

**M00J**  
**Laboratories Administration**  
 Department of Health and Mental Hygiene

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 07</u> <u>Actual</u>	<u>FY 08</u> <u>Working</u>	<u>FY 09</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$17,565	\$18,257	\$18,877	\$620	3.4%
Special Fund	452	29	447	418	1441.7%
Federal Fund	3,798	3,443	2,836	-607	-17.6%
Reimbursable Fund	<u>718</u>	<u>725</u>	<u>686</u>	<u>-39</u>	<u>-5.4%</u>
<b>Total Funds</b>	<b>\$22,533</b>	<b>\$22,454</b>	<b>\$22,846</b>	<b>\$392</b>	<b>1.7%</b>

- The fiscal 2009 allowance increases the Laboratories Administration's budget by \$392,499, but the actual growth in costs is masked by one-time health insurance savings and Other Post Employment Benefits (OPEB). Absent health insurance and OPEB funding which distorts year-to-year comparisons, the underlying fiscal 2009 budget change for the Laboratories Administration is *decreasing* \$458,699, or 2.3%.
- General funds are increasing \$620,477 mainly to cover increased personnel expenses. Also, federal funds are decreasing by \$607,302 predominantly in the area of HIV-related laboratory services, and the funding for the HIV-related laboratory services are being replaced with \$423,099 of special funds from Montgomery and Prince George's counties.

***Personnel Data***

	<u>FY 07</u> <u>Actual</u>	<u>FY 08</u> <u>Working</u>	<u>FY 09</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>
Regular Positions	271.50	261.00	253.00	-8.00
Contractual FTEs	<u>3.49</u>	<u>2.78</u>	<u>2.78</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>274.99</b>	<b>263.78</b>	<b>255.78</b>	<b>-8.00</b>

***Vacancy Data: Regular Positions***

Turnover, Excluding New Positions	15.18	6.00%
Positions Vacant as of 1/01/08	35.00	13.41%

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

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*M00J – DHMH – Laboratories Administration*

- The fiscal 2009 allowance includes eight fewer positions than the fiscal 2008 working appropriation. It is expected that seven of these positions will be abolished at the Board of Public Works meeting on January 30, 2008.
- All of the eight abolished positions are currently vacant. Three of the abolished positions have been vacant for more than a year; three have been vacant for less than six months. The Laboratories Administration has three other current positions that have been vacant for more than a year.
- As of January 1, 2008, the Laboratories Administration had a vacancy rate of 13% with 35 vacant positions. This is more than twice as much as the budgeted turnover of 6%. A third of the vacancies are public health laboratory scientists positions, which the administration consistently reports having trouble filling because the salaries are not competitive in the region.

## ***Analysis in Brief***

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### **Major Trends**

***Newborn Screenings Comprise a Vast Majority of the Tests:*** Newborn screenings comprise 91% of the tests conducted by the Laboratories Administration but require only 10% of the staff. On the other hand, environmental, molecular, virology, immunology, and microbiology tests comprise 9% of the tests and 90% of the staff.

***Continued Commitment to Accuracy:*** The accuracy evaluation of the lab tests demonstrates the Laboratories Administration's continued commitment to accuracy.

***Changes at the Division of Drug Control:*** The work for the Division of Drug Control is becoming more manageable with two significant changes: staggering of license renewals and transferring the responsibility for routine pharmacy inspections to the Board of Pharmacy.

### **Recommended Actions**

1. Concur with Governor's allowance.

**M00J**  
**Laboratories Administration**  
**Department of Health and Mental Hygiene**

## ***Operating Budget Analysis***

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### **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;
- maintaining laboratory emergency preparedness efforts; and
- promoting quality and reliability of laboratory data in support of public health and environmental programs.

