



Blog Series: Local Health Departments

Part 1: Introduction

[July 11, 2011 Andrea Mansfield Health and Human Services](#)

This blog series, which will run over the course of the next several months, will serve to educate public officials and others on the significant role of Maryland's health departments, highlight the many budgetary challenges resulting from reductions over the past few years, and describe the expanding pressures placed on these agencies through health care reform and the economic downturn. The final piece of this series will draw final conclusions on the vital role of health departments and raise specific issues to be addressed to ensure our health departments can meet growing citizen demands.

Health Departments – Introduction

Local health departments (LHDs) provide essential front line services to the public. However, substantial funding reductions are threatening their capacity to deliver crucial services. Funding for Maryland's LHDs is a combination of federal, State (Core Funding), and county funds as well as fee collections. Core Funding is determined through a statutory formula. The minimum funding level for the program was established at \$41.0 million in fiscal 1997, with subsequent increases based on inflation and population growth. These inflationary factors increased funding to a high of almost \$70 million in FY 2008. However, cost containment actions of the Board of Public Works in August 2010 and further action during the 2010 General Assembly session, reduced the base funding level to \$37.3 million for FY 2010 to FY 2012. The base funding level will remain at this level for FY 2013, but instead of the inflationary increases providing for cumulative growth, due to a new interpretation of the statute, the inflationary increases would only be applied as one year's growth in inflation and population, permanently reducing and restructuring LHD funding. These actions have already had a profound impact on LHDs and will continue to do so for years to come unless action is taken to restore funding and provide for inflationary increases to accommodate expanding needs.

Conduit Street Blog

A clearinghouse of information on issues affecting Maryland's county governments.



Since FY 2008, Core Funding for LHDs has been reduced by approximately 45%. This is a substantial reduction considering Core Funding accounts for approximately 41% of the LHD budget. The link below contains a pie chart which shows funding for LHDs by source – Local Government, Federal Direct, State Direct, Medicaid and Medicare, Federal Pass-through, and Other.

[Funding by Source](#)

Although federal H1N1 funding helped LHDs accommodate some of these reductions, when these funds ran out, LHDs had no other option but to eliminate positions. From FY 2009-2011, 449 regular and contractual positions have been eliminated statewide. The link below contains a pie chart which summarizes these positions by service area – Wellness Promotion, Administration and Communication, Adult/Clinical/Dental, Communicable Disease Control, Environmental Health, Family Planning, and Maternal and Child Health.

[FTEs Reduced](#)

As this bi-weekly blog series continues, these issues will be examined in much closer detail. Future blogs will discuss LHD structure, staffing, and funding; the history of the core funding formula; the current core funding formula, its new legal interpretation and its shortcomings; the effects of funding reductions in terms of services and staffing; and the expanding role of LHDs due to health care reform and the economy.

Part 2: Services, Structure and Staffing, and Funding

[August 11, 2011](#) [Andrea Mansfield](#) [Health and Human Services](#)

Some crusty old Health Officer once said, “When you’ve seen one local health department, you’ve seen one local health department.” Indeed, local health departments (LHD) in Maryland come in many shapes and sizes. They represent a complex web of programs to assist with the delivery and

Conduit Street Blog

A clearinghouse of information on issues affecting Maryland's county governments.



coordination of public health services. These services may range from maternal health and drug abuse treatment, to the inspection of food facilities and environmental testing.

A [publication](#) from the [National Association of County and City Health Officials](#) describes a local health department as follows:

America's local health departments keep people healthy. They protect the water we drink, the food we eat, and the air we breathe. They detect and stop outbreaks of disease like measles and tuberculosis. They also lead efforts that prevent and reduce the effects of chronic diseases such as diabetes, asthma, and cancer.

Local health departments help create and maintain conditions in communities that make it easier for people to make healthier individual choices. They provide basic public health services that people count on and protect and improve health in ways that health insurance companies or medical care providers cannot.

This blog post is the second in a series on LHDs and will examine their services provided, structure and staffing, and funding.

