

H00
Department of General Services

Operating Budget Data

(\$ in Thousands)

	FY 06	FY 07	FY 08	FY 07-08	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$50,388	\$62,054	\$61,871	-\$183	-0.3%
Special Fund	2,539	3,181	1,780	-1,401	-44.0%
Federal Fund	772	812	905	93	11.4%
Reimbursable Fund	<u>24,705</u>	<u>27,390</u>	<u>27,741</u>	<u>351</u>	<u>1.3%</u>
Total Funds	\$78,404	\$93,438	\$92,297	-\$1,141	-1.2%

- The allowance includes a fiscal 2007 federal fund deficiency in the amount of \$52,000 to fund rent and other expenses incurred by the Department of Health and Mental Hygiene at the 6 St. Paul Street facility.
- One-time savings associated with the budgeting for health insurance costs and the pension enhancement understate the growth in the Department of General Services' (DGS) fiscal 2008 allowance. Accounting for this adjustment, the underlying growth in the department's budget is almost \$1.1 million rather than the \$1.1 million decline reflected above.
- The allowance provides additional funding and positions to initiate a mobile State ID Card Unit and an expanded Information Technology Unit.
- Funding enhancement begun in fiscal 2007 for maintenance and repairs at the State House continues in fiscal 2008.

Note: Numbers may not sum to total due to rounding.

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Personnel Data

	<u>FY 06</u> <u>Actual</u>	<u>FY 07</u> <u>Working</u>	<u>FY 08</u> <u>Allowance</u>	<u>FY 07-08</u> <u>Change</u>
Regular Positions	643.00	636.00	646.00	10.00
Contractual FTEs	<u>21.01</u>	<u>28.43</u>	<u>26.45</u>	<u>-1.98</u>
Total Personnel	664.01	664.43	672.45	8.02

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	36.82	5.70%
Positions Vacant as of 12/31/06	41.00	6.51%

- The allowance includes 16 new positions offset by the abolishment of six positions for a net gain of 10 positions in the budget. These new positions add \$860,000 to the budget offset, however, by \$345,000 in savings associated with the six abolished positions. Eight positions will allow DGS to support information technology needs in-house rather than through a vendor contract; three new positions will support a new mobile State ID Card Unit; two positions will assist with energy management initiatives; and one position will provide additional support for budget management planning. Two of the new positions are contractual conversions which accounts for the reduction in the number of contractual full-time equivalents employed by the department.
- The department's fiscal 2008 budgeted turnover rate on existing positions is 5.7% which requires that 37 positions remain vacant throughout the year in order to meet its target. The number of positions vacant on December 28, 2006, after taking into account the 6 positions abolished in the budget, is 41 positions representing a vacancy rate of 6.4% which is slightly in excess of the budgeted turnover rate. Overall, the fiscal 2008 allowance for turnover is 1.1% greater than the rate applied in the fiscal 2007 budget. This effectively reduces the department's budget by approximately \$363,000 for fiscal 2008.

Analysis in Brief

Major Trends

Implementation of Prox/Camera Surveillance Control Entry System: The department's implementation of an integrated ID-video proximity entry system was expected to be nearly complete by the end of fiscal 2006. Implementation delays that occurred during fiscal 2006 have been eliminated. Performance data provided by DGS now indicate that the system will be operational in all DGS-managed facilities by the close of fiscal 2007.

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Small Procurement Contracts: Performance data for the department's goal to more efficiently handle small procurements indicates that this objective is falling far short of expectations.

New Procurements in DGS-supported Agencies: The department's Managing for Results (MFR) data indicates less than expected performance regarding the department's objective to ensure that at least 80% of all new procurements are on time, under budget, and meet identified requirements.

Minority Business Enterprise Participation: The department's goal to annually meet or exceed a 25% Minority Business Enterprise (MBE) participation rate for total procurement dollars awarded has not been met. However, when performance data excludes procurement for commodities such as electricity, the MBE participation rate is well in excess of the 25% goal.

Fixed Asset Inventory Loss: Data on the amount of lost or missing items indicates that DGS is approaching its goal of reducing asset loss to less than 1% per year.

Thefts at Secured Facilities: The number of reported thefts at DGS-managed facilities has steadily declined over the last several years, and the department is now reaching its MFR objective to keep thefts at 15% below the fiscal 2002 baseline of 129 thefts.

Issues

State Building Energy Efficiency and Conservation: Chapter 427 of 2006 amended the provisions of State law relating to energy efficiency and conservation in State buildings. Earlier attempts to establish target percentages and dates for energy consumption reductions required by Chapter 490 of 1992 and Executive Order 01.02.2001.02 produced mixed results. While DGS and the Maryland Energy Administration indicate that the standards established resulted in reduced energy consumption, this anecdotal assessment lacks an energy consumption analysis that accurately calculates energy consumption usage rates. **The Department of Legislative Services (DLS) recommends that DGS be prepared to update the committees on the status of the Request for Proposals and the likelihood that it will have full compliance from facility managers to meet the December 2007 requirement for energy consumption plans required by Chapter 427.**

State House Maintenance Problems Have Not Been Addressed: Efforts to address the facility maintenance and repair needs at the State House are lacking. Despite additional funding in the fiscal 2007 budget for this purpose, it does not appear that a comprehensive facility assessment has been completed which would guide the efforts to adequately maintain the State House. **DLS recommends that funding planned for fiscal 2008 be restricted until there is evidence that a comprehensive assessment has been completed and a project priority list established.**

Facility Maintenance Needs Escalate: The fiscal 2007 budget provided a substantial increase in the level of funding dedicated to address the annual maintenance of State buildings and facilities. Despite the increase, the substantial backlog of projects continues to escalate. **DLS recommends that DGS explain the process used for assessing the condition of State facilities, factors**

contributing to the recent increase in maintenance projects, and appropriate staffing and funding levels needed to adequately address the facility maintenance needs.

Recommended Actions

	<u>Funds</u>
1. Restrict funding for maintenance and repairs.	
2. Reduce funding for janitorial contracts.	\$ 200,000
Total Reductions	\$ 200,000

Updates

Assessment of Internet-based Procurement System: The State’s Internet-based procurement system, referred to as eMaryland Marketplace (eMM), provides the State with a comprehensive web-based procurement system. Committee narrative included in the fiscal 2007 *Joint Chairmen’s Report* required DGS to provide an assessment of eMM and other State Internet-based procurement systems. This update summarizes the major facts and findings contained in DGS’ report.

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Department of General Services

Operating Budget Analysis

Program Description

The Department of General Services (DGS) serves Maryland and its citizens by supporting other State agencies in achieving their missions. The department performs a variety of functions, including planning, design, and construction management; facilities maintenance; procurement of goods and services; receipt and distribution of excess property; and provision of real estate services. DGS uses the following six goals to guide its Managing for Results (MFR) reporting:

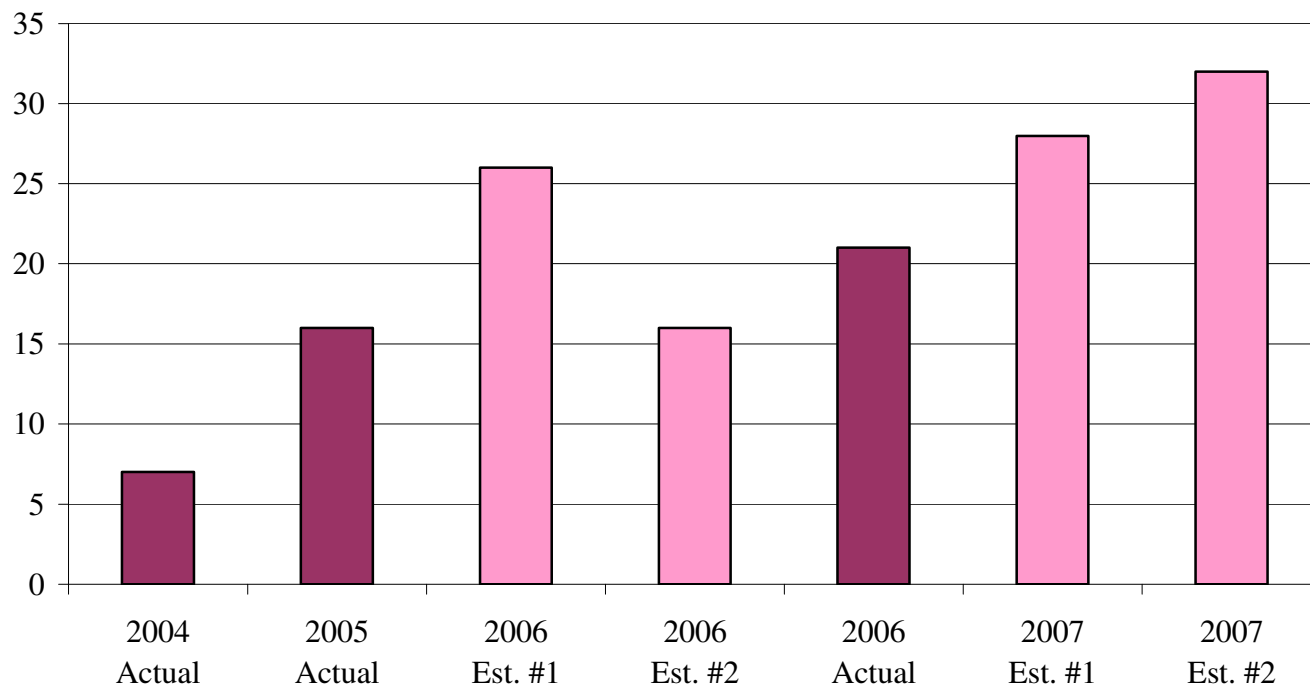
- operate efficiently and effectively;
- manage departmental projects efficiently;
- provide timely and accurate management information;
- achieve responsible asset management;
- provide best value for customer agencies and taxpayers; and
- carry out social, economic, and other responsibilities as a State agency.

