

M00J
Laboratories Administration
Department of Health and Mental Hygiene

Operating Budget Data

(\$ in Thousands)

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 02-04</u> <u>Change</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>
Operations	\$18,885	\$19,590	\$19,100	\$215	\$19,820	\$720
Contractual Services	612	727	752	\$140	690	-62
Grants	278	275	300	\$22	0	-300
Contingent & Back of Bill Reductions	0	0	0	\$0	-102	-102
Adjusted Grand Total	\$19,775	\$20,592	\$20,152	\$377	\$20,408	\$256
General Funds	16,242	16,723	15,960	-\$282	16,433	473
Contingent & Back of Bill Reductions	0	0	0	\$0	-93	-93
Adjusted General Funds	\$16,242	\$16,723	\$15,960	-\$282	\$16,340	\$380
Special Funds	97	124	86	-\$11	80	-6
Federal Funds	2,729	2,949	3,524	\$795	3,432	-92
Contingent & Back of Bill Reductions	0	0	0	\$0	-10	-10
Adjusted Federal Funds	\$2,729	\$2,949	\$3,524	\$795	\$3,422	-\$102
Reimbursable Funds	707	797	582	-\$125	565	-17
Adjusted Grand Total	\$19,775	\$20,592	\$20,152	\$377	\$20,407	\$255
Annual % Change		4.1%	-2.1%		1.3%	

- Cost containment has delayed the Laboratories Administration's equipment replacement schedule. Certain reductions to appropriations for laboratory supplies and contractual personnel have been offset by increased availability of federal and reimbursable funds.
- Funding from the Centers for Disease Control and Prevention increases in fiscal 2005 to improve bioterrorism preparedness and response. Funds will allow the Laboratories Administration to implement the Laboratory Information Management System and purchase additional laboratory equipment.

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

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Personnel Data

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 02-04</u> <u>Change</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>
Regular Positions	278.0	304.5	282.5	4.5	282.5	0.0
Contractual FTEs	14.9	6.4	3.3	-11.6	3.8	0.5
Total Personnel	292.9	310.9	285.8	-7.1	286.3	0.5

Vacancy Data: Regular Positions

Turnover Expectancy	12.52	4.43%
Positions Vacant as of 12/31/03	27.50	9.73%

- Twenty-three federally funded positions were eliminated in fiscal 2004. These positions – 14 general fund positions and 9 federal fund positions – were abolished in an effort to contain the size of the State workforce.
- Increases in funding for personnel expenses reflect the inclusion of increments in the fiscal 2005 allowance and an increase in federal funds for positions related to bioterrorism preparedness and response.
- The fiscal 2005 allowance assumes the administration will fill an additional 15 positions, a 55% reduction in the number of vacancies.

Analysis in Brief

Major Trends

Administration Maintains Laboratory Testing Standards: The Laboratories Administration has maintained a high level of accuracy in public health and environmental program laboratory results.

Quantity of Newborn Screening Tests Increases: New equipment has increased the number of hereditary disorders for which the Laboratories Administration screens.

Issues

Emergency Preparedness Efforts Continue: Since 2001, the Laboratories Administration has been the recipient of several million dollars in federal grants to enhance emergency response capabilities by increasing surveillance, improving laboratory capacity, and building communications networks.

Recommended Actions

	<u>Funds</u>
1. Reduce growth in general funds for laboratory supplies.	\$ 48,194
2. Reduce general funds for equipment maintenance and repair.	27,119
3. Increase turnover expectancy to 5.5% to reflect current number of vacant positions.	159,512
Total Reductions	\$ 234,825

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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 maintain high levels of accuracy in laboratory testing results. Accuracy, measured by performance in national proficiency testing programs, has been maintained 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.

Program measurement data also reflect recent increases in the quantity of newborn screening tests. The number of hereditary disorders for which the Laboratories Administration tests has increased from 9 disorders in fiscal 2002 to an estimated 23 disorders in fiscal 2005. The increase has been made possible with the purchase of new equipment in fiscal 2003. Fees were increased from \$30 to \$42, effective July 1, 2003, in order to recover the cost of the additional reagents and laboratory supplies necessary to screen for the additional diseases. The increased fees, all of which accrue to the general fund, are expected to raise an additional \$1.1 million per year.

