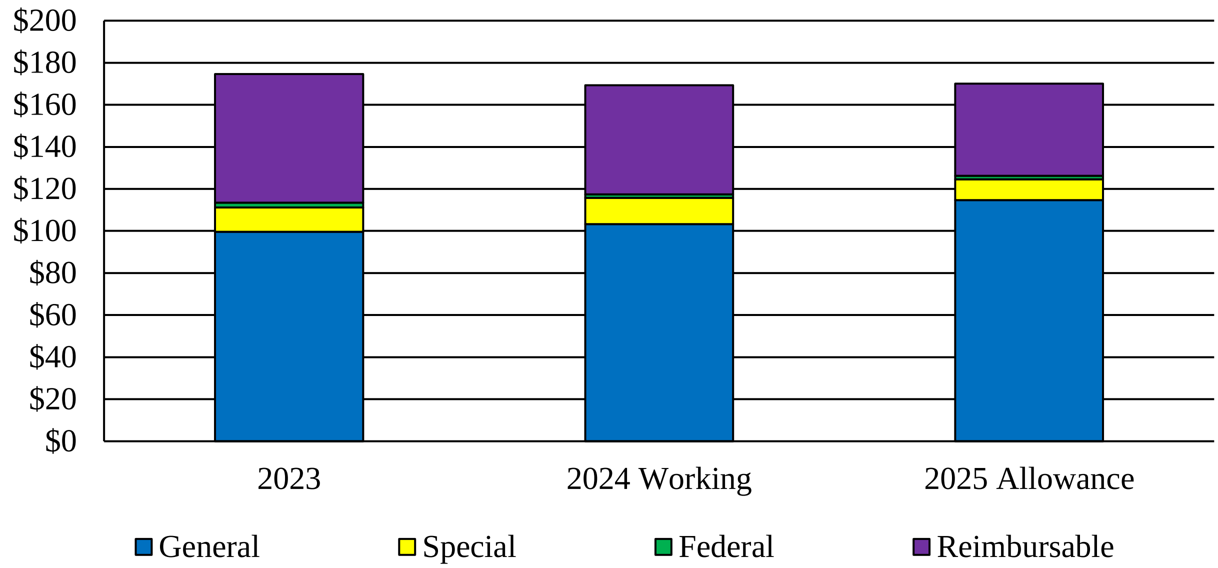
H00
Department of General Services

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 2025 Budget Increases $678,730, or 0.4%, to $170 Million
($ in Millions)



Note: The fiscal 2024 working appropriation includes deficiencies. The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency's budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

- The fiscal 2025 allowance includes $2.4 million in salaries and benefits for 24 new regular positions, mostly in security and procurement. Other significant changes between the fiscal 2024 working appropriation and fiscal 2025 allowance include approximately $7.2 million in decreases due to fiscal 2024 investments related to energy efficiency and the critical maintenance program as well as increased fuel and utilities costs.

For further information contact: Samantha M. Tapia Samantha.Tapia@mlis.state.md.us

Key Observations

- ***Energy:*** State energy costs increased 11.2% in fiscal 2023 compared to the prior year. In fiscal 2023, two Energy Performance Contracts (EPC) expired, which resulted in 0.3 metric million British Thermal Units (MMBTU) less in reported energy savings from EPCs and $5.26 million less in savings from EPCs.

- ***Maintenance Backlog:*** The operating critical maintenance backlog increased by 54%, from $17.7 million to $27.4 million, between January 2023 to January 2024, returning to a total closer to that of January 2022. The capital facilities renewal backlog also increased by 4.3%, or $9.6 million, between January 2023 and January 2024.

- ***State Center:*** Eleven agencies remain at State Center and Saratoga. The Taxpayer Services Division of the Comptroller relocated in December 2023. The remaining Comptroller offices and three other agencies are scheduled to move by the end of fiscal 2024, and five other agencies by the end of calendar 2024. The Department of Health is scheduled to move in fiscal 2026 while new locations are still being determined for the Disabilities and Telephone Relay office and DGS. The fiscal 2025 budget includes a proposed deficiency appropriation for fiscal 2024 in the Dedicated Purpose Account (DPA) of $30 million for costs associated with the moves out of State Center. In addition, the fiscal 2025 allowance includes $5 million for State Center demolition in the DPA.

Operating Budget Recommended Actions

1. Add language restricting funds in the Office of the Secretary pending a report from the Office of Legislative Audits on the status of corrective actions related to the most recent fiscal compliance audit for the Office of Procurement and Logistics.

2. Adopt committee narrative requesting a status report on State Center relocations.

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.

- ***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 for State agencies.

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

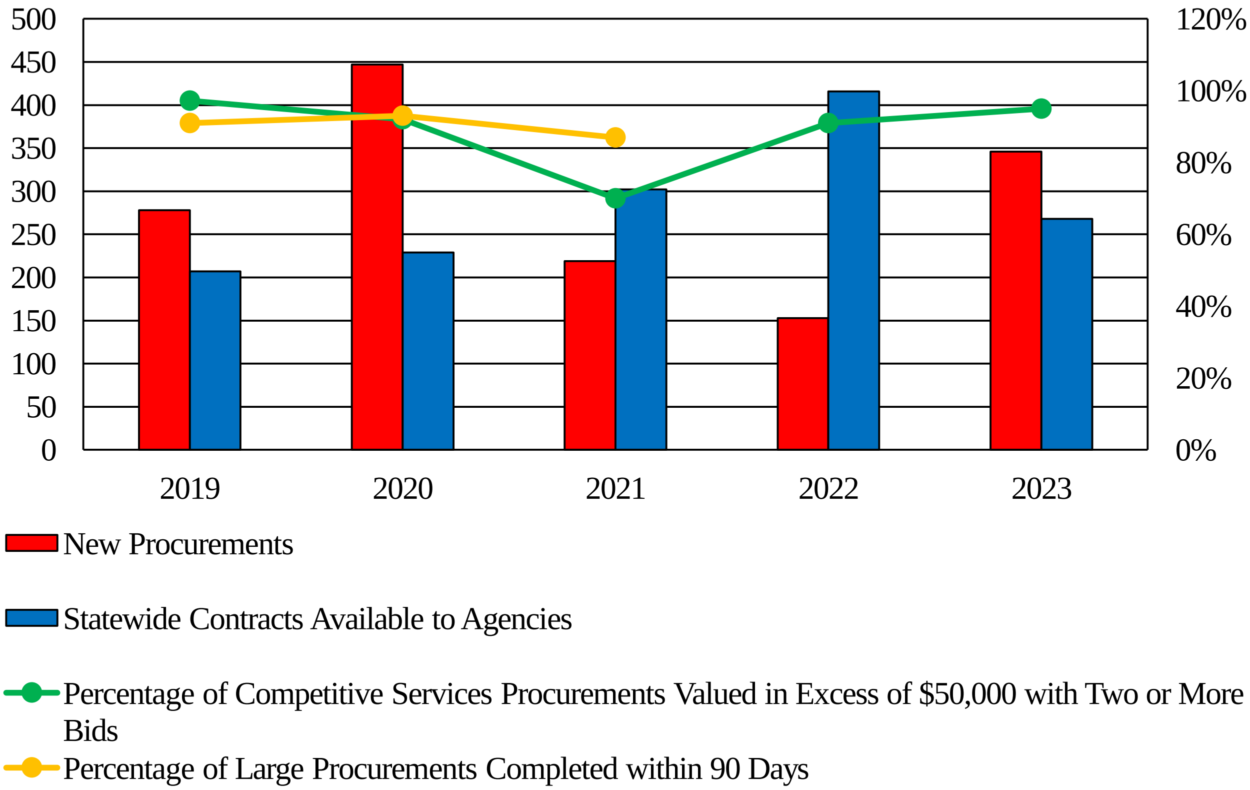
Performance Analysis: Managing for Results

1. Procurement

The Office of State Procurement (OSP) serves as the control agency for commodities, facilities maintenance, and construction. As of October 1, 2019, it assumed responsibility for procuring services, information technology (IT) products, and public safety construction. Until October 1, 2023, small procurements were those valued at less than $50,000 and were delegated to agencies. Effective October 1, 2023, the threshold was increased to $100,000. DGS has an objective to complete 80% of large procurements within 90 days. As shown in **Exhibit 1**, DGS has been meeting this goal and anticipates that it would continue to do so. However, data remains unavailable for fiscal 2022 and 2023 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; however, delays in eMMA project development have been ongoing, as discussed in **Appendix 3** of this analysis.