Performance Analysis: Managing for Results

Implementation of Prox/Camera Surveillance Control Entry System

Exhibit 1 shows the MFR performance data for DGS' goal to fit-out all department-managed State facilities with an integrated ID-video proximity entry system. As the data suggests, momentum on this initiative has accelerated during fiscal 2007 to the point that all DGS-secured facilities are expected to be equipped with the new system. This project stalled during 2006; as a result, the initial fiscal 2006 goal of installing the surveillance system in 10 facilities during the fiscal year was revised downward. Actual fiscal 2006 figures, however, show that 5 facilities were equipped with the system during the fiscal year thus reestablishing project momentum. As the fiscal 2007 figures show, DGS anticipates that it will complete 11 installations during fiscal 2007, which is more than twice the fiscal 2006 figures. **DGS should be prepared to comment on the status of the various installations and ability to complete the project during fiscal 2007.**

**Exhibit 1
Number of Facilities with Prox/Camera System
Fiscal 2004-2007**



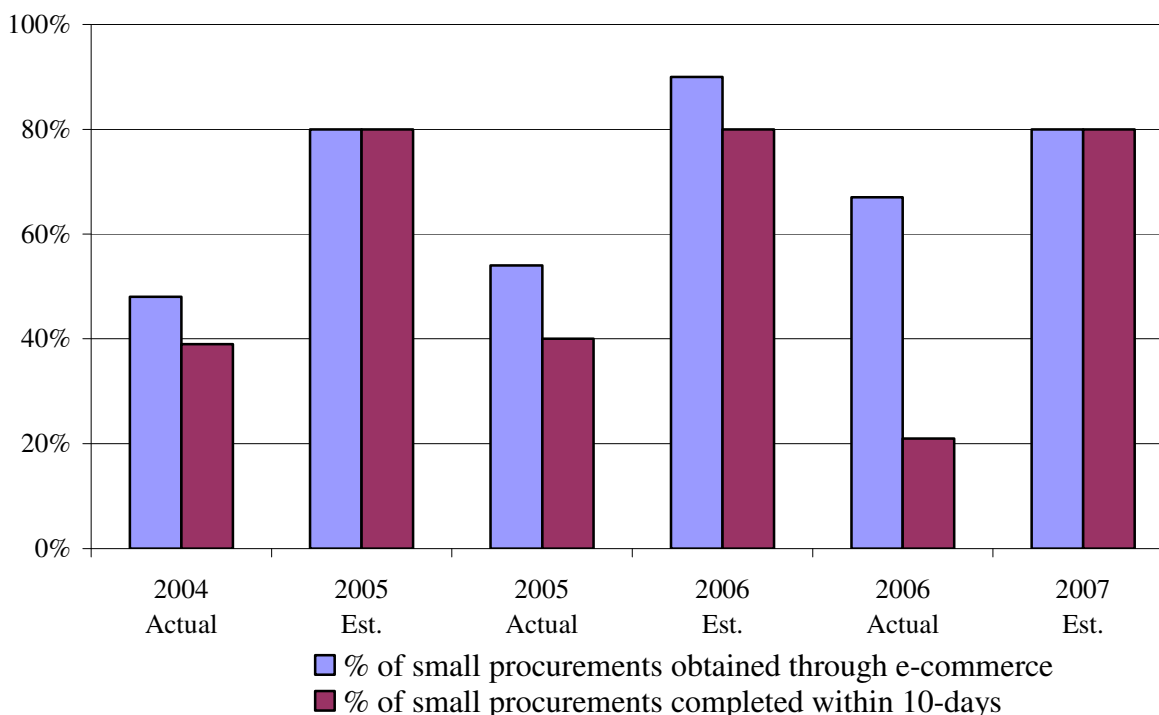
	<u>FY 04</u> <u>Actual</u>	<u>FY 05</u> <u>Actual</u>	<u>FY 06</u> <u>Est. #1</u>	<u>FY 06</u> <u>Est. #2</u>	<u>FY 06</u> <u>Actual</u>	<u>FY 07</u> <u>Est. #1</u>	<u>FY 07</u> <u>Est. #2</u>
DGS secured facilities	30	30	30	30	30	30	31
Facilities with Prox/Camera System	7	16	26	16	21	28	32
Percentage with Prox/Camera System	23.3%	53.3%	86.7%	53.3%	70.0%	93.3%	103.2%

Source: Department of Budget and Management

Small Procurement Contracts

Exhibit 2 shows the MFR performance data for the department’s goal to complete 80% of small contracts within 10 days. An important and integral component of this goal is the use of the State’s Internet-based procurement system known as eMaryland Marketplace (eMM). The eMM web site was designed to provide interactive bidding and catalog purchasing capabilities. The interactive bidding component allows on-line public sector companies to post solicitations and receive bid responses. It is this system that the department was relying on to improve the process of soliciting and receiving procurement bids; particularly small procurements.

**Exhibit 2
Small Procurement MFR Performance Data
Fiscal 2004-2008**



	<u>2004 Actual</u>	<u>2005 Est.</u>	<u>2005 Actual</u>	<u>2006 Est.</u>	<u>2006 Actual</u>	<u>2007 Est.</u>	<u>2008 Est.</u>
% of small procurements through e-commerce	48%	80%	54%	90%	67%	80%	80%
% of small procurements completed in 10 days	39%	80%	40%	80%	21%	80%	80%

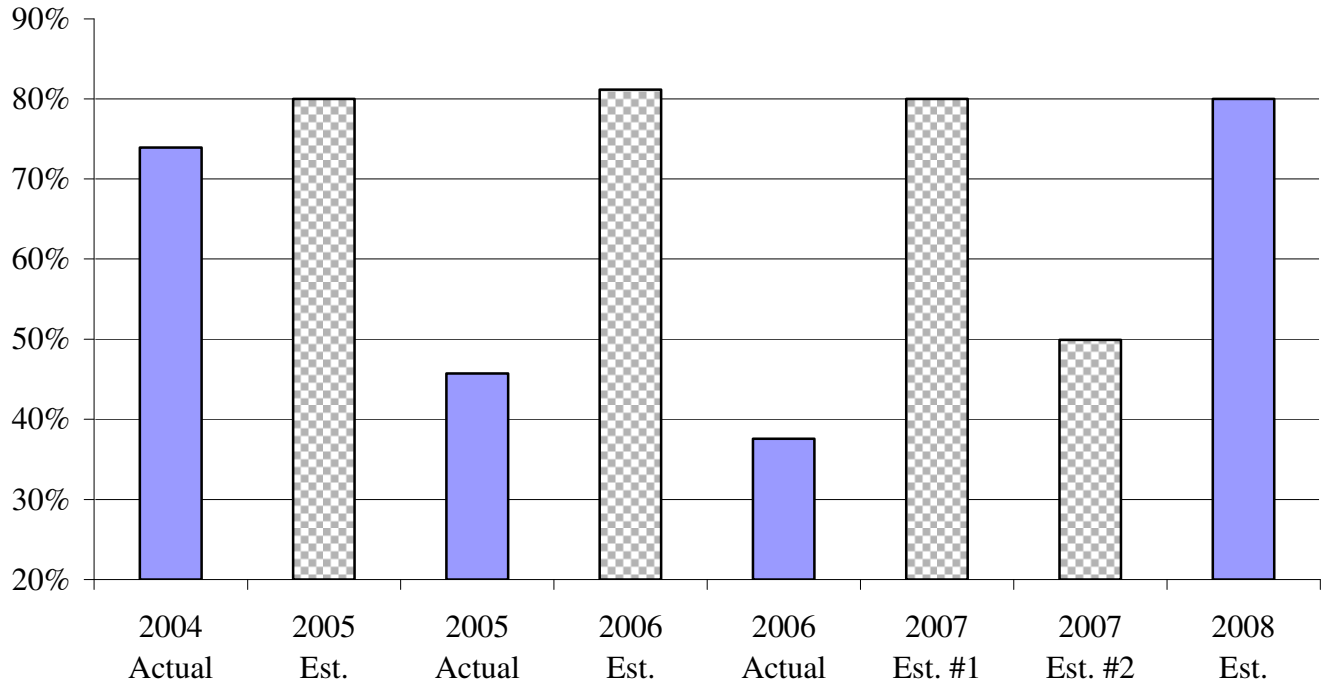
Source: Department of Budget and Management