Exhibit 1
Program Measurement Data
Laboratories Administration
Fiscal 2001 – 2005

	<u>Actual</u> <u>2001</u>	<u>Actual</u> <u>2002</u>	<u>Actual</u> <u>2003</u>	<u>Est.</u> <u>2004</u>	<u>Est.</u> <u>2005</u>	<u>Ann.</u> <u>Chg.</u> <u>01-03</u>	<u>Ann.</u> <u>Chg.</u> <u>03-05</u>
Infectious Bacterial Disease Testing							
Percent of tests meeting national quality	n/a	100%	98%	98%	98%		
Number of tests	167,099	171,984	162,178	163,000	163,000	-1.0%	0.3%
Viral Disease Testing							
Percent of tests meeting national quality	n/a	100%	100%	98%	98%		
Number of tests	678,657	715,739	708,082	708,000	708,000	2.1%	0.0%
Environmental Testing							
Percent of tests meeting national quality	95%	93%	93%	95%	95%		
Number of tests	208,253	221,779	202,562	203,000	203,000	-1.4%	0.1%
Newborn Screening							
Percent of tests meeting national quality	98%	99%	99%	98%	98%		
Number of tests	1,371,134	1,464,970	1,628,660	2,896,000	3,801,000	9.0%	52.8%

Source: Department of Health and Mental Hygiene

Fiscal 2004 Actions

Cost containment reductions in the Laboratories Administration total \$300,000 in fiscal 2004. General funds for laboratory supplies and contractual positions were reduced by \$180,000 due to the availability of federal and reimbursable funds for these purposes. The remaining \$120,000 in cost saving was achieved through the delay of scheduled laboratory equipment replacement.

Governor's Proposed Budget

The fiscal 2005 allowance increases funding for the Laboratories Administration \$0.3 million above the fiscal 2004 working appropriation. Significant in the fiscal 2005 budget is the expiration of certain sources of federal funding for emergency preparedness. In most instances, most notably for

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personnel, general funds have been substituted for the expired federal funds. The overall increase in the Laboratories Administration is incremental; components of the 1.3% increase are detailed in **Exhibit 2**.

**Exhibit 2
Governor's Proposed Budget
Laboratories Administration
(\$ in Thousands)**

	<u>FY 03</u> <u>Actual</u>	<u>FY 04</u> <u>Approp.</u>	<u>FY 05</u> <u>Allowance</u>	<u>FY 04-05</u> <u>Change</u>	<u>FY 04-05</u> <u>% Change</u>
General Funds	\$16,723	\$15,960	\$16,433	\$473	3.0%
Contingent & Back of Bill Reductions	0	0	-93	-93	
Adjusted General Funds	\$16,723	\$15,960	\$16,340	\$380	2.4%
Special Funds	\$124	\$86	\$80	-\$6	-7.0%
Federal Funds	\$2,949	\$3,524	\$3,432	-\$92	-2.6%
Contingent & Back of Bill Reductions	0	0	-10	-10	
Adjusted Federal Funds	\$2,949	\$3,524	\$3,422	-\$102	-2.9%
Reimbursable Funds	\$797	\$582	\$565	-\$17	-2.9%
Adjusted Grand Total	\$20,592	\$20,152	\$20,407	\$255	1.3%

Where It Goes:

Personnel Expenses

Salary adjustments, including hiring above base	\$235
Increments and other compensation	197
Employee and retiree health insurance	65
Unemployment compensation premium assessment.....	23
Net 2004 cost containment and turnover adjustments.....	21
Other fringe benefit adjustments	40

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Where It Goes:

Other Changes

Federal funding for purchase of additional scientific equipment to identify bioterrorist agents	230
Federal funding for computer equipment to implement the Laboratory Information Management System.....	205
Federal funds for tracking human exposure to pesticides and other contaminants	120
Replacement laboratory equipment financing payments	-50
Federal funding for bioterrorism workshops and conferences	-77
Elimination of grants to local health departments for laboratory testing services	-300
Reduction in laboratory supplies, primarily in areas relating to bioterrorism	-461
Other adjustments	7
Total	\$255

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

Personnel Expenses

Salaries at the Laboratories Administration increase \$0.4 million in fiscal 2005. The increase is partially attributable to the inclusion of \$0.2 million for increments in the fiscal 2005 allowance. The remaining increase, \$0.2 million, reflects hiring above base salary levels to reduce vacancies in fiscal 2004 and 2005. The increase also reflects the replacement of federal positions lost in previous workforce reduction efforts. These positions have higher average salaries than those included in the fiscal 2004 budget and subsequently abolished. Additional personnel increases reflect rising costs for health insurance and unemployment compensation.