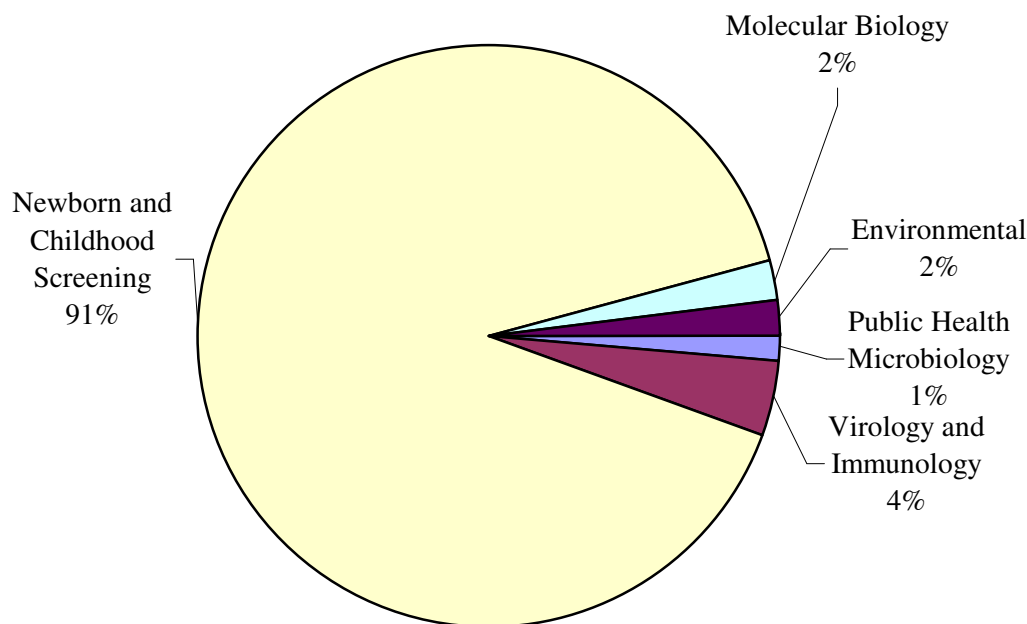
The Department of Health and Mental Hygiene (DHMH) has regional laboratories in Salisbury and Cumberland.

### **Performance Analysis: Managing for Results**

#### **Newborn Screenings Comprise a Vast Majority of the Tests**

**Exhibit 1** shows that newborn and childhood screenings account for 91% of the 10.3 million tests conducted by the Laboratories Administration, while the remaining 9% of tests are split between environmental, molecular, virology, immunology, and microbiology tests. However, the Newborn and Childhood Screening Division employs only 10% of the employees within the Laboratories Administration because the tests are heavily automated. Since the other tests are more time consuming and labor intensive, the other divisions of the Laboratories Administration require more staff.

**Exhibit 1**  
**Managing for Results**  
**Proportion of Lab Test by Type**  
**Fiscal 2007**



Source: Department of Health and Mental Hygiene

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### **Continued Commitment to Accuracy**

Proficiency testing of the Laboratories Administration's work demonstrates the administration's continued commitment to accuracy. **Exhibit 2** shows that in fiscal 2007 the Laboratories Administration met or surpassed the stated goal in all four categories of testing.

### **Changes at the Division of Drug Control**

The Division of Drug Control registers practitioners and establishments to legally manufacture, distribute, dispense, or otherwise handle controlled dangerous substances in Maryland. In April 2007, the division implemented a staggered two-year permit renewal cycle to replace the system in which all permits expired on June 30. The old system required all nine employees in the Division of Drug Control and some temporary employees to work intensely during the issuance

**Exhibit 2**  
**Managing for Results**  
**Percent Accuracy in Proficiency Testing**  
**Fiscal 2004-2007**

	<u>2004</u> <u>Actual</u>	<u>2005</u> <u>Actual</u>	<u>2006</u> <u>Actual</u>	<u>2007</u> <u>Actual</u>	<u>Goal</u>
Infectious Bacterial Testing	100%	100%	100%	100%	98%
Viral Disease Testing	99%	100%	98%	98%	98%
Environmental Testing	94%	97%	97%	97%	95%
Newborn Screening	99%	100%	100%	100%	98%