DGS reported finding that it is more effective to combine procurements that have a common commodity or service into larger procurements. As such, DGS has a goal to reduce the total number of procurements through strategic sourcing. Both the number of new procurements as well as the number of statewide contracts available to agencies have fluctuated significantly in recent years. However, most notably for fiscal 2022 to 2023, the number of new procurements increased by 126%, while the number of statewide contracts available to agencies decreased by 35.6%. **DGS should comment on the reason for fewer statewide contracts in fiscal 2023 after two years of increases, while the number of overall procurements increased.**

Exhibit 1
Procurement Activity
Fiscal 2019-2023



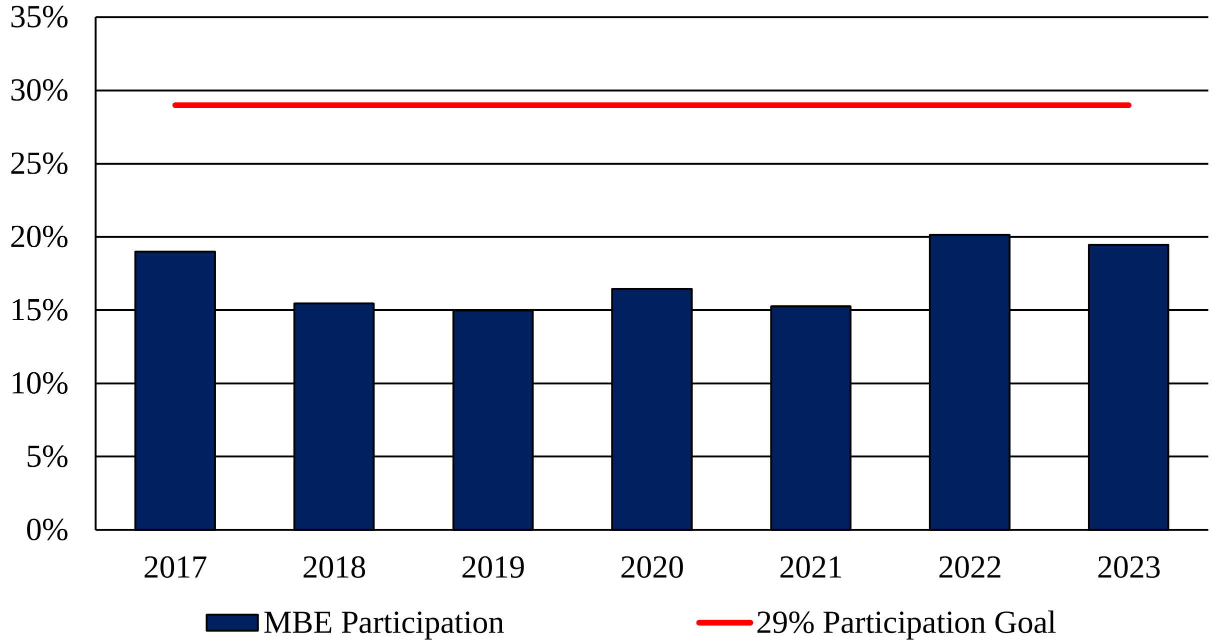
Source: Department of Budget and Management; Department of General Services

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 2023, DGS awarded $34.2 million in contracts to MBE prime contractors and $78.3 million to MBE subcontractors under the agency's procurements. As shown in **Exhibit 2**, MBE participation was 19.5% in fiscal 2023. This level continues a trend in which MBE participation has been below the target. To improve MBE participation rates, during fiscal 2023, DGS reported that the Office of Business Programs engaged in vendor outreach activities through partnerships with procurement-related agencies and marketing events. Despite this outreach, participation declined 0.7 percentage points from fiscal 2022 to 2023. At the same time, this participation level was the second highest since fiscal 2015. **DGS should discuss its outreach activities and any additional actions that it has planned to reach the target of 29%.**

Exhibit 2
MBE Participation as a Percentage of Total Spending in DGS Procurements
Fiscal 2017-2023



DGS: Department of General Services
MBE: Minority Business Enterprise

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

3. Energy Consumption

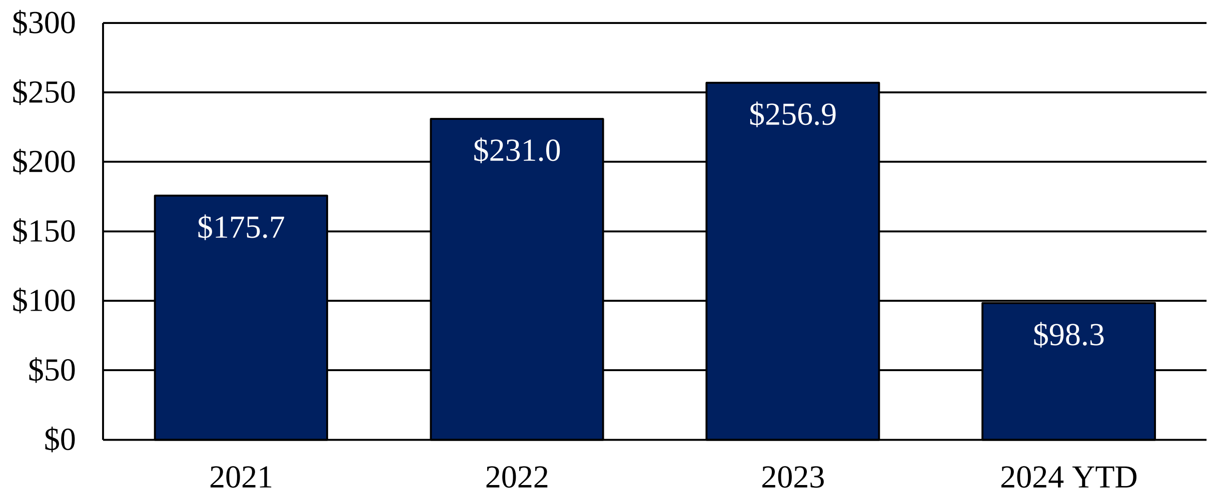
Statewide Energy Database Data

DGS maintains a publicly accessible data dashboard on its website related to State agency energy usage. The State Energy Database 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, DGS has reported that its data has not been complete. The percentage of State facilities with complete data in the database has stagnated at around 60% since fiscal 2022. This process requires an accounts payable office within an agency to send copies of their bills to the database contractor consistently.

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. DGS reported in fiscal 2023 that, with successful completion of this pilot, DGS would begin enrolling other State agencies. **DGS should comment on the status of this pilot invoice tracking program, its level of success, any further application in other State agencies, and program implementation costs.**

Exhibit 3 shows energy spending for State agencies according to the State Energy Database for fiscal 2021 through November 2023. Total State agency energy costs reported in the database showed a substantial increase of $55.3 million between fiscal 2021 and 2022, a 31% increase. Energy costs further increased by 11.2% in fiscal 2023. In its annual report, DGS notes that the increases are due to increasing prices in the energy market in recent years.

Exhibit 3
State of Maryland Yearly Cost of Energy
Fiscal 2021-2024 (through November 2023)
($ in Millions)

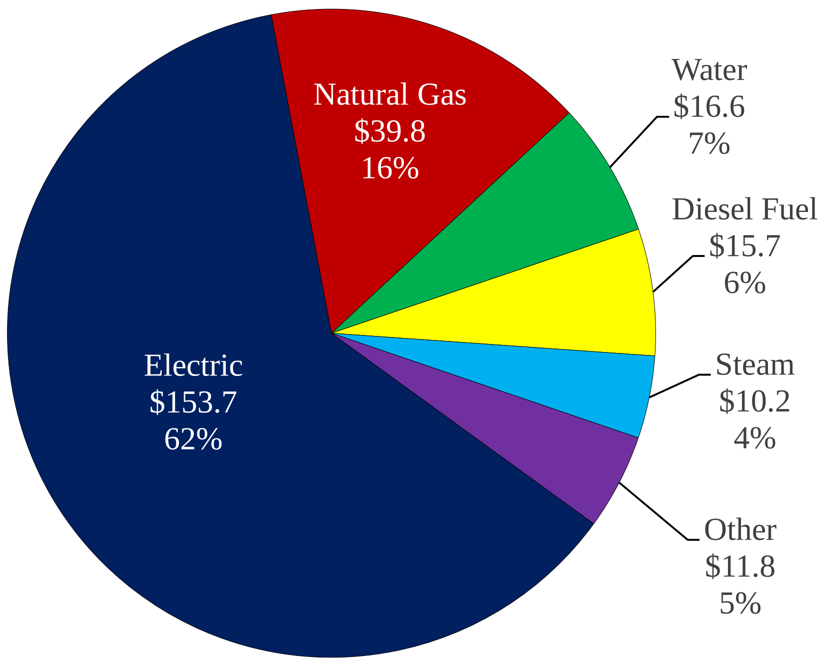


YTD: year to date

Source: Department of General Services State Energy Database

The largest share of energy costs is related to electricity, which saw a nationwide average increase of 23.4% from July 2020 to July 2023, explaining the greatest part of cost increases over the exhibited years. **Exhibit 4** includes a breakdown of energy costs by commodity for the 12-month period from December 2022 to November 2023, over which total energy costs totaled $247.8 million. Electricity costs comprise 62% of these costs, or $153.7 million, and natural gas comprises 16%, or $39.9 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 2022 to November 2023
($ in Millions)



Source: Department of General Services

EPCs

DGS has a goal of reducing energy consumption and helping the State become more energy efficient. This is in compliance with a June 2019 executive order aimed at 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 required that DGS submit an annual report to the Governor on energy consumption 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. EPCs 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 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 by the use of the new equipment or modifications. Generally, the State receives a surety bond that guarantees savings. **Exhibit 5** shows that the State had 24 active EPCs with estimated savings of 0.9 MMBTU in fiscal 2023. DGS anticipates one additional EPC in fiscal 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 5
Energy Efficiency Performance Measures
Fiscal 2020-2025 Estimated

	2020	2021	2022	2023	2024 Est.	2025 Est.
EPCs	27	26	26	24	25	25
Energy Savings Achieved through EPCs (MMBTUs)	1.20	1.20	1.20	0.90	1.20	1.20
Savings Realized from EPC Usage ($ in Millions)	$24.95	$24.89	$24.89	$19.63	$20.63	$20.63

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

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

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.