Increased compensation for laboratory scientists is also included in the fiscal 2005 allowance. The amount of the increase is currently budgeted in the Department of Budget and Management and will be transferred to the Laboratories Administration during the fiscal year.

Federal Emergency Response Funding

Federal funds for bioterrorism preparedness and response comprise the largest increases in the Laboratories Administration's fiscal 2005 allowance. The Centers for Disease Control and Prevention (CDC) provide funds to increase laboratory capacity and improve identification of bioterrorism agents, including those genetically-modified to increase their infectiousness. Improvements in Maryland and other public health laboratories nationwide are intended to build a national infrastructure capable of early and accurate detection of bioterrorist events.

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In fiscal 2005 CDC grant funding is expected to increase \$0.2 million for additional laboratory equipment; significant new purchases include a Biolog Rapid Identification System to identify food and waterborne pathogens and a steam autoclave for decontaminating laboratory waste. Another \$0.2 million increase in grant funding will allow the administration to purchase 100 personal computers and the necessary network equipment to implement the Laboratory Information Management System, an application system to automate the laboratory sample process. Although CDC emergency preparedness funds increase overall, funding for bioterrorism workshops and conferences declines \$0.1 million as initial training for first responders is complete.

These increases are partially offset by a reduction in federal funds from the Department of Justice (DOJ) for emergency response preparedness. Funds from the DOJ, expected to expire May 15, 2004, have been used to increase staffing levels, improve laboratory security, and purchase additional equipment. These funds totaled \$0.6 million in fiscal 2004; in fiscal 2005, functions formerly supported by the DOJ grant will be abolished or transferred to other programs supported by general funds. Although the majority of personnel will be retained after DOJ funds expire, \$0.2 million in laboratory supplies for the program have been eliminated in the fiscal 2005 allowance, contributing to the overall reduction in funding for supplies.

Other Operating Changes

Federal funds for environmental health tracking increase \$0.1 million in fiscal 2005. This program, sponsored by CDC, measures human exposure to metals and pesticides. Although this is an ongoing program, funds were awarded after preparation of the fiscal 2004 budget and an amendment to appropriate these funds has not yet been processed.

Replacement laboratory equipment financing payments decline \$50,352 in fiscal 2005. The administration has financed purchase of computer and laboratory equipment through the Treasurer's Office to be repaid over the course of five years. With certain Y2K equipment purchases fully repaid, the administration's obligation declines in fiscal 2005.

The Laboratories Administration discontinued the Clinical Laboratories Project in fiscal 1997, a project to provide certain laboratory testing services to the local health departments. Since that time, the administration has provided grants to the local health departments to help defray the cost of private testing services. These grants are discontinued in the fiscal 2005 allowance at a cost savings of \$0.3 million.

Impact of Cost Containment

The fiscal 2005 allowance reflects the elimination of \$102,383, the appropriation for matching employee deferred compensation contributions up to \$600, contingent upon enactment of a provision in budget reconciliation legislation.

Issues

1. Emergency Preparedness Efforts Continue

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. Since the fall of 2001, the Laboratories Administration has been the recipient of several million dollars in federal grants to enhance emergency response capabilities by increasing surveillance, improving laboratory capacity, and building communications networks capable of sharing information among agencies and jurisdictions.

Despite increases in federal funds, there are indications that the nation's public health infrastructure, including the laboratories, still requires significant improvement. A December 2003 report by the nonpartisan Trust for America's Health found that states are only incrementally more prepared for a bioterrorist attack than they were prior to 2001, with efforts compromised by states' fiscal conditions and failure to eliminate bureaucratic obstacles. The report suggested ten criteria by which state preparedness efforts may be judged. Among those criteria related to the laboratories, Maryland received credit for operating a Biosafety Level 3 (BSL-3) laboratory, defined as a facility equipped to safely handle "infectious agents that may cause serious or potentially lethal disease as a result of exposure;" however, the report found that the administration had insufficient BSL-3 surge capacity to handle an emergency event.