SERVICES

In Maryland, local health services, otherwise known as “core local health services,” are broadly divided into categories as specified by [State law](#). Funding provided by the State through the Core Funding Formula is allocated across these categories based upon priorities determined by the LHD.

- Communicable Disease Control – includes programs to prevent and control the spread of the Human Immunodeficiency Virus as well as other sexually transmitted diseases, tuberculosis-control programs, and childhood vaccination programs
- Environmental Health – works in conjunction with the Maryland Department of the Environment to increase awareness of environmental hazards, examples include development review, septic system and well permits

Conduit Street Blog

A clearinghouse of information on issues affecting Maryland's county governments.



News and information for Maryland's counties

- Family Planning – provides planning and reproductive health services, including pregnancy prevention and female reproductive health screening
- Maternal and Child Health – provides case management for medically vulnerable children, administers pre-school vaccination programs, and provides school-based programming in conjunction with the Maryland State Department of Education, as well as abstinence education and lead poisoning prevention and control
- Wellness Promotion – Promotes healthy lifestyles and physical activity
- Adult and Geriatric Health – coordinates programs to reduce death and disability due to chronic disease
- Administration – provides for budgeting and personnel functions as well as health planning, data collection, and coalition building

Most health departments offer these services. However, LHDs also receive Federal and State grant funding, which may include funds for substance abuse treatment, child and maternal health programs, school health services, health services for the elderly, and mental health programs. LHD's may also offer smoking cessation programs, assist with determining eligibility for the Maryland Children's Health Insurance Program, and offer assistance to the uninsured to help them gain access to health care. Some health departments may offer all of these programs and services, others may offer a select few based on community need, while others may contract with non-profits or other outside entities.

With respect to mental health services, each local jurisdiction has a core services agency which is responsible for planning, coordinating, and monitoring publicly funded mental health services. Ten LHDs serve as core service agencies for their jurisdictions and receive grants for administration and services. The other jurisdictions contract with private, nonprofits to fill this role.

Some would argue that this widely varied role makes LHDs difficult to understand, which ultimately leads to their underfunding.

Conduit Street Blog

A clearinghouse of information on issues affecting Maryland's county governments.



STRUCTURE AND STAFFING

Each county is required by statute to establish a local board of health, which can institute limited health rules and regulations upon compliance with the requirements set out in State law. The county governing body fulfills this role, unless in a code or charter county, the governing body chooses to establish a separate board.

In addition, each county has a local health officer who is nominated by each county governing body and appointed by the Secretary of the Department of Health and Mental Hygiene. A health officer does not need to be a physician if his or her deputy health is a physician. Currently, one-half of the State's 22 health officers are non-physicians. (Two health officers are assigned two counties each, Charles and Queen Anne's, and Kent and Caroline.)

The local health officer serves as the executive director of the health department and is responsible for appointing staff and enforcing the health laws and policies adopted by the State and local jurisdiction. While all health officers are State employees, LHD employees may be State or county employees based on the preference of the home rule jurisdiction. Health department employees in Baltimore City and Baltimore, Montgomery, and Prince George's counties are county employees, whereas employees in all other counties are State employees. A substantial number of LHD State employees are funded with county money. This mixture of State/county funding for these employees can result in problems with tabulating whose employees they are. Many times these employees are excluded from total employee counts at the State and county level, which can create problems when salary or other compensation related adjustments are made.

Staffing levels range from department heads which manage various functional units, to mid-level supervisors, to administrative staff. As expected, the number of staff varies by the size of the jurisdiction. Very small LHDs, such as Caroline County, employ approximately 110 employees, while those that are larger, such as Baltimore County, employ 528.

FUNDING

Conduit Street Blog

A clearinghouse of information on issues affecting Maryland's county governments.



LHDs are funded through a combination of federal, State, and county funds as well as fees. A previous blog provided a broad general overview of funding and recent reductions in State aid. This piece will provide more detail on overall funding by source.

