

Maryland

Department of General Services



FY 2022 Operating Budget Analysis DGS Response

**Senate Budget and Taxation Committee
Education, Business & Administration Subcommittee – March 5, 2021**

**House Appropriations Committee
Public Safety and Administration Subcommittee – March 5, 2021**

via Zoom

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

Department of General Services
Office of the Secretary
Fiscal Year 2022 - 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, Mike Haifley, Deputy 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 again thank Patrick Frank for his analysis of our FY 2022 Operating Budget Request.

General Services' FY 2022 total operating budget is currently proposed at nearly \$118 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 Management Office continues to effectively operate 55 buildings totaling more than 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 manages a Computerized Maintenance Management System (CMMS) which assisted with over 28,000 work orders, 6,400 work requests from building tenants, and 2,951 calls.
- 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 with 15,400 utility accounts, 14,800 utility meters tracked, and 11,000 utility invoices processed per month.
- Our Design, Construction & Energy department awarded \$74M in new projects during fiscal 2021 and completed \$128 million of ongoing capital projects. Notable projects include the completion of Lawyers Mall construction, the completion of the Catonsville

District Courthouse, completion of the Towson District Court building renovations, and completion of the Annapolis Post Office.

- The Maryland Capitol Police (MCP) continues to fortify, strengthen, and maximize the effectiveness of the force security throughout state buildings. MCP utilizes current technology, video management, access control, and security systems, which enable us to modernize security at both the Annapolis and Baltimore Complexes.
- The Real Estate Office presented 34 commercial leases to the Board of Public Works representing more than 325,00 square feet and lease term costs avoidances saving more than \$2.9 million and 119 agriculture easements valued at \$59.6 million.
- Our Business Enterprise Administration Department (BEA) is responsible for managing the Federal Surplus Property Donation Program. The department secured and delivered over \$19 million in federal surplus property to Marylanders in need. In 2020, the BEA Capital Grants unit managed a portfolio of 620 active capital grant projects valued at over \$1.1 billion in funding from the Maryland capital budget, including a \$6.85 capital grant for the redevelopment of the historic Lexington Market in Baltimore.
- The Office of State Procurement continues 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.
- Finally, each division of General Services has contributed to our COVID-19 response.
 - Our Facilities Management team has been providing specialized cleaning plans and products for state buildings.
 - The Construction division erected over 60 surge response hospitals across the state and constructed the Baltimore Convention Center Field Hospital in 10 days.
 - The Office of State Procurement procured over \$683 million of personal protective equipment from over 150 different contracts.
 - The Administrative Office assisted in the acquiring of over \$1 million worth of food, bottled water, baby formula, computers, and medical supplies for families in need.
 - The Maryland Capitol Police continue to screen individuals entering state buildings with a series of questions and, in some instances, temperature checks. Since last year Officers have screened over 200,000 people.
 - Real Estate assisted and managed the negotiations of license agreements for additional space needed for testing centers and field hospitals.

Taken in its totality, DGS continues to work 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.

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Operating Budget Recommended Actions

1. Adopt committee narrative about remote work and State agencies.

DGS concurs with adoption of committee narrative about remote work and State agencies.

Operating Budget Analysis

2. Energy Consumption, The Department of Legislative Services recommends that MFR indicators measure fiscal 2018 baseline energy consumption and compare consumption in subsequent years to fiscal 2018.

The DGS Office of Energy and Sustainability concurs with this recommendation and will include data in the MFR comparing the State energy consumption baseline of fiscal 2018 to the current year.

Issues

1. State Procurement Response to the COVID-19 Pandemic.

DGS should be prepared to brief the committees on:

- **why so many emergency procurement were report to BPW long after the required 45-day reporting period;**

The primary reason for responses beyond the 45-day reporting period was because *historically DGS has never been required to bring* commodities procurements to the BPW and *logically extended* this to emergency purchases for commodities. However, as the emergency resulting from the COVID pandemic was unprecedented, DGS worked closely with the BPW staff and BPW liaisons to determine the proper reporting for the significant volume of emergency purchases in relation to the State's response. The sheer volume of paperwork also contributed to the delay of several reports. In addition to taking the lead in acquiring the critical needs of the State for this ongoing emergency, DGS maintained its day-to-day operations. The procurement of PPE was given priority over reporting as DGS needed to allocate its limited resources to the actual procurement of critical equipment and services.

- **the number and size of canceled or withdrawn awards; and**

In the beginning of the pandemic, the competitiveness of the market for PPE was such that purchasing contracts had to be executed in minutes or risk losing the opportunity to purchase critical, live-saving items. Everyone, including the State and the vendors, were moving so quickly that some contract modifications and cancellations were inevitable. As products began to flow into our warehouses, the need for some critical items lessened and contracts or portions of contracts were cancelled.

- **actions that can be taken to expedite BPW reporting.**
 - Provide BPW the flexibility to expand the reporting deadline in accordance with the severity and length of an emergency.
 - Expand the small procurement threshold so more purchases are made under that delegation.

DGS should be prepared to brief the budget committees on the observations and recommendations in OPEGA’s evaluation of emergency procurement.

DGS agrees with many of the OPEGA recommendations and provides here a brief summary of our observations and recommendations. Our full and detailed response is contained in the OPEGA’s published report.

Observations

- Incomplete information is provided in the report. For example, the average value of reported emergencies in the OPEGA report is approximately .00625% or \$50 million annually compared to the average Statewide addressable spend of \$8 billion.
- A second fact not contained in the report is the number and value of procurements made using another method of procurement that would otherwise be emergency procurements. Emergency procurements are many times avoided because an existing contract is already in place or a small procurement is made in an emergency circumstance that does not get reported as an emergency procurement, even though it is procured to mitigate an emergency

Recommendations

- Recommendation A-2 requires posting an award notice for an emergency procurement on eMMA as soon as practicable and within 30 calendar days, however, also requires DGS to report to the BPW within 15 calendar days. This timetable is not reasonable nor realistic and does not add any transparency to the process. The focus is and should be on mitigating the emergency first. DGS can support the emergency reporting requirements and we can also support with a change in the time to report to the BPW from 15 to 45 days.
- Recommendation B-1 requires the CPO, or his designee, to provide final approval for an emergency procurement from an agency head who is responsible for their agency. This requirement builds in unnecessary cycle time to execute a contract where minutes could very well make a difference. We do not support requiring the prior approval of the CPO for any use of the emergency procurement method.
- The proposed legislation in Appendix B of the report provides a definition of an emergency which we can support along with the ability for all agencies to use the Expedited Procurement method.

Overall, the BPW has accepted 549 reports of emergencies and have only remanded five. Of those five, four were subsequently accepted upon resubmission, and one resulted in the cancellation of the emergency contract and was re-solicited as a regular procurement. The net result being that out of 549 emergency contracts during this period, only one was not accepted by the BPW.

For a complete review of the DGS response to the OPEGA report, please refer to the published report.

2. Adopt the following narrative:

Report on Remote Work at Maryland State Agencies due on December 15, 2021.

DGS concurs with this recommendation.

END OF AGENCY RESPONSE