Source: Department of Health and Mental Hygiene

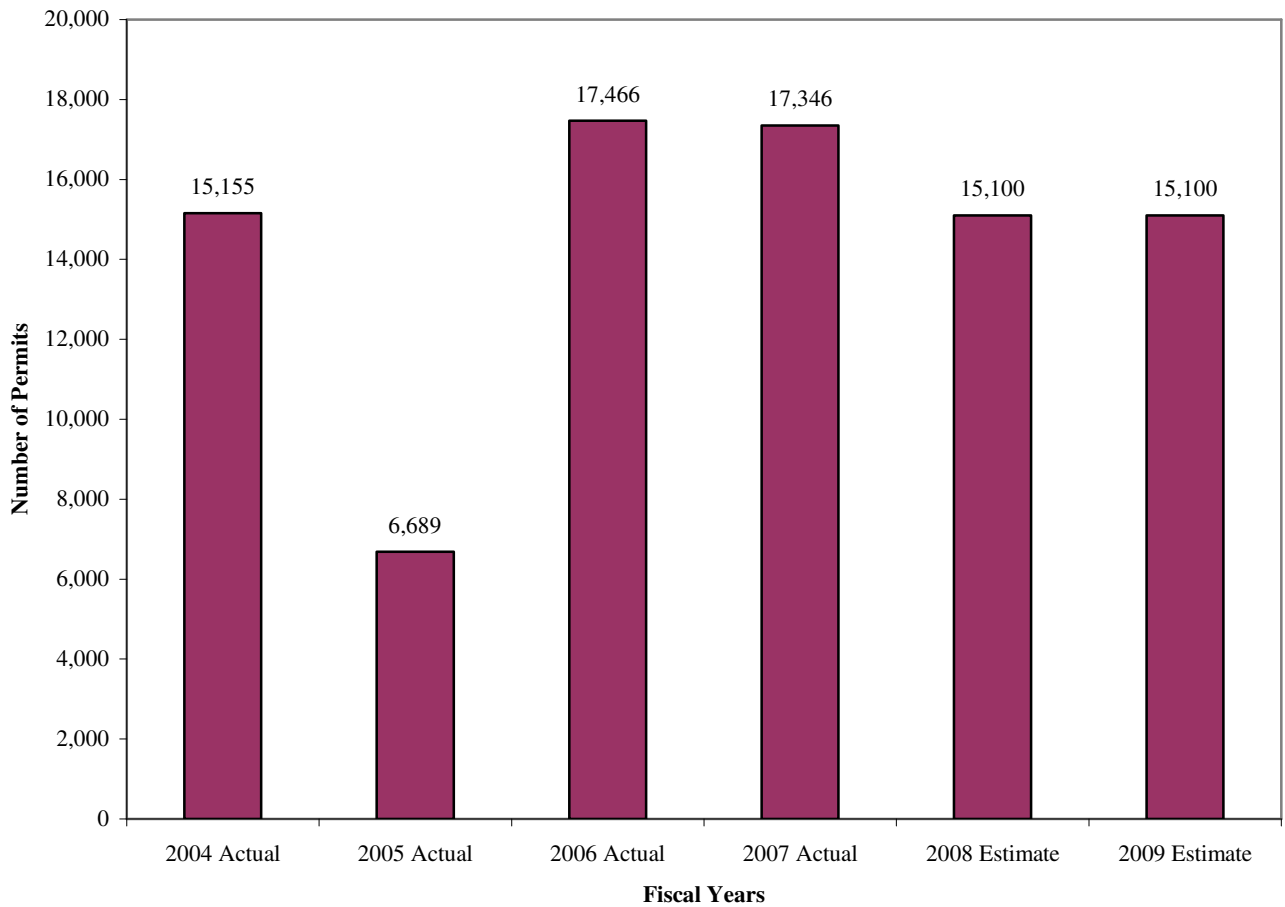
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period, from April through September. The staggering of license renewals will smooth out the workload of the Division of Drug Control throughout the year. **Exhibit 3** shows the number of permits processed by the Division of Drug Control with the dip in fiscal 2005 due to computer problems and insufficient staffing. At the current time, the Division of Drug Control is fully staffed.