Traditional public health services, such as the core local health services mentioned above, are funded through the Core Funding Formula. Core Funding is [State/county matching](#) funding formula set out in State law and regulation. The formula contains \$4.5 million in federal funds. Counties have the ability to add additional county funds over and above their required match if they choose to do so.

The minimum State funding level was set at \$41.0 million in FY 1997, with subsequent increases based on inflation and population growth. These inflationary factors increased funding to a high of almost \$70 million in State General funds in FY 2008. However, cost containment actions by the Board of Public Works in August 2010 and further action during the 2010 General Assembly session, reduced the base State funding level to \$37.3 million for FY 2010 to FY 2012. Inflationary increases will begin again in FY 2013, but instead of providing for cumulative growth, due to a new interpretation of the statute, the inflationary increases would only be applied as one year's growth, permanently reducing and restructuring LHD funding. A subsequent blog will provide the history of the Core Funding Formula, more on the new statutory interpretation, and the effects on LHD.

LHDs also receive Federal and State funding to provide a number of specific services through grant agreements with the Department of Health and Mental Hygiene. This may represent 50% or more of a LHDs budget. The types of services provided may include substance abuse treatment, child and maternal health programs, school health services, health services for the aged, and mental health programs.

Although minimal, LHDs do collect fees for some of the services provided. Fees may be for restaurant inspections, environmental testing, or clinic services. If for clinic services, fees are set on a sliding scale, based on income and family size. In most cases, fees collected do not cover the cost of providing the services.

The link below provides a summary of the State, local, and federal funding for each county by source. In FY 2009, the last year these figures were compiled and the year before cost containment, LHDs received a total of \$440 million, of which 55% was through grant agreements with DHMH,

Conduit Street Blog

A clearinghouse of information on issues affecting Maryland's county governments.



14% through the Core Funding formula, and 31% through local funding. Since that time, Core Funding has been reduced by over 40%; federal programs, such as funding for H1N1, have been eliminated; and, local governments have reduced funding to accommodate State aid reductions, maintain education funding as required by law, and other lost revenues.

[Funding for Local Health Departments FY 2009](#)

The following link provides a breakdown of expenditures by county, the county's required match, and how much counties are funding over the required match. In FY 2009, county expenditures totaled \$135.8 million and counties overfunded the match by \$81.7 million.

[Local Expenditures for Local Health Departments FY 2009](#)

Part 3: History of Local Health Services and Core Funding

September 7, 2011 [Andrea Mansfield Health and Human Services](#)

This is the third part of a series on local health departments. The previous two blogs have provided an [introductory overview](#) of local health departments and specifics on [services provided, organizational structure, and funding](#). This piece will discuss the history of local health services and of the core funding formula. The actual development of the Core Funding Formula will be discussed in the next segment of the series.

The text for this blog has been taken from a document titled "[Core Funding for Local Health Departments: An Analysis of the Maryland Funding Formula and its Impact on Local Health Services](#)." This document was prepared by Christine O'Malley, a student of the Johns Hopkins School of Public Health, for the Maryland Association of County Health Officers (MACHO).

History of Local Health Services

The first health department in Maryland was developed in Baltimore City in 1793 in response to a yellow fever epidemic. The first State Board of Health was established in 1874, which in turn

Conduit Street Blog

A clearinghouse of information on issues affecting Maryland's county governments.



established county boards of health starting in 1880. County boards of health first gained the authority to appoint Health Officers in 1886. Health Officers at that time generally served on a part-time basis while maintaining their own medical practices. The first State Board of Health in Maryland was established in 1874, but the Maryland State Health Department did not come into existence until 1910.^[1] Increased interest in public health following World War I led the General Assembly to give county boards of health the authority to require specific public health training for Health Officers and to have Health Officers serve on a full-time basis. The state then decided to make an effort to ensure that health departments in every county had full-time Health Officers. The first full-time county health department was developed in 1922 in Allegany County, and by 1934, all counties in Maryland had health departments.^[2] ^[3]

