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OFFICE OF THE SECRETARY

December 14, 2021

The Honorable Guy Guzzone
Chair, Budget and Taxation Committee

The Honorable Maggie McIntosh
Chair, Appropriations Committee

Reference: 2021_p61_DGS_Remote Work at Maryland State Agencies

Dear Chairs Guzzone and McIntosh:

The 2021 Session Joint Chairmen's Report included the following committee narrative:

Report on Remote Work at Maryland State Agencies: *The COVID-19 pandemic has forced many State agencies to have their employees work remotely. The Department of Budget and Management advises that the number of Executive Branch employees working remotely increased from 266 (0.8% of the workforce) in January 2020 to 15,449 employees (46.3% of the workforce) in January 2021. While many employees will be returning to the office after the pandemic is over, it is likely that the experience of working remotely for over a year has given many organizations the confidence and ability to increase the share of their workforce that works remotely. At this time, too little is known about the lasting effects of remote work during the pandemic. The Department of General Services (DGS) is responsible for providing office space for State agencies. The department should begin evaluating how State agency office space needs will be affected by the pandemic. DGS should report to the budget committees on State office space needs and how these needs have changed. The report should include:*

- (1) surveys of State agency needs;*
- (2) an examination of different kinds of office space needs for different agencies;*
- (3) estimates of the number and share of State employees that will be working remotely, working both remotely and in the office, and working solely in the office;*
- (4) strategies for reducing office space needs; and*
- (5) the costs and benefits associated with reducing office space if the need for office space is less after the pandemic than before the pandemic. The cost benefit analysis should be over a five-year period to capture savings against the costs such as prematurely breaking leases.*

The report should be submitted to the budget committees by December 15, 2021.



The Department of General Services (DGS) offers the following response to this request for information on State office space needs.

1. Surveys of State agency needs

Surveys of state agency needs have taken two paths, which are discussed below.

The first survey effort was in the form of meetings held with state agencies in the Fall of 2020 to discuss the effect of the COVID-19 induced telework on their operations and whether agencies were able to reduce their footprints, terminate expiring leases, and / or consider consolidating operations at other locations. DGS reviewed with each agency their existing lease portfolio and discussed various options to assist with downsizing which included telework, hoteling, and shared office, cubicle, or desk space. Several agencies were able to take immediate action to reduce their portfolios, while other agencies required more time to assess telework and its impact upon their operations. The Department of Human Services (DHS) prepared a master plan to assist in reducing their portfolio over the next 5 years. A handful of agencies were unable to reduce their space due to new programs being added, additional space needs, and / or having missions which did not facilitate space reduction such as the Judiciary. The below tables provide achieved space reductions, pending renewals with large space reduction opportunities, and a list of agencies unable to downsize.

The second survey effort was for the State Center Relocation project which began in Summer 2021 with DGS requesting 680-1 space request forms from each of the ten (10) affected State agencies with an aspirational goal of 15% in space reduction. Technically, there are 12 agencies housed at the State Center complex including the Attorney General's employees which are embedded into each agency, and DGS for which there is a separate relocation plan. Since DGS is currently in the process of reviewing these 680-1's, we are unable to provide any analysis on the space reduction at this time. This information will become available over the next 6 months after the RFP's have been released.

Table 1.1 Achieved Space Reductions

Agency	Square Footage Reduction
Public Safety	101,796 sf (11 locations in Baltimore City; and Baltimore, Carroll, Frederick, Harford, Montgomery, Prince George’s, Washington, and Worcester Counties)
Juvenile Services	14,238 sf (4 locations in Kent, Montgomery and Baltimore Counties)
Human Services (Includes new Cambridge Office reduction and anticipated Baltimore City Headquarters’ reduction)	176,578 sf (4 locations in Baltimore City, Anne Arundel and Dorchester Counties)
Total reductions achieved to date:	292,612 sf

Table 1.2 Pending Renewals with Large Space Reductions Anticipated

Agency	Proposed Reduction Range
Commerce (Lease expiring 12/31/22)	A consultant study was completed in Summer 2021 for the World Trade Center location comprising 75,163 sf, with the goal of vacating 1 - 2 floors
Environment (Lease expiring 12/31/22; short term renewal will be requested through 06/30/23 to allow time for consultant study to be completed and for lease negotiations to occur.)	A consultant is currently working with the MDE to review the existing layout at the Montgomery Park location comprising 262,300 sf, with the goal of reducing their space by 25 – 35% or greater. This includes lab space and equipment storage which cannot be modified.