The Board of Pharmacy has taken over responsibility for conducted routine annual inspections of pharmacies, which frees up the Division of Drug Control to focus on other responsibilities. The Division of Drug Control conducts investigations of pharmacists or prescribing practitioners, inspects pharmacy closure, and audits methadone programs. Even though the Board of Pharmacy is officially responsible for pharmacy inspections, the Division of Drug Control will continue to be involved with the process for the next couple of years with training the Board of Pharmacy inspectors and assisting with inspections if the board's inspectors fall behind.

**Exhibit 4** shows the number of pharmacies inspected each year decreasing in fiscal 2009 as the other work with controlled dangerous substances increases. In fiscal 2006, the number of pharmacies inspected by the Division of Drug Control was low due to understaffing.

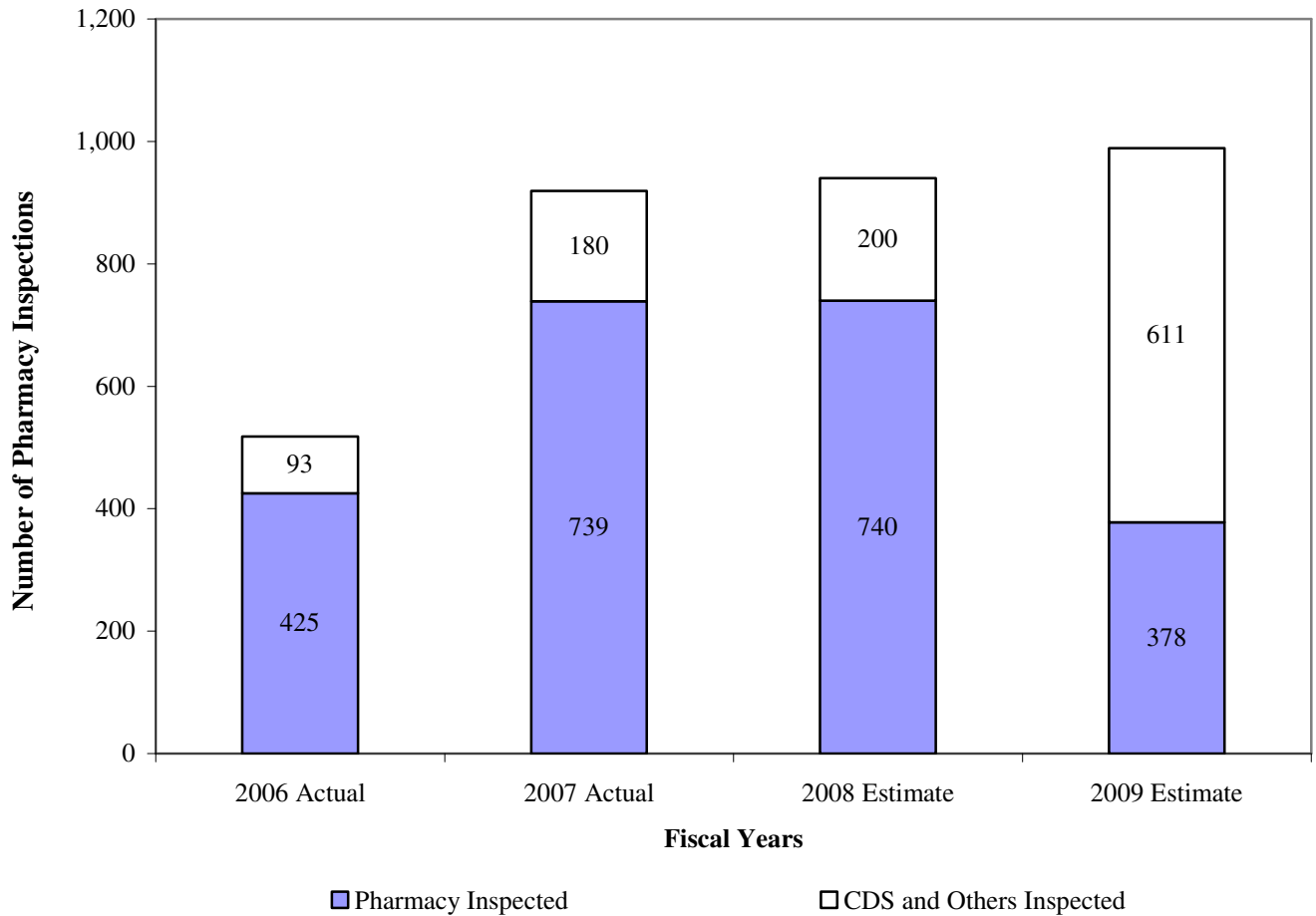
**Exhibit 3**  
**Managing for Results**  
**Division of Drug Control – Permits**  
**Fiscal 2004-2009**



