

Department of General Services

FY 2027 Operating Budget

Response to Department of Legislative Services Analysis

House Appropriations Committee
House Public Safety and Administration Subcommittee
Delegate Gabriel Acevero, Chair
February 12, 2026

Senate Budget and Taxation Committee
Senate Education and Business Administration Subcommittee
Senator Nancy J. King, Chair
February 16, 2026

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

Department of General Services

Office of the Secretary

Fiscal Year 2027 Operating Budget Analysis & Response

FISCAL YEAR 2027 OPERATING BUDGET TESTIMONY

Introduction

Chair and Members of the Committee, thank you for the opportunity to present the FY 2027 Operating Budget Request for the Maryland Department of General Services (DGS).

We would also like to thank Yashodhara (“Yasho”) Rai of the Department of Legislative Services (DLS) for analyzing our FY 2027 Operating Budget Request. We appreciate Yasho’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.

An excellent example of DGS work can currently be seen right in Annapolis with Phase II of the State House Exterior and Grounds Renovation, a comprehensive renovation of this historic complex. Phase II involves the 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, which we were able to re-open for public access for the first time in 30 years, thanks to our dedicated team within the Office of Design, Construction, and Energy.

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

- This year, DGS played a central role in Governor Moore’s Government Modernization Initiative. DGS’s strategic decisions will save Maryland taxpayers more than \$326 million by relocating employees from outdated, inefficient state buildings into modern, right-sized commercial leased buildings. This effort not only reduces costs but also creates safer, more productive work environments for state agencies to serve Marylanders better.
- We also made history with the passage of the Procurement Reform Act of 2025. Representing the most significant overhaul of the state’s procurement processes in decades, the Act enhances efficiency, expands access for

small businesses, and creates a more agile, responsive system for both contractors and state agencies.

- DGS also supports a safe and professional state workforce. This year, the Maryland Capitol Police had a particularly successful recruitment campaign. For the first time, DGS recruited, hired, and trained cadets through a police academy, reflecting our commitment to training the next generation of public safety leaders.
- We are equally committed to sustainability and innovation, as DGS earned the EPEAT Purchaser Award for the sixth year in a row for procuring over 29,000 green-certified products—saving taxpayers \$4.5 million and cutting energy use equal to powering nearly 3,700 homes for a year.
- We oversee installation of electric vehicle (EV) charging stations for the state fleet and manage annual utility purchases of more than \$200 million in electricity and natural gas for use by the state government (including the University System of Maryland).
- We installed 123 new EV charging ports across 15 locations, bringing the statewide total to 251 ports with an additional 267 ports currently in design or under construction.
- We completed the construction of the new state-of-the-art Hubbard Courthouse in Baltimore - a 168,000-sq foot courthouse with modernized safety features represents a significant investment in our community's access to justice, modern infrastructure, and civic engagement.
- To strengthen transparency across the grant management process, the Capital Grants and Loans team at DGS procured a robust, end-to-end cloud-based grants management system allowing grantees to submit, monitor, and communicate with the DGS team about their grants in real time. In conjunction with the new Capital Insights Dashboard that enables grantees, legislators, and the public to monitor a grant's progress and funding, DGS is dedicated to strengthening ongoing efforts that streamline the grants management process for all stakeholders.
- Looking forward, we're launching a Statewide Master Planning Program—a first-of-its-kind effort to assess the state's real estate portfolio of over 30 million square feet of space encompassing over 1,400 state-owned and 334 leased properties with a holistic lens that will help us right-size our portfolio, and ensure long-term, fiscally responsible investment in the places that need it most.

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

Operating Budget Recommended Actions FY 2027

1. Add language restricting funds pending a report on the status of corrective actions related to the most recent fiscal compliance audit.

DGS concurs with this recommendation.

2. Add language restricting funds pending a report on the status of corrective actions related to the most recent fiscal compliance audit.

DGS concurs with this recommendation.

3. Modify contingent language on the special fund appropriation to more closely align with the applicable Budget Reconciliation and Financing Act provision.