Table 1.3 Agencies Unable to Downsize (excludes State Center space)

Agency	Justification
Administrative Office of Courts	Mission does not allow for space reduction
Comptroller	No space reduction available at this time
Lottery	Expanded space needs due to Sports Betting Referendum passed in 2021
MDOT (MAA & SHA)	Needs further study by MDOT
Public Defender	Needs additional space due to hiring resulting from increased caseloads
State Police	Mission does not allow for space reduction
State Retirement Board	Expansion of Investments Operations that will include the hiring of additional active trading staff
Worker's Compensation Commission	Mission does not allow for space reduction

2. An examination of different kinds of office space needs for different agencies

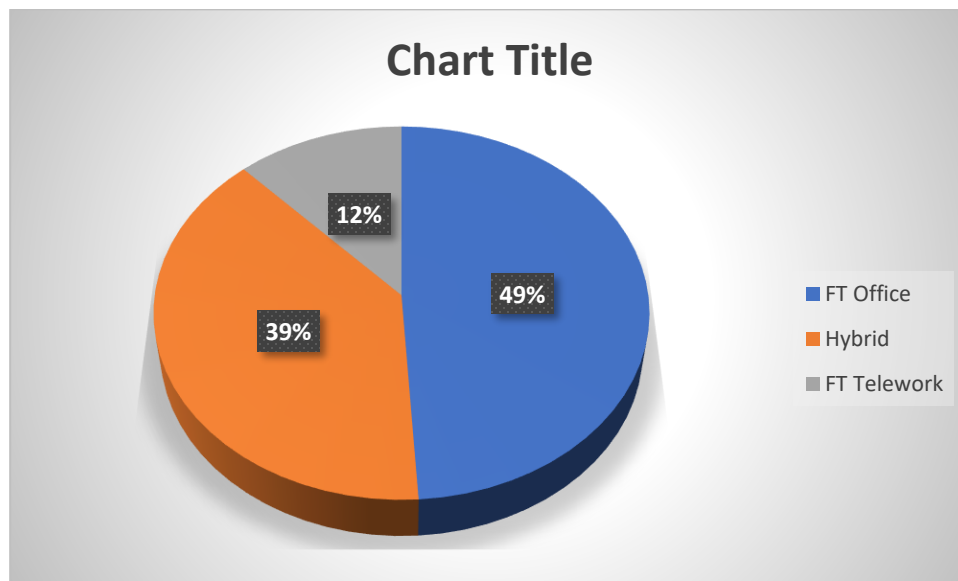
Several different types of office space have been identified because of telework implementation. These include traditional offices and cubicles, shared offices and cubicles, and hoteling stations. DGS has addressed these different office space needs in the new 2021 Space Standards and the updated 680-1 form which are discussed in item 4 below.

3. Estimates of the number and share of State employees that will be working remotely, working both remotely and in the office, and working solely in the office

The Department of Budget and Management (DBM) has conducted ongoing surveys of telework practices by State agencies. The below table has been provided by DBM on the percentage of State employees working 100% remotely, on a hybrid schedule, and working 100% in the office.

It should be noted that DGS conducted a similar survey in Fall 2020 and observed similar findings with 50% working full-time in the office, 31% working a hybrid schedule, and 19% teleworking full-time. This data provided by DBM may include non-office workers required to be (on site) in the office on a daily basis.

