



**Fiscal Year 2026 Capital Budget
Response to Department of Legislative Services Analysis**

Senate Budget and Taxation Committee
Capital Budget Subcommittee
Senator Craig Zucker, Chair
March 4, 2025

House Appropriations Committee
Capital Budget Subcommittee
Delegate Mark Chang, Chair
March 3, 2025

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

Introduction

Chair and Members of the Committee,

Thank you for the opportunity to appear before you today to present the Fiscal Year 2026 Capital Budget Request for the Maryland Department of General Services (DGS). We appreciate your time and commitment to ensuring the efficiency and effectiveness of state government operations.

I would like to extend our gratitude to David Probert at the Department of Legislative Services (DLS) for his thorough analysis of our budget request. We value the hard work and dedication of David and his team in reviewing the complex operations of our agency. DGS serves as the backbone of state government through its expertise in real estate, construction, procurement, and the management and security of state facilities across Maryland.

DGS is committed to advancing the Moore-Miller Administration's vision of modernizing state government to better serve Marylanders and ensuring that we "leave no one behind." A key component of this effort is our Office of Real Estate's ongoing initiative to relocate state agencies from outdated and poorly maintained buildings into modern, commercially leased spaces. This initiative not only provides employees with improved work environments but also saves the state hundreds of millions of dollars in deferred maintenance and renovation costs.

Beyond real estate, the modernization of government operations extends to procurement reform. The Governor has taken decisive action to enhance the state's procurement system through an Executive Order, and legislation has been introduced to further improve efficiency, effectiveness, and equity in state contracting. These reforms will streamline processes, create greater opportunities for small and minority-owned businesses, and drive greater transparency into how taxpayer dollars are spent.

Another key effort in modernizing state government is our investment in technology-driven solutions. This fiscal year, DGS created a position of Chief Information Officer to oversee information technology efforts across the agency. We have successfully implemented a full-scale modernization of our grant management system, streamlining the administration of grants to ensure efficiency, transparency, and accessibility for organizations serving Marylanders.

Throughout the past year, DGS has remained steadfast in its mission to support state agency partners and advance their initiatives. Our offices—including Facilities Management, State Procurement, Design, Construction & Energy, Real Estate, External Affairs, Business Enterprise Administration, and the Maryland Capitol Police—continue to deliver vital services that impact every corner of the state.

We are proud of our key accomplishments over the past year, including:

- Design, Construction & Energy (DCE) oversaw more than \$2 billion in active construction projects;
- Business Enterprise Administration (BEA) dispensed more than 20 million gallons of fuel to keep state operations running;
- Business Enterprise Administration (BEA) managed the disposition of over 175,000 excess and surplus property items valued at \$93 million;
- Maryland Capitol Police (MCP) responded to 92,070 calls for service, demonstrating their critical role in maintaining security across state facilities;
- Office of Real Estate (ORE) completed 63 lease transactions valued at over \$18 million, reinforcing our commitment to optimizing the state's property portfolio and fostering a community-focused approach to state-owned asset; and
- Office of State Procurement (OSP) supported minority-, women-, and veteran-owned businesses, with over \$144.8 million in awards, including \$71.6 million to women-owned businesses and \$13.7 million to veteran-owned businesses.
- DCE's Office of Energy & Sustainability team installed 295 new electric vehicle charging ports, with 124 more in progress, playing a pivotal role in advancing Maryland's environmental and climate goals.
 - Our energy efficiency initiatives have resulted in the installation of 33,000 high-efficiency lighting fixtures in state buildings, reducing electricity consumption by 6,700 MWh annually and cutting 4,400 metric tons of CO2 emissions.

At DGS, we take pride in our role as stewards of Maryland's resources, ensuring that the government functions efficiently in a secure and well-maintained environment. We look forward to working with you to continue advancing these efforts and appreciate your support of our FY2026 Operating Budget Request.

Thank you, and I am happy to answer any questions you may have.

Key Observation Recommendations:

- 1. The Department of Legislative Services (DLS) recommends that this be corrected in a supplemental budget by removing those funds from H00H01.01 and placing them in the appropriate capital program under budget code H00H01.03.**

DGS Response:

DGS will coordinate with DBM on this recommendation.

PAYGO Recommended Actions

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

, provided that \$2.0 million of this appropriation for the purpose of funding the Maryland Economic Development Corporation (MEDCO) for the purpose of establishing a cannabis incubator space at the Catonsville Armory building may not be expended for that purpose but instead may be transferred by budget amendment to the Maryland Cannabis Administration program D23A0101 to be used only for a grant to MEDCO for the purpose of establishing a cannabis incubator space at the Catonsville Armory building. Funds not expended for this restricted purpose may not be transferred by budget amendment or otherwise to any other purpose and shall be canceled.

Explanation: Transferring these funds to the Maryland Cannabis Administration will enable MEDCO to begin its work transforming the Catonsville Armory building into a cannabis incubator more quickly.

DGS Response:

DGS concurs with this recommendation.

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

, provided that \$5.0 million of this appropriation for the purpose of funding the Maryland Economic Development Corporation (MEDCO) for the purpose of establishing a cannabis incubator space at the Catonsville Armory building may not be expended for that purpose but instead may be transferred by budget amendment to the Maryland Cannabis Administration program D23A0101 to be used only for a grant to MEDCO for the purpose of establishing a cannabis incubator space at the Catonsville Armory building. Funds not expended for this restricted purpose may not be transferred by budget amendment or otherwise to any other purpose and shall be canceled.