Light-emitting Diode Lighting

In its fiscal 2023 annual report, DGS reported that it had undertaken a project of light-emitting diode lighting installation in State buildings. DGS estimated that these replacements should result in annual cost savings of approximately $1 million and a reduction of 4.8 million kilowatt hours of electricity. **DGS should discuss the costs of this project, how it is measuring resulting savings, and savings from this project to date.**

Fiscal 2024

Proposed Deficiencies

The fiscal 2025 budget includes five proposed deficiency appropriations for DGS for fiscal 2024 totaling $2,228,600. These proposed deficiencies support:

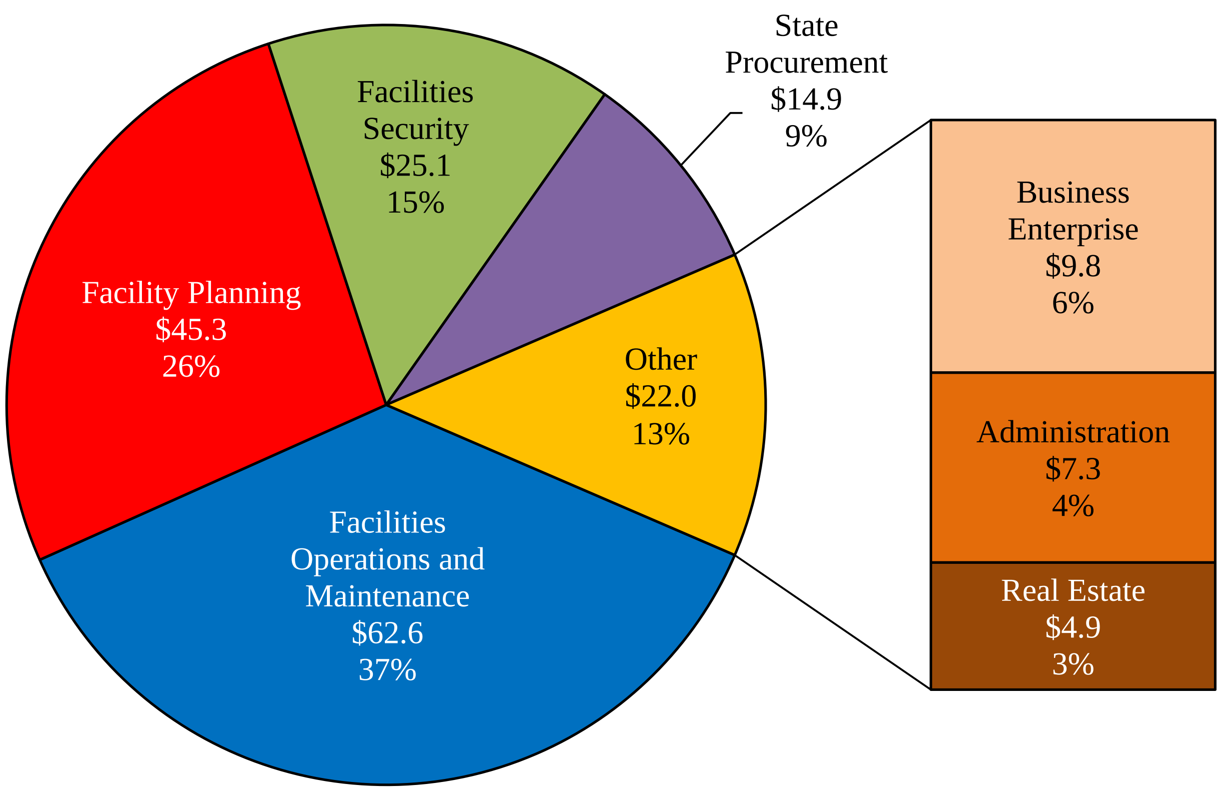
- a two-year emergency generator rental at the State Center complex ($999,000 in special funds);
- contracts to supply chilled water at the Schaefer Tower ($399,600) and to replace a failing water chiller at the Revenue Administration building ($300,000 in special funds);
- ongoing State Center litigation costs ($350,000 in general funds); and
- ongoing bat remediation efforts at the Annapolis complex ($180,000 in special funds).

The fiscal 2025 budget also includes $30 million in general funds in the DPA, eligible for transfer by budget amendment to DGS and other agencies for State Center moving costs.

Fiscal 2025 Overview of Agency Spending

The total fiscal 2025 allowance for DGS is approximately $170 million, which is distributed across seven units whose share of fiscal 2025 spending differs substantially. **Exhibit 6** shows that facility-related units (facilities management, planning, and security) comprise 78% of the DGS budget. State procurement spending represents 9%, or $14.9 million, of the fiscal 2025 allowance, while real estate, administration, and business enterprise together occupy the remaining 13%, or approximately $22 million.

Exhibit 6
Overview of Agency Spending
Fiscal 2025 Allowance
($ in Millions)

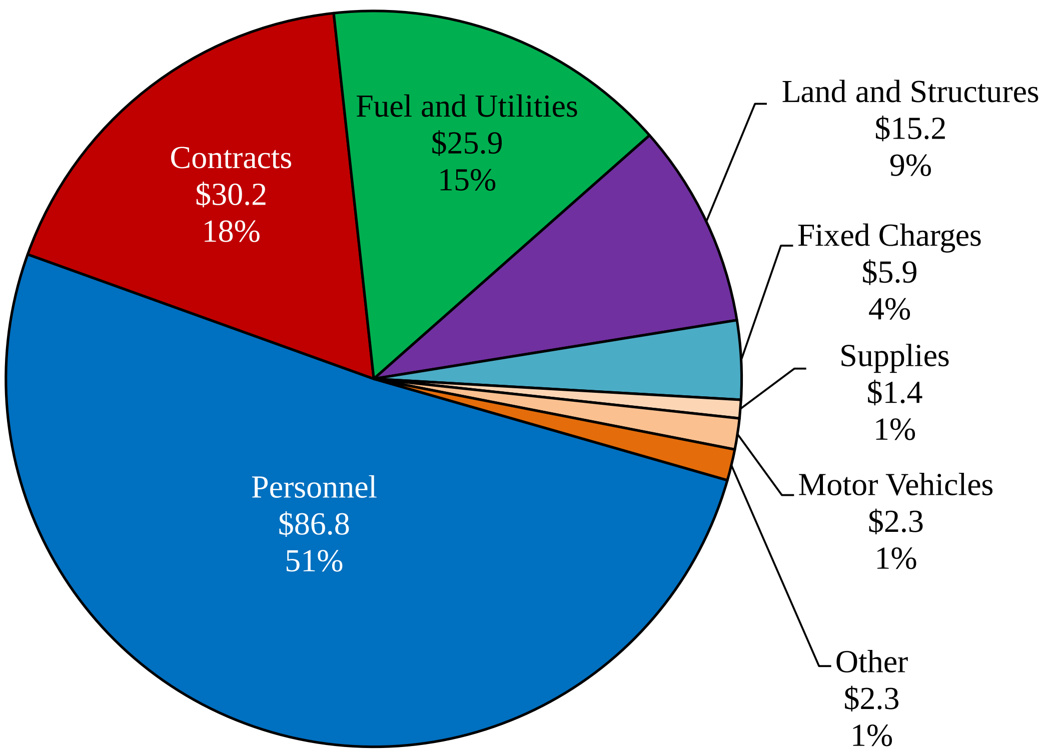


Note: The fiscal 2025 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.

Source: Governor's Fiscal 2025 Budget Books

Examining spending by object type, as shown in **Exhibit 7**, 51% of spending supports salaries and fringe benefits for personnel. Other significant costs are contracts, fuel and utilities for State facilities, and maintenance of State facilities. Contracts include service and rental agreements for a variety of essential operations, such as janitorial, security, and grounds maintenance services as well as equipment rentals and software purchases. These four areas comprise 92% of the DGS budget.

Exhibit 7
Expenditures by Objects
Fiscal 2025 Allowance
($ in Millions)



Note: The fiscal 2025 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.

Source: Governor's Fiscal 2025 Budget Books

Proposed Budget Change

Exhibit 8 provides information on major changes between the fiscal 2025 allowance and the fiscal 2024 working appropriation after accounting for proposed deficiency appropriations. An increase of $2.4 million supports salaries and fringe benefits for 24 new regular positions. In addition, an increase of $0.8 million is provided for the costs of new vehicles. However, the fiscal 2025 allowance decreases by approximately $7.2 million due to fiscal 2024 investments related to energy efficiency and the critical maintenance program as well as increased fuel and utilities costs. A number of one-time fiscal 2024 proposed deficiency appropriations for specific facilities maintenance and renewal projects result in a decrease of approximately $1.9 million.

