

Maryland

Department of General Services



FY 2021 Operating Budget Analysis DGS Response

**House Appropriations Committee
Public Safety and Administration Subcommittee – February 05, 2020**

**Senate Budget and Taxation Committee
Education, Business & Administration Subcommittee – February 07, 2020**

Larry Hogan, *Governor*
Boyd K. Rutherford, *Lt. Governor*
Ellington E. Churchill, Jr., *Secretary*

Department of General Services
Office of the Secretary
Fiscal Year 2021 - Operating Budget Analysis
DGS Response

Introduction

Good afternoon, Chair and Members of the Subcommittee. For the record, I am Ellington Churchill, Secretary of the Department of General Services. With me today I have Nelson Reichart, Deputy Secretary, Robert Gleason, Chief Procurement Officer, and Lauren Buckler, Assistant Secretary of Design, Construction & Energy. On behalf of the dedicated, hard-working employees at General Services, thank you for the opportunity to appear before you today regarding the Department's operating budget. I would like to thank Patrick Frank for his analysis of our FY 2021 Operating Budget Request.

General Services' FY 2021 total operating budget is currently proposed at nearly \$126.5 million. The economic impact being leveraged is great, administering over \$2.5 billion in goods, services, and transactions across the state.

It is the mission of General Services to be the accessible, accountable support agency delivering expertise, essential services and facilities operations and management to the State in order to enhance the quality of work/life environments for our stakeholders and the citizens of Maryland. General Services provides technical expertise, essential services such as state procurements, construction, and real estate purchasing. General Services also facilitates the operations and management of the State owned complexes. The department is often the first call for those agencies and citizens in need.

The department has delivered the following statewide results over the last year.

- Our Facilities Office continues to effectively operate our 6.3 million square feet of real estate, including office buildings, multi-service centers, garages, parking lots, and two central utility plants. The Department also launched a Computerized Maintenance Management System to help the agency handle work orders when tenants request building repairs.
- The Energy Office oversees the State Energy Database, an energy management tool that helps state agencies manage utility costs and energy usage, continues to be the largest, most robust resource of its kind in the country: 15,400 utility accounts and 14,800 utility meters tracked: 11,000 utility invoices processed per month.
- Our Design, Construction & Energy department manages a workload of 1018 projects, including 489 development/planning projects, 57 design projects, and 370 construction projects. 120 projects were also completed last year. Notable projects include; Lawyers

Mall construction, the completion of the Catonsville District Courthouse, Completion of the Easton Readiness Center, and laser cleaning of the State House Portico and Pediment.

- The Maryland Capitol Police continue to fortify, strengthen, and maximize the effectiveness of security throughout state buildings. Maryland Capitol Police is utilizing current technology including video management, access control, and security systems which has and continues to modernize security at both the Annapolis and Baltimore Complexes.
- The Real Estate Office administered 35 easement options valued at \$14.5M, preserving 3,609 acres of land under the Maryland Agricultural Land Preservation Foundation program.
- Our Administrative Office is responsible for the managing of the Federal Surplus Property Donation Program. The department secured and delivered over \$19M in federal surplus property to Marylanders in need.
- Finally, through state procurement reorganization the Office of State Procurement was created. The new office is working to reduce administrative complexity; increase transparency and functional accountability; increase transactional, operational & commercial efficiency; provide business accessibility; and, expand cooperation with other states to leverage economies of scale.

Taken in its totality, DGS is working diligently to maximize its stewardship of Maryland resources. We proudly provide these and other services, which make it possible for the state government to function efficiently and effectively in a safe and secure environment on behalf of the citizens of Maryland.

**Fiscal Year 2021 - Operating Budget Analysis
DGS Response**

Operating Budget Recommended Actions

	<u>Funds</u>
1. Increase fiscal 2021 turnover rate to fiscal 2020 level of 7%	\$530,000
2. Add language restricting funds pending a report addressing five repeat audit issues.	