Source: Department of Health and Mental Hygiene

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**Exhibit 4**  
**Managing for Results**  
**Division of Drug Control – Pharmacy Inspections**  
**Fiscal 2006-2009**



CDS: Controlled Dangerous Substances

Source: Department of Health and Mental Hygiene

## **Governor’s Proposed Budget**

As shown in **Exhibit 5**, the Laboratories Administration budget increases by \$392,499, or 1.7%, in the fiscal 2009 allowance. However, the actual growth is masked by one-time health insurance savings used to fund a portion of health insurance premiums in fiscal 2008 and the first-time inclusion of Other Post Employment Benefits in the fiscal 2009 allowance. The Laboratories Administration’s underlying costs are decreasing by \$458,699, or 2.3%.

General funds are increasing \$620,477 mainly to cover the increased personnel expenses. Also, federal funds are decreasing by \$607,302 predominantly in the area of HIV-related laboratory services, and the funding for the HIV-related laboratory services are being replaced with \$423,099 of special funds from Montgomery and Prince George’s counties. In the past, the AIDS Administration provided federal funds to cover the HIV-related laboratory testing for Prince George’s and Montgomery counties. However, the fiscal 2009 reflects that the services will be funded with federal funds attained by Prince George’s and Montgomery counties from the Washington, DC Department of Health. These funds enter the State’s budget as special funds.

### **Personnel**

As of January 1, 2008, the Laboratories Administration had a vacancy rate of 13% with 35 vacant positions. This is almost twice as much as the budgeted turnover of 6%. Seventy-one percent of the vacancies are public health laboratory scientists positions, which the administration consistently reports having trouble filling because the salaries are not competitive in the region.

The fiscal 2009 allowance includes eight fewer positions than the fiscal 2008 working appropriation. All of the eight abolished positions are currently vacant. Three of the abolished positions have been vacant for more than a year; three have been vacant for less than six months. The Laboratories Administration has three other current positions that have been vacant for more than a year.

It is expected that seven of the positions will be abolished at the Board of Public Works (BPW) meeting on January 30, 2008. The Laboratories Administration selected these specific PINs because the positions were vacant and would provide the least amount of damage to the administration’s missions. In addition, the administration tried to spread the abolished positions among the various divisions. After the seven positions are abolished, the vacancy rate will drop from 13% to 11%.

The one position abolished in the fiscal 2009 allowance and not included in the BPW actions, relates to the termination of a type of environmental lead testing that was conducted by the State for private firms. However, the private firms did not pay for the Laboratories Administration for the services, which resulted in the services being funded with general funds. Since the services are available at private laboratories, the Laboratory Administration ceased performing the function. With the decision to eliminate this type of laboratory testing, the Laboratories Administration also abolished the one position responsible for the testing.

**Exhibit 5**  
**Governor’s Proposed Budget**  
**DHMH – Laboratories Administration**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b>General Fund</b>	<b>Special Fund</b>	<b>Federal Fund</b>	<b>Reimb. Fund</b>	<b>Total</b>
2008 Working Appropriation	\$18,257	\$29	\$3,443	\$725	\$22,454
2009 Governors Allowance	<u>18,877</u>	<u>447</u>	<u>2,836</u>	<u>686</u>	<u>22,846</u>
Amount Change	\$620	\$418	-\$607	-\$39	\$392
Percent Change	3.4%	1441.7%	-17.6%	-5.4%	1.7%

