

M00J
Laboratories Administration
Department of Health and Mental Hygiene

Operating Budget Data

	(\$ in Thousands)				
	<u>FY 02</u> <u>Actual</u>	<u>FY 03</u> <u>Working</u>	<u>FY 04</u> <u>Allowance</u>	<u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Funds	\$16,242	\$16,809	\$16,663	-\$147	-0.9%
FY 2003 Cost Containment	0	-85	0	85	-100.0%
Contingent & Back of Bill Reductions	0	-17	-83	-66	388.0%
Adjusted General Funds	\$16,242	\$16,707	\$16,579	-\$128	-0.8%
Special Funds	97	68	86	18	25.9%
Federal Funds	2,729	4,439	3,526	-913	-20.6%
Reimbursable Funds	707	565	582	16	2.9%
Adjusted Grand Total	\$19,775	\$21,779	\$20,772	-\$1,007	-4.6%

- Ninety percent of the change between the fiscal 2003 working appropriation and the fiscal 2004 allowance is attributable to projected declines in federal fund attainment. Initial purchases related to development of bioterrorism programs, such as data processing and laboratory equipment, were made in fiscal 2003, eliminating this need in fiscal 2004. Position abolitions further reduced the need for federal funds.

Personnel Data

	<u>FY 02</u> <u>Actual</u>	<u>FY 03</u> <u>Working</u>	<u>FY 04</u> <u>Allowance</u>	<u>Change</u>
Regular Positions	278.00	304.50	281.50	(23.00)
Contractual FTEs	14.90	10.78	5.28	(5.50)
Total Personnel	292.90	315.28	286.78	(28.50)

Vacancy Data: Regular Positions

Budgeted Turnover: FY 04	11.26	4.00%
Positions Vacant as of 12/31/02	39.50	12.97%

- Twenty-three federally-funded positions were eliminated in the fiscal 2004 allowance, representing 8% of regular positions. These positions, added by the Board of Public Works in September 2002, had not been filled prior to their abolition.
- The current vacancy rate reflects both the continuation of the hiring freeze and the addition of new positions in fiscal 2003.

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

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Analysis in Brief

Major Trends

Quantity and Accuracy of Laboratory Testing Increases: The Laboratories Administration has been able to consistently improve the accuracy of laboratory testing results even as the quantity of laboratory tests performed increases.

Issues

Emergency Preparedness Efforts Continue: The Laboratories Administration was among the first State public health agencies to respond to bioterrorist activity in the fall of 2001. Since that time, the administration has developed methods to improve the capacity to quickly and accurately identify possible bioterrorist agents. These activities have been facilitated by unprecedented increases in federal funding for emergency preparedness, though the duration and amount of future federal funding is unclear.

Recommended Actions

	<u>Funds</u>
1. Reduce growth in general funds for laboratory supplies.	\$ 190,250
Total Reductions	\$ 190,250

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Operating Budget Analysis

Program Description

The mission of the Laboratories Administration is to promote, protect, and preserve the health of the people of Maryland from the consequences of communicable diseases, environmental factors, and unsafe consumer products through the following measures:

- Adopting scientific technology to improve the quality and reliability of laboratory practice in the areas of public health and environmental protection;
- Expanding newborn hereditary disorder screening and childhood lead poisoning screening with accuracy and efficiency;
- Expanding laboratory emergency preparedness efforts; and
- Promoting quality and reliability of laboratory data in support of public health and environmental programs.

Performance Analysis: Managing for Results

One of the Laboratories Administration's fundamental goals is to promote the quality and reliability of laboratory results in support of public health and environmental programs. As reflected in **Exhibit 1**, the administration has been able to consistently improve the accuracy of laboratory testing results even as the quantity of laboratory tests performed increases. Accuracy, measured by performance in national proficiency testing programs, has been improved with regular feedback on testing results and periodic staff training exercises. These and other measures emphasize the adoption of technology to expedite detection and diagnosis of disease, expansion of testing and capacity, reduction of turnaround times, and improvements in testing accuracy.