To facilitate this transition, however, the state needed local support. The state argued that county Health Officers created greater efficiency, because the state had full-time Deputy State Health Officers overlapping service areas with local Health Officers, and if one person filled both positions, both state and local governments could save money. Combining the positions would allow the local health officer to simultaneously serve as a Deputy State Health Officer (which gave him some power to enforce state regulations) and provide health services at the local level. With this in mind, the state proposed that counties add a small sum to the salary for the local Health Officers, and the state would also add money for local health officer salaries, and possibly some funds for additional staff, depending on availability of funds.^[4] Today, Health Officers still retain this dual role of serving as a state and local agent, though the term 'Deputy State Health Officer' has fallen out of common use. Currently, the term 'Deputy Health Officer' refers to the Health Officer's second in command within the local health department, and should not be confused with this historical title that applied to Health Officers themselves. This traditional role of the Health Officer, now reflected in the overall mission of LHDs in general, represents a more efficient model of service delivery because the Health Officer is able to deliver services at the local level and at the same time contribute to a collective goal of improving health for the entire state.

History of Core Funding

Prior to the 1950s, there was no set formula for determining the relative shares of cost to be borne by state and local entities, and the state negotiated its share of costs for LHDs with each county

Conduit Street Blog

A clearinghouse of information on issues affecting Maryland's county governments.



individually. This arrangement provided for the basic needs of LHDs in each locality, but resulted in significant inequities between counties. As LHDs expanded services and expenditures grew, the state did not continue its original commitment to share roughly half of the budget of each county. Larger counties were able to rely on local funds to expand services while smaller counties depended more on state dollars to finance budget increases for LHDs. As a result, county health departments were growing at different rates. In addition, county Health Officers had little discretion in how the funds for their own health departments were spent under this system.[\[5\]](#)

The basic idea for a specific funding formula for local health services originated in 1955, when the state of Maryland realized that the lack of a single state policy for financing local health services had led to significant inequities in the distribution of state aid to counties. The formula was developed by the Subcommittee to Review the Financing of Maryland Health Activities, part of the Maryland State Planning Commission.[\[6\]](#)

The recommendations developed by the committee were based on several key principles. The committee recognized disparities in state aid to counties were associated with wide variation in health services across jurisdictions, and sought to develop recommendations that would provide a more transparent and equitable method of distributing financial responsibility for local health services. The committee believed matching requirements should be based on a county's relative ability to pay. In addition, the committee aimed to develop a more transparent system of distribution and to give Health Officers the authority to have greater discretion in the use of resources available to them.[\[7\]](#)

The committee recommended that cost sharing between state and local governments for local health services be based on certain minimum standards derived from fixed ratios of health department personnel to population. These ratios would be expressed as minimum annual per capita expenditures which would vary depending on county population. These figures in turn formed the basis of the Estimated Minimum Budget (EMB) for each county. Once the EMB was calculated, the counties' relative wealth would be used to determine the appropriate state/local share for each county.

The committee recognized the importance of maintaining a state-local partnership in financing local health services. It recommended that the state continue to provide approximately 50% of total health expenditures for all counties put together, with the state share varying from 20% for counties with

Conduit Street Blog

A clearinghouse of information on issues affecting Maryland's county governments.



the greatest ability to contribute to LHDs to 80% for counties with the least capacity to raise local funds. This variation was meant to provide for a basic level of services for each county while accounting for relatively higher per capita costs in smaller counties. The state-local share was to be determined through the use of a state-wide formula based on the equalized assessed value of real and personal property subject to local taxation. This measure was thought to be the best proxy for each county's ability to pay for health services. The formula provided funding for basic infrastructure for each county, but recognized that smaller counties would end up paying significantly more for health services per capita if the state share of funding were equal across all counties.[\[8\]](#)