**Where It Goes:**

**Personnel Expenses**

Reduce Other Post Employment Benefits liability.....	\$813
One-time hiring freeze savings.....	153
Employee and retiree health insurance.....	132
Increments and other compensation.....	33
Eight abolished positions.....	-430
Other fringe benefit adjustments.....	9

**Other Changes**

Temporary position to assist with processing Controlled Dangerous Substances permits.....	26
Cost of freight and delivery contract.....	19
Annual laboratory certifications and accreditations.....	13
Proficiency testing for labs linked to the National Laboratory Response Network.....	11
Replacement vehicle for the Drug Control Division.....	11
Trash removal contract.....	10
Decreased federal funding for environmental public health.....	-41
Equipment costs.....	-43
Laboratory supplies.....	-85
Private consultants for the construction of the new public health laboratory.....	-257
Other.....	18

**Total** **\$392**

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

## **Private Consultants for the New Public Health Laboratory**

DHMH is in the process of generating the program plan for the construction of a new public health laboratory. Since the design and construction of public health laboratories that include biosafety level-3 (BSL) laboratories is an extremely complex and precise undertaking with which the Department of Budget and Management, DHMH, and the Department of General Services have very limited experience, the 2007 *Joint Chairmen's Report* included committee narrative recommending that DHMH contract with a private consultant specializing in the design of BSL-3. Also, the narrative recommended that the private consultant examine the feasibility that the new public health laboratory be designed and constructed as a public private partnership.

To follow the recommendations of the committee narrative, the Laboratories Administration hired two private consultants. CUH2A was hired to provide an independent assessment of the program requirements for the new public health laboratory. The contract with CUH2A cost \$175,800 in general funds and began on October 17, 2007. The final report is due to DHMH on by April 1, 2008.

Also, the Laboratories Administration contracted with HRD, Inc. to evaluate alternative approaches for funding and procuring the new public health laboratory. This contract began on September 26, 2007, and is to be completed by January 26, 2008. The contract with HRD, Inc. cost \$80,931 in general funds.

## **Closing of the Southern Maryland Regional Laboratory**

The Southern Maryland Regional Laboratory in Cheverly was closed in August 2007 as part of a fiscal 2008 budget reduction proposal, which allowed the Laboratories Administration to live within the means of the fiscal 2008 legislative appropriation. The Laboratories Administration planned to close the facility when the new public laboratory building opened because the Southern Maryland Regional Laboratory will be within 30 miles of the location of the new laboratory. However, it was decided to close the regional laboratory four to six years early for cost containment purposes.

The services conducted by the regional laboratory were transferred to the central laboratory, and therefore, most of the costs associated with the regional laboratory were passed onto the central laboratory. Most of the savings were attained by transferring the positions from the regional laboratory to vacant positions within the Laboratories Administration and the Department of Developmental Disabilities.

## ***Recommended Actions***

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1. Concur with Governor's allowance.

## *Current and Prior Year Budgets*

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### 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>
<b>Fiscal 2007</b>					
Legislative Appropriation	\$17,295	\$24	\$3,450	\$776	\$21,545
Deficiency Appropriation	0	7	941	0	948
Budget Amendments	270	423	0	0	693
Reversions and Cancellations	0	-2	-593	-58	-653
<b>Actual Expenditures</b>	<b>\$17,565</b>	<b>\$452</b>	<b>\$3,798</b>	<b>\$718</b>	<b>\$22,532</b>
<b>Fiscal 2008</b>					
Legislative Appropriation	\$17,879	\$29	\$3,443	\$725	\$22,076
Cost Containment	-2	0	0	0	-2
Budget Amendments	380	0	0	0	380
<b>Working Appropriation</b>	<b>\$18,257</b>	<b>\$29</b>	<b>\$3,443</b>	<b>\$725</b>	<b>\$22,454</b>

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

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## **Fiscal 2007**

Actual fiscal 2007 spending for the Laboratories Administration exceeded the legislative appropriation by almost \$1.0 million. General funds increased by a net of \$0.3 million due to the cost-of-living adjustments (COLA) (\$259,153) and higher than anticipated telecommunications costs (\$19,556). These increases were offset by a \$25,004 decrease in general funds resulting from higher than budgeted turnover.

