Department of General Services

FY 2025 Operating Budget

Response to Department of Legislative Services Analysis

House Appropriations Committee
House Public Safety and Administration Subcommittee
Delegate Jazz Lewis, Chair
February 15, 2024

Senate Budget and Taxation Committee
Senate Education and Business Administration Subcommittee
Senator Nancy J. King, Chair
February 16, 2024

Wes Moore, Governor
Aruna Miller, Lieutenant. Governor
Atif Chaudhry, DGS Secretary

Department of General Services
Office of the Secretary
Fiscal Year 2025 Operating Budget Analysis & Response

FISCAL YEAR 2025 OPERATING BUDGET TESTIMONY

Introduction

Chair and Members of the Committee, thank you for the opportunity to appear before you and present the FY 2025 Operating Budget Request for the Maryland Department of General Services (DGS).

We would also like to thank Samantha Tapia at the Department of Legislative Services (DLS) for her analysis of our FY 2025 Operating Budget Request. We appreciate Samantha's hard work and understanding of our complex agency. DGS is known for its expertise in real estate, construction, procurement, and the management and securing of state facilities, throughout the State.

In addition, DGS purchases all the electricity used in state operations, including renewable energy that provided over 12% of our electric usage in FY 2023. DGS manages the State Energy Database, the largest and most robust of any state, which helps all state agencies manage their utility costs, Greenhouse Gas (GHG) emissions, and energy usage.

An excellent example of our work can currently be seen with Phase II of the State House Exterior and Grounds Renovation, a comprehensive renovation to this historic structure whose construction began in 1772. Phase II involves restoration of the windows, masonry, cornice, and roof as well as improvements to accessibility of the State House grounds. Work also includes restoration of sidewalks and retaining walls around the site and restoration of the Old Treasury Building. The project is currently on schedule to be completed by the end of this calendar year. This project continues to highlight the expertise and cooperation of four DGS offices: Design, Construction and Energy; Facilities Management; State Procurement; and the Maryland Capitol Police.

Further, I would like to take a moment to highlight DGS's efforts over the past year:

- The DGS Office of Energy and Sustainability (OES) continues to support the state's goal to reduce energy use, cost and the environmental impact of state facilities. Since FY 2020, OES has been installing "smart" LED lighting fixtures and controls in state facilities. By the end of FY 2023, the number of fixtures either installed or encumbered was 41,864. Agencies receiving LED upgrades include DGS, Department of Health (MDH), Maryland School for the Deaf (MSD), Maryland Military Department (MIL) and Maryland State Police (MSP). Annual savings are 7,927 megawatt hours of electricity, abating 2,933 tons of CO_2, with energy cost savings of $1.2M. An additional 2 million square feet of state-owned buildings have undergone energy audits. OEC collects daily meter data to identify energy overuse, track energy projects, right-size equipment replacements, and prepare for the eventual decarbonization of the campus. OES is also responsible for the installation of charging equipment for all electric vehicles as the state transforms its fleet, installing 130 charging ports to date, with 102 more in construction.

- DGS is focused on aligning all supported construction projects with the State's goal of net-zero greenhouse gas emissions by 2045, in accordance with the Climate Solutions Now Act of 2022 (CSNA-22) and Governor Moore's Executive Order, 01.01.2023.07. DGS will accomplish this by ensuring that regulations and mandates associated with CSNA-22 and 01.01.2023.07 are incorporated at the beginning of a project. This effort has been successful as evidenced by the design for the new Baltimore City District Court building and the new Supreme Court of Maryland Building that incorporated electrification of both buildings.

- Due to the concerted efforts of our Human Resources department, DGS was able to, over the past 12-month period, reduce the vacancy rate from 12.3% to 6.5%. The increased focus on streamlining the hiring process, and prioritization of hard-to-fill positions were contributing factors.