The Laboratories Administration continues to work collaboratively with federal agencies to improve emergency preparedness among public and private agencies statewide. Funding originates from two sources:

- **CDC:** Funds from CDC are intended to increase coordination of response activities within the administration and across the State. Funds provide for expanding capacity to detect potential bioterrorist agents, hiring additional scientists, and training laboratory staff and other first providers.
- **DOJ:** Funds from DOJ are intended to increase laboratory capacity and improve laboratory safety and security. Funds also provide for strengthening communications among local agencies involved in disaster preparedness, including hospital laboratories, as part of the State Laboratory Response Network.

Funding from these two sources has allowed for substantial laboratory improvements. Since fiscal 2001, CDC and DOJ grant funding has provided more than \$0.9 million for the purchase of additional laboratory equipment to identify additional pathogens and improve laboratory safety and security. In fiscal 2005 improvements also include purchase of 100 personal computers and network

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equipment to implement the Laboratory Information Management System, an application system to automate the laboratory sample process.

Federal funding has provided for considerable improvements in the public health laboratory infrastructure; however, it is likely that the states will bear much of the responsibility for maintaining these functions. Federal funding for emergency preparedness at the Laboratories Administration, detailed in **Exhibit 3**, is expected to decline in fiscal 2005 with the expiration of DOJ grant funds. Personnel previously supported by these funds will be transferred to other divisions of the administration; other functions previously supported with DOJ funds will be eliminated. As federal funds decline, the administration is likely to require a greater amount of general funds to maintain current levels of emergency preparedness capacity.

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

Exhibit 3
Federal Funding for Emergency Preparedness
Fiscal 2001 – 2005

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Appropriation</u>	<u>Allowance</u>
Centers for Disease Control and Prevention	\$108,577	\$166,678	\$999,466	\$945,708	\$1,108,225
Department of Justice	0	758,747	124,373	551,977	0
Total	\$108,577	\$925,425	\$1,123,839	\$1,497,685	\$1,108,225

Source: Department of Health and Mental Hygiene

Recommended Actions

	<u>Amount Reduction</u>	
1. Reduce growth in general funds for laboratory supplies. This action will allow a 10% increase in general funds for laboratory supplies over the fiscal 2004 working appropriation.	\$ 48,194	GF
2. Reduce general funds for equipment maintenance and repair to fiscal 2004 working appropriation level.	27,119	GF
3. Increase turnover expectancy to 5.5% to reflect current number of vacant positions. Fiscal 2005 turnover expectancy is budgeted at 4.4%, significantly below the current 9.7% vacancy rate.	159,512	GF
Total General Fund Reductions	\$ 234,825	

Current and Prior Year Budgets

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

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2003					
Legislative Appropriation	\$16,809	\$68	\$2,440	\$565	\$19,882
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	139	58	1,999	234	2,430
Cost Containment	-225	0	0	0	-225
Reversions and Cancellations	0	-2	-1,490	-3	-1,495
Actual Expenditures	\$16,723	\$124	\$2,949	\$796	\$20,592
Fiscal 2004					
Legislative Appropriation	\$16,260	\$86	\$3,524	\$582	\$20,452
Cost Containment	-300	0	0	0	-300
Budget Amendments	0	0	0	0	0
Working Appropriation	\$15,960	\$86	\$3,524	\$582	\$20,152

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

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Fiscal 2003

General funds increased \$139,000 to cover the increased cost of laboratory supplies; funds were available from surpluses elsewhere in the department. General fund cost containment reduced the appropriation for salaries, technical fees, and equipment replacement by \$207,892. An additional \$17,088 reverted to the general fund as a result of the elimination of the employee transit subsidy.

Special funds increased \$57,786 to recognize revenue generated in providing laboratory testing services to local health departments.

The federal fund appropriation increased \$2 million to improve emergency response capacity related to bioterrorism and infectious disease. Funds supported seven new positions, laboratory equipment and supplies, renovation of laboratory facilities, and computer equipment and network software. Funds were cancelled as a certain amount of funds reserved in case of a bioterrorist event were not needed during the course of the fiscal year. Approximately \$1 million of the cancelled funds remained available for use in the following fiscal year.

