



Legislative Fiscal Bureau

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March 4, 2002

Joint Committee on Finance

Paper #1262

Veterinary Diagnostic Laboratory (UW System)

CURRENT LAW

1999 Act 107 transferred the Wisconsin Animal Health Laboratory along with related funding, positions and the incumbents from the Department of Agriculture, Trade and Consumer Protection (DATCP) to a Veterinary Diagnostic Laboratory Board attached to the University of Wisconsin System (UW System) and increased funding and staffing for the lab. The Board operates a central animal health laboratory in Madison and a regional facility in the city of Barron. These laboratories provide animal health surveillance, diagnostic services and testing, including those tests required by federal and state laws for disease control and the interstate movement of animals.

GOVERNOR

No provision.

DISCUSSION POINTS

1. As shown in the following table, 1999 Act 107 increased overall funding of the veterinary diagnostic laboratories by over one-half and more than doubled GPR support for lab activities. In 2001-02, the veterinary diagnostic laboratories are provided a total of almost \$7.1 million (\$4,355,400 GPR, \$2,667,200 PR funded by lab user fees and \$37,100 PR funded by lab fees collected from other state agencies).

TABLE 1

Laboratory Funding

Source	Pre-Act 107		Current Law			
	Funding	DATCP Staff	Funding	Change	UW Staff	Change
GPR	\$1,733,800	25.5	\$4,355,400	151%	80.5	216%
PR	<u>2,903,700</u>	<u>37.0</u>	<u>2,704,300</u>	<u>-7%</u>	<u>0.0</u>	<u>-100%</u>
Total	\$4,637,500	62.5	\$7,059,700	52%	80.5	29%

2. 1999 Act 107 required that the UW System: (a) lapse \$1,519,400 PR to the general fund on June 30, 2001; (b) lapse \$813,900 GPR to the general fund on June 30, 2001; and (c) for 2000-01 only, use the GPR appropriation solely for the salary and fringe benefits of up to 65.5 laboratory employees (in order for excess funds to be lapsed as well). The 65.5 staff represented 62.5 existing positions and three new section chiefs at UW. Beginning in 2001-02, UW is authorized to hire an additional 15 new GPR staff at the labs (for a total of 80.5 positions).

3. Although 1999 Act 107 required that the UW System lapse \$1,519,400 PR to the general fund on June 30, 2001, the UW System instead lapsed only \$851,900 PR, or \$667,500 less than the required amount.

4. According to UW System and Department of Administration officials, the smaller PR lapse corresponded with a higher lapse from the lab's GPR appropriation, to reach a total lapse of \$2,333,300. However, since 1999 Act 107 restricted the GPR expenditures to salary and fringe in 2000-01, it was already anticipated that the GPR lapse would exceed the Act 107 required amount.

5. In preparing fiscal estimates for the bill, the UW System and DATCP projected that \$3,453,200 GPR (\$4,267,100 appropriated to create a higher base minus a required lapse of \$813,900) would be needed to fund the salary and fringe benefits costs of lab positions in 2000-01. The Legislative Fiscal Bureau prepared a March 2, 2000, analysis for the Joint Committee on Finance that anticipated that only \$2,895,600 GPR would be needed to fund the salary and fringe benefits costs of lab positions in 2000-01, for a reduction of \$557,600 GPR from the agencies' projections. However, due to concerns raised by the UW System and DATCP that \$2,895,600 GPR would be insufficient to cover staff salary costs, instead of reducing GPR expenditure authority or increasing the required GPR lapse amount, the Joint Committee on Finance passed a motion to limit GPR expenditures in the annual appropriation to salary and fringe only in 2000-01, in order that any excess GPR would be returned to the general fund. This provision was included in the bill as passed by the Legislature and signed by the Governor as Act 107. In 2000-01, the lab lapsed \$1,481,400 GPR to the general fund.

6. In order to fulfill the requirement of 1999 Act 107, the Committee could require the UW System to lapse \$667,500 (the difference between the required lapse of \$1,519,400 PR and the

actual lapse of \$851,900 PR) from veterinary diagnostic lab program revenues to the general fund on June 30, 2002. As shown in Table 2, the program revenue balance has grown to over \$1.2 million. A lapse of \$667,500 would leave a fund balance of over \$600,000.

7. Further, the Committee could choose to lapse a larger amount to the general fund without reducing lab expenditures from historical amounts, as the account has been structurally sound, and a sufficient balance exists. UW System officials argue that maintaining a significant fund balance facilitates the ability of the lab to make equipment purchases or to lower fees to laboratory users. However, requiring a lapse of \$933,900 would leave a fund balance of approximately \$350,000, or the amount the fund had on June 30, 1998. If the Committee chose to maintain a higher fund balance in the veterinary diagnostic lab appropriation, a lower lapse amount could be required.

TABLE 2

Program Revenue Fund Condition

	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02*</u>
Opening Balance	\$123,200	\$349,100	\$792,200	\$998,100	\$1,168,300
Revenue	2,040,600	2,449,200	2,756,000	2,613,800	1,339,300
Expenditure	-1,814,700	-2,006,100	-2,550,100	-1,591,700	-1,223,700
Lapse to General Fund	_____	_____	_____	<u>-851,900</u>	_____
Closing Balance	\$349,100	\$792,200	\$998,100	\$1,168,300	\$1,283,900

*Through January 31, 2002

ALTERNATIVES TO BILL

1. Require the UW System to lapse one of the following amounts from the veterinary diagnostic lab PR appropriation to the general fund on June 30, 2002:
 - a. \$667,500 (the amount required by Act 107)
 - b. \$750,000
 - c. \$850,000
 - d. \$933,900 (a PR account balance of approximately \$350,000 would remain).
2. Take no action.

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