As the figures in Exhibit 2 show, DGS has not achieved its MFR objective and, in fact, has performed well below estimated expectations in each of fiscal 2004 through 2006. Despite the poor performance relative to the estimated objective, the department continues to estimate that it will achieve its stated goal in fiscal 2007 and 2008. **The department should be prepared to address the factors that have lead to the poor performance and what the department is doing to improve the situation. In addition, DGS should explain why it believes the situation will improve in fiscal 2007 and beyond given the recent consistent underattainment of the performance objectives.**

New Procurements in DGS-supported Agencies

Exhibit 3 shows the department’s MFR performance data regarding its objective to ensure that at least 80% of all new procurements are on time, under budget, and meet identified requirements. As the data show, the performance in both fiscal 2005 and 2006 was well below the department’s objective – completing just 45.7% and 47.5% of contracts on time, budget, and target, respectively. The fiscal 2007 estimates have been revised downward in the department’s most recent MFR submission to also reflect an underattainment. **The department should be prepared to discuss why it is consistently not achieving its MFR objective.**

**Exhibit 3
Number and Percent of New Procurements
Completed on Time, on Budget, and on Target
Fiscal 2004-2008**



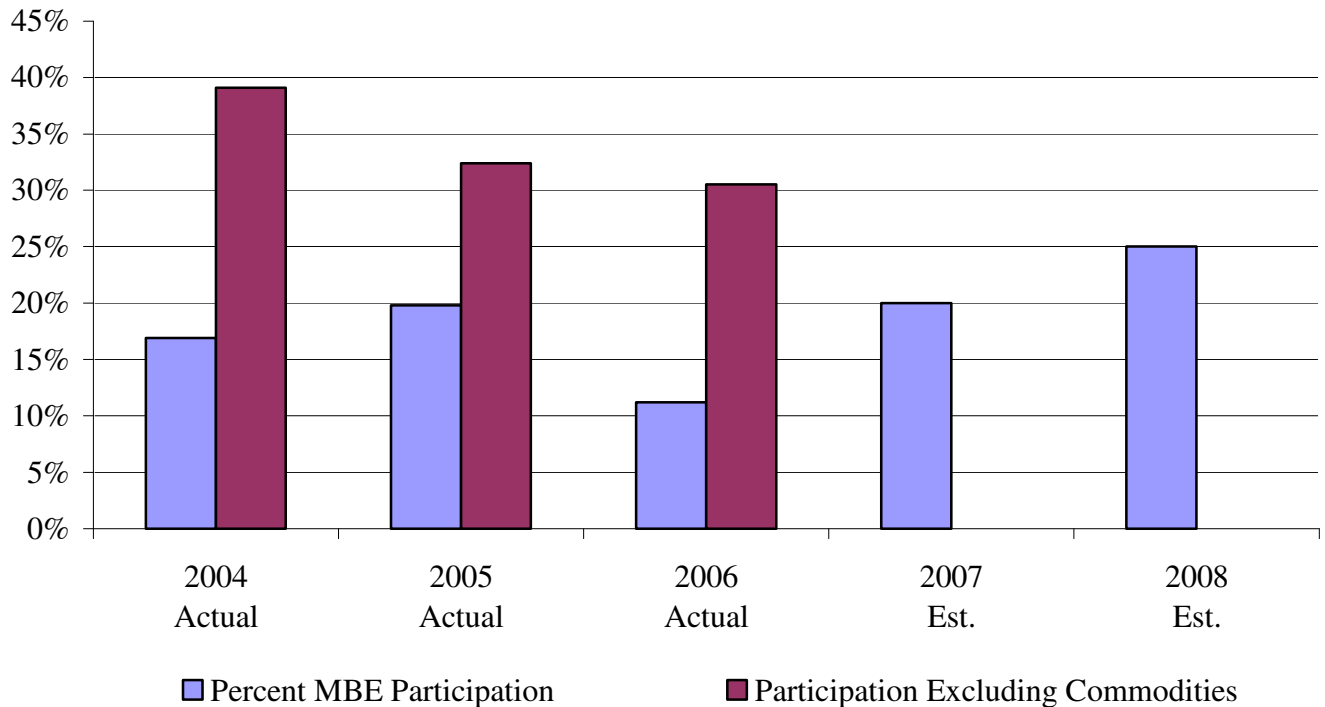
	<u>2004 Actual</u>	<u>2005 Est.</u>	<u>2005 Actual</u>	<u>2006 Est.</u>	<u>2006 Actual</u>	<u>2007 Est. #1</u>	<u>2007 Est. #2</u>	<u>2008 Est.</u>
Procurements	940	1,000	844	892	442	930	455	490
Procurements completed on time	695	800	386	724	166	744	227	392
% on time, budget, and target	73.9%	80.0%	45.7%	81.2%	37.5%	80.0%	49.9%	80.0%

Source: Department of Budget and Management

Minority Business Enterprise Participation

Exhibit 4 shows the department’s MFR performance data regarding its objective to annually meet or exceed a 25% Minority Business Enterprise (MBE) participation in the department’s total procurement dollars. The data suggest that the department is consistently missing its intended 25% target. However, when procurement dollars attributable to commodities, such as electricity, which comprise approximately two-thirds of expenditures are excluded from the calculation, the department consistently exceeds the MFR objective. The procurement of commodities through certified MBEs is often not attainable and can slant the performance objective to make it appear that the department is falling short of its goals.

Exhibit 4
Percent of MBE Participation in Total Procurement Dollars
Fiscal 2004-2008



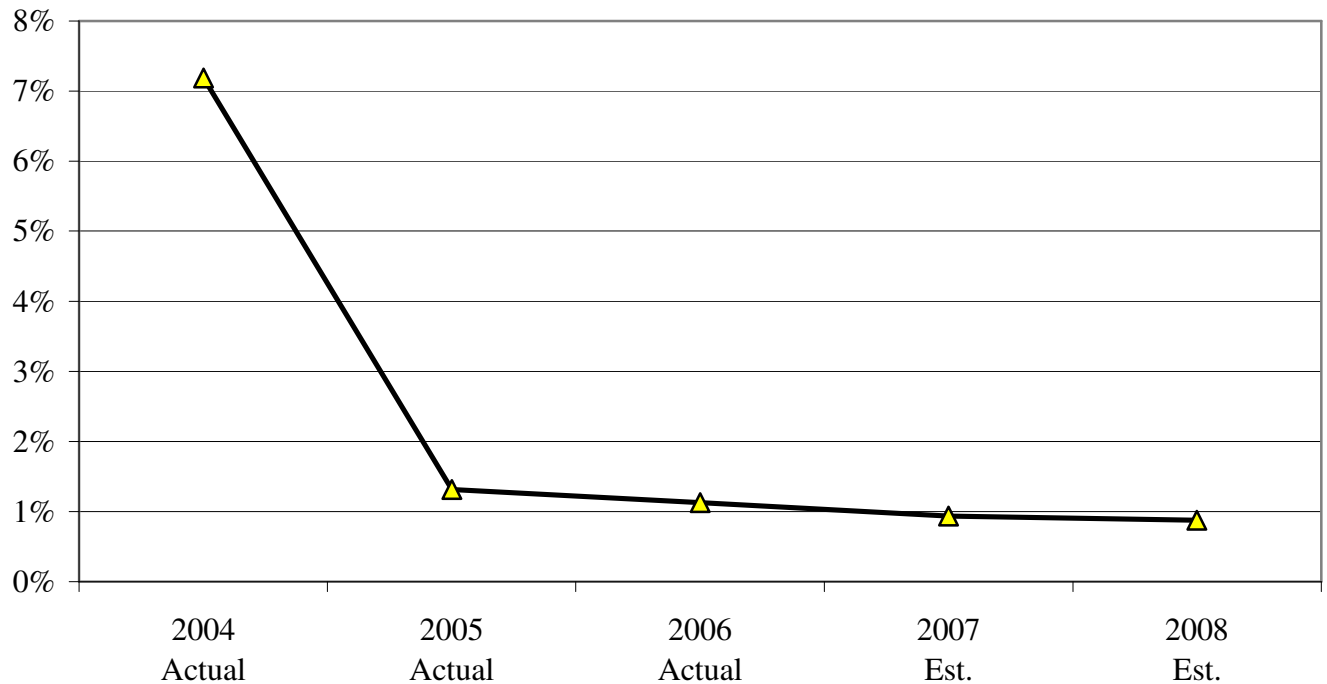
	<u>2004</u> <u>Actual</u>	<u>2005</u> <u>Actual</u>	<u>2006</u> <u>Actual</u>	<u>2007</u> <u>Est.</u>	<u>2008</u> <u>Est.</u>
Percent MBE Participation	16.9%	19.8%	11.2%	20.0%	25.0%
Percent MBE Participation Excluding Commodities	39.1%	32.4%	30.5%	n/a	n/a