Special funds increased by a total of \$0.4 million. Most of this increase (\$423,099) comes from Montgomery and Prince George's counties to cover the cost of lab supplies for viral load, drug resistant, and flow cytometry tests. Also, the Laboratories Administration obtained a deficiency appropriation in the amount of \$0.9 million (\$940,654 in federal funds and \$7,000 in special funds) for testing and monitoring activities.

In total, the Laboratories Administration canceled \$0.7 million at the end of fiscal 2007. Federal funds were canceled due to lower than anticipated activity in the areas of laboratory support to the AIDS Administration (\$0.3 million), HIV viral load testing (\$0.2 million), and detection of emerging infections (\$0.1 million). Also, reimbursable funds in the amount of \$0.1 million were canceled in the areas of childhood lead poisoning prevention and viral load testing.

## **Fiscal 2008**

The Laboratories Administration has a fiscal 2008 working appropriation of \$22.5 million, which is \$0.4 million more than the legislative appropriation. General funds increased to fund the consultant services for the new public health laboratory (\$256,731) and employee COLAs (\$233,194). The general fund increases were offset by a transfer of general funds to the Health Occupation Boards as dictated by the 2007 *Joint Chairmen's Report* (\$111,400) and cost containment in the area of supplies and materials (\$2,446).

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

<u>Object/Fund</u>	<u>FY07 Actual</u>	<u>FY08 Working Appropriation</u>	<u>FY09 Allowance</u>	<u>FY08-FY09 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	271.50	261.00	253.00	-8.00	-3.1%
02 Contractual	3.49	2.78	2.78	0	0%
<b>Total Positions</b>	<b>274.99</b>	<b>263.78</b>	<b>255.78</b>	<b>-8.00</b>	<b>-3.0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 15,466,171	\$ 15,963,371	\$ 16,674,439	\$ 711,068	4.5%
02 Technical and Spec. Fees	156,292	88,697	82,197	-6,500	-7.3%
03 Communication	155,918	130,162	130,330	168	0.1%
04 Travel	19,944	11,585	9,778	-1,807	-15.6%
07 Motor Vehicles	20,287	12,952	25,873	12,921	99.8%
08 Contractual Services	1,355,048	1,116,991	901,410	-215,581	-19.3%
09 Supplies and Materials	4,496,177	4,930,126	4,851,227	-78,899	-1.6%
10 Equip – Replacement	199,677	88,764	56,500	-32,264	-36.3%
11 Equip – Additional	557,852	20,932	10,462	-10,470	-50.0%
12 Grants, Subsidies, and Contributions	30,000	30,000	30,000	0	0%
13 Fixed Charges	75,384	60,003	73,866	13,863	23.1%
<b>Total Objects</b>	<b>\$ 22,532,750</b>	<b>\$ 22,453,583</b>	<b>\$ 22,846,082</b>	<b>\$ 392,499</b>	<b>1.7%</b>
<b>Funds</b>					
01 General Fund	\$ 17,564,745	\$ 18,256,945	\$ 18,877,422	\$ 620,477	3.4%
03 Special Fund	451,972	29,000	447,099	418,099	1441.7%
05 Federal Fund	3,798,017	3,443,062	2,835,760	-607,302	-17.6%
09 Reimbursable Fund	718,016	724,576	685,801	-38,775	-5.4%
<b>Total Funds</b>	<b>\$ 22,532,750</b>	<b>\$ 22,453,583</b>	<b>\$ 22,846,082</b>	<b>\$ 392,499</b>	<b>1.7%</b>

Note: The fiscal 2008 appropriation does not include deficiencies.