This formula, which became known as the Case formula, (after Richard Case, the Chair of the Commission that developed the formula) was adopted in the Code of Maryland Regulations (COMAR) in FY 1956 and was used for many years as the primary method for determining state and local shares of financing for local health services, though the state's share of funding was never legislatively mandated.[\[9\]](#) The methodology of distributing state funds to LHDs under the Case formula was outlined in COMAR regulations, but state funds were appropriated through the annual budget process, rather than being required by statutory law. This process of distribution remained in effect until the adoption of the Core funding law in 1995. The lack of dedicated funding made state contributions to LHDs vulnerable to cutbacks in the annual budget process, particularly during state fiscal crises in times of economic difficulty. The adoption of the Core funding formula in 1995 included a legislatively mandated base level of funding for LHDs which would require the Governor's Annual Budget for LHDs to be consistent with statute. Over the years, there have been several attempts to modify the law to provide a clear and comprehensive legislative mandate for state funding for LHDs, but difficult economic circumstances and lack of political will have prevented the adoption of a sustainable solution to the challenge of providing adequate and equitable support for LHDs.

- Maryland Funding for Local Health Departments – [Timeline](#)

Conduit Street Blog

A clearinghouse of information on issues affecting Maryland's county governments.



News and information for Maryland's counties

- [1] Maryland State Planning Commission Committee on Medical Care. (1955, February). Report of the Subcommittee to Review the Financing of Maryland Health Activities.
- [2] Maryland State Planning Commission Committee on Medical Care. (1955, February). Report of the Subcommittee to Review the Financing of Maryland Health Activities.
- [3] Maryland State Planning Commission Committee on Medical Care. (1955, February). Report of the Subcommittee to Review the Financing of Maryland Health Activities.
- [4] Maryland State Planning Commission Committee on Medical Care. (1955, February). Report of the Subcommittee to Review the Financing of Maryland Health Activities.
- [5] Wasserman, M. P. (1993). *Leadership – Working Together to Generate Critical Public Health Legislation*. Cheverly, MD.
- [6] Maryland Department of Health and Mental Hygiene. (2010). *Department of Health and Mental Hygiene – Origin*. Retrieved April 3, 2010, from Maryland Department of Health and Mental Hygiene: <http://www.msa.md.gov/msa/mdmanual/16dhmh/html/dhmf.html>
- [7] Maryland State Planning Commission Committee on Medical Care. (1955, February). Report of the Subcommittee to Review the Financing of Maryland Health Activities.
- [8] Maryland Department of Health and Mental Hygiene. (2010). *Department of Health and Mental Hygiene – Origin*. Retrieved April 3, 2010, from Maryland Department of Health and Mental Hygiene: <http://www.msa.md.gov/msa/mdmanual/16dhmh/html/dhmf.html>
- [9] Maryland State Planning Commission Committee on Medical Care. (1955, February). Report of the Subcommittee to Review the Financing of Maryland Health Activities.

Conduit Street Blog

A clearinghouse of information on issues affecting Maryland's county governments.



Part 4 – Core Funding Formula and Recent Challenges

November 14, 2011 [Andrea Mansfield](#) [Health and Human Services](#)

As discussed in [Part 3](#) of the blog series, the Core Funding Formula was adopted in 1995. This formula established a base level of funding for local health departments beginning in FY 1997 of \$41 million, with subsequent increases based on inflation and population growth. To receive funds through the formula, each jurisdiction was also required to meet a local match, which may not exceed the local matching percentage required in FY 1996. Although there has been discussion about modifying the Core Funding Formula to provide funding for compensation-related adjustments, up until FY 2008, the Core Funding Formula generally worked well, providing increased funding, compounded annually, for health departments. In FY 2008, funding for local health departments reached a high of almost \$70 million. This trend changed, however, beginning in FY 2009.

Due to State fiscal constraints, health departments saw their funding reduced by almost \$12 million from the original appropriation of \$73.2 million in FY 2009. Health departments experienced further reductions in FY 2010 when the Board of Public Works, in August 2010, took action to reduce funding to approximately \$37.3 million. Further action during the 2010 General Assembly session, froze the base funding level at \$37.3 million for FY 2010 to FY 2012, and did not provide for inflationary increases.