Exhibit 1

Managing for Results Data Fiscal 2000 through 2004

	<u>2000</u> <u>Actual</u>	<u>2001</u> <u>Actual</u>	<u>2002</u> <u>Actual</u>	<u>2003</u> <u>Estimated</u>	<u>2004</u> <u>Estimated</u>
Infectious Disease Testing					
Percent of tests meeting national quality standards	90%	95%	99%	99%	99%
Number of tests	813,382	845,756	887,723	928,000	968,000
Environmental Testing					
Percent of tests meeting national quality standards	90%	95%	93%	95%	98%
Number of tests	194,043	208,253	221,779	235,000	248,000
Newborn screening					
Percent of tests meeting national quality standards	98%	98%	99%	99%	99%
Number of tests	1,397,548	1,371,134	1,464,970	1,725,000	1,990,000

Source: Department of Health and Mental Hygiene

Fiscal 2003 Actions

The fiscal 2003 working appropriation reflects the abolition of 14 positions in June 2002. The abolitions were the result of Section 37 of the fiscal 2003 budget bill requiring the Governor to reduce the number of full-time regular employees in Executive Branch agencies. As a result of additional attainment of federal funds for bioterrorism, seven positions were added to the Laboratories Administration at the beginning of fiscal 2003 by the Board of Public Works under the Rule of 500. The board added 23 additional federally-funded positions in September 2002 and another federally-funded position in November 2002, bringing the fiscal 2003 working total to 304.5 full-time equivalent positions.

Impact of Cost Containment

Cost containment reductions in the Laboratories Administration totaled \$102,088 in fiscal 2003. Savings were generated by eliminating the transit subsidy, reducing funding for replacement of laboratory equipment, and maintaining vacancies in two contractual positions. The administration also remains subject to the hiring freeze. The current 13% vacancy rate reflects both the continuation of the freeze and the addition of new positions in fiscal 2003.

Governor's Proposed Budget

The fiscal 2004 allowance reduces funding \$1.0 million below the adjusted fiscal 2003 working appropriation, a reduction of 5%. The decline is primarily attributable to a reduction in federal funds for emergency preparedness and abolition of related positions.

Personnel Changes

Twenty-three positions were eliminated in the fiscal 2004 allowance, representing 8% of regular positions. These positions had been added by the Board of Public Works in September 2002 as the result of additional attainment of federal funds. The abolition of these positions reduced the federal fund allowance \$864,952 below the fiscal 2003 working appropriation. The positions, primarily laboratory scientists and technicians in the areas of bioterrorism, West Nile Virus, and HIV and other sexually transmitted diseases, had not been filled prior to their abolition, minimizing the net effect of the abolitions in fiscal 2004. As the positions were entirely federally-funded, the Board of Public Works has the option of reinstating the positions at any time under the Rule of 500.

The reduction in personnel was partially offset by a reduction in expected turnover, as many of the positions had been added in fiscal 2003 with the expectation that hiring for these positions would take several months. Smaller personnel changes included an anticipated increase of \$468,555 in employee and retiree health insurance premiums and a reduction of \$178,753 in leave payouts and reclassifications.

Reductions in Federal Funding

Ninety percent of the reduction in the Laboratories Administration budget is attributable to a reduction in federal funding between fiscal 2003 and 2004. Federal funding reached an apex in fiscal 2003 with new appropriations for bioterrorism. Although federal emergency preparedness funding has declined since last year, the total still exceeds previous years' levels. Initial purchases related to development of bioterrorism programs, such as data processing and laboratory equipment, were made in fiscal 2003, eliminating the need for these funds in future years. Funding for bioterrorism workshops also declined, but was not eliminated. These reductions were partially offset by an increase in federal funding for laboratory supplies in fiscal 2004.

Impact of Cost Containment

The elimination of deferred compensation funding will reduce the fiscal 2004 allowance by \$83,384.

Exhibit 2

**Governor's Proposed Budget
Laboratories Administration
(\$ in Thousands)**

	<u>FY 02</u> <u>Actual</u>	<u>FY 03</u> <u>Working</u>	<u>FY 04</u> <u>Allowance</u>	<u>Change</u>	<u>% Change</u> <u>Prior Year</u>
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Where It Goes:**Personnel Expenses**

Turnover adjustments	\$599
Employee and retiree health insurance	469
Deferred Compensation	-80
Reduction in leave payouts and reclassifications	-179
Abolished positions	-865
Other adjustments	58

Other Changes

Increase in laboratory supplies	546
Elimination of federal funding for data processing equipment.....	-225
Reduction in contractual personnel	-238
Reduction in laboratory equipment purchases, primarily attributable to the elimination of federal funding for additional laboratory equipment	-511
Reduction in federal funding for bioterrorism workshops and conferences	-581

Total **-\$1,007**

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

Issues

1. Emergency Preparedness Efforts Continue

Events of the fall of 2001 brought attention to inadequacies of the national public health system in anticipating and responding to terrorist activity. Initially the federal government responded with funds to compensate for costs incurred in responding to immediate threats; more recently, federal funds have been invested in building a public health infrastructure sufficient to improve surveillance and long-term emergency response capabilities. Although needs persist, it is unclear how long the federal commitment will continue.