DGS concurs with this recommendation.

4. Add language restricting funds pending the submission of a report on the State's asset maximization strategies.

DGS concurs with this recommendation.

5. Adopt committee narrative requesting a report on State Center agency relocation, funding, and expenditures.

DGS concurs with this recommendation.

6. Adopt committee narrative requesting a report on the use of Strategic Energy Investment Funds.

DGS concurs with this recommendation.

7. Adopt committee narrative requesting a report on the critical maintenance backlog projects.

DGS concurs with this recommendation.

8. Reduce the fiscal 2026 deficiency appropriation for critical maintenance projects to fund projects through the Facilities Renewal Fund. -

Total Net Change to Fiscal 2026 Deficiency -\$2,428,182

DGS respectfully disagrees with this recommendation. Facilities Renewal Funds are bond-funded and require a 15-year shelf life for the project to be deemed viable for Facilities Renewal Fund usage. Neither of these projects mentioned in the recommendation meets that criteria.

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 Activity

- a. **DLS Request:** DGS should comment on the reason for increased new procurements and competitive services procurements.

- b. **DGS Response:**

In Maryland's decentralized public procurement environment, programmatic and operational requirement holders—state agencies—dictate contract needs based on mission requirements, funding availability, statutory mandates, and operational timelines. These requirements are expressed through agency-developed requirements documents, which may result in either new procurements or modifications to existing procurements. In many instances, even where scope or capacity may appear similar, agencies are required to pursue new procurements to reflect updated performance standards, compliance requirements, funding sources, or delivery models. Accordingly, the number of procurements initiated annually fluctuates based on the operational needs of the state. While the State continues to consolidate procurements through strategic sourcing initiatives, the specific procurement needs for the State may necessitate additional new procurements to be initiated.

Further, Maryland's procurement system operates within a constitutionally mandated framework overseen by the Board of Public Works, which places a strong and deliberate emphasis on competition, transparency, and fiscal accountability. This structure naturally produces fluctuations in the number of procurements and contracts awarded across fiscal years as agencies adjust to evolving needs, funding cycles, and policy priorities. As a result, increases in the number of procurements or contracts should be viewed in the broader context of Maryland's commitment to competitive procurement rather than as a deviation from strategic sourcing objectives.

Additionally, while DGS has articulated a goal of reducing the total number of procurements through strategic sourcing, it is important to note that the Office of

State Procurement formally established a dedicated Strategic Sourcing function in fiscal year 2025. Resource constraints have limited the pace and scale at which comprehensive strategic sourcing initiatives can be executed statewide.

Despite these constraints, DGS has made measurable progress. Most recently, the Office of State Procurement awarded two major IT services contracts, one being a statewide contract and the other being a contract for state use through the Maryland Department of Information Technology intended to consolidate agency purchasing and reduce the overall number of individual contracts in that space. Additionally, DGS has played a central role in supporting government-wide modernization and consolidation efforts, including initiatives designed to leverage existing contracts and aggregate demand to achieve more competitive pricing and improved contract management.

DGS notes that strategic sourcing and contract consolidation, while fiscally advantageous, carry broader economic and policy considerations. Reducing the number of available procurements or contracts can have downstream impacts on market access for Maryland businesses—particularly small, minority-owned, and other socioeconomic firms—which are integral contributors to the State’s economy through job creation and tax revenue. DGS continues to balance efficiency, competition, and inclusivity in executing its procurement responsibilities. Therefore, even in the implementation of reducing the number of contracts let, DGS is cautious to preserve a fair, competitive, and inclusive procurement environment.

