

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE

Senate Bill 108 (Chairman, Finance Committee)  
(Departmental - Health and Mental Hygiene)

Finance

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Public Laboratories

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This departmental bill repeals current law requiring that public health and clinical laboratories be located in specific areas of the State and requires the Secretary of Health and Mental Hygiene to determine the number and location of laboratories needed to meet public health needs.

The bill takes effect July 1, 1996.

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Fiscal Summary

**State Effect:** General fund expenditures would decrease by \$254,300 in FY 1997. Future year savings increase due to inflation. Revenues are not affected.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Expenditures	(254,300)	(256,800)	(265,700)	(275,000)	(284,500)
Net Effect	\$254,300	\$256,800	\$265,700	\$275,000	\$284,500

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

**Local Effect:** None.

**Small Business Impact:** The Department of Health and Mental Hygiene has determined that this bill has no economic impact on small business (attached). Fiscal Services concurs with this assessment.

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## **Fiscal Analysis**

**Background:** Current law requires the Department of Health and Mental Hygiene (DHMH) to maintain seven laboratories in specific locations (Annapolis, Cambridge, Cheverly, Easton, Frederick, Rockville, and Salisbury) and grants authority to maintain additional laboratories as needed. DHMH also has a central laboratory in Baltimore and another laboratory in Cumberland. The laboratories accept specimens and samples from local health departments, physicians and hospitals. A courier system runs between the laboratories, local health departments, and State hospitals each day. In 1993, the Butta Commission (the Governor's Commission on Efficiency and Economy in Government) recommended that the nine laboratories be consolidated into four laboratories, thereby saving an estimated \$550,000 annually.

**State Expenditures:** DHMH estimates that general fund expenditures could decrease by an estimated \$485,437 in fiscal 1997. This estimate reflects the cost of abolishing 13 positions due to lab consolidation. The 13 positions include six Public Health Lab Scientists, two Lab Technicians, three Lab Assistants, one Lab Helper, and one Office Secretary. The estimate includes salaries of \$313,765, fringe benefits, and associated operating expenses and assumes a full year's savings, based on the bill's effective date of July 1, 1996.

The Department of Fiscal Services (DFS) estimates, however, that general funds will decrease by only \$254,323 in fiscal 1997. The DHMH estimate assumes abolition of 13 positions, while DFS assumes that only seven positions are being abolished. Fiscal Services' estimate is based on the fiscal 1997 budget allowance, which shows that of the 21 positions affected by closing four laboratories, seven are abolished and 14 are being transferred elsewhere within the Laboratories Administration to the eight branch laboratories (eight positions) and the Baltimore central lab (six positions), as shown in Exhibit 1 below. DHMH's estimate of the number of positions abolished includes not only the seven positions actually abolished, but also those six positions transferred to the Baltimore central lab.

The DFS estimate reflects the cost of abolishing the following seven positions: one Lab Assistant, one Lab Helper, two Lab technicians, and three Public Health Lab Scientists. It includes salaries of \$143,567, fringe benefits, associated operating expenses, and is based on the bill's effective date of July 1, 1996.

Salaries and Fringe Benefits      \$(203,430)  
 Other Operating Expenses      (50,893)

**Total FY 1997 State Savings      \$(254,323)**

Future year savings reflect (1) salaries with 3.5% annual increases and 3% employee turnover; and (2) 2% annual increases in ongoing operating expenses.

Exhibit 1 shows the fiscal 1997 budget allowance and number of budgeted positions for each of the laboratories. DHMH plans to close four laboratories: Annapolis, Easton, Frederick, and Rockville. The exhibit indicates that of the 14 transferred positions, six are allocated to the Baltimore central lab, four to the Cheverly lab, one to the Cumberland lab, two to the Cambridge lab, and one to the Salisbury lab.

<b>Exhibit 1</b>				
<u>Laboratory</u>	<u>FY 1997 Allowance</u>	<u>FY 1996 Positions.</u>	<u>FY 1997 Positions</u>	<u>Position Difference</u>
Annapolis	\$0	9	0	(9)
Cambridge	526,694	9	11	2
Cheverly	555,263	9	13	4
Cumberland	362,951	7	8	1
Easton	0	3	0	(3)
Frederick	0	6	0	(6)
Rockville	0	3	0	(3)
Salisbury	536,290	9	10	1
SUBTOTAL	\$1,981,198	55	42	(13)
Baltimore	13,054,438	252	258	6
TOTAL	\$15,035,636	307	300	(7)

**Information Source(s):** Department of Fiscal Services, Department of Health and Mental Hygiene (Laboratories Administration)

**Fiscal Note History:** First Reader - - January 17, 1996

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