Principal Department - Employee Work Status			
As of 11/12/21			
Department	FT Office	Hybrid	FT Telework
Aging	68%	26%	5%
Agriculture	66%	33%	1%
Budget and Management	25%	43%	32%
Commerce	6%	54%	40%
Disabilities	9%	88%	3%
Education	96%	0%	4%
Emergency Management	27%	71%	2%
Environment	17%	63%	20%
General Services	71%	24%	5%
Health	79%	9%	12%
Housing	7%	85%	8%
Human Services	28%	44%	28%
Information Technology	13%	50%	37%
Juvenile Services	64%	35%	1%
Labor	20%	59%	21%
Natural Resources	68%	12%	20%
Planning	34%	65%	1%
Public Safety	88%	10%	3%
State Police	86%	11%	3%
Transportation	75%	23%	2%
Veterans Affairs	82%	17%	1%
Average Percentage	49%	39%	12%



4. Strategies for reducing office space needs

The following strategies for reducing office space needs have been implemented.

- (a) DGS instituted a Telework Lease Renewal Policy in 2020 requiring all agencies to evaluate how telework has impacted their operations and determine whether their existing leased footprint can be reduced or even eliminated by consolidating operations at other locations.
- (b) DGS modified the 680-1 space request form in 2020 to request information from agencies on the use of telework and whether staff require individual or shared workspaces.
- (c) DGS adopted new Space Standards in June 2021 for use by agencies in new lease relocations and where feasible in lease renewals. These standards were adopted to incorporate evolving telework policies into new space designs for state agencies and assist agencies in seeking to downsize their footprints. The link for these standards is as follows:
<https://dgs.maryland.gov/Documents/RealEstate/DGS-SpaceStandards.pdf>
- (d) For some of the larger agencies, consultant studies have been procured to identify space reduction opportunities. Studies have been completed for the Departments of Commerce and Health; and studies are currently underway for the Departments of Labor, Environment, Natural Resources, and the Maryland Insurance Administration.

5. The costs and benefits associated with reducing office space if the need for office space is less after the pandemic than before the pandemic

The DGS lease portfolio stood at 280 commercial leases totaling 4,982,535 million square feet with a total base rent of \$99,176,525.11 as of June 30, 2021. The portfolio is evolving significantly at this time due to the State Center Relocation project, the Department of Human Services (DHS) Headquarters' relocation, and the Office of the Public Defender (OPD) relocation from state owned space to commercial lease space. DGS can provide an update in mid to late FY 23 on the size of the lease portfolio including any potential reductions achieved through lease terminations and modifications, and the addition of the State Center agencies, DHS and OPD into the lease portfolio.

Due to the changing nature of the portfolio and for the below listed reasons DGS is unable to perform a cost benefit analysis at this time. First, the DGS portfolio of nearly 300 leases would need to be fully evaluated which would require more resources than available to DGS and its broker team. Second, a cost benefit analysis would require that landlords provide DGS with the amortized cost of broker commissions, construction, energy efficiency, and other improvements made during the existing lease term and required to be paid by the State as a lease termination cost. Since these are difficult conversations to have with a landlord and require a time investment on their part as well as a thorough review by DGS, this information is only requested when necessary for a pending termination. Third, DGS began a migration of its leasing data in early 2021 to a new platform known as Visual Lease and recently hired a new Deputy Chief of Lease Management to oversee the final stages of Visual Lease implementation. This new lease platform will ultimately house the data necessary to make cost benefit decisions, but this will not occur for several years while DGS incorporates this information into the new system. Fourth, DGS is confident that the 2020 Telework Lease Renewal Policy, the 2021 Space Standards, the headquarters' relocation for DHS, and the consultant studies underway will result in reducing state agency space needs.

Should you have any questions or require additional information, please feel free to contact Ms. Wendy Scott-Napier, Assistant Secretary, Office of Real Estate, at 410-767-4088 or Wendy.Scott-Napier@maryland.gov.

Sincerely,



Ellington E. Churchill, Jr.

c: Sarah Albert, DLS
Wendy Scott-Napier, DGS
Ellen Robertson, DGS