

MJ.00
Laboratories Administration
Department of Health and Mental Hygiene

Operating Budget Data

(\$ in Thousands)

	FY 01	FY 02	FY 03		% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$15,916	\$16,242	\$17,256	\$1,014	6.2%
Special Fund	79	58	68	10	17.2%
Federal Fund	1,694	1,442	2,646	1,204	83.5%
Reimbursable Fund	<u>791</u>	<u>801</u>	<u>565</u>	<u>(235)</u>	<u>(29.4%)</u>
Total Funds	\$18,479	\$18,543	\$20,535	\$1,992	10.7%

- A \$1 million deficiency appropriation, including \$0.2 million in general funds, is requested for increased personnel, supply, and equipment needs relating to bioterrorism.
- The allowance provides \$392,810 for 9.5 new positions to increase preparedness in cases of future bioterrorist activity.
- The allowance provides an increase of \$987,911 over the fiscal 2002 working appropriation for laboratory supplies and additional equipment.

Personnel Data

	FY 01	FY 02	FY 03	
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	271.00	278.00	287.50	9.50
Contractual FTEs	<u>15.40</u>	<u>25.30</u>	<u>19.15</u>	<u>(6.15)</u>
Total Personnel	286.40	303.30	306.65	3.35

Vacancy Data: Regular Positions

Budgeted Turnover: FY 03	11.79	4.10%
Positions Vacant as of 12/31/01	17.00	6.12%

- The administration has requested 9.5 new positions in the areas of Public Health Microbiology, Molecular Biology, and Environmental Microbiology to prepare for future bioterrorism events.
- The allowance reduces the number of contractual personnel by 6.15.

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

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Analysis in Brief

Recommended Actions

	<u>Funds</u>
1. Reduce general funds for laboratory supplies by \$94,880 in programs not affected by bioterrorism.	\$ 94,880
2. Increase turnover expectancy net of cost containment to fiscal 2001 average of 5.60%.	133,726
3. Reduce federal funding for laboratory equipment already budgeted in the fiscal 2002 deficiency appropriation.	200,000
4. Reduce general funds for the 2002 deficiency appropriation due to the availability of additional federal funds.	200,000
Total Reductions to Fiscal 2002 Deficiency Appropriation	\$ 200,000
Total Reductions to Allowance	\$ 428,606

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Operating Budget Analysis

Program Description

The Laboratories Administration has responsibilities under Health General Article, Title 17 to perform the following functions:

- protect Marylanders against the spread of communicable and infectious diseases by monitoring disease outbreaks;
- support surveillance and enforcement activities of the Department of Health and Mental Hygiene (DHMH) and other State agencies;
- participate in planning against bioterrorism attacks;
- enforce regulations on controlled dangerous substances as well as assist the Board of Pharmacy in regulating pharmacies, wholesalers, and manufacturers; and
- support the Office of Health Care Quality in the regulation of laboratories.

Proposed Deficiency

The Laboratories Administration is requesting a \$1,000,000 fiscal 2002 deficiency appropriation to provide funds for the additional personnel and supplies required to respond to recent bioterrorist activity, and prepare for future events. The request includes:

- \$361,088 for six additional laboratory scientists, two laboratory technicians, and 1.5 office clerks;
- \$75,000 to improve security at the Laboratories Administration;
- \$334,956 for laboratory supplies, including reagents, glassware, and protective equipment; and
- \$228,956 for the purchase of new and replacement laboratory equipment.

A Federal Homeland Defense Assistance grant provides \$800,000 of the requested funds; the Administration is requesting the remainder, \$200,000, in general funds.

Governor's Proposed Budget

As detailed in **Exhibit 1**, the fiscal 2003 allowance for the Laboratories Administration increases funding \$1,992,477 over the fiscal 2002 working appropriation, an increase of 10.7%. Recent bioterrorist

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activity has increased the demands on the personnel and equipment in the last year. The fiscal 2003 allowance provides funding to enhance capacity in areas most affected by the increased workload.