- As the agency of record in the State of Maryland for the Federal Surplus Personal Property Donation Program, in CY 2023 DGS was able to facilitate the donation of $24 million of federal surplus property to non-federal organizations such as local jurisdictions (state, city, county, towns and villages) and non-profit organizations.

- The Office of Real Estate (ORE) has successfully negotiated new commercial leases in Baltimore City's downtown area, for the relocation of

11 agencies from State Center. The Comptroller's Office (Tax Services Division) moved in January 2024, with others scheduled to relocate over the next 2 years, as we finalize the construction of the new office spaces.

DGS works proudly every day to maximize its stewardship of Maryland resources and to allow state government to function efficiently and in a safe and secure environment.

Operating Budget Recommended Actions FY 2025

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.**

   DGS concurs with this recommendation.

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

   DGS concurs with this recommendation.

Discussion Points

The department has been asked to be prepared to brief the committee on the following topics. Being respectful of the committee's time, we will do so at the discretion of the Chair:

1. **Procurement - 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.**

The Office of State Procurement (OSP) has worked to be more strategic and provide better value for the portfolio of statewide contracts. As statewide contracts were reviewed for renewals, it was noted that several had zero usage or spend over the course of the previous year. If a multi-year audit revealed that the spend didn't warrant a statewide contract, those contracts were allowed to expire. A determination was made that maintaining statewide contracts with zero spend was not in the best interest or beneficial to the State, to OSP and to the contractors who had to manage these contracts. The exceptions were for contracts that were designed to be utilized infrequently, such as contracts for road salt, where annual usage depended on outside factors like weather. Also, OSP looked at multi-award contracts where one contractor had the bulk of the spend, and other contractors had little or no spend. In cases where supply chain redundancy wouldn't be threatened, OSP consolidated these contracts to aggregate spend to achieve better value for the State.

Another factor in the reduction of the number of statewide contracts was the result of identifying statewide contracts that needed to be narrower in scope to address the specific needs of individual agencies or were too specific to one agency to be useful as a statewide contract. In cases such as these, if OSP was unable to modify the contract to address the specific needs of an agency or broaden the scope to be more widely used statewide, OSP allowed the contract to end. This has led to an increase in agency-specific procurements but has allowed the state to better meet the requirements of the individual agency as opposed to only offering a statewide contract that didn't fully meet their needs. This has allowed OSP to better provide agency customers with the best contracts to serve their needs.

In order to increase participation by small, minority, woman-owned, and veteran-owned businesses, OSP has also been evaluating current and potential future statewide contracts to determine which contracts can be segmented into smaller contracts. For instance, certain statewide contracts can be segmented into smaller regional contracts that will solicit increased participation from the aforementioned vendor types. In addition, some of these contracts may be specifically reserved for small businesses.

OSP has recognized that many small and minority businesses do not have the capabilities to compete with larger firms for statewide contracts, and utilizing this approach may increase their participation in these contracts.

2. **MBE Participation - DGS should discuss its outreach activities and any additional actions that it has planned to reach the target of 29%.**

DGS works internally to participate in targeted outreach events that will achieve the greatest return on investment. DGS is working to ensure that our efforts offer the greatest subcontracting opportunities in areas where the department has struggled with Minority Business Enterprises (MBE) participation. DGS partners with the Governor's Office of Small, Minority, & Women Business Affairs (GOSBA) to increase outreach for MBE, Veteran-Owned Small Business Enterprise (VSBE), and Small Business Reserve (SBR).

DGS is collaborating with the National Association for the Advancement of Colored People (NAACP) of Maryland, Chambers of Commerce, Historically Black Colleges and Universities (HBCUs), and community partners to expand outreach efforts to underserved areas to increase MBE compliance. DGS utilizes the Board of Public Works (BPW) Advisory 2001-1 that establishes the Procurement Review Group (PRG) for SBR designation, MBE and VSBE participation goal determinations, and PRG guidelines and worksheets.