During this time, a new interpretation of the inflationary adjustment also emerged. Since the inception of the Core Funding Formula, inflationary adjustments were compounded annually, providing for growth to accommodate increasing costs. Based on this new interpretation, inflationary adjustments will be made annually, without compounding the increase over time.

The effects of this interpretation can be seen in the [Spending Affordability Briefing](#) document presented by the Department of Legislative Services on October 20, 2011. Page 21 of the document shows health departments being funded at \$38.7 million in FY 2013. This incorporates the base funding level of \$37.3 million plus the inflationary adjustment of \$1.4 million, or 3.7%. Due to the new interpretation of inflationary adjustment, health departments will not see their funding go much beyond this level of funding for years to come. Funding reductions have already had a profound

Conduit Street Blog

A clearinghouse of information on issues affecting Maryland's county governments.



effect on local health departments. This change in interpretation means that health departments will continue to struggle for years to come unless action is taken to restore funding and provide for compounding inflationary increases to accommodate expanding needs.

A [recent report](#) completed by the Department of Health and Mental Hygiene in conjunction with the local health departments summarizes programmatic changes made in response to reductions to the Core Funding Formula. This report is in response to a request by the budget committees of the General Assembly.

Part 5: Core Funding Formula and its Shortcomings

[December 8, 2011](#) [Andrea Mansfield](#) [Health and Human Services](#)

This is the fifth part of a series on local health departments. The previous four blogs have provided an [introductory overview](#) of local health departments; specifics on [services provided, organizational structure, and funding](#); the [history of local health departments and the core funding formula](#); and an overview of the [current formula and recent challenges](#) with respect to budget and legal interpretation.

This piece will discuss the shortcomings of the core funding formula with respect to compensation related adjustments. As discussed in Part 2 of this blog series, with the exception of Baltimore City and Baltimore, Montgomery and Prince George's counties, health department employees are State employees whose salaries are paid through a combination of State, local and grant funds. Whereas, the Core Funding Formula provides for inflationary adjustments, COLA adjustments and other compensation related adjustments are not mandated through the formula. This has resulted in local governments covering a greater proportion of increases in personnel costs as adjustments have been made to State employee salaries and benefits.

Conduit Street Blog

A clearinghouse of information on issues affecting Maryland's county governments.



The remaining text for this blog has been taken from a document titled “[Core Funding for Local Health Departments: An Analysis of the Maryland Funding Formula and its Impact on Local Health Services.](#)” This document was prepared by Christine O’Malley, a student of the Johns Hopkins School of Public Health, for the Maryland Association of County Health Officers (MACHO).

Core Funding Formula and Cost of Living Adjustments

Cost of Living Allowances (COLAs) are a method of adjusting worker salaries to account for changes in the cost of living. LHDs must provide COLA adjustments for their workers, which results in increases to LHD budgets. Currently, the Core Funding Formula is adjusted for inflation and population growth, but does not include provisions for COLAs and other compensation-related adjustments. Traditionally, the state has provided some funding to LHDs through General Funds for this purpose. However, actual increases in personnel costs in recent years have not been supported by corresponding increases in state funding. Because these compensation-related adjustments are not legislatively mandated, these funds are vulnerable to budget cuts. LHDs, however, are required to fund these adjustments regardless of whether the state provides funding for this purpose. A lack of state funding for these adjustments means LHDs must rely on support from local governments to cover a greater proportion of the actual increases in personnel costs. In addition, state funding given to counties for COLAs do not cover employees funded by categorical or other grant funds but as State employees, COLAs must be funded for all eligible employees and the burden is placed on LHDs to pay for these increases.^[i] By contrast, the General Assembly does include funding to cover the cost of provide COLAs for state employees not located at LHDs. This creates an inequity among the same group of employees and places an unfair burden on LHDs who have to use a greater proportion of the funding to cover these costs than for direct services.