Exhibit 1

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

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimbursable Fund</u>	<u>Total</u>
2002 Working Appropriation	\$16,242	\$58	\$1,442	\$801	\$18,543
2003 Governor's Allowance	<u>17,256</u>	<u>68</u>	<u>2646</u>	<u>565</u>	<u>20,535</u>
Amount Change	\$1,013	\$10	\$1,204	(\$235)	\$1,992
Percent Change	6.2%	17.2%	83.5%	(29.4%)	10.7%

Where It Goes:

Personnel Expenses

9.5 new positions in programs affected by bioterrorism	\$393
Annualize fiscal 2002 general salary increase	215
Employee and retiree health insurance	146
Employees' retirement system	117
Decrease in turnover expectancy	141
Fiscal 2003 increments	130
Net fiscal 2003 cost containment	119
Elimination of early retirement surcharge	(116)
Other adjustments	139

Total Personnel Expenses \$1,284

Operating Expenses

Laboratory supplies	639
Additional laboratory equipment to detect agents of bioterrorism	349
Change in courier contract	43
Installation of security equipment	42
Increase in delivery of sensitive materials	37
Reduction in office supplies	(45)
Reduction of six contractual positions	(146)
Reduction in amount of regularly scheduled replacement laboratory equipment	(180)
Miscellaneous operating expenses	(30)

Total \$1,992

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

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Increase in Federal Funding

The fiscal 2003 allowance includes \$2,646,252 in federal funds, an increase of 83.5% over the 2002 working appropriation. As detailed in **Exhibit 2**, this increase is primarily distributed to the programs most impacted by the recent surge in bioterrorism interest and activity. Seventy-four percent of the total increase in federal funding in 2003 is directed to three programs: Public Health Microbiology, Molecular Biology, and Environmental Microbiology. Federal funds are directed toward the addition of new personnel and additional laboratory supplies and equipment.

Exhibit 2

**Increase in Bioterrorism Programs
Fiscal 2002 through 2003**

	<u>2002 Working Appropriation</u>	<u>2003 Allowance</u>	<u>Difference</u>	<u>Percent Increase</u>
Public Health Microbiology	\$1,559,052	\$2,142,765	\$583,713	37.4%
General Funds	1,324,470	1,587,797	263,327	19.9%
Federal Funds	234,582	554,968	320,386	136.6%
Molecular Biology	\$1,381,910	\$2,059,567	\$677,657	49.0%
General Funds	1,381,910	1,594,423	212,513	15.4%
Federal Funds	0	465,144	465,144	n/a
Environmental Microbiology	\$1,152,708	\$1,255,950	\$103,242	9.0%
General Funds	1,152,708	1,150,108	-2,600	-0.2%
Federal Funds	0	105,842	105,842	n/a
Total	\$4,093,670	\$5,458,282	\$1,364,612	33.3%
General Funds	3,859,088	4,332,328	473,240	12.3%
Federal Funds	234,582	1,125,954	891,372	380.0%

Source: State Budget

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Addition of Personnel

The fiscal 2003 allowance continues funding for 9.5 positions added in the fiscal 2002 deficiency appropriation in the areas of Public Health Microbiology, Molecular Biology, and Environmental Microbiology at a cost of \$392,810. These positions -- 6 laboratory scientists, 2 laboratory technicians, and 1.5 office clerks -- will allow these programs to increase their capacity to respond to future bioterrorist activity. Additional personnel will research unusual or unidentified infectious agents collected from Maryland hospitals as part of the State Laboratory Network for Bioterrorism. Increased capacity will also allow for the development of additional methods to detect bioterrorist agents and surveillance of public food and water supplies. These positions will be federally funded in fiscal 2003.

Increase in Laboratory Equipment and Supplies

Half of the increase in the fiscal 2003 allowance is budgeted for additional laboratory supplies and equipment at a cost of \$987,911. The majority of these funds, \$676,974, will be directed to the three programmatic areas involved in bioterrorism detection for supplies, such as glassware and reagents, and additional equipment to detect and analyze bioterrorist agents. This increase is offset by a reduction of \$180,000 for the replacement of existing laboratory equipment. The Laboratories Administration's long-term equipment replacement plan, developed in 1999, was designed to provide consistency in the level of funding for replacement equipment over a five-year period. This initiative has been delayed indefinitely as a result of cost containment.

Performance Analysis: Managing for Results

The Laboratories Administration has significantly revised its Managing for Results (MFR) goals and objectives in the last year to include additional quality and efficiency measures. Many of the changes are influenced by revised federal requirements in the areas of data collection and standards of performance. The new measures emphasize the adoption of technology to increase detection and expedite diagnosis of disease, increasing testing and capacity, reduction of turnaround times, and improvements in testing accuracy. **Exhibit 3** details the number of tests performed by program and measures related to the timeliness and accuracy of the results. The collection of data related to these programs in coming years will allow greater assessment of trends in workload, improvements in efficiency and accuracy, and progress in meeting stated goals.