The OSP PRG is initiating other activities to establish meaningful participation goal setting, including:

(1) requiring more in-depth market research prior to contract solicitation to improve MBE participation in contracts

(2) piloting a Request for Information (RFI) process encouraging vendor feedback regarding MBE participation,

(3) collaborating with GOSBA and MBE liaisons in agencies to ensure there is a more structured and documented approach for MBE participation goal setting, and

(4) providing training for procurement officers and MBE/VSBE liaisons on how to complete the PRG worksheets.

There are other cross-agency collaborative activities outside of DGS that aim to increase MBE participation and compliance. The administration intends to review technological options to automate the MBE goal setting process to reduce human error and workload. DGS and stakeholders will identify what staffing and resources might be needed to ensure accuracy and agency compliance with MBE Goal Setting.

3. **Statewide Energy Database Pilot Program - 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.**

DGS' Office of Energy and Sustainability (OES) is responsible for an increasing number of annual reports for energy consumption and Greenhouse Gas (GHG) emissions due to several climate change and sustainability bills, Governor Moore's Lead by Example Executive Order issued in 2023[1], and the State's participation in the U.S. Department of Energy's Better Climate Challenge. For OES' reporting to have value, data must be complete, up to date, and accurate. In light of this, OES began a Utility Bill Centralization (UBC) pilot in FY 2023 in an effort to collect more complete, up to date, and accurate state agency energy usage data.

The UBC pilot was implemented within DGS, and changes the manner in which the agency's utility invoices are submitted to the vendor that manages the State Energy Database. Prior to the pilot, all invoices were sent to the DGS Fiscal's Accounts Payable (AP) office, which then copied the invoices and forwarded them to the vendor to be uploaded to the database. All other state agencies and the University System of Maryland (USM) campuses still utilize this process. Since there are over 100 AP offices located in agencies throughout the state, data compliance has been a challenge. The pilot program changes the way invoices are submitted for payment by changing the bill payment address from an agency AP office to the address (virtual and physical) of the database vendor. When invoices are received, the database vendor uploads the invoice to a platform that is accessible by DGS' AP office. The database contractor auto-notifies DGS' AP office when new invoices are received so they can be downloaded for payment.

The pilot has resulted in nearly 100% data compliance at DGS. The next step is to coordinate the implementation of the pilot to other agencies, one agency at a time, over a period of up to two years.

[1] 05/17/2023, Leading by Example in State Government, 01.01.2023.07

Costs of the pilot are: a $85,190 one-time fee and a $5,499 monthly charge. OES will soon be issuing request for proposals (RFP) for a new State Energy Database contract, and language is included in the RFP that asks for respondents to provide pricing for UBC services.

DGS' AP office can still access the utility contractor websites in real time to pull invoices, and not have to wait for them to be posted on the database contractor site. The team also feels that it is easier to pull all of the invoices from one vendor's website for a given month, rather than go to the State Energy Database website to see what has been posted from each vendor. The contractor is diligent about posting invoices as they receive them, but we can still get them faster from the individual websites.

4. **Light-emitting Diode Lighting (LED) - 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.**

The DGS Office of Energy and Sustainability (OES) began the statewide LED lighting project in FY 2020 by using a Maryland Energy Administration (MEA) Lawton Loan to pay for the installation of 6,512 high-efficiency fixtures in the Tawes and Treasury buildings. That same year, OES used available funds from an Energy Performance Contract (EPC) project to install 2,642 LED fixtures in three additional buildings on the Annapolis Capitol Complex. Following the successful completion of those projects, between FY 2022 and FY 2024, the Department of Budget and Management (DBM) allocated $3 million each year for additional lighting projects. In FY 2022 and FY 2023, OES received two MEA Lawton Loans totaling $1,820,000 for lighting projects in three additional buildings.