Explanation: Transferring these funds to the Maryland Cannabis Administration will enable MEDCO to begin its work transforming the Catonsville Armory building into a cannabis incubator more quickly.

DGS Response:

DGS concurs with this recommendation.

GO Bond Recommended Actions

1. **Approve all general obligation bond authorizations, preauthorizations, and amendments to prior authorizations for the Department of General Services.**

DGS Response:

DGS concurs with this recommendation.

Discussion Points

1. **The department should brief the committees on the steps that it has already taken and those under consideration to improve the management and administration of the facility renewal program. Of particular concern is the lack of an asset management system that likely contributed to the emergency HVAC procurement at Perkins. This emergency procurement will require at least \$24 million of general funds in the operating budget to procure a temporary system while a new system is under construction.**

DGS Response:

In accordance with SF&P § 4-407(b)(2), the Maryland Department of General Services (DGS) has recently updated its Preventive Maintenance Order (PMO) policy to reinforce the requirement for state agencies to establish, fund, and staff a comprehensive preventive maintenance program. As required by statute, the updated PMO policy was submitted to the Board of Public Works (BPW) and the Department of Budget Management (DBM) on December 30, 2024.

Key updates to the policy include:

- *Enhanced Collaboration:* Prior to assigning projects for the upcoming fiscal year, the Building Assessment Unit (BAU) will work in coordination with each agency to evaluate whether the projects identified align with the agency's mission and operational goals. If a selected project does not meet current priorities, agencies will have the opportunity to substitute another project of the same ranking category and value that better aligns with their immediate needs.
- *New Facilities Assessment Platform:* To provide additional support for state agencies, DGS is implementing a new facilities assessment platform to systematically capture and track identified deficiencies. Agencies will have direct access to their data, ensuring greater transparency and efficiency in project planning. This new system will provide the capability for advanced cost projections and facility planning capabilities.
- *Streamlined Project Selection Process:* Beginning in future fiscal years, the BAU will collaborate annually with agencies to determine project needs based on current approved budgets. Over time, the concept is to use this methodology to replace the annual Project Justification (PJ) submissions, thereby allowing agencies to select projects identified through BAU assessments that best reflect

their evolving needs and mission objectives.

Additionally, DGS is taking steps to implement a Statewide Master Planning effort for the agencies that DGS supports, here is the mission statement for this effort:

- *Statewide Master Planning:* The Maryland Department of General Services is committed to developing a forward-thinking, data-driven Facilities Master Plan that optimizes the efficiency, sustainability, and long-term viability of state-owned properties supported by DGS. This plan will include a comprehensive review of all current commercial leased space and incorporate data obtained through the Building Assessment Unit (BAU) for state-owned facilities to ensure informed decision-making for the agencies served by DGS. Through detailed facility assessments, strategic space utilization, and capital planning, we aim to enhance operational effectiveness while supporting Maryland's climate action goals and high-performance building standards. Our plan will serve as a roadmap for responsible stewardship of state resources, integrating innovative solutions to create resilient, energy-efficient, and accessible facilities that meet the evolving needs of state agencies and the communities they serve.

We believe that these enhancements will improve the agility and effectiveness of the Facility Renewal & Critical Maintenance Programs, ensuring that state resources are directed toward projects that best support the long-term sustainability and operational readiness of Maryland's facilities.

2. **DGS should comment on when this funding will be encumbered and when the \$1.5 million in the allowance will be encumbered.**

DGS Response:

DGS expects to encumber between \$1.7 - \$2 million by the end of FY 2025. DGS is moving forward with beginning the next priority tank on MSP's list, Belair Barrack, and expects to have this project encumbered during FY 2026. Given that underground tank removal involves unknowns such as a potential for contaminated soil needing to be removed, DGS anticipates an additional 10% to 20% is necessary as a contingency for each project.

Please see the additional information below concerning existing tank projects and program improvements that will greatly improve the throughput of projects supported by this critically important program.

McHenry MSP Barrack – At the McHenry Barrack, the old tank has been removed, but the new tank and fueling station have yet to be installed. The project was initially bid in the first quarter of FY 2025, however, the solicitation faced several issues. Only one bid was received, and the price was excessively high. A post-procurement analysis suggested that the project's location and the limited number of contractors willing to work in Western Maryland may have contributed to the lack of vendor response and high bid price. To move forward, DGS will use the Job Order Contracting program to secure a contractor. If the procurement is successful, funding is expected to be encumbered by the end of FY 2025. The estimated cost is approximately \$800,000.

Northeast MSP Barrack – At the Northeast Barrack, the initial bid effort in the fourth quarter of FY 2024 was unsuccessful, leading to a rebid in the second quarter of FY 2025. The bid due date has been extended multiple times due to contractor inquiries, which required several addendums to the solicitation. The current bid due date is March 4, 2025. If the solicitation is successful, funding should be encumbered by the end of FY 2025. The estimated cost for this project is approximately \$900,000.

Program Improvements – In order to streamline the process of removing underground storage tanks and replacing them with above-ground storage tanks, DGS is developing a new program approach. This includes creating a master specification to serve as the design basis for future projects. This approach will be implemented in the upcoming Belair Barrack tank replacement project. The DGS Project Manager is scheduled to meet with MSP on March 5, 2025, to initiate this project. It is anticipated that this project will cost between \$900,000 to \$1,200,000.