millions)	Prior Year	2026	2027	Remainder	Total
GF	\$37.477	\$5.354	\$5.200	\$16.169-\$26.169	\$64.200-\$74.200
SF	5.800	0.000	0.000	0.000	5.800
Total	\$43.277	\$5.354	\$5.200	\$16.169-26.169	\$70.000-\$80.000

- Project Summary:** This project implements 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 will 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 also was to include management information systems to better track and manage procurements and should support the department’s efforts to improve strategic purchases. The project had four release cycles: (1) release 1.0 was the public bid board; (2) release 1.1 was contract management; (3) release 1.2 was vendor management; and (4) release 2.0 was procure-to-pay.
- Need:** The prior state procurement system, “eMM” was provided by a contract with Periscope Holdings, Inc. The contract expired in August 2019. Agencies have been using an outdated purchasing and inventory system while the new eMMA system was in development. This project aims to support the modernization of procurement practices.
- Observations and Milestones:** On May 21, 2025, BPW approved a contract with KPMG LLP who will serve as the new system integrator for eMMA. The total contract is valued at \$19.8 million and is valid from June 12, 2025, to December 31, 2027. The technical reversion of certain procurement functions like requisitions, purchase orders, and invoicing from eMMA to FMIS has been successfully completed. DGS has hired a technical product manager to create a technical roadmap for eMMA to support procurement modernization. DGS expects this project to be in full alignment with the requirements of the Procurement Reform Act of 2025 and the Governor’s Executive Order 01.01.2024.38 by June 2028.
- Concerns:** The project is estimated to be complete by the end of fiscal 2029. While the project has made considerable progress, it still requires successful integration with other systems like FMIS. According to DoIT’s assessment of the project, the lack of a finalized

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schedule for statewide deployment across all agencies and inconsistent adoption of standardized procurement practices and use of eMMA functionality across agencies are the top risk factors for the project.

Appendix 5
AS400 Replacement
Major Information Technology Development Project
Department of General Services

New/Ongoing: Ongoing					
Start Date: September 2023				Est. Completion Date: 2031	
Implementation Strategy: Agile					
(\$ in Millions)	Prior Year	2026	2027	Remainder	Total
GF	\$1.524	\$0.000	\$0.500	-\$2.024-\$7.976	\$0.000-\$10.000
Total	\$1.524	\$0.000	\$0.500	-\$2.024-\$7.976	\$0.000-\$10.000

- Project Summary:** 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. This project will implement a new management tool to track the cost, schedule, and progress of capital projects used by the Office of Design, Construction, and Energy. It will 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 current IBM system, the AS400, was developed in 1988 and utilized by the State of Maryland beginning in 1990. It has not seen any substantial modifications since adoption, and support for the system was discontinued by IBM in 2008. DGS uses the AS400 system as a management tool to track financial detail, scheduling, and progress of projects. System reports are utilized by project managers, senior agency administrators, and elected officials. The system provides basic reporting capabilities and interfaces with other systems used by the State, but it has several flaws in its capabilities, hardware, software, and user interface. A new system will enable the State to manage the finances and schedules of multi-million-dollar projects more efficiently and accurately.
- Observations and Milestones:** IBM no longer provides support for the current system hardware past January 2026. DGS noted that the system hardware was replaced in January 2026 to eliminate the risk of unsupported hardware. The new hardware is under warranty and will provide support until calendar 2029. Additionally, the project team is working to define the minimum viable product, which is expected to be rolled out in March 2026 for an estimated period of six to nine months. A full rollout plan for the system will be developed after the minimum viable product is successfully implemented. Additionally, the project has completed its planning activities and is currently in procurement phase following approval of the DoIT procurement intake request.

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- **Changes:** Previously proposed option to use the new OSP competitive proof of concept for the procurement of the new solution has been changed back to a general request for proposals (RFP).
- **Concerns:** Change of procurement process from competitive proof of concept to a general RFP may delay procurement for the project, ultimately delaying project completion and implementation.