Role of the Laboratories Administration

One of the primary responsibilities of the Laboratories Administration is to protect the people of Maryland against the spread of communicable and infectious diseases through continuous disease surveillance. To that end, the administration promotes the public health through early detection and diagnosis of infectious diseases with the intent of ultimately reducing the transmission of disease. In this role, the Laboratories Administration is among the first public health agencies to respond to an emerging public health threat.

In the fall of 2001 the Laboratories Administration bore responsibility for analyzing potential anthrax samples throughout Maryland, and many from the District of Columbia. The administration analyzed more than 2,000 samples in the two months following the first reported anthrax incident, requiring staff and other resources to be redirected from other laboratory functions to manage the workload. Since that surge, the administration has developed methods to improve the capacity to quickly and accurately identify other possible bioterrorist agents.

Availability of Federal Funding

The Laboratories Administration has worked collaboratively with the Centers for Disease Control and Prevention and the Department of Justice to make possible emergency preparedness improvements among public and private agencies statewide. The federal government, through these two agencies, has provided funding for the majority of improvements in emergency response capabilities both within the Laboratories Administration and among members of the State's Laboratory Response Network.

Within the Laboratories Administration, federal funding has provided for additional personnel to work within the laboratory to develop technology to increase identification of bioterrorist agents, as well as provided for the purchase of scientific equipment, supplies, and storage and security improvements. Federal funds have also been used to coordinate activities among members of the State's Laboratory Response Network. Laboratories Administration personnel have conducted a series of workshops and seminars to inform first responders and members of the State network. The administration has also invested in equipment to improve communications among network members.

Emergency preparedness funding from the Centers for Disease Control and Prevention and the

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Department of Justice increased through fiscal 2003 as the administration made initial investments in equipment and personnel. As reflected in **Exhibit 3**, emergency preparedness funding from these sources is projected to decrease by 47% in fiscal 2004. The decrease reflects reduced expenditures for laboratory personnel and equipment relative to prior years. Although federal funding for emergency response is expected to continue indefinitely, the amount is unclear.

The Laboratories Administration should comment on outstanding emergency preparedness needs and anticipated future availability of federal funding.

Exhibit 3

**Laboratories Administration Federal Funding for Emergency Preparedness
Fiscal 2001 through 2004**

	<u>2001 Actual</u>	<u>2002 Actual</u>	<u>2003 Appropriation</u>	<u>2004 Allowance</u>
Centers for Disease Control and Prevention	\$108,577	\$166,678	\$2,036,855	\$946,053
Department of Justice	–	758,747	800,000	552,439
Totals	\$108,577	\$925,425	\$2,836,855	\$1,498,492

Source: Department of Health and Mental Hygiene

Recommended Actions

	<u>Amount Reduction</u>	<u>Position Reduction</u>
1. Reduce growth in general funds for laboratory supplies. This action will still allow for a 5% increase in general funds for laboratory supplies over the fiscal 2003 working appropriation.	\$ 190,250	GF
Total General Fund Reductions	\$ 190,250	

Current and Prior Year Budgets

Current and Prior Year Budgets Laboratories Administration (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2002					
Legislative Appropriation	\$16,658	\$58	\$1,442	\$801	\$18,959
Deficiency Appropriation	0	0	800	0	800
Budget Amendments	0	69	813	0	883
Reversions and Cancellations	-415	-31	-327	-94	-866
Actual Expenditures	\$16,242	\$ 96	\$2,728	\$ 707	\$19,774
Fiscal 2003					
Legislative Appropriation	\$16,809	\$68	\$2,440	\$565	\$19,882
Budget Amendments	-102	0	1,999	0	1,897
Working Appropriation	\$16,707	\$ 68	\$4,439	\$ 565	\$21,779

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

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The administration reverted \$415,290 in general funds in fiscal 2002 as a result of cost containment. Savings are a result of the hiring freeze and the deferral of planned equipment replacement.

The special fund appropriation increased \$69,450 as a result of increased collection of user fees for laboratory services.