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Exhibit 3

**Program Measurement Data
Laboratories Administration
Fiscal 1999 through 2003**

	<u>Actual 1999</u>	<u>Actual 2000</u>	<u>Est. 2001</u>	<u>Actual 2001</u>	<u>Est. 2002</u>	<u>Est. 2003</u>	<u>Ann. Chg. 99-01</u>	<u>Ann. Chg. 01-03</u>
Newborn Screening								
# of tests	1,344,940	1,397,548	1,500,000	1,371,134	1,434,000	1,959,000	1.0%	19.5%
Turnaround time in days	7	7	5	5	4	3	-15.5%	-22.5%
Tests meeting quality standards	n/a	98%	n/a	98%	98%	98%	n/a	0.0%
Lead Poisoning								
# of children screened for blood lead	n/a	14,524	n/a	18,732	28,000	33,000	n/a	32.7%
Accuracy of test results	n/a	99%	n/a	99%	99%	100%	n/a	0.5%
Reports with complete demographic data	n/a	95%	n/a	97%	98%	99%	n/a	1.0%
Infectious Disease								
# of tests	n/a	813,382	n/a	845,756	862,000	879,000	n/a	1.9%
Tests meeting quality standards	n/a	90%	n/a	95%	98%	98%	n/a	1.6%
Drinking Water Quality								
# of tests	n/a	47,832	n/a	47,224	48,000	49,000	n/a	1.9%
Test results returned within 3 business days	n/a	70%	n/a	75%	80%	90%	n/a	9.5%

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<u>Actual</u> <u>1999</u>	<u>Actual</u> <u>2000</u>	<u>Est.</u> <u>2001</u>	<u>Actual</u> <u>2001</u>	<u>Est.</u> <u>2002</u>	<u>Est.</u> <u>2003</u>	<u>Ann.</u> <u>Chg.</u> <u>99-01</u>	<u>Ann.</u> <u>Chg.</u> <u>01-03</u>
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Source: Department of Health and Mental Hygiene

Recommended Actions

	<u>Amount</u> <u>Reduction</u>	
1. Reduce general funds for laboratory supplies by \$94,880 in programs not affected by bioterrorism. This action will allow a 4.5% increase in general funds for laboratory supplies in these programs.	\$ 94,880	GF
2. Increase turnover expectancy net of cost containment to fiscal 2001 average of 5.60%.	133,726	GF
3. Reduce fiscal 2003 federal funding for laboratory equipment already budgeted in the fiscal 2002 deficiency appropriation. The reduction in federal funds in fiscal 2003 will allow these funds to be applied to the fiscal 2002 deficiency appropriation.	200,000	FF
4. Reduce general funds for the 2002 deficiency appropriation. The reduction of federal funds in fiscal 2003 will allow these monies to be applied to the fiscal 2002 deficiency appropriation, thereby eliminating the need for general funds.	200,000	GF
Total Reductions to Fiscal 2002 Deficiency	\$ 200,000	
Total Reductions to Allowance	\$ 428,606	
Total General Fund Reductions to Allowance	\$ 228,606	
Total Federal Fund Reductions to Allowance	\$ 200,000	

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 2001					
Legislative Appropriation	\$15,460	\$70	\$1,105	\$812	\$17,447
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	456	25	647	0	1,129
Reversions and Cancellations	0	(17)	(58)	(21)	(96)
Actual Expenditures	\$15,916	\$79	\$1,694	\$791	\$18,479
Fiscal 2002					
Legislative Appropriation	\$16,658	\$58	\$1,442	\$801	\$18,958
Budget Amendments	(415)	0	0	0	(415)
Working Appropriation	\$16,242	\$58	\$1,442	\$801	\$18,543

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

There were several significant changes to the fiscal 2001 legislative appropriation:

- The general fund budget amendment increased the fiscal 2001 legislative appropriation by \$455,819. This was primarily due to higher than anticipated personnel costs, including \$107,396 for inability to meet budgeted turnover and \$96,247 for health insurance. \$81,987 was devoted to laboratory

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equipment.