Issues

#1 Operating Budget Recommended Actions

	<u>Funds</u>
1. Increase fiscal 2021 turnover rate to fiscal 2020 level of 7%.	\$ 530,000

DGS respectfully disagrees with increasing the turnover rate. DGS has historically been short staffed, this, combined with mergers resulting from Procurement Reform and the Maryland Department of Labor, has increased the DGS vacancy rate. In CY 2019, DGS filled 152 positions, which is equivalent to 24% of the DGS workforce. DGS currently has a vacancy rate of 10%, as of February 1, 2020. However, the vacancy rate would be 8.1% without the vacancies absorbed from other departments in FY 2020 (Department of Labor, Department of Information Technology, Department of Public Safety and Correctional Services and Department of Budget & Management). DGS was able to fill 12 positions in a single month, as a result of hiring an additional recruiter. DGS is continuing to exert significant effort to reduce its vacancy rate.

2. Add language restricting funds pending a report addressing five repeat audit issues.

DGS respectfully disagrees, but does recognize the significance of the repeat audit findings, and the need to address the underlying policies and processes in order to eliminate repeats in the future. DGS is in the process of restructuring State Procurement which will result in improved organizational structures, delegations, policies, processes, oversight, training and technology. These changes and improvements will be integral in allowing DGS to address the findings identified in the report.

As indicated in our audit response to the Office of Legislative Audits, DGS is continuing to implement all changes required under procurement modernization. DGS continues to work with the Department of Budget and Management Audit Compliance Unit (ACU) to create a plan to address the audit findings. DGS will meet regularly with ACU to monitor our progress in implementing our plan and will perform periodic tests to verify that the corrective actions have resolved or continue to resolve the audit findings.

#2 The Department of Legislative Services (DLS) recommends that MFR indicators measure fiscal 2018 baseline energy consumption and compare consumption in subsequent years to fiscal 2018.

DGS concurs with this recommendation.

#3 DGS should be prepared to brief the committees on its plans to reduce the cost of emergency maintenance projects in non-DGS facilities.

DGS has been leading a workgroup of other cabinet level agencies that are responsible for maintaining State-owned facilities. This cabinet workgroup is developing best practices in order to reduce maintenance issues, thus leading to fewer emergencies. The cabinet workgroup has evaluated data, personnel, and budget issues and is recommending solutions to executive agency challenges. In addition, the new Statewide Conditions Assessment group is beginning to assess facilities and will be able to identify issues prior to emergencies developing, as discussed below in #5.

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

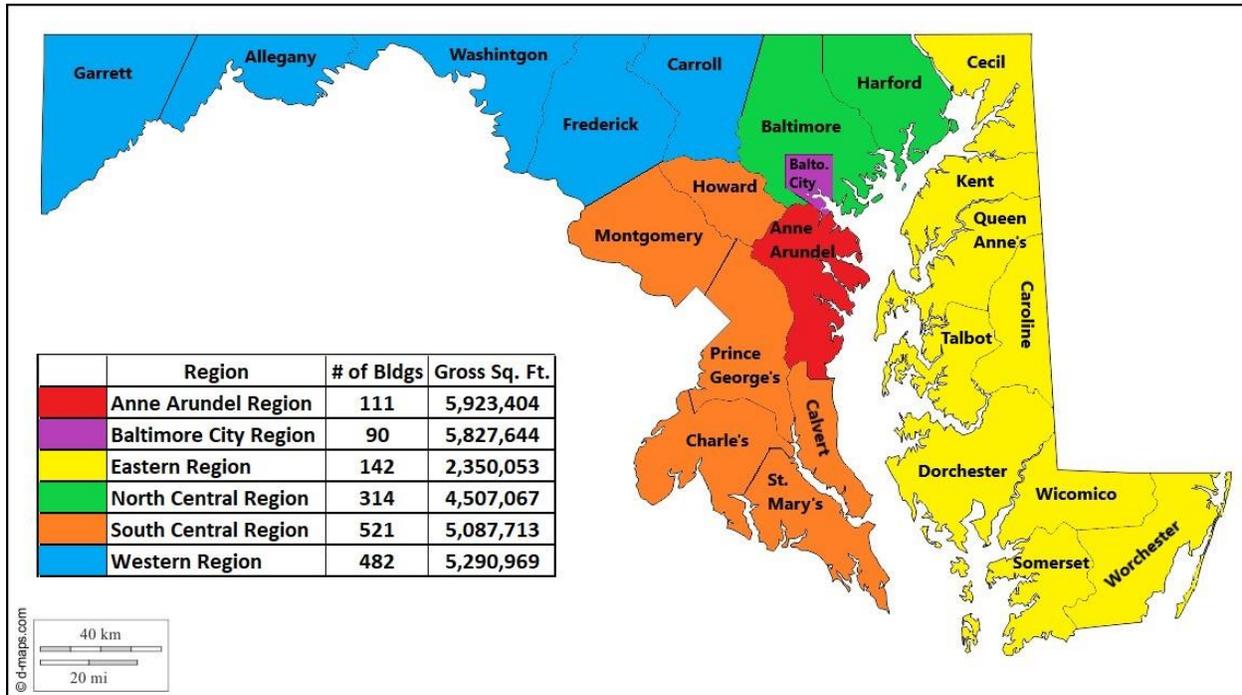
The Capital Grants Program offers training workshops on a monthly basis to capital grant recipients and legislators. The purpose is to educate capital grant recipients and legislators on the post-authorization grant process through completion of a project. The department has hired one full time and one part-time compliance specialist, and is recruiting for one additional capital grants project manager.