Exhibit 8
Proposed Budget
Department of General Services
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2023 Actual	$99,666	$11,531	$2,253	$61,130	$174,580
Fiscal 2024 Working Appropriation	103,288	12,460	1,599	51,984	169,331
Fiscal 2025 Allowance	114,715	9,888	1,622	43,785	170,009
Fiscal 2024-2025 Amount Change	$11,427	-$2,572	$23	-$8,200	$679
Fiscal 2024-2025 Percent Change	11.1%	-20.6%	1.5%	-15.8%	0.4%

Where It Goes:	Change
Personnel Expenses	
Salary increases and associated fringe benefits including fiscal 2024 COLA, increments, and reclassifications	$4,325
Salaries and fringe benefits for 24 new regular positions	2,395
Turnover decreases from 5.06% to 4.87%	140
Workers' compensation	44
Overtime earnings and shift differential decreases related to State Center and Saratoga moves in fiscal 2024	-133
Administration Expenses	
State cost allocations	2,526
Vehicle operation and maintenance, including 10 new vehicles in Facilities Security and 8 replacement vehicles in Business Enterprise	778
Building monitoring and security equipment in the Office of the Assistant Secretary and in the Annapolis Complex	285
Net increase in contractual personnel compensation	103
Office supplies, housekeeping, and uniforms	-107
Facilities Management and Security	
Security services contracts	363
City of Annapolis PILOT	24
One-time costs related to Governor's House transition in fiscal 2024	-100
One-time costs for bat remediation efforts in Annapolis	-178
Janitorial services contracts	-270
Fiscal 2024 repairs and maintenance at Saratoga State Center complex, which will be transferred to Baltimore City at the end of fiscal 2024	-301
One-time deficiency appropriation for contracts for chilled water at Annapolis complex and 6 St. Paul in fiscal 2024	-700

Where It Goes:	**Change**
One-time deficiency appropriation for emergency generator replacement for State Center in fiscal 2024	-999
Utilities, including electricity and energy loan repayments	-1,968
Office of Design, Construction and Energy	
Use of Strategic Energy Investment Funds in fiscal 2024 for lighting, electric vehicles, and energy audits	-1,151
Reimbursable funds from the Maryland Energy Administration for energy efficiency projects	-2,000
One-time increase in critical maintenance funding	-2,100
Other Changes	
Legal services in fiscal 2024 associated with State Center litigation	-350
Other	51
Total	**$679**

COLA: cost-of-living adjustment
PILOT: payment in lieu of taxes

Note: Numbers may not sum to total due to rounding. The fiscal 2024 working appropriation includes deficiencies. The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency's budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

Personnel Data

	FY 23 Actual	**FY 24 Working**	**FY 25 Allowance**	**FY 24-25 Change**
Regular Positions	693.00	703.00	727.00	24.00
Contractual FTEs	41.05	44.00	41.00	-3.00
Total Personnel	**734.05**	**747.00**	**768.00**	**21.00**

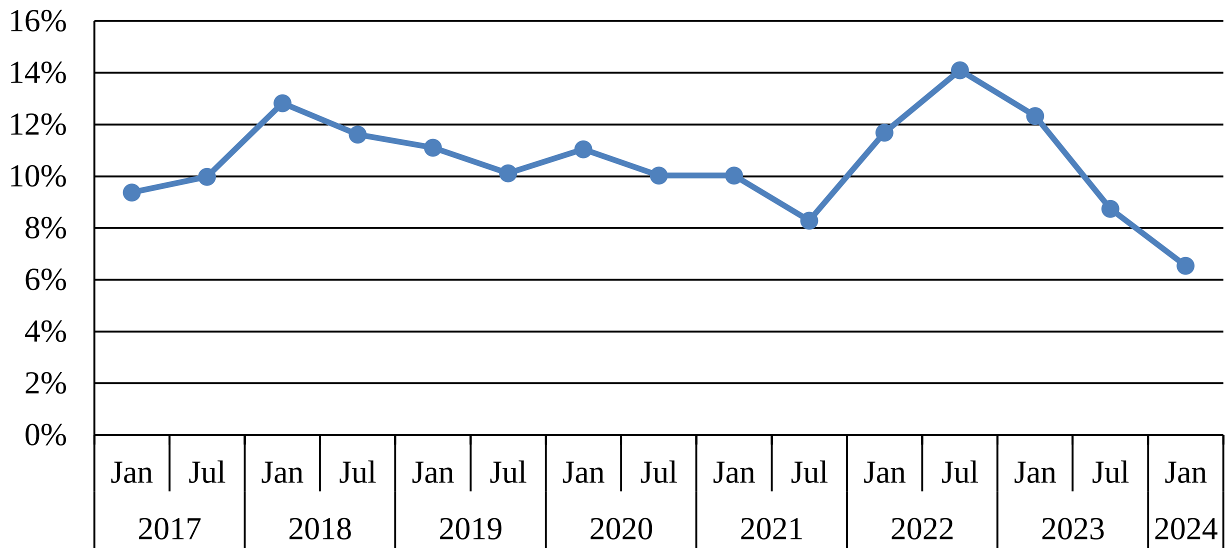
Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	34.24	4.87%
Positions and Percentage Vacant as of 12/31/23	46.00	6.54%
Vacancies Above/Below Turnover	11.76	

- The fiscal 2025 allowance includes 24 new positions in DGS. Most notably, this includes 10 police officer positions for DGS headquarters and 8 procurement officers in OSP. Four other new positions in OSP include 2 program managers and 2 administrators. The new police officer positions are due to the redistribution of need resulting from agencies relocating out of State Center, and additional staff in OSP are intended to address a higher volume of work related to Minority Business and Veteran-Owned Small Business programs as well as statewide contracts and efforts to address inefficiencies in operations and compliance. The remaining 2 positions are administrative, 1 in Facilities Management for monitoring critical building equipment systems and the other in the Office of Real Estate to manage approximately 200 parking and other property leases.

- **Exhibit 9** provides information on the reduction in the vacancy rate in DGS regular positions over calendar 2023, which decreased from 12.3% in January 2023 to 6.5% in January 2024. DGS reports that to improve hiring and retention, it had examined the hiring process and introduced new performance metrics to monitor progress. To target retention, DGS increased pay for some existing positions with higher turnover. DGS also continued efforts both in requesting new positions to better distribute workloads, and in surveying staff for input on work conditions. With regard to hiring, DGS reported that it has attended job fairs and worked with DBM to utilize its more efficient recruitment process.

Exhibit 9
Vacancy Rates at the Department of General Services
Calendar 2017-2024 (as of January)



Source: Department of Budget and Management

- Although data received from the Department of Budget and Management indicates DGS had 46 vacant positions as of December 31, 2023, DGS reports that as of January 25, 2024, it had 42 vacancies. Notable vacancies include 3 out of 6 Assistant Attorney General positions in the Executive Direction office, 7 police officer positions in facilities security, and 7 maintenance supervisory positions in Facilities Management. Most other vacancies are administrative positions. DGS reports that all vacancies are posted, actively in the recruitment stage, or in the interviewing and hiring process.

Issues

1. Facility Renewal and Critical Maintenance Spending

Pursuant to Sections 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.

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;

- ***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;

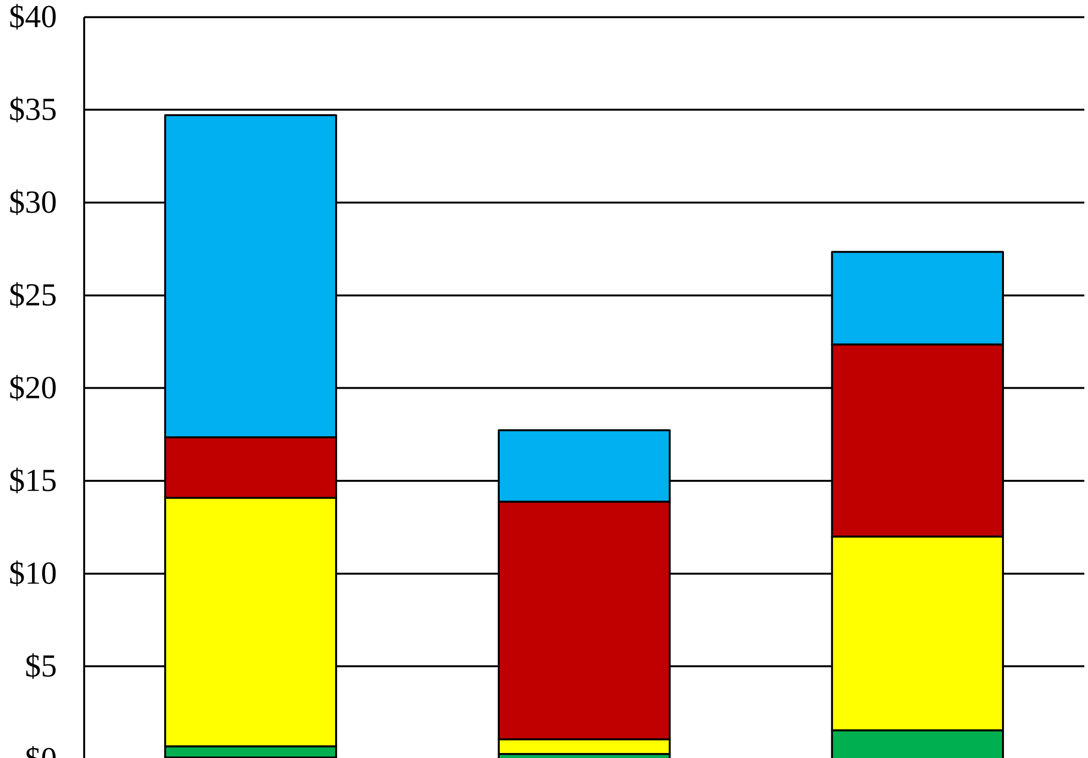
- ***Priority 3:*** end of life expectancy, common examples of which are lighting and air conditioning;

- ***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 shown in **Exhibit 10**, the critical maintenance backlog increased by 54%, from $17.7 million to $27.4 million between January 2023 to January 2024. Most notably, the number of priority level 3 projects increased from $0.8 million to $10.4 million. There was also a notable increase in higher priority level 2 projects, from $0.3 million for 4 projects in January 2023 to $1.5 million for 19 projects in January 2024. There are no priority level 1 projects in the critical maintenance, or operating budget, backlog.