- A special fund budget amendment provided \$25,350 in additional funds from the Anne Arundel Community Health Department for laboratory supplies and reagents for short term gross alpha testing.
- A federal fund budget amendment totaling \$622,096 included awards of \$150,788 for control of sexually transmitted diseases, \$134,469 for prevention of HIV, and \$124,110 for bioterrorism, among other smaller grants.
- Special funds were cancelled because the actual amount of the Ryan White grant award from the Baltimore City Health Department was less than the amount appropriated.
- \$58,154 in federal funds were cancelled in the areas of tuberculosis control and overseas newborn screening.

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Appendix 2

Object/Fund Difference Report
DHMH - Laboratories Administration

Object/Fund	FY02		FY03 Allowance	FY02 - FY03 Amount Change	Percent Change
	FY01 Actual	Working Appropriation			
Positions					
01 Regular	271.00	278.00	287.50	9.50	3.4%
02 Contractual	15.40	25.30	19.15	(6.15)	(24.3%)
Total Positions	286.40	303.30	306.65	3.35	1.1%
Objects					
01 Salaries and Wages	\$ 12,169,114	\$ 12,654,235	\$ 13,938,661	\$ 1,284,426	10.2%
02 Technical & Spec Fees	427,339	666,625	536,743	(129,882)	(19.5%)
03 Communication	120,220	129,941	95,947	(33,994)	(26.2%)
04 Travel	12,577	9,476	11,840	2,364	24.9%
07 Motor Vehicles	22,367	22,501	21,032	(1,469)	(6.5%)
08 Contractual Services	510,114	515,125	635,636	120,511	23.4%
09 Supplies & Materials	3,755,981	3,420,550	4,004,289	583,739	17.1%
10 Equip - Replacement	719,951	695,044	515,044	(180,000)	(25.9%)
11 Equip - Additional	387,410	55,000	403,500	348,500	633.6%
12 Grants, Subsidies, Contr	275,644	300,000	300,000	0	0%
13 Fixed Charges	78,751	74,465	72,747	(1,718)	(2.3%)
Total Objects	\$ 18,479,468	\$ 18,542,962	\$ 20,535,439	\$ 1,992,477	10.7%
Funds					
01 General Fund	\$ 15,915,674	\$ 16,242,377	\$ 17,255,889	\$ 1,013,512	6.2%
03 Special Fund	78,578	58,000	68,000	10,000	17.2%
05 Federal Fund	1,694,096	1,441,837	2,646,252	1,204,415	83.5%
09 Reimbursable Fund	791,120	800,748	565,298	(235,450)	(29.4%)
Total Funds	\$ 18,479,468	\$ 18,542,962	\$ 20,535,439	\$ 1,992,477	10.7%

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

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Appendix 3

**Fiscal Summary
DHMH - Laboratories Administration**

<u>Unit/Program</u>	<u>FY01</u>	<u>FY02</u>	<u>FY02</u>	<u>FY01 - FY02</u>	<u>FY03</u>	<u>FY02 - FY03</u>
	<u>Actual</u>	<u>Legislative</u>	<u>Working</u>	<u>% Change</u>	<u>Allowance</u>	<u>% Change</u>
		<u>Appropriation</u>	<u>Appropriation</u>			
01 Laboratory Services	\$ 18,479,468	\$ 18,958,252	\$ 18,542,962	0.3%	\$ 20,535,439	10.7%
Total Expenditures	\$ 18,479,468	\$ 18,958,252	\$ 18,542,962	0.3%	\$ 20,535,439	10.7%
General Fund	\$ 15,915,674	\$ 16,657,667	\$ 16,242,377	2.1%	\$ 17,255,889	6.2%
Special Fund	78,578	58,000	58,000	(26.2%)	68,000	17.2%
Federal Fund	1,694,096	1,441,837	1,441,837	(14.9%)	2,646,252	83.5%
Total Appropriations	\$ 17,688,348	\$ 18,157,504	\$ 17,742,214	0.3%	\$ 19,970,141	12.6%
Reimbursable Fund	\$ 791,120	\$ 800,748	\$ 800,748	1.2%	\$ 565,298	(29.4%)
Total Funds	\$ 18,479,468	\$ 18,958,252	\$ 18,542,962	0.3%	\$ 20,535,439	10.7%