The fiscal 2002 federal fund appropriation increased \$800,000 as a result of a homeland defense assistance deficiency appropriation for laboratory supplies and equipment; in addition, federal fund budget amendments increased the federal fund appropriation \$471,847 to increase laboratory capacity for West Nile Virus testing, \$169,586 for infertility prevention and chlamydia control, and \$139,754 for viral load and genotyping supplies. Federal funds were cancelled due to an inability to purchase a large amount of laboratory supplies in the last quarter of the fiscal year.

A fiscal 2003 federal fund budget amendment of \$1,998,693 will support seven new positions, laboratory equipment and supplies, renovation of laboratory facilities, and computer equipment and network software related to improving emergency response. The amendment is partially offset by \$102,088 of general fund cost containment actions.

Object/Fund Difference Report
DHMH Laboratories Administration

Object/Fund	FY03		FY04 Allowance	FY03 - FY04		Percent Change
	FY02 Actual	Working Appropriation		Amount	Change	
Positions						
01 Regular	278.00	304.50	281.50	(23.00)	(7.6%)	
02 Contractual	14.90	10.78	5.28	(5.50)	(51.0%)	
Total Positions	292.90	315.28	286.78	(28.50)	(9.0%)	
Objects						
01 Salaries and Wages	\$ 13,048,795	\$ 13,881,750	\$ 13,953,652	\$ 71,902	0.5%	
02 Technical & Spec Fees	449,207	428,697	153,597	(275,100)	(64.2%)	
03 Communication	151,534	95,947	110,454	14,507	15.1%	
04 Travel	9,312	36,372	35,220	(1,152)	(3.2%)	
07 Motor Vehicles	14,934	21,032	19,559	(1,473)	(7.0%)	
08 Contractual Services	611,949	1,326,737	751,495	(575,242)	(43.4%)	
09 Supplies & Materials	4,197,173	4,409,409	4,951,659	542,250	12.3%	
10 Equip - Replacement	748,325	515,044	515,044	0	0%	
11 Equip - Additional	226,279	793,750	0	(793,750)	(100.0%)	
12 Grants,Subsidies,Contr	277,546	300,000	300,000	0	0%	
13 Fixed Charges	39,721	72,747	65,140	(7,607)	(10.5%)	
Total Objects	\$ 19,774,775	\$ 21,881,485	\$ 20,855,820	(\$ 1,025,665)	(4.7%)	
Funds						
01 General Fund	\$ 16,242,377	\$ 16,809,200	\$ 16,662,598	(\$ 146,602)	(0.9%)	
03 Special Fund	96,699	68,000	85,600	17,600	25.9%	
05 Federal Fund	2,728,598	4,438,987	3,525,829	(913,158)	(20.6%)	
09 Reimbursable Fund	707,101	565,298	581,793	16,495	2.9%	
Total Funds	\$ 19,774,775	\$ 21,881,485	\$ 20,855,820	(\$ 1,025,665)	(4.7%)	

Notes: 1. Full-time and contractual positions and salaries are reflected for operating budget programs only.

2. Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.

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Fiscal Summary
DHMH Laboratories Administration

<u>Unit/Program</u>	<u>FY02 Actual</u>	<u>FY03 Legislative Appropriation</u>	<u>FY03 Working Appropriation</u>	<u>FY02 - FY03 % Change</u>	<u>FY04 Allowance</u>	<u>FY03 - FY04 % Change</u>
01 Laboratory Services	\$ 19,774,775	\$ 19,882,792	\$ 21,881,485	10.7%	\$ 20,855,820	(4.7%)
Total Expenditures	\$ 19,774,775	\$ 19,882,792	\$ 21,881,485	10.7%	\$ 20,855,820	(4.7%)
General Fund	\$ 16,242,377	\$ 16,809,200	\$ 16,809,200	3.5%	\$ 16,662,598	(0.9%)
Special Fund	96,699	68,000	68,000	(29.7%)	85,600	25.9%
Federal Fund	2,728,598	2,440,294	4,438,987	62.7%	3,525,829	(20.6%)
Total Appropriations	\$ 19,067,674	\$ 19,317,494	\$ 21,316,187	11.8%	\$ 20,274,027	(4.9%)
Reimbursable Fund	\$ 707,101	\$ 565,298	\$ 565,298	(20.1%)	\$ 581,793	2.9%
Total Funds	\$ 19,774,775	\$ 19,882,792	\$ 21,881,485	10.7%	\$ 20,855,820	(4.7%)

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.