In 2007, in response to concerns about the effect of the Core Funding Formula on state employees in LHDs, the General Assembly requested the Community Health Administration in consultation with

Conduit Street Blog

A clearinghouse of information on issues affecting Maryland's county governments.



the Maryland Association of County Health Officers to examine certain issues regarding core funding and personnel costs. Specifically, they were asked to discuss: 1) how increases in Core funding are provided and how compensation adjustments could be more equitably distributed; 2) to what extent Core funding supports LHD programs and how that funding impacts increases in compensation; 3) the impact of rising personnel costs on LHD programs; and 4) the implications of changing the Core funding formula on State oversight.[\[ii\]](#)

The Community Health Administration and MACHO submitted their [response to the General Assembly](#) in January 2008. Their assessment included the following key recommendations: 1) to amend the statute to base part of the annual change in the State share of Core funds on the percentage change in State salaries and fringe benefits, and 2) to amend the statute to require Cost of Living Allowances (COLAs) to be equitably distributed to all LHDs by treating state and local government positions supported by Core funds in the same way whenever adjustments are made for State employees.[\[iii\]](#) This response became known for MACHO's purposes as the Joint Chairman's Report.

Reductions in state funding for compensation-related adjustments have the potential to influence local support for health departments. State contributions through Core Funds may be used to leverage matching funds from local governments. The level of state funding may also influence overmatch funds. In light of the recent cuts in state funding, LHDs have increasingly relied upon these discretionary overmatch funds to cover necessary compensation adjustments. In addition, approximately 75-80% of local health department budgets go to personnel costs, with the remaining 20-25% allocated to general operating costs.[\[iv\]](#) Consequently, if LHDs fail to identify funding sources that allow them to keep pace with required compensation-related adjustments, the departments will be forced to lay off workers and accordingly reduce service delivery hours to the public as a result.

Conduit Street Blog

A clearinghouse of information on issues affecting Maryland's county governments.



[i] Community Health Administration, Maryland Department of Health and Mental Hygiene. (2007). *Community Health Administration response to Joint Chairmen's request for information regarding state funding of local health departments*. Baltimore, MD: Maryland Department of Health and Mental Hygiene.

[ii] Chairmen of the Senate Budget and Taxation Committee and House Committee on Appropriations. (2007). *Report on the State Operating Budget (HB 50) and the State Capital Budget (HB 51) and Related Recommendations*. Annapolis, Maryland: Office of Policy Analysis, Department of Legislative Services.

[iii] Community Health Administration, Maryland Department of Health and Mental Hygiene. (2007). *Community Health Administration response to Joint Chairmen's request for information regarding state funding of local health departments*. Baltimore, MD: Maryland Department of Health and Mental Hygiene.

[iv] Community Health Administration, Maryland Department of Health and Mental Hygiene. (2007). *Community Health Administration response to Joint Chairmen's request for information regarding state funding of local health departments*. Baltimore, MD: Maryland Department of Health and Mental Hygiene.

Conduit Street Blog

A clearinghouse of information on issues affecting Maryland's county governments.



Part 6: Conclusions and Recommendations

February 7, 2012 Andrea Mansfield Health and Human Services

This is the final segment of a series on local health departments. The previous five blogs have provided an [introductory overview](#) of local health departments; specifics on [services provided, organizational structure, and funding](#); the [history of local health departments and the core funding formula](#); an overview of the [current formula and recent challenges](#) with respect to budget and legal interpretation; and [formula shortcomings](#) with respect to compensation related adjustments. This blog will draw conclusions and make recommendations with respect to the funding of local health departments.

Funding Challenges

Local Health Departments (LHDs) play a vital role in delivering health services to the public. These services may range from maternal health and drug abuse treatment, to the inspection of food facilities and environmental testing. One obvious finding from this series, is that our local health departments are underfunded and struggling to meet service demand.