Source: Department of Budget and Management

Fixed Asset Inventory Loss

Exhibit 5 shows the department’s MFR performance data regarding fixed asset inventory loss and its objective to have losses of less than 1% annually. The fiscal 2005 and 2006 figures indicate that the department is getting closer to its stated objective. Data for fiscal 2004 reflects the results of an inventory conducted during calendar 2003 which was at that point the first full inventory the department had conducted in several years. As a result, the department found that many items could not be accounted for. More regular inventories are presently being conducted, making it easier to account for items in the department’s possession.

Exhibit 5
Fixed Asset Inventory Loss
Fiscal 2004-2008



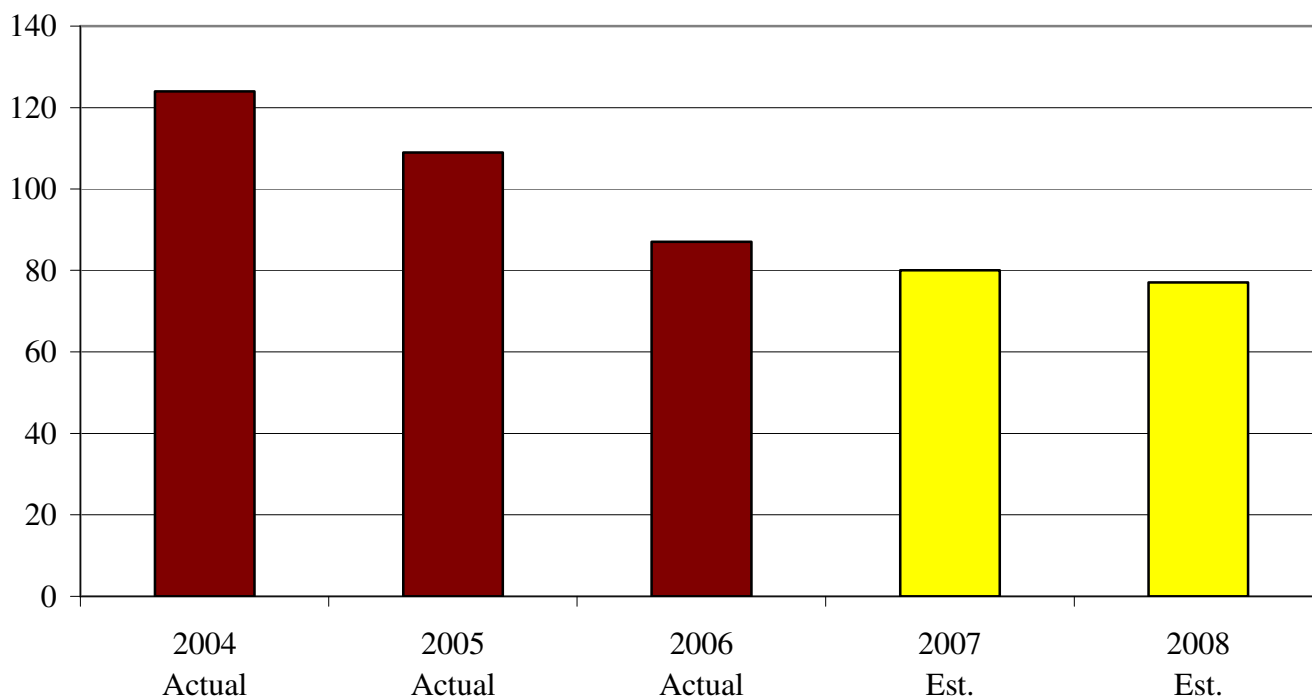
	<u>2004 Actual</u>	<u>2005 Actual</u>	<u>2006 Actual</u>	<u>2007 Est.</u>	<u>2008 Est.</u>
Number of Items in Inventory	11,174	10,440	11,074	11,245	11,425
Number of Items Lost or Missing	803	137	125	105	100
Percent of Inventory Lost or Missing	7.19%	1.31%	1.13%	0.93%	0.88%

Source: Department of Budget and Management

Thefts at Secured Facilities

Exhibit 6 shows the department’s MFR performance data regarding criminal activity at facilities secured by the DGS Police. DGS endeavors to keep thefts at 15% below the fiscal 2002 baseline of 129 thefts. As the data shows, the number of reported thefts has been below the 2002 baseline since 2005. DGS should be prepared to comment regarding other reported criminal activity at DGS secured facilities and whether or not these figures would appropriately be included in the reported outcome data.

**Exhibit 6
Thefts at DGS Secured Facilities
Fiscal 2004-2008**



	<u>2004 Actual</u>	<u>2005 Actual</u>	<u>2006 Actual</u>	<u>2007 Est.</u>	<u>2008 Est.</u>
Number of Thefts at Secured Facilities	124	109	87	80	77
Percent Change in Thefts from FY 02 Baseline of 129 Thefts	-3.9%	-15.5%	-32.5%	-38.0%	-40.3%

Source: Department of Budget and Management

Fiscal 2007 Actions

Proposed Deficiency

The fiscal 2008 allowance includes a \$51,947 federal fund deficiency appropriation. These funds will cover additional contractual services at the department's 6 St. Paul Street managed facility. The Department of Health and Mental Hygiene (DHMH) recently occupied space in this facility, and the federal government provides DHMH with a grant to pay rent and other related expenses.

Governor's Proposed Budget

As shown in **Exhibit 7**, the department's fiscal 2008 budget allowance is \$92.3 million which is \$1.1 million, or 1.2% less than the fiscal 2007 working appropriation. However, the fiscal 2007 working appropriation should be adjusted to exclude \$2.2 million for retiree health insurance and the pension enhancement that will not actually be received by the department. The budgeting of these funds distorts the budget comparison between the fiscal 2007 working appropriation and the fiscal 2008 allowance accounting. Accounting for this adjustment, the department's fiscal 2008 allowance is approximately \$1.0 million, or 1.1% over the fiscal 2007 working appropriation.

General funds, which comprise \$61.9 million of the proposed budget, decrease by \$183,000, or 0.3% below the fiscal 2007 working appropriation. Special funds, derived from a variety of activities conducted by the department, account for only \$1.8 million, or 1.9% of the budget. The allowance for special funds decreases by \$1.4 million, or 44.0% below the fiscal 2007 working appropriation. This reduction is primarily attributable to a shift in the funding for the eMaryland Marketplace web-based procurement system from special funds to general funds in the fiscal 2008 allowance. Reimbursable funds, representing funds budgeted in other agency budgets which are used to reimburse DGS for its operation and maintenance of State facilities statewide or represent pass-through lease costs, increase just \$351,000 or 1.3% over the fiscal 2007 working appropriation.

Personnel

The department's fiscal 2008 budget allowance supports the funding for 646 regular full-time positions. Total funding to support employee salary and fringe benefit costs is \$40.5 million, or 43.8% of the department's entire budget. The allowance includes 16 new positions off-set by the abolishment of 6 positions for a net gain of 10 new positions. The 16 new positions are summarized below and listed in **Appendix 4**.