Exhibit 10
Operating Critical Maintenance Backlog Projects by Priority Categories
January 2022 to January 2024
($ in Millions)

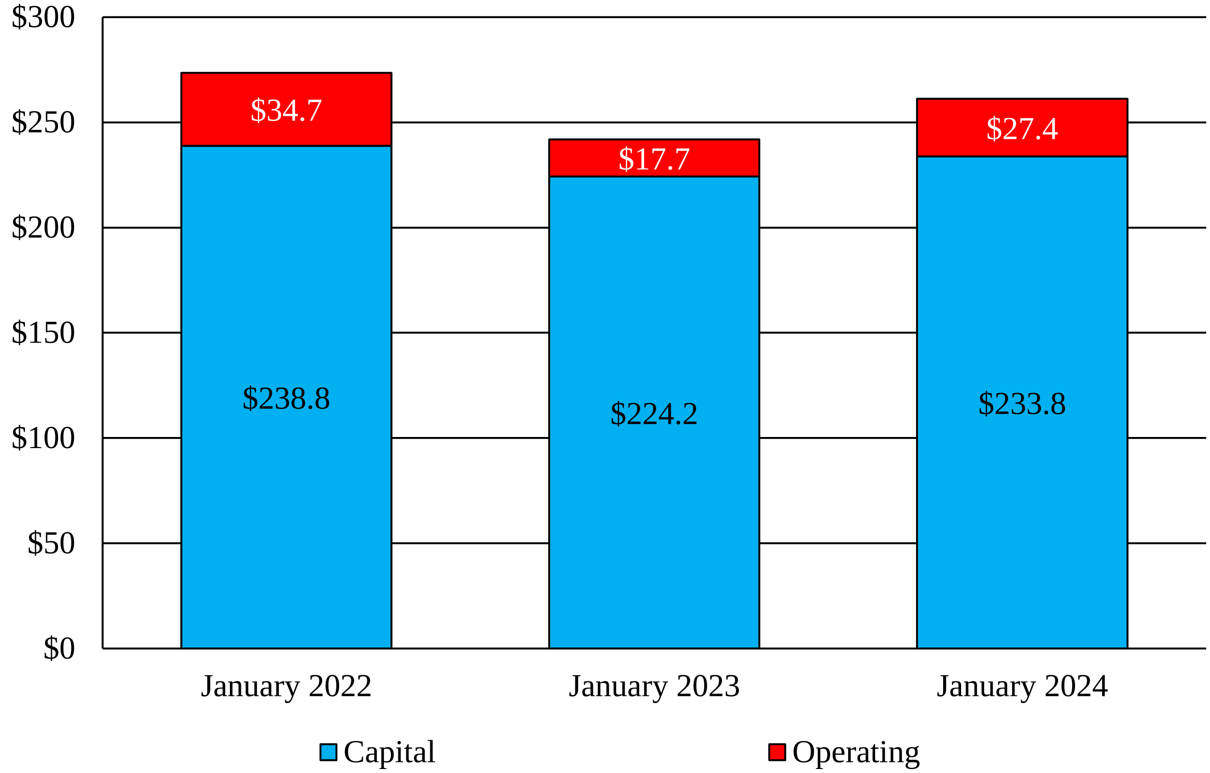


	January 2022	January 2023	January 2024
Priority 5	$17.4	$3.8	$5.0
Priority 4	3.3	12.8	10.4
Priority 3	13.4	0.8	10.4
Priority 2	0.6	0.3	1.5
Priority 1	0.1	0.0	0.0

Source: Department of General Services

Exhibit 11 shows a similar pattern in the capital backlog. After the decline in the capital backlog between January 2022 and January 2023 to $224.2 million, the backlog cost increased by $9.6 million, or 4.3%, to $233.8 million in January 2024. Capital facilities renewal is discussed in the Board of Public Works (BPW) capital budget analysis.

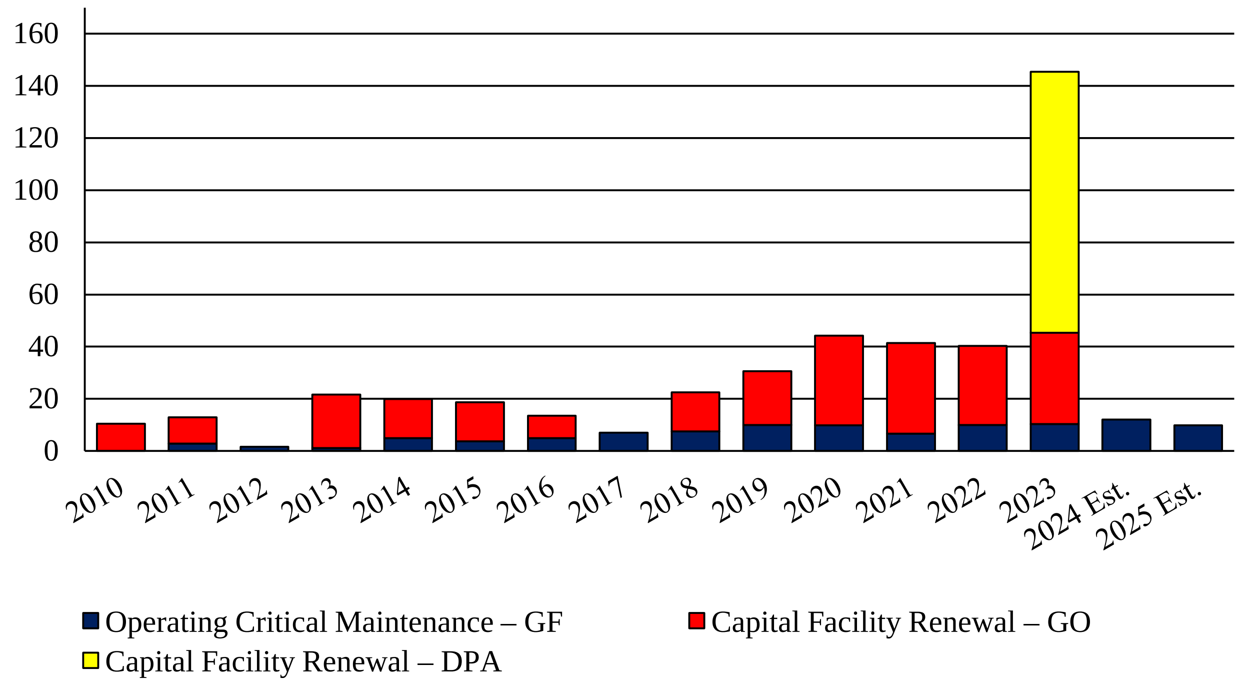
Exhibit 11
Combined Operating and Capital Backlog
January 2022 to January 2024
($ in Millions)



Source: Department of General Services; Governor's Budget Books

Funding appropriated for critical maintenance and facilities renewal has generally been increasing over the last decade. **Exhibit 12** provides information on operating and capital expenditures and appropriations for critical maintenance and facilities renewal from fiscal 2010 to estimated fiscal 2025. The fiscal 2023 capital appropriation of $35 million in general obligation bonds and $110 million in the DPA were intended for use over multiple years. The lower amounts of critical maintenance funding of $10.4 million in fiscal 2023, $12 million in fiscal 2024, and $9.9 million in fiscal 2025 are intended for the smaller scale maintenance projects managed through the critical maintenance program.

Exhibit 12
Expenditure and Appropriations for Critical Maintenance and Facilities Renewal
Fiscal 2010-2025 Estimated
($ in Millions)



DPA: Dedicated Purpose Account
GF: general funds
GO: general obligation

Note: The fiscal 2023 appropriation to the DPA for capital facility renewal includes $25 million intended for Department of Natural Resources critical maintenance.