Applications for more than 50% of the 310 capital grants awarded in the 2019 session have been entered into the department's new online grant management system (SurveyMonkey). Beginning in March 2020 all grant recipients will have access to this system in order to submit contracts for review and approval. Grantees will submit all documents through this system, which will further streamline the process.

#5 DGS should be prepared to brief the committees on its facilities maintenance programs and the status of the assessment report.

The DGS Statewide Conditions Assessment group was fully staffed in December 2019. The team has developed a standardized assessment template in order to capture and generate usable reports on the condition of the State facilities. The first campuses to be assessed will be the Department of Juvenile Services' Hickey School which will start in February and the Department of Public Safety and Correctional Services' Patuxent Institution which will commence in April. These first two assessments will be used to develop a more realistic timeline to get through the entire building portfolio.

Facilities to be assessed have been grouped and divided by geographic region. The diagram below provides a summary of State facilities to be assessed by region as of January 27, 2020. The diagram is updated as additional information is available. DGS anticipates the backlog of maintenance projects to grow as the conditions assessments group begins to identify additional projects.



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

The plan to implement House Bill 1021(CH590) 2017 was submitted on October 1, 2018, and outlines the elements to implement reorganization and transform executive branch procurement operations under a chief procurement officer.

The Office of State Procurement (OSP) became effective October 1, 2019. OSP has made significant progress including:

- the Administrative Workplan;
- recommendations from the Governor’s Procurement Commission have been implemented;
- procurement delegation for the executive branch was communicated;
- the Maryland Procurement Manual was developed and put online;
- a new State procurement career group was established;
- procurement officers from DBM and DoIT were transferred to DGS;
- a chief learning officer has been hired and the Maryland Procurement Academy is being established;

- a Maryland-specific procurement officer certification program and curriculum is under development;
- the Procurement Improvement Council held its initial meeting chaired by a newly appointed chief procurement officer; and
- a new eProcurement program, eMaryland Marketplace Advantage (eMMA), contract was approved in March 2019 by the BPW with an initial release in July 2019; three additional releases providing significant improved functionality are planned in the coming years.

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

As of, January 8, 2020, the Board of Public Works approved a 10 year lease at 200 St. Paul Plaza for the Maryland Insurance Administration. The most recent merits hearing was held February 3, 2020 before MSBCA. This appeal is currently still in litigation, therefore DGS is working closely with the OAG's office on next steps.

END OF AGENCY RESPONSE