- **Office of the Secretary – Information Technology:** Beginning in fiscal 2004, DGS outsourced the day-to-day operations of its information technology unit. However, the department has not been satisfied with this arrangement as it is neither efficient nor economical. In order to provide in-house day-to-day computer application, user support, and basic network management, the fiscal 2008 allowance provides eight new positions. Major

Exhibit 7
Governor’s Proposed Budget
Department of General Services
(\$ in Thousands)

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
2007 Working Appropriation	\$62,054	\$3,181	\$812	\$27,390	\$93,438
2008 Governor's Allowance	<u>61,871</u>	<u>1,780</u>	<u>905</u>	<u>27,741</u>	<u>92,297</u>
Amount Change	-\$183	-\$1,401	\$93	\$351	-\$1,141
Percent Change	-0.3%	-44.0%	11.4%	1.3%	-1.2%

Where It Goes:

Personnel Expenses

New positions	\$860
Abolished/transferred positions.....	-345
Increments and other compensation	1,058
Employee and retiree health insurance.....	-1,802
Employee retirement	462
Turnover rate adjustment on existing positions from 4.6 to 5.7%	-431
Other fringe benefit adjustments	416

Other Changes

Reduced contractual employee costs – contractual conversions.....	-280
Reduced funding for non-capital renewal projects	-1,000
Increased electricity rates	1,500
eMaryland Marketplace – DGS used special funds derived from vendor fees to acquire the Internet-based procurement system as a result the budget only requires funds for continuing maintenance service and selected system upgrades.....	-1,192
Fully annualized cost of contract to provide a web-based utility data monitoring system	315
Nonpersonnel savings associated with initiative to provide information technology services in-house with State funded positions rather than out-sourced contracts	-421
Nonpersonnel cost associated with the enhancement to provide a mobile State ID Card Program.	92
Replacement of supplies and equipment for the State ID Card Program.....	100
Janitorial services – most contracts were rebid in fiscal 2007 with costs lower than anticipated	-310
Purchase of 18 vehicles in fiscal 2008 compared to 12 vehicles in fiscal 2007.....	201

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Reduced rents for parking – fully annualized rent reduction to the Naval Academy for parking.....	-124
Preventative maintenance costs – adjusted to fiscal 2006 actual	-140
Increased capital lease costs for multi-service centers	42
Elimination of one-time funding for the Transition fund	-50
Annualized cost for the maintenance of the Calvert Street Garage.....	40
Reduced special funds from the sale of State property	-112
Rents paid to DGS – fiscal 2007 inadvertently overstated.....	-91
Insurance premiums charged by DBM for State Insurance Trust Fund	93
Purchase of kevlar vests for DGS Police Officers.....	30
Other.....	-52
Total	-\$1,141

Note: Numbers may not sum to total due to rounding.

project implementation of new systems or major upgrades to existing systems will continue to be outsourced. The allowance also adds one new Administrator II position in the department’s budget management unit to take over the day-to-day management of the two-person unit. Apparently the department has had difficulty with its budget forecasting, leaving managers without timely information vital to decisionmaking.

- **Facilities Security:** The department’s fiscal 2008 allowance includes an enhancement to the State ID Card Program with the establishment of a mobile photo ID unit. Part of this enhancement includes three new positions. This new unit will obviate the need for State employees to travel to Annapolis or Baltimore for picture taking and is viewed as a productivity enhancement. The Facilities Security Division loses six vacant positions which are being abolished. All six of the abolished positions were assigned to Camp Fretterd which has been closed by the federal government since October 1, 2006.
- **Office of Procurement and Logistics:** The allowance provides one new position to act as the department’s energy accounts manager. This person will coordinate with a vendor that specializes in providing a web-based utility data management system. This system is necessary for the department to accurately track the State’s energy usage in order to make strategic decisions regarding management and procurement of the State’s energy needs. This position will be funded from a surcharge that is assessed in all gas and electricity commodity invoices for accounts for which DGS makes the procurement.
- **Office of Real Estate:** One new position was added to support increased workload for the Department of Natural Resources (DNR) land acquisition projects. This position will be funded with DNR Program Open Space funds. This position is included in the DGS fiscal 2007 working appropriation as a contractual full-time equivalent (FTE) and will be converted to a regular position.

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- **Office of Facilities Planning, Design, and Construction:** One new position was added to support increased workload for DNR construction and maintenance projects. This position will be funded with DNR Program Open Space funds. This position is included in the DGS fiscal 2007 working appropriation as a contractual FTE and will be converted to a regular position. One new position assigned to the department's Energy management Unit will be responsible for the development of energy performance contracts and with the measurement of data resulting from these contracts. This position will be funded from the energy performance monitoring fund.

Nonpersonnel

Significant nonpersonnel components of the department's budget include the following:

- **Deferred Maintenance Program:** The allowance provides \$7 million in general funds to fund the department's deferred maintenance program. The Spending Affordability Committee recommended that any amount over the base \$2 million appropriation would be excluded from the spending affordability calculation. More on this topic can be found in the Issue section of this analysis.
- **Utilities/Electricity:** The allowance for fuel and utilities is \$15.4 million which is approximately \$1.5 million more than the fiscal 2007 working appropriation. While DGS has aggressively pursued the purchase of electricity through large unified statewide reverse auction procurements, most recently in November 2006, electricity rates are none-the-less increasing. The fiscal 2008 allowance for electricity is based on a 36.9% increase over the fiscal 2006 actual expenditure. However, had it not been for the economies of scale savings resulting from the most recent reverse auction procurements, the budgeted increase would have been much greater.
- **eMaryland Marketplace:** The allowance reflects a \$1.2 million reduction in funds used to support the department's Internet-based procurement system known as eMaryland Marketplace (eMM). The fiscal 2007 budget to pay the eMM vendor operating the system for the State was unusually high because it also included funds necessary to pay the vendor for services provided during fiscal 2006 that had not been paid due to changes in the law regarding the fee structure. This accounts for the substantial difference between the fiscal 2007 working appropriation and the fiscal 2008 allowance. Furthermore, DGS decided to purchase and host the system paying the contractor only for the operating and maintenance of the system beginning in fiscal 2007. Special funds budgeted in fiscal 2007 were used to fund the purchase. These one-time purchase costs do not reappear in the fiscal 2008 allowance, which now includes \$418,000 for the maintenance contract. It is important to note that changes required by Chapter 274 of 2006 eliminate the vendor fee structure which now requires the use of general funds to support eMM.

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- **Web-based Utility Data Monitoring System:** The allowance includes \$622,000 to fund a contract with a vendor that specializes in providing a web-based utility data monitoring system. This function was formerly the responsibility of the Maryland Energy Administration (MEA). However, it became apparent that MEA was not adequately ensuring compliance with this mandate required by Chapter 490 of 1992. As a result, Chapter 427 of 2006 now requires DGS to provide the monitoring. DGS has earmarked \$315,000 in the fiscal 2007 budget to fund the monitoring system vendor contract; therefore, the fully annualized cost differential reflected in the fiscal 2008 allowance is \$315,000.
- **Information Technology Unit Enhancement:** The fiscal 2008 allowance provides an enhancement to the department's information technology unit. As outlined in the personnel section of this analysis, the allowance includes funding for eight new positions in order to provide the department with an "in-house" staff to address the department's information technology needs. Since these services will no longer be out-sourced, the budget does reduce the amount of funds for contractual information technology services.
- **State ID Card Unit Enhancement:** The fiscal 2008 allowance provides an enhancement to the department's State ID Card Program. In addition to the three new positions discussed in the personnel section of this analysis, the allowance provides approximately \$92,000 of additional funds for nonpersonnel expenditures related to this enhancement. This includes \$52,000 for additional travel expenses, another \$15,000 for the purchase of a new mini van, and \$25,000 for equipment
- **Janitorial Services:** The allowance for janitorial service contracts for DGS-managed facilities decreases by \$310,000. DGS rebid most of these contracts during fiscal 2007 and will spend less for these services than anticipated in the fiscal 2007 budget.
- **Building Maintenance and Repairs:** The allowance includes \$4.2 million for general repair and maintenance at DGS managed facilities. While the fiscal 2008 allowance is \$100,000 less than what is funded in the fiscal 2007 budget, it continues the \$1.125 million enhancement provided in fiscal 2007 to implement remedies for maintenance problems identified in the State House. **The Department of Legislative Services (DLS) is concerned that nothing has been done with the additional funds provided in fiscal 2007 and questions the need to continue this funding enhancement in fiscal 2008. More on this topic is discussed in the Issue section of this analysis.**
- **Vehicles:** The allowance includes \$348,000 for the purchase of 18 vehicles, 17 of which are the replacement of vehicles with high mileage and 1 new vehicle to be used by the new mobile State ID unit. This compares to 12 vehicle purchases budgeted for fiscal 2007 which results in an additional \$200,000 to the budget.