The total dollar value of all LED projects since FY 2020 is $12,028,567. Annual energy cost savings are $1,263,494. Energy rebates of $2,753,759 have also been claimed. The simple payback period (cost minus rebates) is estimated to be approximately 7.3 years. Actual energy usage savings are 7,927 MWH/year. There are approximately 2,933 tons of Greenhouse gas (GHG) emissions averted each year. All savings are calculated by subtracting the difference between the energy use of the old fixtures and the new fixtures using an assumed burn-time (hours/year) baseline depending on the individual project location. Financial savings calculations include maintenance savings.

The number of fixtures either installed or encumbered to date is 41,864 (not including FY 2024 projects) in 2,865,994 square feet of buildings. Agencies receiving LED upgrades include DGS, Maryland Department of Health (MDH), Maryland School for the Deaf (MSD), Maryland Military Department (MIL), and Maryland State Police (MSP).

Most installations are retrofit kits that include energy-saving controls, including daylight harvesting, motion control, and dimming.

In addition to the Strategic Energy Investment Fund (SEIF) and Lawton funded LED projects, and not mentioned above, OES coordinated projects through a utility emPOWER program for MSP that has installed $844,214 worth of LED light fixtures in state police barracks. Through this “direct install” program, the utilities paid $602,827 of the cost, while allowing MSP to pay the balance on their utility bills for up to two years. Annual savings from these projects total $136,007. OES project managers worked closely with staff from MSP to introduce them to the direct install program and then coordinated with utility contractors and MSP staff on the installations.

5. **CMM System - DGS should explain the actions that it is taking to improve the recording of work orders.**

The DGS Office of Facilities Management (OFM) has focused on training employees in the use of the eMaint Computerized Maintenance Management System (CMMS). As of February 9, 2024, a total of 91.5% of DGS Facilities Management staff have been trained to use the eMaint system. OFM has experienced a great deal of turnover, which has resulted in new staff being hired and needing to be trained in the use of the eMaint system. OFM leadership meets monthly to assess staff use of eMaint and how it can be better utilized.

OFM is committed to fully utilizing the capabilities of the eMaint system, which includes the use of the system as a time management and productivity tool.

6. **CMM System - 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.**

CMMS sensors are designed to provide around the clock monitoring of equipment and their condition. Sensors detect heat and vibration anomalies. These anomalies can serve as predictive indicators for the overall condition of equipment. The eMaint software sends alerts to CMMS staff once a sensor measures readings that exceed predetermined thresholds. Staff can then diagnose and determine possible causes using more sophisticated handheld diagnostic tools.

To date, DGS has used handheld diagnostic tools to measure the operation of essential equipment in 42 of its 52 buildings. These readings form the baseline for subsequent measurements. CMMS staff can then see the difference between the readings over time and help prioritize the assets that require maintenance, repairs and replacement.

7. **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.**

DGS concurs with this recommendation and will continue to provide updates as requested.

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

DGS, in partnership with Towson University, officially launched the Leadership Development Program in November 2023. The executive leadership team (Tier III) completed the workshops first, to set an example. This will allow the executive leadership team to begin utilizing the training techniques, and promote the training within the remainder of the agency. The executive leadership team completed their workshops in January 2024. DGS moved to the next phase of the program in February 2024 providing workshops for mid-level management (Tier II - manager to leader) and new supervisors (Tier I - emergent leaders). Tier I will also be available to employees who have demonstrated or expressed interest in a leadership position. DGS anticipates completing the program by October 2024. DGS is also working with Towson University to develop a plan that will be available for all DGS employees. This plan will consist of learning objectives identified in the employee surveys (i.e., project management, technology skills, business writing, etc.).

DGS considers data that is currently available or can be collected to identify key metrics and measure success over time. DGS used employee survey data to determine strategies that impact employee retention. Issues identified were the lack of employee development opportunities and relationships between leadership and employees.

DGS identified key metrics that will show an increase in the performance of employees, employees who report applying new skills to their current roles, and the ratio of employees who voluntarily separate from the agency who have or have not participated in the employee development program. This data will be collected via periodic workforce surveys, employee performance evaluations, and exit interviews.

End of DGS FY 2025 Operating Budget Response