

**Department of Legislative Services**  
Maryland General Assembly  
2011 Session

**FISCAL AND POLICY NOTE**  
**Revised**

House Bill 983

(Delegate Rudolph, *et al.*)

Health and Government Operations

Finance

**Public Health - Cord Blood Transplant Program**

This bill establishes a Cord Blood Transplant Program in the Department of Health and Mental Hygiene (DHMH) to provide funding, subject to the limitations of the State budget, to qualified medical institutions to establish or maintain a cord blood transplant program. The bill also establishes a Cord Blood Transplant Center Support Fund to promote economic development by supporting cord blood transplant centers at qualified medical institutions with a goal of being recognized as a regional center of excellence in the area of cord blood transplantation. Qualified medical institutions may apply for a grant from the fund each year. The special, nonlapsing fund will be administered by DHMH and consist of State budget appropriations, beginning in 2013, and money from any other source accepted for the benefit of the fund. DHMH must adopt regulations to administer the fund.

**Fiscal Summary**

**State Effect:** General fund expenditures increase by \$24,300 in FY 2012 to establish the Cord Blood Transplant Program in DHMH. Special fund revenues increase by at least \$500,000 in FY 2013, and annually thereafter, to capitalize the Cord Blood Transplant Program Support Fund. Funds for capitalization come from general fund expenditures, which increase by a total \$540,600 in FY 2013 to cover both a transfer to the special fund and personnel and administrative expenses. Correspondingly, special fund expenditures increase by an estimated \$500,000 annually to award grants to qualified medical institutions. Future years reflect inflation in administrative costs.

(in dollars)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
SF Revenue	\$0	\$500,000	\$500,000	\$500,000	\$500,000
GF Expenditure	\$24,300	\$540,600	\$542,700	\$544,800	\$547,000
SF Expenditure	\$0	\$500,000	\$500,000	\$500,000	\$500,000
Net Effect	(\$24,300)	(\$540,600)	(\$542,700)	(\$544,800)	(\$547,000)

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** None.

**Small Business Effect:** None.

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## Analysis

**Bill Summary:** “Cord blood transplant center” means a medical facility that uses cells obtained from a human umbilical cord or placenta to treat pediatric or adult patients afflicted with a disease or injury. “Qualified medical institution” means a Maryland medical institution accredited by the Joint Commission on Accreditation of Health Care Organizations with an established hematologic malignancies (cancers that affect blood, bone marrow, and lymph nodes) research program.

**Current Law/Background:** Hospitals have to allow pregnant patients to arrange for the donation of the umbilical cord blood from their newborn child to a certified public cord blood bank, unless it is medically inadvisable. A patient who agrees to donate cord blood may not be charged for the costs of collecting, storing, or transporting the blood. A hospital does not have to collect cord blood if doing so would threaten the health of the mother or child. A hospital or hospital employee may not be required to collect cord blood if collecting cord blood conflicts with *bona fide* religious practices and beliefs of the hospital or hospital employee. A hospital does not have to arrange for cord blood donations.

Chapter 19 of 2006 created the Maryland Stem Cell Research Fund to promote State-funded stem cell research and cures through grants and loans to public and private entities in Maryland. Annually, the Governor may include in the budget bill an appropriation to the Stem Cell Research Fund. Chapter 19 also established an independent Stem Cell Research Commission under the Maryland Technology Development Corporation. The Stem Cell Research Commission must contract with an independent scientific peer review committee of scientifically recognized stem cell research experts, which evaluates stem cell research proposals for the commission.

**Background:** Cord blood contains all of the normal elements of blood, but it is also rich in hematopoietic (blood-forming) stem cells, similar to those found in bone marrow. Thus, cord blood can be used for transplantation as an alternative to bone marrow. Most cord blood transplants have been performed in patients with blood and immune system diseases. Cord blood transplants have also been performed for patients with more than 80 genetic or metabolic diseases. If the blood cannot be used for transplant, the cord blood stem cells may be used for research. Public umbilical cord blood banks pay for the processing and storage costs of the donated blood.

In fiscal 2010, the Stem Cell Research Fund supported 40 research grants that were approved from 141 applications. The Stem Cell Research Commission is in receipt of

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255 letters of intent for fiscal 2011. The Governor's proposed fiscal 2012 budget includes \$12.4 million in general funds to support grants under the Stem Cell Research Fund, approximately the same amount as appropriated in fiscal 2010 and \$2.0 million less than fiscal 2011.

**State Fiscal Effect:** As the bill states that the fund consists of money appropriated in the State budget beginning in 2013, Legislative Services assumes that no revenues or expenditures will occur related *to the fund* in fiscal 2012 despite the bill's October 1, 2011 effective date. However, general fund expenditures increase by \$24,278 in fiscal 2012 to establish the Cord Blood Transplant Program. This estimate reflects the cost of hiring one part-time nurse consultant, beginning January 1, 2012, to administer the Cord Blood Transplant Program and develop regulations for disbursement of grant funds beginning in *fiscal* 2013, assuming that the budget appropriation provision applies to fiscal years rather than calendar years. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses. New personnel is needed as DHMH currently has no staff with expertise in cord blood transplant centers. As the bill does not allow administrative expenses to be paid from the fund, general fund expenditures are required for staffing costs.

	<u><b>FY 2012</b></u>	<u><b>FY 2013</b></u>
New Permanent Position	0.5	
Annual Capitalization of the Fund	\$0	\$500,000
Salary and Fringe Benefits	19,740	40,228
Operating Expenses	<u>4,538</u>	<u>409</u>
<b>Total General Fund Expenditures</b>	<b>\$24,278</b>	<b>\$540,637</b>

In fiscal 2013, general fund expenditures increase by at least \$540,637. This estimate reflects ongoing costs to administer the program, review and evaluate grant applications, disburse grant funds, and monitor grants awarded, as well as the cost of capitalizing the Cord Blood Transport Program Support Fund with at least \$500,000 in general fund expenditures, the minimal amount to ensure viability of the fund. To the extent that funds are received from another source, such as federal or private grant funding, general fund expenditures to capitalize the fund may be reduced. Funding is subject to the limitations of the State budget.

Special fund expenditures increase by up to \$500,000 in fiscal 2013 to award grants to qualified medical institutions. Actual grant funding will depend on the amount of any State budget appropriation to the fund or any other moneys received from another source.

Future year expenditures reflect a full-year part-time salary with 4.4% annual increases and 3% employee turnover as well as 1% annual increases in ongoing operating expenses.

## **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 584 (Senator Jacobs, *et al.*) – Finance.

**Information Source(s):** National Cord Blood Program, Department of Health and Mental Hygiene, University of Maryland Medical System, Department of Legislative Services

**Fiscal Note History:** First Reader - March 13, 2011  
mc/mwc Revised - House Third Reader - March 29, 2011

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