Issues

1. State Building Energy Efficiency and Conservation

Chapter 427 of 2006 amended the provisions of State law relating to energy efficiency and conservation in State buildings. Earlier attempts to establish target percentages and dates for energy consumption reductions required by Chapter 490 of 1992 and Executive Order 01.02.2001.02 produced mixed results. While DGS and MEA indicate that the standards established resulted in reduced energy consumption, this anecdotal assessment lacks an energy consumption analysis that accurately calculates energy consumption usage rates.

The 2006 session brought forth yet another attempt to measure energy consumption rates at State facilities and set standards for energy efficiency and conservation. Chapter 427 requires the following:

- DGS in cooperation with MEA must set energy performance standards to reduce the average energy consumption in State buildings from the baseline fiscal 2005 level by 5% in 2009 and 10% in 2010.
- By December 31, 2007, each agency must conduct an analysis of the gas and electric consumption in each of the buildings under its jurisdiction and the cost of that consumption. The analysis must be conducted under the direction of DGS and MEA and must include an examination of methods to achieve energy cost savings.
- By July 1, 2008, each State agency must upgrade its energy conservation plan, developed in consultation with DGS and MEA, to achieve the performance standards set by DGS.

Prior Efforts to Address Energy Consumption Have Failed

The provision of Chapter 427 marks the third attempt in recent years to address energy efficiency and reduction at State facilities. Chapter 490 of 1992 amended State Finance and Procurement Article 4-801 through 4-808 to establish energy performance standards. Under Chapter 490 average energy consumption per square foot in State buildings was targeted to be reduced from the level in 1992 by 15% in 1996 and 25% in 2001. Each agency was to conduct an energy consumption analysis of each of its building by December 31, 1992, and update its energy consumption plan by July 1, 1994. While MEA concluded that the standards resulted in reduced energy consumption, this information was only anecdotal due to the inability of DGS and MEA to accurately calculate overall energy consumption reductions. At the time neither a coordinated metering nor uniform utility billing system was in place to accurately measure energy consumption and reduction rates.

A second attempt to establish cost-effective energy measures was initiated through Executive Order 01.01.2001.02. This initiative sought energy consumption reductions of 10% by 2005 and 15%

by 2010 using 2000 baseline figures. However, without a coordinated plan to enforce the compilation of energy consumption plans and a reliable mechanism for measuring energy consumption rates, little has been done to meet this mandate as well as the provision of Chapter 490.

Request for Proposal to Track Energy Use Data

DGS has now formally taken over the responsibility for tracking energy consumption rates. The department has determined that the most cost-effective means to achieve timely, accurate, and complete data collection is to outsource the data collection to a vendor that specializes in providing a web-based utility data monitoring system. Once a vendor is in place, all invoices for energy procurements will be directed to the vendor directly from the energy providers. In addition to entering the data into a web-based system, the vendor will be responsible for assuring that all invoices are in agreement with the terms of the contracts. DGS has issued a request for proposal (RFP) to contract for these services. In addition to the RFP, the department hired two contractual employees during fiscal 2007, one to act as the energy accounts manager and the other to enhance the development of energy performance contracts. The fiscal 2008 allowance converts these positions to one full-time regular position.

Although prior attempts to address energy consumption at State facilities have proven unfruitful, it appears that the most recent legislative mandate is being taken more seriously. **DLS recommends that DGS be prepared to update the committees on the status of the RFP and the likelihood that it will have full compliance from facility managers to meet the December 2007 requirement for energy consumption plans required by Chapter 427.**

2. State House Maintenance Problems Have Not Been Addressed

The fiscal 2007 budget provided a supplemental budget appropriation in the amount of \$1.125 million to fund a maintenance and repair assessment for the State House and to implement remedies for maintenance problems identified in the State House. These additional funds have been built into the department's base budget; therefore, the fiscal 2008 allowance likewise includes a significant level of additional funding for maintenance and repairs of DGS managed facilities such as the State House – although not specifically earmarked to address State House maintenance.

Despite the additional funding, DGS has given no indication that it is aggressively pursuing the State House maintenance initiative. At a minimum, DGS should retain a consultant to develop a Part I and Part II capital program plan for a project to conduct a comprehensive assessment of the aging State House infrastructure. This information should be used to generate a comprehensive plan for the long-term upgrade of vital systems and the development of a perpetual maintenance and replacement program to mitigate the potential for long-term deterioration of the State House. When asked by the Department of Legislative Services, DGS was unable to substantiate that either an assessment or any significant repairs and maintenance efforts had been conducted using the additional fiscal 2007 appropriations. Until action is taken on this important initiative, it appears unlikely that, at a minimum, the additional funding provided in the fiscal 2008 allowance will be utilized. **Accordingly, DLS recommends that the DGS fiscal 2008 budget for maintenance and repairs be**

restricted. When DGS can demonstrate that it has assessed the State House maintenance needs and prepared a comprehensive capital and maintenance repair prioritized project list, additional funding may be expended.

3. Facility Maintenance Needs Escalate

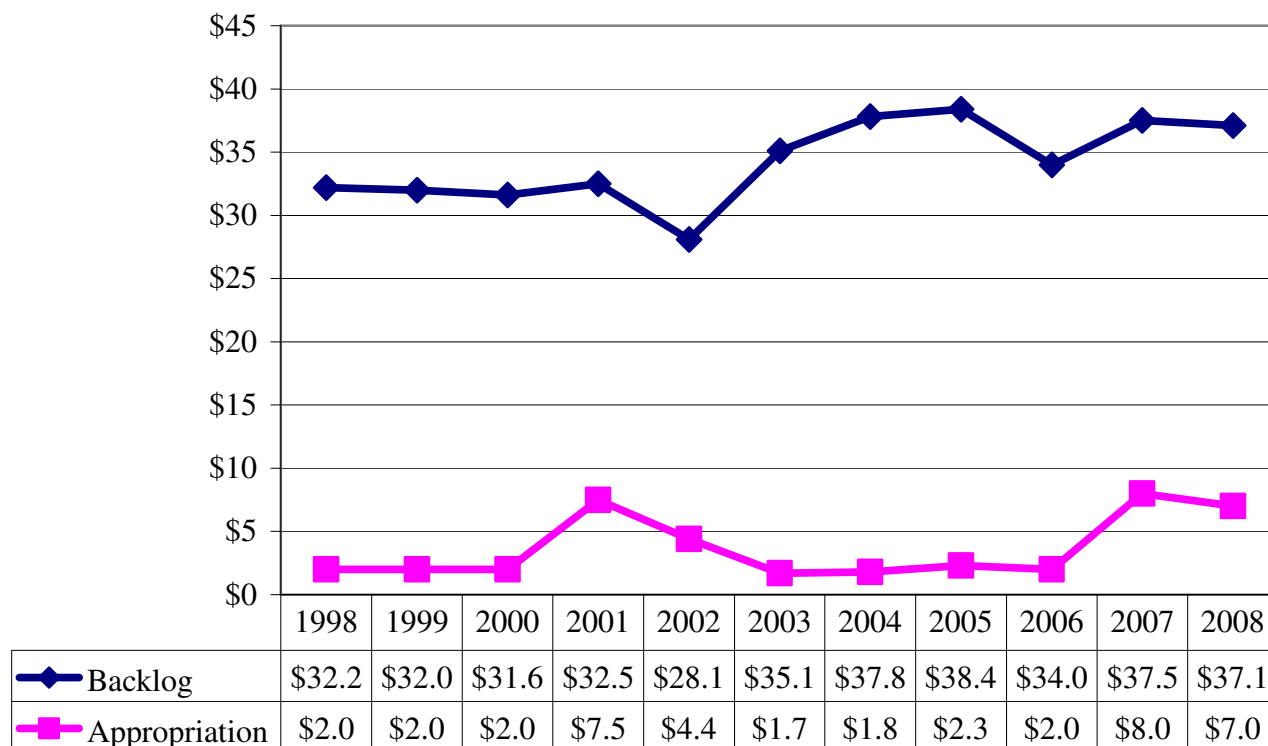
Critical Maintenance

The department's maintenance of State facilities efforts include both "critical maintenance" funded through the operating budget and "facilities renewal" funded through the capital budget. A project that costs at least \$100,000 and has a useful life of 15 years or more is considered a capital project. If a project fails to meet either criterion, it is considered an operating critical maintenance project.

Operating spending by DGS on facilities maintenance projects above the base level of \$2.0 million has been excluded from the spending affordability calculation. This exclusion was initially authorized in the Spending Affordability Committee's December 2000 report when it was reported by DGS that the facilities maintenance backlog, if left unaddressed, would result in considerable deterioration of the State's infrastructure and lead to higher costs in the long run.