**Fiscal Summary**  
**DHMH – Laboratories Administration**

<u>Program/Unit</u>	<u>FY07 Actual</u>	<u>FY08 Wrk Approp</u>	<u>FY09 Allowance</u>	<u>Change</u>	<u>FY08-FY09 % Change</u>
J401 Executive Direction	\$ 319,681	\$ 358,884	\$ 341,451	-\$ 17,433	-4.9%
J402 Administrative and Support Services	3,160,570	3,734,344	3,424,341	-310,003	-8.3%
J412 Emerging Infections	300,043	281,686	258,754	-22,932	-8.1%
J415 Epidemiology and Laboratory Capacity	255,511	284,404	262,694	-21,710	-7.6%
J418 Tuberculosis Consortium	15,999	0	4,200	4,200	0%
J420 Microbiology	1,999,622	2,113,859	2,334,361	220,502	10.4%
J421 Virology and Immunology	2,153,677	2,287,255	2,309,189	21,934	1.0%
J422 Newborn and Childhood Screenings	2,790,642	2,451,758	2,782,341	330,583	13.5%
J423 Molecular Biology	1,287,769	1,522,926	1,502,606	-20,320	-1.3%
J427 Chlamydia Control	495,712	442,785	539,575	96,790	21.9%
J428 Retrovirus Lab. Service Surv. (Ff)	238,147	425,000	250,000	-175,000	-41.2%
J429 Retrovirus Lab. Prevention (Ff)	473,255	615,090	642,865	27,775	4.5%
J430 HIV Viral Load Test	476,560	285,200	476,560	191,360	67.1%
J431 HIV Drug Resistant Strains	101,551	217,881	73,320	-144,561	-66.3%
J432 Flow Cytometry – HIV	238,698	135,410	238,698	103,288	76.3%
J440 Environmental Microbiology	867,293	1,007,026	1,038,752	31,726	3.2%
J441 Environmental Chemistry	2,976,983	2,950,258	3,168,559	218,301	7.4%
J442 Radiation Chemistry	7,710	18,168	21,712	3,544	19.5%
J443 Water Laboratory	124,672	63,929	90,532	26,603	41.6%
J444 Air Quality Control (RF)	41,999	46,800	41,800	-5,000	-10.7%
J445 Environ PH Tracking	92,825	122,686	63,022	-59,664	-48.6%
J447 Food Emergency Response Network	162,562	0	0	0	0%
J451 Eastern Shore Regional Laboratory	955,262	870,038	964,518	94,480	10.9%
J452 Southern MD Regional Laboratory	409,112	421,275	0	-421,275	-100.0%
J453 Western MD Regional Laboratory	480,143	437,510	501,935	64,425	14.7%
J480 Drug Control	711,152	645,337	800,067	154,730	24.0%
J493 CDC Pandemic Influenza	54,056	0	0	0	0%
J494 CDC Chemical Terrorism	356,647	190,964	189,627	-1,337	-0.7%
J496 CDC Bioterrorism Preparedness	525,049	523,110	524,603	1,493	0.3%
J497 DOJ Emergency Response Preparedness	459,848	0	0	0	0%
<b>Total Expenditures</b>	<b>\$ 22,532,750</b>	<b>\$ 22,453,583</b>	<b>\$ 22,846,082</b>	<b>\$ 392,499</b>	<b>1.7%</b>

**Fiscal Summary (Continued)**  
**DHMH – Laboratories Administration**

<u>Program/Unit</u>	<u>FY07 Actual</u>	<u>FY08 Wrk Approp</u>	<u>FY09 Allowance</u>	<u>Change</u>	<u>FY08-FY09 % Change</u>
General Fund	\$ 17,564,745	\$ 18,256,945	\$ 18,877,422	\$ 620,477	3.4%
Special Fund	451,972	29,000	447,099	418,099	1441.7%
Federal Fund	3,798,017	3,443,062	2,835,760	-607,302	-17.6%
<b>Total Appropriations</b>	<b>\$ 21,814,734</b>	<b>\$ 21,729,007</b>	<b>\$ 22,160,281</b>	<b>\$ 431,274</b>	<b>2.0%</b>
Reimbursable Fund	\$ 718,016	\$ 724,576	\$ 685,801	-\$ 38,775	-5.4%
<b>Total Funds</b>	<b>\$ 22,532,750</b>	<b>\$ 22,453,583</b>	<b>\$ 22,846,082</b>	<b>\$ 392,499</b>	<b>1.7%</b>

Note: The fiscal 2008 appropriation does not include deficiencies.