2. MBE Participation -

a. DLS Request: DGS should brief the committees on its outreach activities and plans to reach the targeted 29% MBE participation.

b. DGS Response:

DGS remains fully committed to expanding opportunities for Minority Business Enterprises (MBE) and recognizes the importance of achieving the State’s 29% participation goal. MBE participation goals are established on a contract-by-contract basis and are inherently influenced by the nature of agency procurement requirements, available subcontracting opportunities, funding sources, and market conditions. Because agency procurement needs vary significantly from year to year, there will be agencies whose procurement portfolios do not naturally support achievement of a universal 29% MBE goal in every fiscal year, while other agencies may exceed that threshold. As a result, MBE participation levels may fluctuate annually despite consistent outreach and compliance efforts.

Maryland’s 29% MBE participation goal is among the most ambitious in the nation. After the State of New York, which has a 30% goal, Maryland has the second-highest MBE participation target in the country. Recognizing both the

importance of this goal and the practical limitations of a one-size-fits-all approach, Governor Moore issued Executive Order 01.01.2024.38, Delivering a More Efficient, Equitable, and Competitive Procurement System for Maryland. Section G of the Executive Order—*Establishing Agency-Level Socioeconomic Procurement Goals*—directs the State to move toward more accurate, agency-specific goal setting, similar to the federal approach under 15 U.S.C. § 644, which evaluates small business participation on a government-wide cumulative basis while acknowledging that different agencies have different levels of subcontractable work.

Within this framework, DGS has taken several concrete actions to increase MBE participation:

- **Enhanced Procurement Review Oversight:**

The DGS Procurement Review Group has significantly reduced the number of procurements with zero MBE goals through additional layers of review and challenge. This has improved consistency and accountability in goal setting across DGS procurements.

- **Earlier and Broader Industry Engagement:**

DGS has increased efforts to socialize major procurements earlier in the procurement lifecycle by working closely with program partners to identify opportunities well in advance of solicitation release. This includes expanded use of Requests for Information (RFIs) to engage industry—particularly MBEs—earlier in the requirements-shaping process.

- **Targeted Outreach for Procurements of Scale:**

DGS has focused outreach efforts on large and complex procurements to ensure that MBE firms are aware of upcoming opportunities, understand potential subcontracting roles, and have sufficient time to form teaming arrangements.

- **Continuous Collaboration with Small Business Partners:**

DGS continues to coordinate with the Maryland Department of Social and Economic Mobility and the Office of Small, Minority, and Women Business Affairs and other stakeholders to improve communication, education, and market readiness among MBE firms.

While MBE participation in fiscal year 2025 remained below the 29% target, DGS notes that the 25.2% participation rate represents the highest level achieved since fiscal 2015, reflecting measurable progress. DGS remains committed to expanding MBE participation through improved planning, earlier engagement, refined goal-setting methodologies, and alignment with statewide procurement reform efforts, while balancing agency mission needs, and market realities.

3. Statewide Energy Database Pilot Program

- a. **DLS Request:** DGS should comment on the status of the pending DGS utility accounts that were yet to be reassigned and the timeline to complete transition of State agencies onto the UBC program.

- b. **DGS Response:**

DGS is pleased to report that the Utility Bill Centralization (UBC) pilot program has been successfully implemented for 100% of DGS utility accounts, with all accounts now hosted on a centralized platform that ensures timely payment and automatic data integration into the State Energy Database.

Expanding the UBC program across all State agencies represents a significant change-management effort involving more than 100 agency accounts payable operations and numerous utility providers. DGS anticipates that full statewide implementation will occur over within the next one to two years to ensure operational continuity and data integrity. The Department will continue coordinating with the Department of Budget and Management and agency partners to support this transition and improve the completeness of statewide energy data.

4. Energy Performance Contracts

- a. **DLS Request:** DGS should discuss the reason for low EPC utilization and the department's efforts to increase the use of EPCs.

- b. **DGS Response:**

DGS actively supports the utilization of energy performance contracting across the State of Maryland. DGS is happy to report that it will be holding a pre-proposal conference for a new EPC project with a State agency in February.

The Department is deliberately working to enhance the awareness and viability of this program despite.