Despite the exclusion, the reported fiscal 2008 backlog is \$37.0 million of which \$22.3 million is rated as medium priority level 4 through 6 (posing a high economic risk). As shown in **Exhibit 8**, from fiscal 2003 through 2006, the spending affordability exclusion did not result in additional funding above the base \$2.0 million level. However, the fiscal 2007 budget included a total of \$8.0 million to address the maintenance backlog – this included \$1 million originally budgeted for the purchase of renewable energy that was redirected by the General Assembly. The fiscal 2008 allowance continues the efforts to address the backlog with a general fund allowance of \$7.0 million.

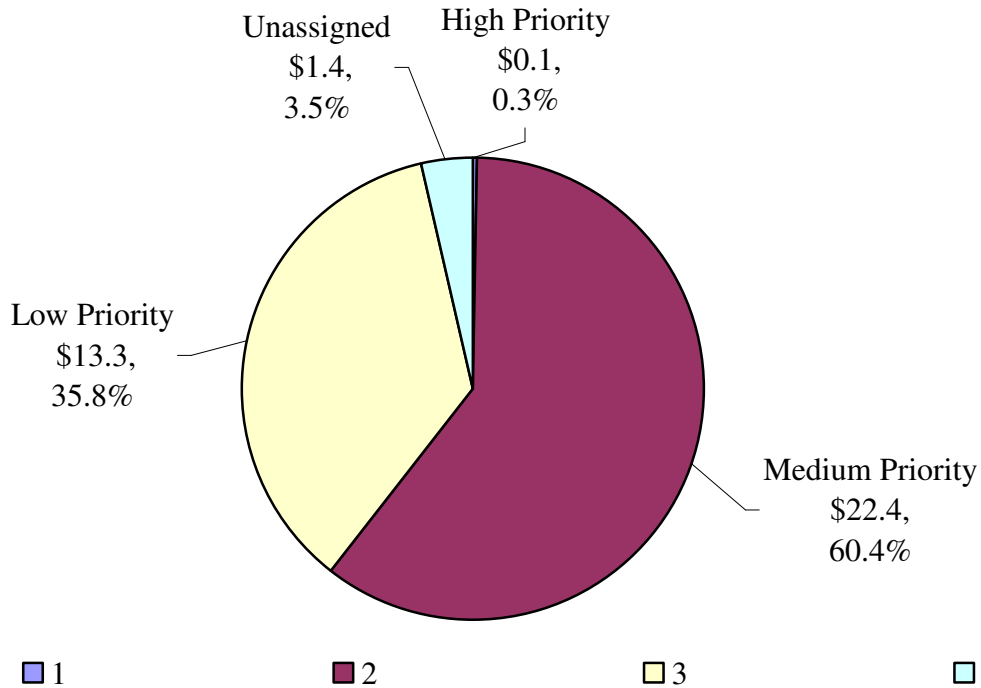
Exhibit 8
Operating Maintenance Funding and Backlog
Fiscal 1998-2008
(\$ in Millions)



Source: Department of General Services

Exhibit 9 shows the fiscal 2008 backlog for each of the department’s priority levels, and **Appendix 5** provides a summary of the priority categorization.

Exhibit 9
Fiscal 2008 Operating Maintenance Budget Request
(\$ in Millions)



<u>Priority Level</u>	<u>High</u>			<u>Medium</u>			<u>Low</u>		<u>Unassigned</u>	<u>Total</u>
	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>0</u>		
Estimate	\$0.1	\$0.7	\$2.5	\$19.1	\$8.3	\$1.5	\$3.5	\$1.4	\$37.1	
% of Total	0.3%	1.8%	6.7%	51.5%	22.5%	4.1%	9.4%	3.7%	100.0%	
# of Projects	3	12	63	552	227	43	94	57	1051	

Note: Numbers may not sum to total due to rounding.

Source: Department of General Services

As Exhibit 8 shows, despite the additional funding provided in fiscal 2007, the backlog of projects for fiscal 2008 has not been reduced. DGS previously reported to the budget committees that historical trends indicated that approximately \$2.4 million in projects are typically added to the backlog list annually. Therefore, if the annual funding level exceeded \$2.4 million, the backlog could eventually be eliminated. However, data from fiscal 2006 and thus far through fiscal 2007 indicate that the level of new projects added to the backlog has been significantly greater than previous estimates, \$5.5 million in fiscal 2006 and \$8.6 million in fiscal 2007. At this rate, it will be difficult to imagine that the backlog will be eliminated, or at least significantly reduced, in the time frames reported by DGS in its 2004 report to the budget committees. In this report DGS estimated that a

consistent annual appropriation of \$5 million could eliminate the backlog by 2018 or significantly reduce it by 2014.

DLS recommends that DGS be prepared to discuss the following:

- **The process DGS uses to assess the condition of State facilities and identify maintenance projects, and any factors that have contributed to the recent spike in maintenance projects.**
- **The degree of coordination DGS maintains with facility managers to ensure that facility assessments are completed, deficiencies identified, and project planned and programmed.**
- **The degree to which current staffing and funding levels adequately address the facility maintenance needs of building under the department’s jurisdiction.**

Recommended Actions

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

. provided that \$912,500 of this appropriation made for the purpose of funding repairs and maintenance at the State House may not be expended until the Department of General Services submits a report to the budget committees by July 1, 2007, which provides a comprehensive facility maintenance and repair assessment, and remediation plan for the State House. The budget committees shall have 45 days from the date of receipt of the report to review and comment.

Explanation: This language restricts the expenditure of funds pending the submission of a facility maintenance report for the State House.

Information Request	Author	Due Date
Facility maintenance and repair assessment for State House.	DGS	July 1, 2007

- | | <u>Amount
Reduction</u> |
|---|------------------------------------|
| 2. Reduce funding for janitorial contracts. The department re-bid many janitorial contracts during fiscal 2007. The fiscal 2007 appropriation for these services was over estimated and therefore over budgeted. The department should encumber fiscal 2007 appropriations remaining prior to the close of fiscal 2007 to fund a portion of janitorial contracts costs for fiscal 2008. | \$ 200,000 GF |

Total General Fund Reductions	\$ 200,000
--------------------------------------	-------------------

Updates

1. Assessment of Internet-based Procurement System

The State's Internet-based procurement system, referred to as eMaryland Marketplace (eMM), provides the State with a comprehensive procurement system. Committee narrative included in the fiscal 2007 *Joint Chairmen's Report* required DGS to provide an assessment of eMM and other State Internet-based procurement system. The following summarizes the major facts and findings contained in DGS's report to the budget committees submitted on September 1, 2006.

- **Solicitation and Notice of Awards:** The current eMM system meets the requirements of Chapter 515 of 2004 which required the use of eMM for the invitation and award of State contracts. The system also provides an electronic bid board.
- **System Costs and Fee Structure:** Fiscal 2006 operating costs totaled \$826,000 which included a one-time system modification costing \$250,000 to accommodate the requirements of Chapter 515. Fees collected from winning contractors during fiscal 2006 amounted to \$914,000. Chapter 274 of 2006 eliminated the eMM fee structure, therefore, requiring the use of general funds to maintain eMM. However, the effective date of Chapter 274 was delayed until July 1, 2007. DGS's fiscal 2007 budget included \$1.5 million in special funds, representing estimated fee collection. DGS recently rebid the vendor contract with Bearing Point winning the contract. This new contract included the purchase of the eMM contractor developed software resulting in a significant reduction in the monthly maintenance rate charged by the vendor. The fiscal 2008 budget includes \$418,000 in general funds to pay the vendor maintenance contract.