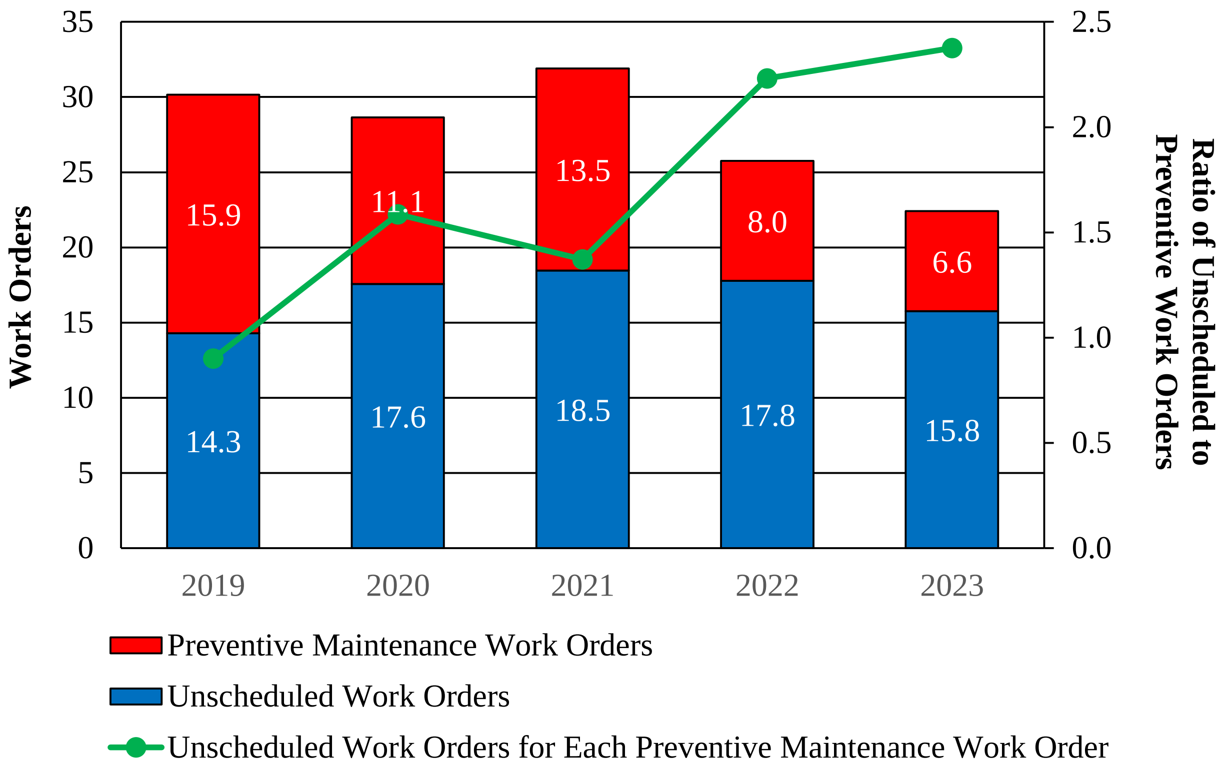
Source: Department of Budget and Management

2. Computerized Maintenance Management System

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, Computerized Maintenance Management System (CMMS), referred to as eMaint. The system supports building and equipment lists, work order requests, and project justification requests. The system allows importing Excel worksheets and can export data into a common platform. eMaint integrates the daily maintenance management system at DGS so that it can generate work orders and monitor day-to-day maintenance activities.

Exhibit 13 provides information on the number of preventive maintenance work orders and number of unscheduled work orders. Both preventive and unscheduled work orders decreased in fiscal 2022 and again in fiscal 2023. At 6,637 and 15,770, respectively, preventive and unscheduled work orders in fiscal 2023 were approximately 18% and 11% below those of fiscal2022. The overall share of total work orders that are preventive decreased from 53% in fiscal 2019 to 30% in fiscal 2023.

Exhibit 13
Preventive Maintenance and Unscheduled Work Orders
Fiscal 2019-2023
(in Thousands)



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

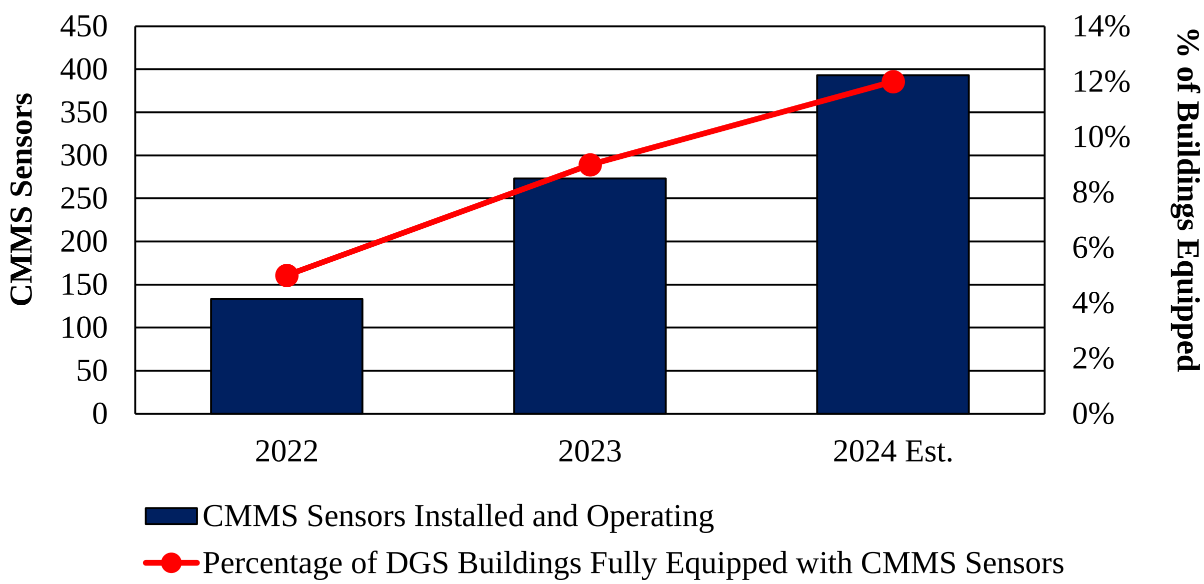
In budget hearing testimony in February 2023, DGS stated that the decrease in preventive maintenance work in fiscal 2022 was from a failure to enter work orders in the eMaint system. DGS added that it was engaged in training and reminding staff to record daily activity in eMaint and that numbers reported in the following year should show a significant change and better reflect actual work order volumes. Given the continued decrease in fiscal 2023, there is cause for concern. **DGS should explain the actions that it is taking to improve the recording of work orders.**

CMMS Sensors

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 allow management personnel to identify and respond to problems in a timely manner to reduce collateral damage to other equipment and infrastructure. Over time, monitoring allows DGS to use data to predict when problems are likely to occur and address concerns before the escalate to more serious damage.

DGS introduced new Managing for Results (MFR) indicators for sensors for fiscal 2024. The first set of indicators measures how quickly DGS is adding new equipment sensors in buildings. As shown in **Exhibit 14**, approximately 130 sensors were installed by the end of fiscal 2022, and an additional 140 were installed by the end of fiscal 2023. At the end of fiscal 2023, 9% of DGS-serviced buildings were considered fully equipped with CMMS sensors. DGS estimates that 120 additional sensors will be installed by the end of fiscal 2024, for a total of 393 sensors in 12% of DGS buildings.

Exhibit 14
Progress Installing Sensors
Fiscal 2022-2024 Estimated

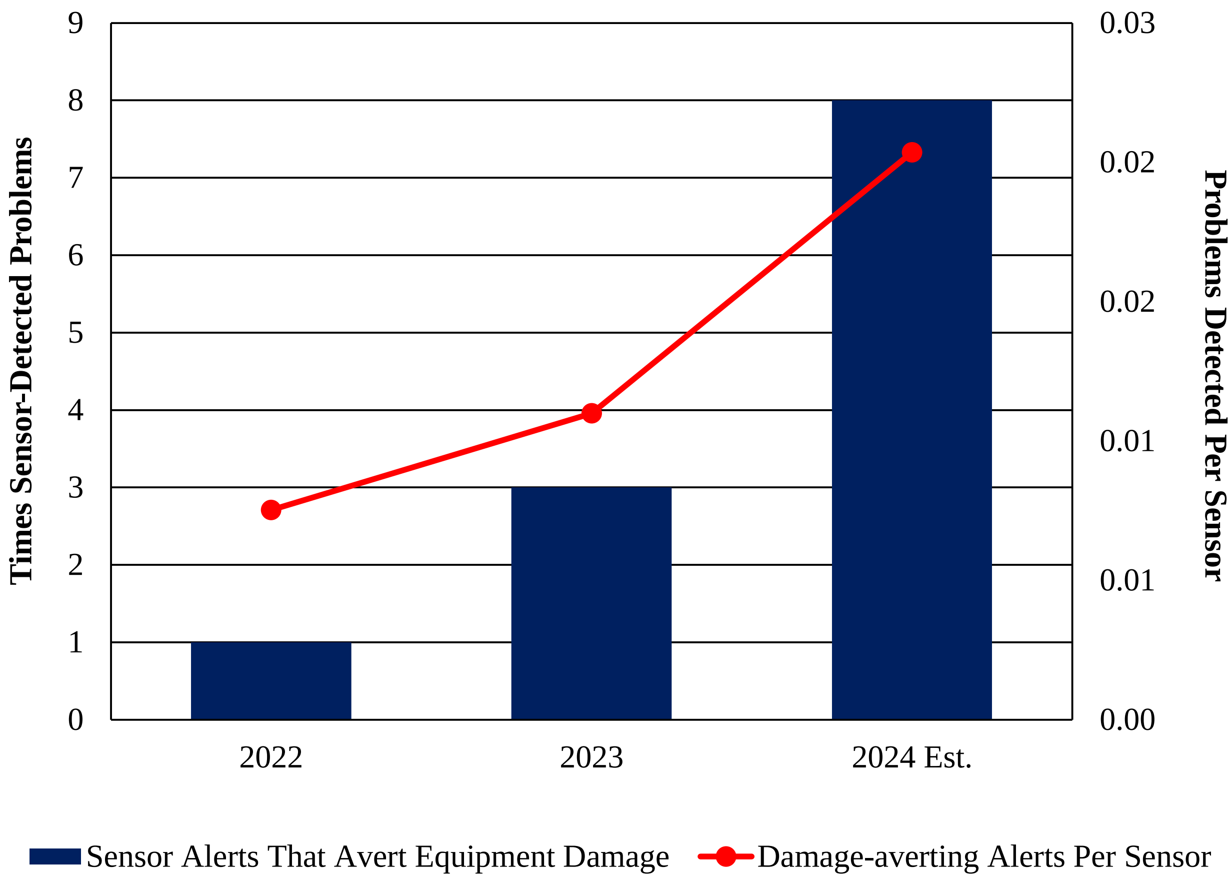


CMMS: Computerized Maintenance Management System
DGS: Department of General Services

Source: Department of Budget and Management

For the fiscal 2024 MFR submission, DGS also included a new measure for how many issues were detected through a sensor alert. As shown in **Exhibit 15**, one incident in fiscal 2022 and three incidents in fiscal 2023 were averted due to the sensors. DLS advises that it is reasonable to expect that more issues will be detected as more sensors are installed and the number of fully equipped buildings increases. However, over time, issue detection should be somewhat mitigated by remedial activity in response to issue detection. **DGS should discuss the kinds of issues CMMS sensors are able to detect, how maintenance staff receive alerts from sensors, and the processes for responding to different types of issues.**

Exhibit 15
Damage Averted by Sensors
Fiscal 2022-2024 Estimated



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

3. 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 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.