The primary driver of the modest use of EPCs is the diminishing returns available for capture. The State's building stock has become more energy-efficient over the past 10 years, with an average annual reduction of 1.8% in energy use since 2018. The increase in energy efficiency is primarily due to two factors: 1) continuing increases in federal efficiency standards that led to the State replacing inefficient equipment with much higher efficiency units, and 2) a "holistic" approach taken by DGS when replacing heating and cooling equipment in which the efficiency of the entire heating and cooling system is taken into account. EPC projects, which require finding significant energy savings to support the guaranteed energy savings, work best on inefficient buildings that have short ROI measures to install.

Additionally, new regulations such as the Climate Solutions Now Act, passed in 2022, mandated that most state buildings become carbon-neutral by 2040. Decarbonizing a facility is not currently structured as an energy-reducing activity, and when decarbonization is added to the scope of an EPC, a savings guarantee cannot be developed, unless additional funds are added to the project.

Despite these challenges, DGS continues its efforts to improve and expand the EPC program.

In 2025, DGS resubmitted a proposal to the Maryland Energy Administration (MEA) to provide Strategic Energy Investment Funds (SEIF) to subsidize EPC projects by providing funds for on-site solar installations. DGS intends to use this program to combine the benefits of the short payback period of the subsidized solar systems with longer payback periods of capital-intensive equipment required to decarbonize buildings.

DGS is holding an EPC educational and promotional event in March to promote the use of EPCs for interested stakeholders. A similar event was held in 2019 with positive results.

5. Decarbonization

- a. DLS Request:** DGS should provide an update on the progress of the work related to the decarbonization planning to date with an estimated timeline for completion

- b. DGS Response:**

DGS is currently reviewing the draft decarbonization plan and expects it to be complete by the end of February. The overall portfolio covered in the decarbonization plan includes an area of approximately 17.5 million gross square feet and 800+ buildings (including those in campuses).

6. Strategic Energy Investment Fund (SEIF)

- a. DLS Request:** DGS brief the committees concerning the selection criteria for which facilities will be included in the initiative, the estimated timeline for initiating and completing projects, and the estimated annual energy savings to be achieved that could be used to support EPC projects. DLS also recommends adopting committee narrative requesting that DGS submit a report that identifies the projects funded through the initiative, including the stage of project completeness and the estimated energy savings associated with each project.

- b. DGS Response:**

Facility selection criteria: MEA provided DGS with a list of census tracts across the state where project funds could be used. DGS identified 29 State-owned

facilities within those tracts for consideration. DGS then worked with MEA's solar technical consultant throughout 2025 to analyze each site to determine the feasibility of installing ground mount, rooftop, and/or parking canopy solar.

Factors included in the candidate analysis to identify the final four or five buildings will be the type of heating fuel used at the facility, the age and condition of the heating and cooling equipment, and the overall condition of the building's envelope. Facilities with the oldest equipment, the poorest-performing envelopes, and the greatest annual on-site greenhouse gas emissions will rise to the top of the list. The list will be culled based on the size of each facility, potential project cost, and the available budget.

Timeline: Many of the facilities under consideration have already undergone energy audits over the past four years, and DGS expects that having already completed audits will accelerate project timelines so that a final list of candidate facilities may be complete by the end of CY 2026. Assuming that energy baselines for each facility can be developed quickly, pre-proposal meetings with contractors could be held in early to mid CY 2027. A project scope will be developed for submission to BPW approximately 9 to 12 months following the pre-proposal meeting. Construction periods, potentially starting in mid CY 2028, will take approximately 18 to 24 months, followed by a 13- to 20-year period of measurement and verification.

Energy savings: A \$3,600/kW-DC subsidy to install 5,500 kW-DC of onsite solar will cost approximately \$20,000,000, resulting in a 5.8-year ROI for the solar. DGS estimates that using the EPC model to leverage the 5.8-year ROI will result in total project costs of up to \$45,000,000. Leveraging the short payback period for the solar component of the project provides an opportunity to finance longer payback measures and larger projects that will improve energy efficiency and reduce greenhouse gas emissions at each site. Projects can also be bundled so that the short payback period from solar installations on several projects can be used to reduce the payback period of decarbonization measures.