Funding for Maryland's LHDs is a combination of federal, State (Core Funding), and county funds as well as fee collections. Core Funding is determined through a statutory formula. The minimum funding level for the program was established at \$41.0 million in fiscal 1997, with subsequent increases based on inflation and population growth. These inflationary factors increased funding to a high of almost \$70 million in FY 2008. However, cost containment actions of the Board of Public Works in August 2010 and further action during the 2010 General Assembly session, reduced the base funding level to \$37.3 million for FY 2010 to FY 2012. LHDs have been funded at this level again in the Governor's FY 2013 proposed budget.

Not only has funding been cut significantly for LHDs, a new interpretation of the statute has affected the application of inflationary increases. Instead of the inflationary increases providing for cumulative growth, under this new interpretation, inflationary increases would only be applied as one year's growth in inflation and population, permanently reducing and restructuring LHD funding. These actions have already had a profound impact on LHDs and will continue to do so for

Conduit Street Blog

A clearinghouse of information on issues affecting Maryland's county governments.



years to come unless action is taken to restore funding and provide for inflationary increases to accommodate expanding needs.

Recommendations:

1. As the State's fiscal condition improves, funding to LHDs should be restored and a new base established to ensure funding levels are commensurate with the needs of constituencies across the State.
2. Considering the new statutory interpretation with respect to inflationary increases, legislation should be introduced to clarify that inflationary increases should provide for cumulative growth, not one year's growth in inflation and population.

Compensation Related Adjustments

As discussed in Part 2 of this blog series, with the exception of Baltimore City and Baltimore, Montgomery and Prince George's counties, health department employees are State employees whose salaries are paid through a combination of State, local and grant funds. Whereas, the Core Funding Formula provides for inflationary adjustments, COLA adjustments and other compensation related adjustments are not mandated through the formula. This has resulted in local governments covering a greater proportion of increases in personnel costs as adjustments have been made to State employee salaries and benefits.

Reductions in state funding for compensation-related adjustments have the potential to influence local support for health departments. State contributions through Core Funds may be used to leverage matching funds from local governments. The level of state funding may also influence overmatch funds. In light of the recent cuts in state funding, LHDs have increasingly relied upon these discretionary overmatch funds to cover necessary compensation adjustments. In addition, approximately 75-80% of local health department budgets go to personnel costs, with the remaining 20-25% allocated to general operating costs. Consequently, if LHDs fail to identify funding sources that allow them to keep pace with required compensation-related adjustments, the departments will be forced to lay off workers and accordingly reduce service delivery hours to the public as a result.

Conduit Street Blog

A clearinghouse of information on issues affecting Maryland's county governments.



News and information for Maryland's counties

The 2007 Joint Chairmen's Report requested the Department of Health and Mental Hygiene and the Maryland Association of County Health Officers (MACHO) to examine this funding issue.

In [DHMH's response to the budget committees](#), recommendations were given to provide more equity in compensation adjustments between State employees in the LHDs and State employees generally. MACo would like to reiterate these recommendations.

Recommendations

1. Amend the current statute to base a portion of the annual change in the State share of Core Funds on the percentage change in State salaries and fringe benefits. Examples of changes in salaries and fringe benefits would include salary increments and COLAs as well as increases in the State share of retirement and health insurance costs. The same annual percentage change in salaries and fringe benefits would be applied to other operating expenses. This overall change would more closely align funding to the costs for operating LHDs. Existing statutory language that bases a portion of the annual change in the State share on a change in population would remain unchanged. The overall annual percentage change in the State share would be applied to the total amount of the State share in the base fiscal year to determine the State's contribution in the following fiscal year. All 24 LHDs would be included in this revised calculation of the annual formula adjustment.
2. Amend the current statute (or adopt language in the annual budget bill) to require COLAs and other compensation-related adjustments to be equitably distributed to all LHDs. State and local government positions supported by Core Funds (and State positions in general) should be treated in the same way, whenever these adjustments are approved for State employees.

Conduit Street Blog

A clearinghouse of information on issues affecting Maryland's county governments.