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. Although not in the Preston Street complex, the Department of Human Services (DHS) headquarters is included in this relocation project. DHS is moving out of the State building at 311 West Saratoga Street, owned by Baltimore City. The State Center relocation process includes a detailed study of each agencies' space needs, including changes due to telework for a post-pandemic workforce.

Status of Relocations

The first of these leases was approved by BPW in May 2022 for DHS. Through December 2022, seven additional leases were approved. In September 2023, the lease for the State Department of Assessments and Taxation was modified and approved by BPW. **Exhibit 16** includes data provided in response to a request in the *2023 Joint Chairman's Report* (JCR) for an update on State Center moves along with other data available in BPW agendas and subsequent updates from DGS. Including DHS, the State has leased 935,145 square feet at a weighted average cost of $24.84 per square foot as part of this project. The leases escalate between 2% and 3% annually, so that all leases will increase between $5 and $9 per square foot after 10 years. However, most leases include rent abatement agreements lasting six months to 1 year. Agencies have options to extend leases after the initial period is over. **Exhibit 17** outlines the current and new locations of each relocating agency.

Exhibit 16
State Center Leases and Estimated Move Schedule
Fiscal 2023-2024

Agency	Lease Start	Lease End	Square Feet	Annual Rent	Estimated Move
Maryland Department of Health	01/01/24	12/31/38	463,000	$12,130,600	November 2025
MDL and DoIT	09/01/23	08/31/38	126,432	2,705,634	September 2024
Comptroller's Office	06/01/23	05/31/23	67,586	1,588,271	December 2023, June 2024
SDAT	07/01/23	06/30/33	48,658	1,221,802	April 2024
DBM	06/01/23	05/31/23	44,240	1,045,391	December 2024
Department of Planning	06/01/23	05/31/33	19,329	490,957	May 2024
Department of Aging	06/01/23	05/31/23	16,876	394,898	August 2024
Department of Human Services	09/01/22	08/31/32	149,024	3,651,088	April 2024

DBM: Department of Budget and Management
DoIT: Department of Information Technology
MDL: Maryland Department of Labor
SDAT: State Department of Assessments and Taxation

Source: Department of General Services; Board of Public Works

Exhibit 17
Agency Current or Recent and New Locations
Fiscal 2023-2025

Agency	Current/Recent Location	New Location
MDH	201/301 West Preston	300/400 North Greene Street
SDAT	300/301 West Preston	115 Market Place (700 East Pratt Street)
DBM	300/301 West Preston	300 East Lombard Street
Comptroller's Office	301 West Preston	7 St. Paul Street
MDP	301 West Preston	120 E Baltimore Street
MDOA	301 West Preston	36 South Charles Street
MDL and DoIT	301 West Preston/100 North Eutaw Street	100 South Charles Street
DHS	311 West Saratoga Street	25 South Charles Street
OPD	201 St. Paul Place	201 North Charles Street

DBM: Department of Budget and Management
DHS: Department of Human Services
DoIT: Department of Information Technology
MDH: Maryland Department of Health
MDL: Maryland Department of Labor
MDOA: Maryland Department of Aging
MDP: Maryland Department of Planning
OPD: Office of the Public Defender
SDAT: State Department of Assessments and Taxation

Note: Although not previously a tenant of State Center, the Department of General Services has reported that the Office of the Public Defender will also be moving, and the new location is included in this chart for reference.

Source: Department of General Services; Board of Public Works

Other smaller agencies that have resided in State Center include the Governor's office, the Tax Court, and the Disabilities/Telephone Relay group. The Governor's office has been moved to the William Donald Schaefer Tower on 6 St. Paul Street. New locations for the Tax Court, which requires 6,000 square feet, and the Disabilities/Telephone Relay group, which requires 4,000 square feet, have not yet been determined. As of January 2024, DGS was evaluating responses to a request for proposals (RFP) for the Disabilities/Telephone Relay and anticipates bringing a lease before BPW in summer 2024. DGS also reported that it was nearing release of RFPs for DGS and the Tax Court.

DGS Relocation

The former location of the Department of Public Safety and Correctional Services Division of Parole and Probation, 2100 Guilford Avenue, was selected as a new location for DGS. A construction and renovation plan with funding for fiscal 2023 and 2024 was included in the 2022 *Capital Improvement Program* (CIP). However, as renovation plans progressed, design modifications were found to be necessary and came with greater costs. At the same time, concerns arose from the surrounding community about disruptions from construction and traffic congestion. These issues were reflected in the 2023 CIP, which delayed funding to fiscal 2025 and 2026, and showed an increase in cost from the initial estimate of $23.8 million to $76.3 million. Committee narrative in the 2023 JCR requested that DGS hold quarterly public meetings with representatives from the affected neighborhood and submit a report in January 2024 summarizing these discussions and their impacts on planning of the renovation project and DGS relocation. In its response, submitted January 15, 2024, DGS reported that it had decided not to move forward with renovation and relocation to 2100 Guilford Avenue. DGS will issue a request for information to determine alternative uses of the property but will be continuing to manage maintenance and security of the site. The Budget Reconciliation and Financing Act of 2024 includes a provision that would transfer $28,884,000 in capital pay-as-you-go funds that were appropriated to the DPA in fiscal 2023 for renovations at 2100 Guilford Avenue.

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

The fiscal 2022 budget appropriated $50 million in the DPA to fund costs associated with the State Center relocation process. Over fiscal 2022 and 2023, three budget amendments were processed to support State Center move costs. DGS' Office of Real Estate received approximately $122,000 to support leasing operations in fiscal 2022. In fiscal 2023, the Department of Information Technology (DoIT) received $2.6 million for necessary IT network infrastructure, and DGS received $1.04 million for moving costs across multiple agencies. However, delays in State Center relocation processes resulted in delayed expenditures and a reversion of $2.5 million of these appropriated funds to the DPA at the end of fiscal 2023. Budget amendments in fiscal 2024 have totaled $5.35 million, again for moving costs in several agencies. The proposed fiscal 2025 budget includes a deficiency appropriation for fiscal 2023 of $30 million for the DPA for State Center moving costs. In addition, the fiscal 2025 allowance includes $5 million in the DPA for demolition of State Center.

DLS recommends committee narrative requesting that DGS submit a report that provides an update on the status of State Center moves and litigation and the uses and timing of State Center funds appropriated into the DPA.

4. Training MFR

In fiscal 2022, DGS received $300,000 to develop a training program to addresses a shortage of supervisory and management training across State agencies. This was proposed as 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 has been working under a memorandum of understanding with Towson University (TU) to develop the training program. Committee narrative in the 2023 JCR requested that DGS' MFR submission include performance measures for the training program once it had begun. It was anticipated that the first training programs would begin in the second quarter of fiscal 2024. **Exhibit 18** shows the three new measures included in the MFR submission for fiscal 2025.

Exhibit 18
New Training Program Indicators in Fiscal 2025 Managing for Results
Fiscal 2023-2025 Estimated

	2023	2024 Est.	2025 Est.
Employees Who Improved Their Overall Performance Evaluation Ratings		25%	30%
Employees Who Report Applying Training Content to Work Activities		25%	30%
Employees Who Voluntarily Separated from DGS Who Participated in Learning and Development Opportunities	21%	15%	10%

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

DGS should discuss the status of the training program in development with TU and how it is measuring these measures.

Operating Budget Recommended Actions

1. 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), $100,000 of this agency's administrative appropriation may not be expended unless:

   (1) OSP has taken corrective action with respect to all repeat audit findings on or before November 1, 2024; and

   (2) a report is submitted to the budget committees by OLA listing each repeat audit finding along with a determination that each repeat finding was corrected. The budget committees shall have 45 days from the receipt of the report to review and comment to allow for funds to be released prior to the end of fiscal 2025.

   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 action 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. Adopt the following narrative:

   Status of State Center Relocation: The Department of General Services (DGS) is in the process of relocating various State 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. The committees request that DGS submit a report on the status of moves and new site locations for each agency moving out of the complex, the status of litigation, and the uses and timing of State Center funds appropriated into the Dedicated Purpose Account to support State agency moves and demolition.