EPC projects pay for themselves through a combination of energy and maintenance savings, and the avoidance of future capital costs. The total savings cannot be accurately calculated until the scope of each project is known, but combined annual savings will be equal to or greater than project costs for the life of each project.

7. Human Resources

- a. DLS Request:** DGS should comment on the status of the 5 positions that were still vacant as of the report submission

b. DGS Response:

See as follows for comments on the current status of these five vacant PINs that were vacant as of the report submission:

- PIN 006294 - Designated Administrative Manager IV (Director of Strategic Policy Initiatives): The Department is actively recruiting for this position.
- PIN 426679 - This position recently underwent a reclass to a Police Officer II. It has been recruited for and a candidate has been selected with a start date of February 18, 2026.
- PIN 081620 - This position was previously filled, but an unanticipated separation has necessitated re-recruiting. That recruitment and interview process is currently active.
- PIN 089189 - Skilled Trades Specialist II (Facilities Management Technician): The Department is actively recruiting for this position.
- PIN 084710 - This position was classified as a Procurement Officer III for DGS's Office of State Procurement at the time of the report submission. It has since been reclassified down to the level of Procurement Officer Apprentice, as DGS-OSP is now piloting a new Procurement Apprenticeship program. Recruitment for this position is now underway, with the goal of hiring two Procurement Officer Apprentices within 30-45 days.

8. STATE CENTER RELOCATION DPA

- a. DLS Request:** Because MDH is no longer eligible for reimbursement from the DPA due to the conversion of its operating lease to a capital lease, DGS should comment on the revised estimated remaining costs for the completion of the State Center relocation and also discuss if the remaining balance in the DPA will cover the estimated balance of the total relocation cost.

b. DGS Response:

There are three pending relocation projects for four agencies to be funded through the remaining \$19.6 million in Dedicated Purpose Account. Below are those remaining projects:

- Department of Disabilities
- Department of Budget & Management
- Department of General Services, Tax Court, and DBM - Capital

Based on current agency needs, DGS estimates that the remaining DPA balance should cover anticipated future move costs.

9. Procurement Modernization -

- a. **DLS Request:** DGS should comment on the projected timeline for the completion of the ongoing modernization processes as highlighted in its 2025 JCR submission report and how these processes will help address the audit findings above, including DGS' plans and timeline for statewide deployment of eMMA across all agencies.

- b. **DGS Response:**

The DGS Office of State Procurement is implementing a phased modernization of the eMMA system to address repeat findings identified in the December 19, 2025 OLA report and to advance the procurement modernization initiatives described in the 2025 JCR. Enhancements are being piloted and phased in through the current system integrator contract, with full statewide deployment targeted by December 31, 2027.

Key Modernization Efforts Linked to Audit Findings:

- **Consolidation of Procurement Activity:** eMMA remains the State's enterprise platform for solicitations, bids, and contract awards. OSP continues to reinforce required use to ensure procurement activity is consistently captured, addressing prior audit findings related to incomplete system use.
- **Transparency and Timely Publication:** An automated eMMA posting reminder will prompt procurement officers to post contract awards in a timely manner. This enhancement, scheduled for implementation in the first half of CY 2026, strengthens statewide transparency and compliance.
- **Administrative Fee Oversight:** Program enhancements to track the authorized 1% administrative fee are planned for CY 2026, directly addressing audit findings related to uncollected or inconsistently applied fees.
- **SBR, MBE, and VSBE Participation:** DGS has updated reporting forms to allow vendors to correct documentation deficiencies after submission and extended small business and VSBE certification validity to three years. These updates reduce administrative burden, improve documentation completeness, and maintain compliance, directly addressing audit recommendations.
- **Phased Implementation:** New eMMA functionality is being deployed in phases to ensure system stability, agency readiness, and compliance, supporting full modernization and statewide deployment by December 31, 2027.

End of DGS FY 2027 Operating Budget Response