

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1557

(Delegate Solomon)(By Request - Joint Audit and
 Evaluation Committee)

Government, Labor, and Elections

Budget and Taxation

**Procurement - Real Estate Advisory Committee and Property Acquisition and
 Lease Requirements**

This bill establishes a Real Estate Advisory Committee in the Department of General Services (DGS) to advise DGS, the Board of Public Works (BPW), and the General Assembly on industry trends, developments and movement in the commercial real estate sector, and best practices for real estate asset management in the State. The committee must meet at least three time per year and conduct an annual review of the State’s long-term real estate plans and goals. The bill specifies reporting requirements and staffing for the committee. Finally, the bill applies existing requirements for the State’s acquisition of real property with an appraised value of at least \$500,000 to leases of real property that will be used by the State that require the State to make payments totaling at least \$500,000 annually, and expands the information that BPW must provide to the Legislative Policy Committee (LPC) on each acquisition or lease. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: General fund expenditures increase by \$90,000 beginning in FY 2027 for staff. Out-year expenditures reflect annualization and inflation. No effect on revenues.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	90,000	106,000	110,900	116,000	121,000
Net Effect	(\$90,000)	(\$106,000)	(\$110,900)	(\$116,000)	(\$121,000)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: The advisory committee must submit an annual report of its findings and recommendations to the Governor, BPW, DGS, and the General Assembly by October 1, 2026, and annually thereafter. DGS and the Department of Legislative Services must provide staff for the advisory committee, and the Secretary of General Services must designate the chair of the committee. Committee members may not receive compensation as members of the committee but are entitled to reimbursement for expenses.

For acquisitions of real property of at least \$500,000 or leases of real property that require payments of at least \$500,000 annually, BPW must provide to LPC:

- justification for (1) real estate terms of time or cost in excess of ordinary and regular State contract terms; (2) rent escalation rates in excess of market rates; (3) construction costs and costs for any other part of the real estate transaction, with consideration for the reasonableness and cost competitiveness of each item; (4) removal of any standard real estate provisions, including the right to terminate the lease or transaction; and (5) why the transaction is in the best interest of the State;
- a cost-benefit analysis of the planned acquisition or lease that includes comparing similar or comparable properties and purchase options, including a comparison of lease options with purchase options, lease consolidation options, and if relevant, an analysis of State agency parking needs and costs;
- if applicable, a full or significant renovation cost analysis distinct from the overall acquisition or lease cost-benefit analysis, including (1) a justification for noncompetitive procurement of goods and services and (2) a demonstration that full funding is available for all renovations; and
- if applicable, landlord payment documentation, including (1) total payments made to the landlord to date; (2) prior lease payments; (3) tax credits or other State benefits granted to the landlord; and (4) tax credits or other State benefits for the location or the real estate transaction.

Within 14 days after receiving this information, the cochairs of LPC may request any other information they need to complete their review.

Current Law:

Land Acquisition

The Land Acquisition Division within DGS is exclusively responsible for negotiating the acquisition of land for any public improvement. The Division must make each State

acquisition in the name of the unit of the State government or the principal department of the State government to which the unit belongs. The division is not responsible for acquiring land for a local project or the development of any acquired land.

Before execution, a contract for the acquisition of land must be reviewed by the Secretary of General Services and approved by BPW (unless otherwise specified in regulations). Except for any capital expenditure by the Maryland Aviation Administration, the Maryland Port Administration, or the Maryland Transit Administration, the division must, at least 40 days before BPW may act on a land acquisition, give written notice of a potential land acquisition to the governing body of the county in which the land is located and, if the land is located within a municipal corporation, to the governing body of the municipal corporation. Within 30 days after receiving notice, the governing body may submit written comments to the division. The provisions of this paragraph do not apply to any capital expenditures by the Maryland Department of Transportation (MDOT) or the Maryland Transportation Authority in connection with State roads, bridges, or highways or to the acquisition of land by the Department of Natural Resources. BPW is responsible for supervising the expenditures of any money that the General Assembly appropriates for the acquisition of land.

Except when real property is acquired by gift, before any real property is acquired from a private owner, BPW must obtain two independent appraisals of the property.

State Leasing of Real Property

DGS must give written notice of each proposed initial lease of property to (1) the governing body of each political subdivision in which the property is located and (2) each member of the General Assembly in whose legislative district the property is located. Within 30 days after receiving notice, the governing body or member of the General Assembly may submit written comments to DGS, and a lease for a site may not be executed until 31 days after the day that notice is received.

DGS must advertise any need of the State to rent building space at least 20 days before proposals for a lease are due. The Department must advertise the leasing by posting a publication on the DGS website and eMaryland Marketplace, as well as in a daily or weekly newspaper with circulation sufficient to provide notice to the people of the State, or at least to the people of the affected locality. The advertisement must contain the number of square feet proposed to be leased and the general area in which the States desires to lease the space.

Unless BPW regulations require otherwise, the Secretary of General Services must submit each proposal for the lease of building space by the State, along with any recommendation of the Secretary, to BPW for final approval.

These requirements do not apply to (1) intergovernmental lease transactions; (2) lease transactions involving property located outside the State; (3) lease transactions declared by the Secretary of General Services to be necessary because of an emergency; (4) lease transactions where the State is the lessor; or (5) lease transactions involving up to 5,000 square feet of property.

Real Property Over \$500,000

Except as specified, BPW cannot approve the acquisition of real property with an appraised value of at least \$500,000 unless BPW has provided LPC with a justification for the planned acquisition and, on request of the cochairs of LPC made within 14 days after receiving the justification (1) a cost-benefit analysis of the planned acquisition and (2) at least 45 days to review the information provided and comment on the planned acquisition before approval. If the acquisition of real property with an appraised value of at least \$500,000 from the federal government would require the State to provide ongoing maintenance to the property, the Board may not approve the acquisition until it has provided to LPC (1) notice that the acquisition would require the State to provide ongoing maintenance to the property and (2) on request of LPC within 14 days after receiving the notice, a study regarding the ongoing fiscal impact the acquisition would have on the State, including any environmental mitigation that may be required.

State Expenditures: Although the bill requires BPW to provide information, such as justification for a contract or cost-benefit analyses, to LPC on specified acquisitions and leases, BPW advises that current practice is for the agency making the request to BPW to provide the information to LPC; BPW indicates that the application of the bill will follow the same procedure.

Therefore, as agencies responsible for managing State property and leases, DGS, MDOT, and State four-year institutions of higher education are responsible for producing and disseminating the relevant required information. MDOT and the University System of Maryland indicate that this reporting responsibility can be handled with existing resources due to their limited number of acquisitions and leases. However, due to the large scale of its commercial real estate portfolio, DGS requires additional staff to help provide this information to LPC and to staff the Real Estate Advisory Committee.

Accordingly, general fund expenditures increase by \$90,008 in fiscal 2027, which accounts for a 90-day start-up delay from the bill's July 1, 2026 effective date. This estimate reflects the cost of hiring one administrative staff member to prepare and compile required information on applicable acquisitions and leases to LPC, as well as staff the Real Estate Advisory Committee established under the bill. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1.0
Salary and Fringe Benefits	\$80,867
Operating Expenses	<u>9,141</u>
Total FY 2027 State Expenditures	\$90,008

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

DLS can assist in staffing the Real Estate Advisory Committee with existing resources.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Department of General Services; Board of Public Works; Department of Legislative Services

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