Information Request	**Author**	**Due Date**
State Center status report	DGS	July 15, 2024 December 15, 2024

Appendix 1
2023 *Joint Chairmen's Report* Responses from Agency

The 2023 JCR requested that DGS prepare two reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***MFR Goals for Employee Training and Retention:*** The 2023 JCR included committee narrative requesting DGS include new measures related to a new training program in its MFR submission. As requested, DGS included new measures in the fiscal 2025 MFR submission. Further discussion of this data can be found in Issue 4 of this analysis.

- ***State Center Status Report:*** DGS was asked to report on the status of moving agencies out of State Center and into leased space elsewhere in Baltimore City, on the ongoing litigation over canceled redevelopment, and on use of the DPA for moving costs. DGS submitted the report on the due date of December 15. Further discussion of State Center plans can be found in Issue 3 of this analysis.

Appendix 2
Audit Findings

Audit Period for Last Audit:	October 16, 2018 – October 31, 2021
Issue Date:	May 2023
Number of Findings:	7
Number of Repeat Findings:	4
% of Repeat Findings:	57%
Rating: (if applicable)	

Finding 1: OSP did not ensure that the eMMA vendor had a comprehensive implementation plan and did not maintain sufficient records to track contract expenditures, which the Office of Legislative Audits believes may have contributed to project delays and increased costs.

Finding 2: **OSP did not require certain bidders on State contracts to utilize available functions in eMMA to take advantage of security features intended to ensure the integrity of the bidding process and did not always publish contract awards as required.**

Finding 3: **OSP did not adequately monitor certain State agency procurements that were specifically subject to its oversight.**

Finding 4: **OSP lacked documentation that it independently determined and published the fair market prices of Maryland Correctional Enterprises goods and services.**

Finding 5: **OSP did not monitor Maryland Works to ensure it coordinated contracting activity in accordance with the Employment Works Program.**

Finding 6: Redacted cybersecurity-related finding.

Finding 7: During the COVID-19 pandemic, OSP did not always conduct emergency procurements in compliance with State procurement regulations.

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

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

New/Ongoing: Ongoing								
Start Date: 2018				**Est. Completion Date:** Unknown				
Implementation Strategy: Agile								
($ in Millions)	**Prior Year**	**2024**	**2025**	**2026**	**2027**	**2028**	**Remainder**	**Total**
GF	$29.287	$8.254	$1.900	$12.588	$0.000	$0.000	$0.000	$52.029
SF	3.000	0.000	0.000	0.000	0.000	0.000	0.000	3.000
Total	**$32.287**	**$8.254**	**$1.900**	**$12.588**	**$0.000**	**$0.000**	**$0.000**	**$55.029**

- ***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 was to 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 also 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 of 2019. Agencies have been using an outdated purchasing and inventory system while the new eMMA system was in development.

- ***Observations and Milestones:*** The Bid Board (Release 1.0), Contract Management functionality (Release 1.1), Vendor Management (Release 1.2), and Procure-to-Pay (Release 2.0) project components were delivered, however the total system delivered after Release 2.0 was found to be inadequate. 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 are now needed. Current project team efforts are focused on a reversion to the legacy purchasing and inventory system by agencies. The development team is beginning a six-week assessment in February 2024 to determine next steps.

- ***Changes:*** No changes announced, while project next steps are being assessed since decision not to accept the "minimal viable product."

- ***Concerns*:** Release of the Procure-to-Pay stage, or minimal viable product, revealed important policy failures and system design components incompatible with existing State practices. These conditions prevent adoption of the system as is. DGS notes a lack of support for closeout procedures, a lack of standard practices across agencies for procurement, budgeting, interagency agreements, the onboarding process to use eMMA, and varying levels of staff for procurements.

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

New/Ongoing: Ongoing								
Start Date: July 2022				**Est. Completion Date:** Unknown.				
Implementation Strategy: TBD								
($ in Millions)	**Prior Year**	**2024**	**2025**	**2026**	**2027**	**2028**	**Remainder**	**Total**
GF	$1.600	$0.000	$0.050	$1.282	$0.852	$0.859	$0.000	$4.643
Total	**$1.600**	**$0.000**	**$0.050**	**$1.282**	**$0.852**	**$0.859**	**$0.000**	**$4.643**

***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. Capital grants support numerous organizations throughout the State. This project will implement a new management tool to track 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 adopted for use by the State of Maryland 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, the 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: The project charter was sent to DoIT in November 2023, and a project management plan is in development as of January 2024. A solutions roadmap is scheduled for fiscal 2024.

***Concerns*:** Progress has been slow and the agency reports that completing the required IT project request 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). DGS reports that project timing was impacted by project scope decisions and that an important business analyst position was vacant for three months while waiting approval from DoIT.

Appendix 5
Object/Fund Difference Report
Department of General Services

Object/Fund	FY 23 Actual	FY 24 Wrk Approp	FY 25 Allowance	FY 24 - FY 25 Amount Change	Percent Change
Positions					
01 Regular	693.00	703.00	727.00	24.00	3.4%
02 Contractual	41.05	44.00	41.00	-3.00	-6.8%
Total Positions	**734.05**	**747.00**	**768.00**	**21.00**	**2.8%**
Objects					
01 Salaries and Wages	$ 72,738,617	$ 77,712,541	$ 84,484,791	$ 6,772,250	8.7%
02 Technical and Special Fees	2,614,859	2,199,915	2,303,047	103,132	4.7%
03 Communication	1,007,312	956,501	997,969	41,468	4.3%
04 Travel	169,580	70,806	82,440	11,634	16.4%
06 Fuel and Utilities	30,345,414	27,856,114	25,888,345	-1,967,769	-7.1%
07 Motor Vehicles	2,066,976	1,535,976	2,313,709	777,733	50.6%
08 Contractual Services	41,259,188	28,957,287	30,205,102	1,247,815	4.3%
09 Supplies and Materials	1,638,407	1,480,314	1,372,971	-107,343	-7.3%
10 Equipment – Replacement	188,035	15,004	19,310	4,306	28.7%
11 Equipment – Additional	803,484	41,374	322,076	280,702	678.5%
12 Grants, Subsidies, and Contributions	794,875	879,450	903,723	24,273	2.8%
13 Fixed Charges	4,924,958	4,906,266	5,879,849	973,583	19.8%
14 Land and Structures	16,027,939	20,490,600	15,236,146	-5,254,454	-25.6%
Total Objects	**$ 174,579,644**	**$ 167,102,148**	**$ 170,009,478**	**$ 2,907,330**	**1.7%**
Funds					
01 General Fund	$ 99,666,439	$ 102,937,844	$ 114,715,183	$ 11,777,339	11.4%
03 Special Fund	11,530,647	10,581,133	9,887,531	-693,602	-6.6%
05 Federal Fund	2,252,978	1,598,678	1,622,143	23,465	1.5%
09 Reimbursable Fund	61,129,580	51,984,493	43,784,621	-8,199,872	-15.8%
Total Funds	**$ 174,579,644**	**$ 167,102,148**	**$ 170,009,478**	**$ 2,907,330**	**1.7%**

Note: The fiscal 2024 appropriation does not include deficiencies. The fiscal 2025 allowance does not include salary adjustments budgeted within the Department of Budget and Management.

Appendix 6
Fiscal Summary
Department of General Services

	Program/Unit	FY 23 Actual	FY 24 Wrk Approp	FY 25 Allowance	Change	FY 24 - FY 25 % Change
01	Executive Direction	$ 3,746,785	$ 3,321,108	$ 3,509,089	$ 187,981	5.7%
02	Administration	3,260,922	3,565,883	3,811,583	245,700	6.9%
03	Major Information Technology Development Projects	9,165,947	0	0	0	0%
01	Facilities Security	24,295,405	23,051,619	25,149,755	2,098,136	9.1%
01	Office of Facilities Management	61,053,999	57,450,930	57,397,636	-53,294	-0.1%
04	Saratoga State Center	407,660	0	0	0	0%
05	Reimbursable Lease Management	3,583,608	3,583,608	3,585,161	1,553	0%
07	Parking Facilities	1,656,391	1,657,160	1,653,851	-3,309	-0.2%
01	Office of State Procurement	13,210,438	12,674,635	14,895,375	2,220,740	17.5%
01	Office of Real Estate	5,414,434	4,584,270	4,918,140	333,870	7.3%
01	Office of Design, Construction, and Energy	42,074,902	49,847,048	45,328,654	-4,518,394	-9.1%
01	Business Enterprise Administration	6,709,153	7,365,887	9,760,234	2,394,347	32.5%
Total Expenditures		**$ 174,579,644**	**$ 167,102,148**	**$ 170,009,478**	**$ 2,907,330**	**1.7%**
General Fund		$ 99,666,439	$ 102,937,844	$ 114,715,183	$ 11,777,339	11.4%
Special Fund		11,530,647	10,581,133	9,887,531	-693,602	-6.6%
Federal Fund		2,252,978	1,598,678	1,622,143	23,465	1.5%
Total Appropriations		**$ 113,450,064**	**$ 115,117,655**	**$ 126,224,857**	**$ 11,107,202**	**9.6%**
Reimbursable Fund		$ 61,129,580	$ 51,984,493	$ 43,784,621	-$ 8,199,872	-15.8%
Total Funds		**$ 174,579,644**	**$ 167,102,148**	**$ 170,009,478**	**$ 2,907,330**	**1.7%**

Note: The fiscal 2024 appropriation does not include deficiencies. The fiscal 2025 allowance does not include salary adjustments budgeted within the Department of Budget and Management.