Reimbursable funds increased \$180,000 as a result of a transfer from the Maryland Emergency Management Agency. Funds were used to purchase equipment necessary to test and monitor chemical warfare agents. An additional \$54,366 from the Maryland Department of the Environment was used to conduct water sample testing.

Fiscal 2004

Fiscal 2004 cost containment reduced the general fund appropriation by \$0.3 million. The action reduced funds for technical fees, supplies, and equipment. The effect of the reductions was mitigated by the availability of federal funds for these purposes.

**Object/Fund Difference Report
DHMH - Laboratories Administration**

<u>Object/Fund</u>	<u>FY03 Actual</u>	<u>FY04 Working Appropriation</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	304.50	282.50	282.50	0	0%
02 Contractual	6.43	3.28	3.78	0.50	15.2%
Total Positions	310.93	285.78	286.28	0.50	0.2%
Objects					
01 Salaries and Wages	\$ 13,513,773	\$ 13,754,717	\$ 14,439,758	\$ 685,041	5.0%
02 Technical & Spec Fees	197,537	96,344	104,793	8,449	8.8%
03 Communication	156,685	95,351	131,461	36,110	37.9%
04 Travel	14,730	35,220	19,834	-15,386	-43.7%
07 Motor Vehicles	23,804	19,559	15,899	-3,660	-18.7%
08 Contractual Services	727,155	751,495	690,107	-61,388	-8.2%
09 Supplies & Materials	4,197,681	4,638,662	4,194,932	-443,730	-9.6%
10 Equip - Replacement	575,171	395,044	344,692	-50,352	-12.7%
11 Equip - Additional	853,252	0	495,000	495,000	N/A
12 Grants, Subsidies, Contracts	275,306	300,000	0	-300,000	-100.0%
13 Fixed Charges	57,252	65,140	74,022	8,882	13.6%
Total Objects	\$ 20,592,346	\$ 20,151,532	\$ 20,510,498	\$ 358,966	1.8%
Funds					
01 General Fund	\$ 16,723,220	\$ 15,960,415	\$ 16,433,021	\$ 472,606	3.0%
03 Special Fund	123,900	85,600	80,000	-5,600	-6.5%
05 Federal Fund	2,948,604	3,523,724	3,432,344	-91,380	-2.6%
09 Reimbursable Fund	796,622	581,793	565,133	-16,660	-2.9%
Total Funds	\$ 20,592,346	\$ 20,151,532	\$ 20,510,498	\$ 358,966	1.8%

Note: The fiscal 2004 appropriations does not include deficiencies, and the fiscal 2005 allowance does not reflect contingent reductions..

**Fiscal Summary
DHMH - Laboratories Administration**

<u>Unit/Program</u>	<u>FY03 Actual</u>	<u>FY04 Legislative Appropriation</u>	<u>FY04 Working Appropriation</u>	<u>FY03 - FY04 % Change</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 % Change</u>
01 Laboratory Services	\$ 20,592,346	\$ 20,451,532	\$ 20,151,532	-2.1%	\$ 20,510,498	1.8%
Total Expenditures	\$ 20,592,346	\$ 20,451,532	\$ 20,151,532	-2.1%	\$ 20,510,498	1.8%
General Fund	\$ 16,723,220	\$ 16,260,414	\$ 15,960,415	-4.6%	\$ 16,433,021	3.0%
Special Fund	123,900	85,599	85,600	-30.9%	80,000	-6.5%
Federal Fund	2,948,604	3,523,723	3,523,724	19.5%	3,432,344	-2.6%
Total Appropriations	\$ 19,795,724	\$ 19,869,739	\$ 19,569,739	-1.1%	\$ 19,945,365	1.9%
Reimbursable Fund	\$ 796,622	\$ 581,793	\$ 581,793	-27.0%	\$ 565,133	-2.9%
Total Funds	\$ 20,592,346	\$ 20,451,532	\$ 20,151,532	-2.1%	\$ 20,510,498	1.8%

Note: The fiscal 2004 appropriations does not include deficiencies, and the fiscal 2005 allowance does not reflect contingent reductions..