Appendix 6
Object/Fund Difference Report
Department of General Services

<u>Object/Fund</u>	<u>FY 25</u> <u>Actual</u>	<u>FY 26</u> <u>Wrk. Approp.</u>	<u>FY 27</u> <u>Allowance</u>	<u>FY 26 - 27</u> <u>\$ Change</u>	<u>% Change</u>
Positions					
01 Regular	727.00	733.00	750.00	17.00	2.3%
02 Contractual	40.16	40.00	20.00	-20.00	-50.0%
Total Positions	767.16	773.00	770.00	-3.00	-0.4%
Objects					
01 Salaries, Wages, and Fringe Benefits	\$91,306,796	\$91,447,461	\$99,630,358	\$8,182,897	8.9%
02 Technical and Special Fees	2,868,892	2,641,894	1,642,577	-999,317	-37.8%
03 Communications	941,732	1,049,302	926,078	-123,224	-11.7%
04 Travel	100,751	117,038	117,038	0	0.0%
06 Fuel and Utilities	26,014,716	27,538,479	27,379,720	-158,759	-0.6%
07 Motor Vehicle Operation and Maintenance	2,498,284	1,456,311	1,457,075	764	0.1%
08 Contractual Services	36,223,531	50,129,021	31,898,424	-18,230,597	-36.4%
09 Supplies and Materials	1,356,426	1,476,984	1,282,919	-194,065	-13.1%
10 Equipment – Replacement	27,670	19,310	19,310	0	0.0%
11 Equipment – Additional	344,330	973,237	536,696	-436,541	-44.9%
12 Grants, Subsidies, and Contributions	903,723	931,561	957,645	26,084	2.8%
13 Fixed Charges	5,814,733	6,167,816	5,993,536	-174,280	-2.8%
14 Land and Structures	15,230,702	15,347,161	35,345,254	19,998,093	130.3%
Total Objects	\$183,632,286	\$199,295,575	\$207,186,630	\$7,891,055	4.0%
Funds					
01 General Funds	\$122,802,825	\$128,118,569	\$126,577,936	-\$1,540,633	-1.2%
03 Special Funds	11,630,119	16,238,472	32,767,081	16,528,609	101.8%
05 Federal Funds	2,662,396	1,595,498	1,675,071	79,573	5.0%
09 Reimbursable Funds	46,536,946	53,343,036	46,166,542	-7,176,494	-13.5%
Total Funds	\$183,632,286	\$199,295,575	\$207,186,630	\$7,891,055	4.0%

Note: The fiscal 2026 appropriation includes proposed deficiency appropriations. The fiscal 2027 allowance includes contingent appropriation. The fiscal 2027 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.

**Appendix 7
Fiscal Summary
Department of General Services**

<u>Program/Unit</u>	<u>FY 25 Actual</u>	<u>FY 26 Wrk Approp</u>	<u>FY 27 Allowance</u>	<u>FY 26 - 27 \$ Change</u>	<u>% Change</u>
01 Executive Direction	\$3,324,566	\$4,109,414	\$3,383,054	-\$726,360	-17.7%
02 Administration	4,225,261	4,055,963	4,194,610	138,647	3.4%
03 Major Information Technology Development Projects	2,800,000	7,591,355	0	-7,591,355	-100.0%
01 Facilities Security	29,148,575	26,284,221	28,482,377	2,198,156	8.4%
01 Office of Facilities Management	58,958,022	68,482,019	62,974,860	-5,507,159	-8.0%
05 Reimbursable Lease Management	3,585,161	3,877,077	3,876,555	-522	0.0%
07 Parking Facilities	1,653,850	1,654,808	1,652,901	-1,907	-0.1%
01 Procurement and Logistics	15,643,829	16,271,190	16,666,912	395,722	2.4%
01 Real Estate Management	6,385,250	8,652,222	5,821,678	-2,830,544	-32.7%
01 Office of Design, Construction and Energy	46,797,966	48,029,207	68,243,038	20,213,831	42.1%
01 Business Enterprise Administration	9,387,507	10,288,099	9,217,384	-1,070,715	-10.4%
01 Office of External Affairs	1,722,299	0	2,673,261	2,673,261	N/A
Total Expenditures	\$183,632,286	\$199,295,575	\$207,186,630	\$7,891,055	4.0%
General Funds	\$122,802,825	\$128,118,569	\$126,577,936	-\$1,540,633	-1.2%
Special Funds	11,630,119	16,238,472	32,767,081	16,528,609	101.8%
Federal Funds	2,662,396	1,595,498	1,675,071	79,573	5.0%
Total Appropriations	\$137,095,340	\$145,952,539	\$161,020,088	\$15,067,549	10.3%
Reimbursable Funds	46,536,946	53,343,036	46,166,542	-7,176,494	-13.5%
Total Funds	\$183,632,286	\$199,295,575	\$207,186,630	\$7,891,055	4.0%

Note: The fiscal 2026 appropriation includes proposed deficiency appropriations. The fiscal 2027 allowance includes contingent appropriation. The fiscal 2027 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.