Current and Prior Year Budgets

Current and Prior Year Budgets Department of General Services (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2006					
Legislative Appropriation	\$49,862	\$1,334	\$787	\$24,834	\$76,817
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	526	1,342	0	1,075	2,943
Reversions and Cancellations	0	-137	-15	-1,205	-1,357
Actual Expenditures	\$50,388	\$2,539	\$772	\$24,704	\$78,403
Fiscal 2007					
Legislative Appropriation	\$61,122	\$3,174	\$812	\$25,480	\$90,588
Budget Amendments	932	7	0	1,910	2,849
Working Appropriation	\$62,054	\$3,181	\$812	\$27,390	\$93,437

Fiscal 2006

DGS finished fiscal 2006 \$1.6 million above its legislative appropriation. Significant adjustments include the following:

- General funds in the amount of \$100,000 were transferred from the Board of Public Works Contingent Fund for design review services for public school construction projects.
- General funds in the amount of \$434,000 were provided for the cost-of-living adjustment and annual salary review. Funds had been budgeted in the Department of Budget and Management (DBM) and were transferred to each agency.
- Special funds in the amount of \$970,000 were provided from subscription fees paid by contractors in support of the department's web-based interactive procurement system eMaryland Marketplace.
- Special funds in the amount of \$325,000 were added to support the department's State Agency for Surplus Property. The additional funds were derived from sale revenues and fees charged to use the service. This was offset by a cancellation in the amount of \$137,000 to reflect actual expenditures.
- Special funds in the amount of \$47,000 were provided to award a contract for the installation of an ethanol fuel tank at the Baltimore Office center.
- Reimbursable funds in the amount of \$818,000 were budgeted to allow for increased cost associated with the maintenance of the Calvert County State Office Building, St. Mary's County Office Building, and the Hyattsville District Court.
- Reimbursable funds in the amount of \$100,000 were received from the Department of Natural Resources to fund an Assistant Attorney General position.

Fiscal 2007

Significant adjustment to DGS fiscal 2007 appropriation include the following:

- General funds in the amount were added for the general salary increase and position reclassifications. Funds had been budgeted in DBM and were transferred to each agency.
- Reimbursable funds in the amount of \$1.9 million have been added as follows: the fiscal 2006 operating budget increased the department's reimbursable fund spending authority by \$500,000 which corresponds with a \$500,000 reduction made to its general fund appropriation; \$200,000 was added from the Department of Natural Resources to fund

H00 – Department of General Services

enhanced DGS support for Program Open Space capital projects; \$253,000 was added to reflect an omission in the fiscal 2007 budget for costs associated with utility costs at the Saratoga Street Complex; \$147,000 from the Maryland State Department of Education for various commercial tenant costs for space occupied at the Nancy Grasmick Building; and \$800,000 was added to correct an error in the 2006 budget which understates reimbursement for rent paid to DGS.

**Object/Fund Difference Report
Department of General Services**

<u>Object/Fund</u>	<u>FY06 Actual</u>	<u>FY07 Working Appropriation</u>	<u>FY08 Allowance</u>	<u>FY07-FY08 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	643.00	636.00	646.00	10.00	1.6%
02 Contractual	21.01	28.43	26.45	-1.98	-7.0%
Total Positions	664.01	664.43	672.45	8.02	1.2%
Objects					
01 Salaries and Wages	\$ 37,776,897	\$ 40,312,227	\$ 40,530,144	\$ 217,917	0.5%
02 Technical and Spec Fees	972,289	1,406,761	1,126,988	-279,773	-19.9%
03 Communication	860,882	953,688	923,296	-30,392	-3.2%
04 Travel	16,271	11,115	64,743	53,628	482.5%
06 Fuel and Utilities	13,038,504	14,854,806	15,370,542	515,736	3.5%
07 Motor Vehicles	876,523	824,461	919,366	94,905	11.5%
08 Contractual Services	14,128,959	17,301,339	15,516,448	-1,784,891	-10.3%
09 Supplies and Materials	1,381,945	1,483,969	1,536,581	52,612	3.5%
10 Equip – Replacement	154,600	327,046	330,848	3,802	1.2%
11 Equip – Additional	81,988	35,372	52,134	16,762	47.4%
12 Grants, Subsidies, and Contributions	367,000	367,000	367,000	0	0%
13 Fixed Charges	3,701,225	4,217,531	4,213,766	-3,765	-0.1%
14 Land and Structures	5,047,011	11,342,391	11,345,181	2,790	0%
Total Objects	\$ 78,404,094	\$ 93,437,706	\$ 92,297,037	-\$ 1,140,669	-1.2%
Funds					
01 General Fund	\$ 50,387,838	\$ 62,054,101	\$ 61,871,381	-\$ 182,720	-0.3%
03 Special Fund	2,539,264	3,181,430	1,780,263	-1,401,167	-44.0%
05 Federal Fund	772,408	811,905	904,586	92,681	11.4%
09 Reimbursable Fund	24,704,584	27,390,270	27,740,807	350,537	1.3%
Total Funds	\$ 78,404,094	\$ 93,437,706	\$ 92,297,037	-\$ 1,140,669	-1.2%

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.

**Fiscal Summary
Department of General Services**

<u>Program/Unit</u>	<u>FY06 Actual</u>	<u>FY07 Wrk Approp</u>	<u>FY08 Allowance</u>	<u>Change</u>	<u>FY07-FY08 % Change</u>
01 Executive Direction and Support Services	\$ 1,535,043	\$ 2,121,872	\$ 1,532,236	-\$ 589,636	-27.8%
02 Office of Security Administration	2,729,042	3,133,269	3,297,511	164,242	5.2%
01 Finance And Administration	11,816,195	12,717,254	13,095,445	378,191	3.0%
01 Facilities Operation and Maintenance	36,731,060	40,426,325	40,968,166	541,841	1.3%
04 Saratoga State Center – Capital Appropriation	100,000	100,000	100,000	0	0%
05 Reimbursable Lease Management	7,125,153	7,111,593	7,225,587	113,994	1.6%
07 Calvert Street Garage Annapolis	0	1,657,169	1,696,629	39,460	2.4%
01 Procurement and Logistics	6,887,235	9,075,149	6,870,019	-2,205,130	-24.3%
01 Real Estate Management	2,114,546	2,286,338	2,612,801	326,463	14.3%
01 Facilities Planning, Design, and Construction	9,365,820	14,808,737	14,898,643	89,906	0.6%
Total Expenditures	\$ 78,404,094	\$ 93,437,706	\$ 92,297,037	-\$ 1,140,669	-1.2%
General Fund	\$ 50,387,838	\$ 62,054,101	\$ 61,871,381	-\$ 182,720	-0.3%
Special Fund	2,539,264	3,181,430	1,780,263	-1,401,167	-44.0%
Federal Fund	772,408	811,905	904,586	92,681	11.4%
Total Appropriations	\$ 53,699,510	\$ 66,047,436	\$ 64,556,230	-\$ 1,491,206	-2.3%
Reimbursable Fund	\$ 24,704,584	\$ 27,390,270	\$ 27,740,807	\$ 350,537	1.3%
Total Funds	\$ 78,404,094	\$ 93,437,706	\$ 92,297,037	-\$ 1,140,669	-1.2%

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.

**New Regular Positions
Department of General Services**

<u>Program</u>	<u>Position Classification</u>	<u>Salary Level</u>	<u>Total Fringe</u>	<u>Turnover</u>	<u>Total Cost</u>
Office of the Secretary	Administrator II	\$53,519	\$16,717	-\$15,570	\$54,666
	Administrator Officer I	41,443	14,764	-12,057	44,150
	Computer Network Spec II	53,519	16,717	-15,570	54,666
	Computer Network Spec II	53,519	16,717	-15,570	54,666
	Computer Network Spec II	53,519	16,717	-15,570	54,666
	Dp. Programmer Analyst II	53,519	16,717	-15,570	54,666
	Dp. Staff Spec Supervisor	60,956	17,920	-17,734	61,142
	Program Manager I	47,709	15,778	-13,880	49,607
	Program Manager IV	74,120	20,048	-21,563	72,605
	Facilities Security	Administrative Spec I	27,329	12,482	-7,951
Administrative Spec I		27,329	12,482	-7,951	31,860
Police Officer Supervisor		39,364	14,429	-11,452	42,341
Office of Procurement	Administrator IV	53,390	16,696	-3,107	66,979
Office of Real Estate	Reviewing Appraiser II	44,026	15,182	-2,562	56,646
Office of Facilities Planning	Maintenance Engineer I	41,345	14,748	-2,406	53,687
	Capital Projects Engineer	<u>60,956</u>	<u>17,920</u>	<u>-3,547</u>	<u>75,329</u>
	Total	\$785,562	\$256,034	-\$182,060	\$859,536

Priority Classes

The prioritization process used by DGS attempts to identify the consequences of not funding projects based on the following priority classification:

Highest Level: Serious prolonged impact of facility mission:

1. High risk of litigation from failure to provide a mandated service.
2. High risk of cessation of a mandated service.
3. High risk of reduction of a mandated service.

Mid Level: Short term impact on mission capability but very high level of economic risk:

4. Fineable code violations, serious life safety issues.
5. Destruction of related assets.
6. Accelerated deterioration of the asset, end of normal life expectancy.

Low Level: No impact on mission capability and low economic risk associated with:

7. Restoring an asset to its design effectiveness.
8. Restoring an asset to design efficiency.
9. Improving an asset above its original design effectiveness.